Powers exercised


B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 6 July 2006.

Amendments to the Handbook

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

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glossary of definitions</td>
<td>Annex A</td>
</tr>
<tr>
<td>General Provisions (GEN)</td>
<td>Annex B</td>
</tr>
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<td>Fees manual (FEES)</td>
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<td>Insurance: Conduct of Business sourcebook (ICOB)</td>
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<td>Client Assets sourcebook (CASS)</td>
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<td>Supervision manual (SUP)</td>
<td>Annex G</td>
</tr>
<tr>
<td>Perimeter Guidance manual (PERG)</td>
<td>Annex H</td>
</tr>
</tbody>
</table>

Citation

E. This instrument may be cited as the Handbook Administration (No 3) Instrument 2006.

By order of the Board
22 June 2006
Annex A

Amendments to the Glossary of definitions

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

Amend the following definitions as shown.

**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 security or relevant investment (that is, any designated investment, funeral plan contract, pure protection contract, general insurance contract or right to or interests in a funeral plan contract); or

(ii) exercising any right conferred by such an investment, other than a pure protection contract or a general insurance contract, to buy, sell, subscribe for or underwrite such an investment.

**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) 7(4) of the Social Security Act 1986 Pension Schemes Act 1993 or article 3(8) section 3(4) of the Social Security (Northern Ireland) Order 1986 Pension Schemes (Northern Ireland) Act 1993.

**individual pension account**

an account for the holding of IPA eligible investments operated by a firm in accordance with the Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 (SI 2001/117), which satisfies the conditions described in regulation 2(2) of the Stamp Duty and Stamp Duty Reserve Tax (Definition of Unit Trust Scheme and Open-ended Investment Company) Regulations 2001 (SI 2001/964).
... insurance undertaking an undertaking, or (in CASS 5 and COMP) a member, whether or not an insurer, which carries on insurance business.

... IPA eligible investments a type of investment specified in regulation 44(6) 2(2) (condition 5) of The Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 (SI 2001/117) the Stamp Duty and Stamp Duty Reserve Tax (Definition of Unit Trust Scheme and Open-ended Investment Company) Regulations 2001 (SI 2001/964).

... option the investment, specified in article 77 83 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).

... pure protection contract (1) 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; and
(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 or

(e) the contract is not a reinsurance contract. [deleted]

(2) a reinsurance contract covering all or part of a risk to which a person is exposed under a long-term insurance contract.

... terms of business a statement in a durable medium of the terms and conditions on which a firm will conduct designated investment business carry on a regulated activity with or for a client or retail customer.
Annex B
Amendments to the General Provisions (GEN)

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

Amend GEN 2.1 as shown. Deleted paragraphs are not shown struck through.

2.1 Application and purpose

Introduction

Application

2.1.1 G [deleted]

2.1.2 R This chapter applies to every person to whom any rule provision in the Handbook applies. In relation to a provision other than a rule, the rules in this chapter apply as if they were part of that provision.

2.1.3 P [deleted]

2.1.4 E [deleted]

2.1.5 D [deleted]

2.1.6 G [deleted]

2.1.7 R [deleted]

2.1.8 R [deleted]

2.1.9 G [deleted]

Purpose The Reader’s Guide

2.1.10 G The purpose of GEN 2 is to facilitate interpretation of the Handbook, in conjunction with the Reader’s Guide. The Reader’s Guide supplements this chapter. It provides an introduction to the structure and contents of the Handbook and its related materials, explaining how the different modules fit together and how to interpret and use the Handbook.

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 but its authorisation continues to have effect under section 32 of the Act (Partnerships and unincorporated associations) in relation to any partnership or unincorporated association which succeeds to the business of the
dissolved firm, the successor partnership or unincorporated association is to be regarded as the same firm for the purposes of the Handbook unless the context otherwise requires.

(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. [deleted]

(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. [deleted]

2.2.19 G 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 2.2.18R 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 if certain conditions are satisfied. In particular, this continuity does not apply if a limited liability partnership or individual sole trader succeeds to the business of a dissolved partnership; authorisation of the limited liability partnership or sole trader would need to be applied for. GEN 2.2.18 R ensures a similar effect to section 32 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.
Annex C

Amendments to the Fees manual (FEES)

In this Annex, striking through indicates deleted text.

FEES 4 Annex 5R

...

Notes

(1) The FSA register includes details of exempt professional firms carrying out insurance mediation activity.
(2) In addition to the periodic fees shown above, the sum of £31,400 will be due from the designated professional bodies, divided between the bodies in proportion to the number of exempt professional firms each has on the FSA register on 14 January 2006. This is a contribution towards the costs of developing this part of the FSA register.
(3) Each of the designated professional bodies will be invoiced for the appropriate amount in January 2006. The invoices must be paid on or before 28 February 2006.
In this Annex, underlining indicates new text.

### COB Sch 2 Notification requirements

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Matter to be notified</th>
<th>Contents of notification</th>
<th>Trigger event</th>
<th>Time allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
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<tr>
<td>[deleted]</td>
<td>[deleted]</td>
<td>[deleted]</td>
<td>[deleted]</td>
<td>[deleted]</td>
</tr>
<tr>
<td><strong>COB 6.12.94R(1)</strong></td>
<td>Fact that the <em>firm</em> has ceased to effect new <em>contracts of insurance in a with-profits fund</em></td>
<td>Fact that the <em>firm</em> has ceased to effect new <em>contracts of insurance in a with-profits fund</em></td>
<td><em>Firm</em> first ceasing to effect new <em>contracts of insurance in a with-profits fund</em></td>
<td>28 days</td>
</tr>
<tr>
<td><strong>COB 6.12.94R(2)</strong></td>
<td>Details of how the <em>firm</em> will ensure a full and fair distribution of the closed <em>with-profits fund</em> and its <em>inherited estate</em> (if any)</td>
<td>The information described in <em>SUP App 2.15</em></td>
<td><em>Firm</em> first ceasing to effect new <em>contracts of insurance in a with-profits fund</em></td>
<td>A maximum of 3 months</td>
</tr>
<tr>
<td><strong>COB 11.6.6R</strong></td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>
Annex E

Amendments to the Insurance: Conduct of Business sourcebook (ICOB)

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

5.3.1 R

If a non-investment insurance contract is not a distance contract, an insurance intermediary must, in good time before the conclusion of the contract:

(1) …

(2) draw the attention of the retail customer orally to … the section of the policy summary on significant and or unusual exclusions or limitations.

…

5.3.6 R

(1) …

(2) The following exemptions from (1) apply:

(a) Telephone sales

… an insurance intermediary may proceed on the basis of at least the following information:

…

(iv) significant and or unusual exclusions or limitations;

…

(b) Certain other means of distance communication

… the insurance intermediary must provide the following information by other means before the conclusion of the contract:

…

(iv) significant and or unusual exclusions or limitations;

…

…

…
When explaining the implications of a change in accordance with ICOB 5.3.24R(2) or ICOB 5.3.25R(2)(a) to a retail customer, an insurance intermediary should explain any changes to the benefits and significant and or unusual exclusions arising from the change.
Annex F

Amendments to the Client Assets sourcebook (CASS)

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

4.3.98 G The purpose of CASS 4.3.99R to CASS 4.3.102R is to set out those situations in which a firm will have fulfilled its contractual and fiduciary obligations in relation to any client money held for or on behalf of its client, or in relation to the firm’s ability to require repayment of that money from a third party.

…

5.5.79 G The purpose of CASS 5.5.80R to CASS 5.5.83R is to set out those situations in which a firm will have fulfilled its contractual and fiduciary obligations in relation to any client money held for or on behalf of its client, or in relation to the firm’s ability to require repayment of that money from a third party.

…

5.6.9 R Client money received by the firm … after a primary pooling event … must be placed in a client bank account that has been opened after that event and must be handled in accordance with the client money rules, and returned to the relevant client without delay, except to the extent that:

(1) …

(2) it is money relating to a client, for whom the client money entitlement requirement, calculated in accordance with CASS 5.5.66R or CASS 5.5.68R, shows that money is due from the client to the firm …
Annex G

Amendments to the Supervision manual (SUP)

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

10.10 Customer functions

... 

10.10.7 R (1) The investment adviser function is the function of:

(a) advising on investments other than a non-investment insurance contract; and

(b) performing functions within the customer trading function in connection with advising on investments other than non-investment insurance contracts.

(2) This function does not include:

(a) the investment adviser (trainee) function; and

(b) the pension transfer specialist function;

(c) advising on investments in the course of carrying on the activity of providing basic advice on a stakeholder product.

... 

Form of notification when acquiring or increasing control

11.3.7 D A notification ("notice of control") given to the FSA by a person who is acquiring control or increasing his control over a UK domestic firm, in a way described in SUP 11.4.2R(1) to (4), or acquiring control in a way described in SUP 11.4.2AR(1), must:

(1) where the controller or a proposed controller is not an authorised person, contain the information required in:

(a) Controllers Form A (SUP 11 Annex 4); and

(b) one or more of Controllers Form B (SUP 11 Annex 5) in accordance with SUP 11.3.8D; or

the relevant controllers form;
(2) where the controller or proposed controller is any other authorised person, contain the information required in these sections of Controllers Form A (SUP 11 Annex 4) which deal with details of the proposed change in control and the persons involved in the notification the relevant controllers form; and

11.3.8 D The information in Controllers Form B is required in relation to the following persons:

(1) if the controller is an individual, that individual;

(2) if the controller is a body corporate:
   (a) the individual who is its chief executive; and
   (b) one other individual who is a director of the body corporate;

(3) if the controller is a partnership or is a controller because he is a partner in a partnership:
   (a) the individual who is a managing partner or equivalent in the partnership; and
   (b) one other individual who is a partner in the partnership.

[deleted]

11.3.9 D If a Controllers Form B relevant controllers form, or an Application to perform controlled functions under the approved persons regime (Form A in SUP 10 Annex 4D) in respect of a governing function, has already been submitted to the FSA in relation to a relevant individual, then the information in that form need not be submitted to the FSA as long as details of any changes in the information previously submitted, or confirmation that there are none, is submitted.

11.3.11 G The FSA, for administrative reasons, expects notifications within SUP 11.3.7D to be given on Controllers Form A or Controllers Form B the relevant controllers form, as appropriate. If notifications are not made on these forms the applicant must inform the FSA of the reasons for not using them.

11.3.12 G If a controller or proposed controller considers that the requirements in SUP 11.3.7D to SUP 11.3.9D are not appropriate to his circumstances;
(for example,①)

(4) if the control is temporary② or;

(2) if Form B is required (under SUP 11.3.8 D) in relation to:

(a) an individual who is an approved person; or

(b) a partnership of which one or more of the partners are bodies corporate;

he should consult the FSA. The FSA has power, under section 182(3) of the Act (Notification), to amend those requirements if it considers it appropriate to do so.

...

Joint and shared notifications

11.5.8 G A firm and its controller or proposed controller may discharge an obligation to notify the FSA by submitting a single joint notification containing the information required from the firm and the controller or proposed controller. In this case, the Controllers Form A relevant controllers form may be used to submit a notification on behalf of both the firm and the controller or proposed controller.

...

SUP 11 Annexes 4D and 5D are deleted in their entirety. The deleted text is not shown struck through.

Annex 4 D [deleted]

Annex 5 D [deleted]

...

16.7.15 R A bank must submit the reports referred to in SUP 16.7.13 R(1) either:

(1) …

(2) in electronic format using the specifications for the Bank of England Reporting System and sent either:

(a) …

(b) by e-mail to mfsd_beers@bofe.co.uk mfsd_beers@bankofengland.co.uk; or

(c) …
1. Annual questionnaire for authorised professional firms

...
Financial resources and reporting     Section 3

3.08 Investment management

Did the firm act as an investment manager during the period? YES ☐ NO ☐

If YES, please provide the following information:

a If this includes discretionary management, what type of services has the firm provided during the period?
  (e.g. Managing investments for private customers/intermediate customers/non-UK customers, trustee activities, ISA management)

b ...

c ...

d Total funds under management:
  (exclude ‘custody’ funds)
  Date £

At latest practicable date

Declaration

THIS DECLARATION MUST BE COMPLETED BY ALL FIRMS

I/ we confirm that the firm is, and continues to be, an authorised professional firm.

I/ we declare that the firm is able to meet its liabilities as they fall due until the end of the current accounting period (or twelve months from the last accounting reference date if later).
### SUP Sch 2 Notification requirements

#### SUP Sch 2.2G

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Matter to be notified</th>
<th>Contents of notification</th>
<th>Trigger event</th>
<th>Time allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUP App 2.10.1 R-(1) [deleted]</td>
<td><strong>Insurers:</strong> scheme of operations—an insurer which is not an incoming EEA firm or an incoming Treaty firm—obligations on insurers which have previously submitted a scheme of operations [deleted]</td>
<td>The fact of the transactions specified [deleted]</td>
<td>An insurer which has submitted a scheme of operations during the period covered by the scheme of operations, entering into or carrying out any material transaction (see SUP App 2.11.1 R) with, or in respect of an associate, unless that transaction is in accordance with a scheme of operations which has been submitted to the FSA [deleted]</td>
<td>28 days before entering into or carrying out the specified transaction [deleted]</td>
</tr>
</tbody>
</table>
Annex H

Amendments to the Perimeter Guidance manual (PERG)

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

2.7.7A G There are four arranging activities that are regulated activities under the Regulated Activities Order. These are:

…

(3) arranging (bringing about) regulated mortgage contracts, which includes arranging for another person to vary the terms of a regulated mortgage contract entered into before after 31 October 2004 (article 25A(1)); and

…

PERG 2 Annex 2G, 2 Table, ‘Table 1: Regulated Activities’:

<table>
<thead>
<tr>
<th>Regulated activity</th>
<th>Specified investment in relation to which the regulated activity (in the corresponding section of column one) may be carried on</th>
</tr>
</thead>
<tbody>
<tr>
<td>…</td>
<td></td>
</tr>
<tr>
<td>(j) advising on investments (article 53) [see note 1B to Table 1] [also see Section of Table 1 headed ‘Regulated mortgage activity’]</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of the permission regime, this regulated activity:
(i) does not apply to advice given in the course of carrying on the regulated activity of providing basic advice on a stakeholder product; and
(ii) is subdivided into:
(1) (A) advising on investments (except pension transfers and pension opt-outs); and
(2) (B) advising on pension transfers and pension opt-outs [see note 4 to Table 1]

…

(pp) (pa) providing basic advice on a stakeholder product (article 5B) …
<table>
<thead>
<tr>
<th>Insurance mediation activity [see note 5A to Table 1]</th>
</tr>
</thead>
<tbody>
<tr>
<td>(pa) (pb) dealing in investments as agent (article 21)</td>
</tr>
<tr>
<td>(pb) (pc) arranging (bringing about) deals in investments (article 25(1))</td>
</tr>
<tr>
<td>(pc) (pd) making arrangements with a view to transactions in investments (article 25(2))</td>
</tr>
<tr>
<td>(pd) (pe) assisting in the administration and performance of a contract of insurance (article 39A)</td>
</tr>
<tr>
<td>(pe) (pf) advising on investments (article 53)</td>
</tr>
</tbody>
</table>

For the purpose of the permission regime, this regulated activity is sub-divided into:
(i) advising on investments (except pension transfers or pension opt-outs);
(ii) advising on pension transfers or pension opt-outs [See note 5ED to Table 1].
Note 1B:

... The full list of insurance mediation activities is set out in (pa) (pb) to (pe) (pf). ... 

Note 5A:

Where they are carried on in relation to a life policy, the activities listed as insurance mediation activities in (pa) (pb) to (pe) (pf) ... 

Note 5C:

‘Non-investment insurance contract’ is the term used in firms’ permissions to mean pure protection contract or general insurance contract. Pure protection contract is the term used in the Handbook to mean a long-term insurance contract which is not a life policy. General insurance contract is the term used in the Handbook to mean contract of insurance within column 1 of Table 2.

Note 5D:

General insurance contract is the term used in the Handbook to mean contract of insurance within column 1 of Table 2. [deleted]

Note 5E:

For the purposes of the permission regime, the activity in (pe) (pf)(ii) of advising on pension transfers and pension opt-outs is carried on in respect of the following specified investments: 
- life policy (explained in note 5A); and 
- rights to or interests in investments in so far as they relate to a life policy.

...
Table 1]

*pure protection contract* [see note 5C to Table 1]

*general insurance contract* [see note 5D to Table 1]