

**CONDUCT OF BUSINESS SOURCEBOOK (DISCLOSURE REQUIREMENTS FOR
THIRD PARTY PROCESSORS) INSTRUMENT 2006**

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 powers);
 - (2) section 156 (General supplementary powers); and
 - (3) the other rule making powers listed in Schedule 4 to the General provisions.
- 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 6 December 2006.

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)
Glossary of definitions	Annex A
The General provisions (GEN)	Annex B
The Conduct of Business sourcebook (COB)	Annex C

Citation

- E. This instrument may be cited as the Conduct of Business (Disclosure requirements for third party processors) Instrument 2006.

By order of the Board
23 November 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 definition as shown:

...

*third party
processor*

⁵(1) A *firm* (“Firm A”) which carries on *regulated mortgage activities* or *insurance mediation activities* ~~in relation to non-investment insurance contracts~~ other than advising on life policies, or both, for another *firm* (or an *appointed representative*) (“Firm B”) under a properly documented *outsourcing* agreement, the terms of which provide that when Firm A carries on any of these activities (“the outsourced activities”) for Firm B:

...

(2) A *firm* (“Firm C”) which carries on *regulated mortgage activities* or *insurance mediation activities* ~~in relation to non-investment insurance contracts~~ other than advising on life policies, or both, for a *third party processor* within (1) (“Firm A”), where:

...

...

Annex B

Amendments to the General Provisions sourcebook (GEN)

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

...

Exception: use of third party processors in mortgage and ~~non-investment insurance-business~~ mediation activities

- 4.3.6 R (1) (1) ¹Where a *firm* has outsourced activities to a *third party processor* other than *advising on life policies*, GEN 4.3.1 R does not apply to that *third party processor* when acting as such, so long as the outsourcing *firm* ensures that the *third party processor* and its *employees* comply with that *rule* as if it was the *firm* and they were *employees* of the *firm*.
- (2) Where an *appointed representative* has outsourced *insurance mediation activities* ~~in relation to non-investment insurance contracts~~ other than *advising on life policies* or *mortgage mediation activities* to a *third party processor*, GEN 4.3.1R does not apply to that *third party processor* when acting as such, so long as the *appointed representative's* principal ensures that the *third party processor* and its *employees* comply with that *rule* as if it was the *appointed representative* and they were the *employees* of the *appointed representative*.
- (3) Where an *appointed representative* of a *firm* is carrying on:
- (a) *insurance mediation activities* ~~in relation to non-investment insurance contracts~~ other than *advising on life policies*; or
- (b) ...

...

Annex C

Amendments to the Conduct of Business sourcebook (COB)

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

...

Use of third party processors in life insurance mediation activities

- 1.2.6 R (1) Where a firm (or its appointed representative) outsources insurance mediation activities to a third party processor, it is responsible for the acts and omissions of that third party processor conducting those outsourced activities. In these circumstances, any COB rules requiring the third party processor to disclose identity to customers must be interpreted as a requirement to disclose the firm's identity
- (2) If the third party processor is advising on investments, (1) does not apply.

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