Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions listed in Schedule 4 to the General Provisions (Powers exercised) of the Handbook.

B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Financial Services and Markets Act 2000.

Commencement

C. This instrument comes into force as follows:

   (1) the amendments in Annex I come into force on 22 December 2006;
   (2) Annex B, Parts 1 and 3, come into force on 31 December 2006 and Part 2 comes into force on 1 January 2007;
   (3) the amendments in Annex D come into force on 31 December 2006;
   (5) the amendments in Annexes A, C, E, G, and H come into force on 1 January 2007;
   (6) the amendments in Annex F come into force on 6 January 2007; and
   (7) the amendments in Annexes K and L come into force on 6 April 2007.

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 Prudential sourcebook (GENPRU)</td>
<td>Annex B</td>
</tr>
<tr>
<td>Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)</td>
<td>Annex C</td>
</tr>
<tr>
<td>Prudential sourcebook for Insurers (INSPRU)</td>
<td>Annex D</td>
</tr>
<tr>
<td>Prudential sourcebook for UCITS Firms (UPRU)</td>
<td>Annex E</td>
</tr>
<tr>
<td>Interim Prudential sourcebook for Investment Businesses (IPRU(INV))</td>
<td>Annex F</td>
</tr>
<tr>
<td>Collective Investment Schemes sourcebook (CIS)</td>
<td>Annex G</td>
</tr>
<tr>
<td>New Collective Investment Schemes sourcebook (COLL)</td>
<td>Annex H</td>
</tr>
</tbody>
</table>

Amendments to FSA Instruments

E. The General Prudential sourcebook Instrument 2006 (FSA 2006/40) is amended in accordance with Annex I to this instrument.
F. The CRD (Consequential Amendments) Instrument 2006 (FSA 2006/53) is amended as follows:

   (1) Annex A, Amendments to the Glossary; and

   (2) Annex L, Amendments to the Supervision manual are amended in accordance with Annex J to this instrument.

G. Annex G of the Home Reversion and Home Purchase Activities (Consequential Amendments to the Handbook) Instrument 2006 (FSA 2006/37) is amended in accordance with Annex K to this instrument.

H. Annex A of the Mortgages: Conduct of Business Sourcebook (Home Reversion and Home Purchase Activities) Instrument 2006 (FSA 2006/45) is amended in accordance with Annex L to this instrument.

Citation

I. This instrument may be cited as the Handbook Administration (No 4) Instrument 2006.

By order of the Board
21 December 2006
Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical position in the Glossary.

*CAD*  
*Capital Adequacy Directive*

*Capital Requirements Regulations 2006*  
the Capital Requirements Regulations 2006 (SI 2006/3221).
Annex B

Amendments to the General Prudential sourcebook (GENPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text. The changes detailed in Part 1 and Part 3 to this Annex take effect on 31 December 2006 and those detailed in Part 2 take effect on 1 January 2007.

Part 1

Amend GENPRU TP 8 (Miscellaneous capital resources definitions for BIPRU firms) as follows:

Specific issues of TONS and other securities

8.4 R …

8.5 R The issues of securities referred to in GENPRU TP 8.4R are as follows:

(1) …

(5) Lloyds TSB $850m $1000m 6.90% perpetual capital securities; and

(6) …

Amend GENPRU 1.2 as follows:

1.2.30 R A firm must have in place sound, effective and complete processes, strategies and systems:
(1) …

that enable it to identify and manage the major sources of risks referred to in (1), including the major sources of risk in each of the following categories where they are relevant to the firm given the nature and scale of its business:

(a) …

…

1.2.81 G …

1.2.82 G …

1.2.83 G …
Amend GENPRU 1.3 as follows:

1.3.6 G In particular, unless an exception applies, GENPRU 1.3.4R should be applied for the purposes of GENPRU, BIPRU and INSPRU to determine how to account for:

1. assets transferred or received under a sale and repurchase transaction; and
2. (4) assets transferred or received under a sale and repurchase or stock lending transaction; and
5. (5) ...

1.3.43 R GENPRU 1.3.13R and GENPRU 1.3.41R do not apply to shares in, and debts due from a related undertaking that is:

1.3.44 G The effect of GENPRU 1.3.43R is that shares in, and debts due from, related undertakings of the types referred to are not valued on a mark to market basis by insurers. As a result, debts due from these undertakings, and ...

1.3.45 R Except where the contrary is expressly stated in GENPRU, whenever a rule in GENPRU or INSPRU refers to shares held in, and debts due from, an undertaking referred to in GENPRU 1.3.43R(1) or GENPRU 1.3.43R(3), a firm must value the shares held in accordance with GENPRU 1.3.47R.

1.3.46 R In relation to shares in, and debts due from, an undertaking referred to in GENPRU 1.3.43R(1), ...

Part 2

Amend GENPRU 2.2 as follows:

Limits on the use of different kinds of capital: Combined tier two and tier three limits (BIPRU firm only)

2.2.49 R For the purpose of meeting the requirements in GENPRU 2.2.47R(1) to (3) and subject to GENPRU 2.2.50R, a BIPRU firm must not include any item in either:

1. its tier two capital resources falling within GENPRU 2.2.47R(6) (excess tier two capital); or
2. its upper tier three capital resources;

1.3.47 R to the extent that the sum of (1) and (2) would exceed 250% of the amount resulting from the following calculation:

3. calculate the amount at stage F of the calculation in the capital resources table (Total tier one capital after deductions); and
4. deduct from (3) those parts of the firm's tier one capital used to meet the requirements in GENPRU 2.2.44R(1) and (2) as established by GENPRU 2.2.48R.
Example of how the capital resources calculation for BIPRU firms works

2.2.51 G *GENPRU 2.2.52G* to *GENPRU 2.2.59G* illustrate how to calculate a *BIPRU firm*’s *capital resources* and how the *capital resources gearing rules* work. In this example the *BIPRU firm* has a combined credit, operational and counterparty risk requirement of £100 (of which £10 is due to counterparty risk) and a market risk requirement of £90, making a total capital requirement of £190. Its *capital resources* are as set out in the table in *GENPRU 2.2.52G.*

2.2.55 G The combined credit, operational and counterparty risk capital requirement is deducted after stage N of the *capital resources table* and the market risk requirement following stage T of the *capital resources table*. These calculations are shown in the table in *GENPRU 2.2.56G.*

2.2.56 G Table: Example of how capital resources of a BIPRU firm are measured against its capital resources requirement

<table>
<thead>
<tr>
<th>Description of the stage of the capital resources calculation</th>
<th>Stage in the <em>capital resources table</em></th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total <em>tier one capital</em> and <em>tier two capital</em> after deductions</td>
<td>Stage N</td>
<td>140</td>
</tr>
<tr>
<td>Credit, operational and counterparty risk requirement</td>
<td></td>
<td>(100)</td>
</tr>
<tr>
<td><em>Tier one capital</em> and <em>tier two capital</em> available to meet market risk requirement</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td><em>Tier three capital</em></td>
<td>Stage Q</td>
<td>50</td>
</tr>
<tr>
<td>Total capital available to meet market risk requirement</td>
<td></td>
<td>90</td>
</tr>
<tr>
<td>Market risk requirement</td>
<td></td>
<td>(90)</td>
</tr>
<tr>
<td>Market risk requirement met subject to meeting gearing limit set out in <em>GENPRU 2.2.49R</em> – see <em>GENPRU 2.2.57G</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The gearing limit in GENPRU 2.2.49 (Combined tier two and tier three limits) requires that the upper tier three capital used to meet the market risk requirement does not exceed 250% of the relevant tier one capital used to meet market risk.

In this example it is assumed that the maximum possible amount of tier one capital is carried forward to meet the market risk requirement. There are other options as to the allocation of tier one capital and tier two capital to the credit, operational and counterparty risk requirement.

In order to calculate the relevant tier one capital for the upper tier three gearing limit in accordance with GENPRU 2.2.49R it is first necessary to allocate tier one capital and tier two capital to the individual credit, operational and counterparty risk requirements. This allocation process underlies the calculation of the overall amount referred to in GENPRU 2.2.48R. The calculation in GENPRU 2.2.49R (3) and (4) then focuses on the tier one element of this earlier calculation.

In this worked example, if it is assumed that the counterparty risk requirement has been met by tier one capital, the relevant tier one capital for gearing is £50. This is because the deductions of £20 and the credit and operational risk requirements of £90 have been met by tier two capital in the first instance. However, the total sum of deductions and credit and operational risk requirements exceed the tier two capital amount of £80 by £30. Hence the £80 of tier one capital has been reduced by £30 to leave £50.

In practical terms, the same result is achieved for the relevant tier one capital for gearing by taking the amount carried forward to meet market risk of £40 and adding back the £10 in respect of the counterparty risk requirement. Again, there are other options as to the allocation to credit, operational and counterparty risk of the constituent elements of Stage N of the capital resources table. Therefore in this example the various tiers of capital resources are applied to meet the market risk requirement.

The outcome of these calculations can be summarised as follows:

1. The relevant tier one capital used to meet market risk for the gearing calculation is £50;
2. 250% of the relevant tier one capital used to meet market risk is £12500; and
3. the upper tier three capital used to meet market risk is £50.

The 250% gearing limit is met as the limit of £12500 is greater than the upper tier three capital of £50 used in this example.

Part 3

Amend GENPRU 2.2 as follows:
The conditions that an item of capital of a firm must comply with under GENPRU 2.2.62R(3)(2) are as follows: …

Step-ups and redeemable tier one instruments

In relation to an innovative tier one instrument or a PIBS which is redeemable and which satisfies any of the following conditions:

1. it is or may become subject to a step-up; or
2. a reasonable person would think that:
   a. the firm is likely to redeem it before the tenth anniversary of its date of issue; or
   b. the firm is likely to have an economic incentive to redeem it before the tenth anniversary of its date of issue;

the redemption date in GENPRU 2.2.70R(2)(a) is amended by replacing "fifth anniversary" with "tenth anniversary".

A loan is also connected lending of a capital nature if:

1. it funds directly or indirectly a loan to a connected party of the bank falling into GENPRU 2.2.228R or an investment in the capital of a connected party of the bank; and

Amend GENPRU 2 Annex 7R as follows:

2 Annex 7R Admissible assets in insurance

Investments that are, or amounts arising from the disposal of:

1. …

(f) an approved derivative or quasi-derivative transaction that satisfies the conditions in INSPRU 3.2.5R or an approved stock lending transaction that satisfies the conditions in INSPRU 3.2.36R.

Debts and claims:

1. …

(c) debts owed by policyholders and intermediaries arising out of direct and reinsurance operations (except where overdue for more than 3 months and other than commission prepaid to agents or intermediaries);
Annex C

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

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

Amend BIPRU TP 10 (Pre CRD capital requirements applying on a consolidated basis during 2007) as follows:

…

10.14 R (1) …

(2) The list in BIPRU 8 Ann 6R (List of equivalent third country regulators) does not apply and instead:

(a) if the UK consolidation group or non-EEA sub-group is a banking group or building society group as defined in BIPRU TP 1.7R (Classification of groups for certain consolidation rules), the lists in Appendix Appendices C and D of chapter CS of IPRU(BANK) applies; and

(b) if the UK consolidation group or non-EEA sub-group is an investment firm group as defined in BIPRU TP 1.7R, the list in Appendix 59 of chapter 10 of IPRU(INV) applies.

(3) …

…

Amend BIPRU 1.2 (Definition of the trading book) as follows:

…

1.2.22 R …

1.2.23 R …

1.2.24 R

Amend BIPRU 1.3 (Applications for advanced approaches) as follows:

…

1.3.2 G (2) A firm should apply for a waiver if it wants to:

…

(e) apply the treatment in BIPRU 10.89 (Exemption from limits in BIPRU 10.5 for concentration risk counterparty wider integrated groups waiver).

…

1.3.13 D Subject to BIPRU 1.3.14D to BIPRU 1.3.21D 1.3.20D, if a firm…
BIPRU Annex 1D
Application form to apply the advanced management approach

BIPRU Annex 2D
Application form to apply the IRB approach

BIPRU Annex 3D
Application form to apply the CCR internal model method approach

Amend BIPRU 2.2.47G as follows:

2.2.47 G In considering if there are any systems and control weaknesses and their effect on the adequacy of the CRR, a firm should be able to demonstrate to the FSA that all the issues identified in SYSC 3.2 (Areas covered by systems and controls) have been considered and that appropriate plans and procedures exist to deal adequately with adverse scenarios.

Amend BIPRU 2.3.4G as follows:

2.3.4 G BIPRU 2.3 sets out more detail on how the systems and controls requirements in SYSC 3 (Systems and controls) and GENPRU 1.2.30R (Processes, strategies and systems for risks) and the requirements about stress and scenario testing in GENPRU 1.2.36R apply to interest rate risk in the non-trading book.

Amend BIPRU 2.3.8G as follows:

2.3.8 G A firm should, under BIPRU 2.3.8R(2) 2.3.7R(2), apply a 200 basis point shock …

Amend BIPRU 3.2.9R as follows:

3.2.9 R A firm must assign each exposure to one of the following exposure classes:

…
(7) claims or contingent claims on corporates corporates;
…
(14) short-term claims on institutions and corporates corporates;
…

Amend BIPRU 3.4 as follows:

…
3.4.82 G (1) …
(2) …
3.4.100 G The application of BIPRU 3.4.96R and BIPRU 3.4.99R may be illustrated on the basis of a £110,000 loan on a property valued at £100,000, where £80,000 of the loan is secured and £30,000 of the exposure is unsecured and provisions of £20,000 are taken:

(1) Option 1 …:

(c) the risk weight to be applied to the unsecured exposure of £30,000 is 50% 150%.

Amend BIPRU 3.6.1R as follows:

3.6.1 R The use of ECAI credit assessments for the calculation of a firm’s risk weighted exposure amounts must be consistent and in accordance with BIPRU 3.56. Credit assessments must not be used selectively.

Amend BIPRU 4.2.7 as follows:

<table>
<thead>
<tr>
<th>4.2.7 G</th>
<th>(1)</th>
<th>This paragraph provides guidance on BIPRU 4.2.2R and in particular BIPRU 4.2.2R(2).</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2)</td>
<td></td>
<td>The IRB approach as applicable to a firm should be an integral part of its business and risk management processes and procedures to the extent that credit risk is relevant to them. It should also have a substantial influence on its decision-making and actions. In particular, the FSA would expect a firm to have regard to the following areas:</td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td>particular regard should be had to the use of the IRB approach in:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(i) credit approval;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ii) individual and portfolio limit setting;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(iii) reporting of credit risk information; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(iv) provisioning; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(v) the setting and use of the significant criteria by reference to which other decisions to incur or maintain credit risk are taken or by reference to which credit risk is otherwise assessed;</td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td>other relevant aspects include assessment of:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(vi) assessment of economic capital;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(vii) internal capital allocation so far as related to credit risk;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(viii) risk appetite;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ix) strategy and acquisitions;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(x) profitability and performance; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(xi) performance-related remuneration;</td>
</tr>
</tbody>
</table>

Remove underlining and amend BIPRU 4.3.97G as follows:
4.3.97 G If a firm excludes defaulted exposures that have been cured (as referred to in BIPRU 4.3.71R) or restructured (as referred to in BIPRU 4.3.63R(5)) from estimates of LGD in accordance with BIPRU 4.3.100G, it may also excludes cures from estimates of PD for these exposures.

Amend BIPRU 4.4.67R(6) as follows:

Calculations: maturity

4.4.67 R …

Notwithstanding (7), a firm that uses a CCR internal model method model to calculate a one-sided credit valuation adjustment one-sided credit valuation adjustment (CVA) may use the effective credit duration estimated by the model as M if permitted to do so by its CCR internal model method permission.

…

Amend BIPRU 4.4.85R(1)(b) as follows:

4.4.85 R To be eligible for the treatment set out in BIPRU 4.4.79R, credit protection deriving from a guarantee or credit derivative must meet the following conditions:

(1) the underlying obligation must be to:

(a) …

(b) an exposure to a regional government, local authority or public sector entity which is not treated as an exposure to a central government or a central bank central bank according to BIPRU 4.4.2R; or

…

Amend BIPRU 4.10.36R(3) as follows:

4.10.36 R (3) \[ \text{LGD}^* = \text{LGD} \times (E*/E) \] where:

(a) …

(b) E is the exposure value as calculated under BIPRU 4.5.X \[ \text{provision implementing paragraph 34 of Part 3 of Annex VIII of the Banking Consolidation Directive} \]; and

(c) E* is as calculated under BIPRU 5.X.5.4.28R(3) \[ \text{provision implementing paragraph 34 of Part 3 of Annex VIII of the Banking Consolidation Directive} \] (Calculation of adjusted values under the financial collateral comprehensive method).

Amend BIPRU 4.10.41R as follows:

4.10.41 R The requirements in BIPRU 4.10.40R(2) and BIPRU 4.10.42R -BIPRU 4.10.48R do not apply for guarantees provided by institutions and central governments and central banks central banks if the firm has received approval under BIPRU 4.2 to apply the standardised approach for exposures to such entities. In this case the requirements of BIPRU 5 (credit risk mitigation) apply.
Amend BIPRU 5.4 as follows:

... 5.4.39 R (1) ...  
(2) ...  
(3) For other capital market-driven transactions, the liquidation period is 10 business days.

... 5.4.51 R ... and 10 business days for other capital market-driven transactions.

... 5.4.66 R ...

Amend BIPRU 5.6.2R as follows:

5.6.2 R For master netting agreements covering repurchase transactions and/or securities or commodities lending or borrowing transactions and/or other capital market-driven transactions to be recognised for the purposes of BIPRU 5, they must: ...

Amend BIPRU 5.6 (Master netting agreements) as follows:

5.6.16 R ... The internal model used for the master netting agreement internal models approach must provide estimates of the potential change in value of the unsecured exposure amount ...

5.6.17 R A firm may also use the internal model used for the master netting agreement internal models approach for margin lending transactions ...

... 5.6.19 R ...
(11) The internal model used for the master netting agreement internal models approach must meet the requirements set out in BIPRU 13.6.65R to BIPRU 13.6.67R.

... 5.6.26 G No changes should be made to the internal model used for the master netting agreement internal models approach unless ...

Amend BIPRU 6.2.8G as follows:

6.2.8 G A firm may apply to the FSA for a waiver from BIPRU 6.2.7R where it can demonstrate good cause for changing to the standardised approach ...

Amend BIPRU 6.3 as follows:

... 6.3.2 R (1) ...
...  
(3) If, for any given observation, the sum of a firm's net interest income
and net non-interest income, is negative …

6.3.3 G If a firm has: →

Amend BIPRU 6.5 as follows:

…

6.5.11 G (1) …

(6) is clearly documented;

…

6.5.27 R (1) …

(2) The insurance policy must have an initial term of no less than one year. …

Amend BIPRU 8.3 (Scope and basic consolidation requirements for non-EEA sub-groups) as follows:

8.3.7 G A firm will not be a member of a non-EEA sub-group unless it is also a member of a UK consolidation group…

…

8.3.9 G If more than one BIPRU firm is a direct or indirect parent undertaking in accordance with BIPRU 8.3.7G(2)(a) then the sub-groups of each of them are all potential non-EEA sub-groups…

…

8.3.15 G If more than one financial holding company is a direct or indirect parent undertaking in accordance with BIPRU 8.3.12G(2)(a) then the sub-groups of each of them are all potential non-EEA sub-groups.

…

8.3.18 G …

(1) one potential non-EEA sub-group is contained within a wider potential non-EEA sub-group; and

(2) …

Amend BIPRU 8.6.10R(3) as follows:

Treatment of minority interests

8.6.10 R (1) …

(3) A firm must include the minority interest in the tier of capital in which that undertaking would have to include the capital referred to in (2) if it were a firm calculating its capital resources on a solo basis under whichever method applies to the group under BIPRU 8.6.6R to BIPRU 8.6.98R.

(4) …

Amend BIPRU 8.8.7G as follows:

8.8.7 G BIPRU 8.7.226R deals with the combination of the advanced measurement
approach with other approaches to operational risk on a group level.

Amend BIPRU 8 Annex 6R as follows:

Non-EEA regulators' requirements deemed CRD-equivalent for individual risks
Part 1 (Non-EEA banking regulators' requirements deemed CRD-equivalent for individual risks)

<table>
<thead>
<tr>
<th>Regime regulators</th>
<th>Market risk</th>
<th>Credit risk</th>
<th>Operational risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Korea</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Jersey</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Guernsey</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Isle of Man</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

Note 1: ...

Part 2 (Non-EEA investment firm regulators' requirements deemed CRD-equivalent for individual risks)

<table>
<thead>
<tr>
<th>Regime regulators</th>
<th>Market risk</th>
<th>Credit risk</th>
<th>Operational risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>USA</td>
<td>Y Note 3</td>
<td>*Y</td>
<td>N</td>
</tr>
<tr>
<td>Securities and Exchange Commission (SEC): Net Capital rule only</td>
<td>Y Note 3</td>
<td>*Y</td>
<td>N</td>
</tr>
<tr>
<td>Commodities and Futures Trading Commission</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

Note 1: ...

Amend BIPRU 9.4.1R as follows:

9.4.1 R The originator of a traditional securitisation may exclude securitised exposures from the calculation of risk weighted exposure amounts and expected loss amounts if significant credit risk associated with the securitised exposures has been transferred to third parties and the transfer complies with the conditions in BIPRU 9.4.2R-BIPRU 9.4.10R.

Amend BIPRU 9.7.3G as follows:

9.7.3 G The guidance in BIPRU 3.3 (Recognition of ratings agencies) applies for the purposes of BIPRU 9 as it does to exposure risk weighting in BIPRU 3, save that the reference in BIPRU 3.3 to the Regulation 3 regulation 22 of the ECAI SI Capital Requirements Regulations 2006 should be read as a reference to Regulation 4 regulation 23 of the ECAI SI Capital Requirements Regulations 2006 for the purposes of BIPRU 9.

Amend BIPRU 9.9.1R as follows:
9.9.1 R ... 

[Note: BCD Article 96(1) (part) and Annex XI [IX, Part 4 point 1] 

Amend BIPRU 9.12.20R(9) as follows:

The ABCP internal assessment approach

9.12.20 R ... (9) In developing its internal assessment methodology the firm must take into consideration relevant published ratings methodologies of the eligible ECAIs that rate the commercial paper of the ABCP programme. This consideration must be documented by the firm and updated regularly, as outlined in (15). ... 

Amend BIPRU 13.4.2R as follows:

13.4.2 R A firm must obtain the current replacement cost of all contracts with positive values by attaching current market values to contracts (marking to market).

Amend BIPRU 13.5 (CCR standardised method) as follows:

... 

13.5.12 R For interest rate risk positions from money deposits received from the counterparty as collateral, from payment legs and from underlying debt instruments, to which according to the table in BIPRU 7.2.Xr 7.2.44R a capital charge of 1.60% or less applies, ... 

... 

13.5.18 R (1) For interest rate risk positions from money deposits that are posted with a counterparty as collateral when that counterparty does not have debt obligations of low specific risk outstanding and from underlying debt instruments, to which according to the table in BIPRU 7.2.Xr 7.2.44R a capital charge of more than 1.60% applies, there is one hedging set for each issuer. 

(2) ... 

... 

13.5.22 R This table belongs to BIPRU 13.5.21R 

<table>
<thead>
<tr>
<th>Hedging set categories</th>
<th>CCR Multiplier (CCRM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) ...</td>
<td>...</td>
</tr>
<tr>
<td>(2) ...</td>
<td>...</td>
</tr>
</tbody>
</table>
(3) Interest Rates for risk positions from a debt instrument or reference debt instrument to which a capital charge of more than 1.60% applies under BIPRU 7.2.XR 7.2.44R.

(4) ...

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>17</td>
</tr>
</tbody>
</table>
| (3) | Interest Rates for risk positions from a debt instrument or reference debt instrument to which a capital charge of more than 1.60% applies under BIPRU 7.2.XR 7.2.44R. | ...
| (4) | … | ...

13.5.27 R A firm may only recognise collateral for this method if it is collateral that is eligible under BIPRU 5.X.XR [Annex VIII, Part I, point 11] 5.4.8R and BIPRU 14.2.12R to BIPRU 14.2.13R.

Amend BIPRU 13.6 (CCR internal model method) as follows:

13.6.29 R A firm must calculate EE or peak exposure measures based on a distribution of exposures that accounts for the possible non-normality of the distribution of exposures.

13.6.38 R ...

(2) …

(-4.3) …

13.6.51 R The distribution of exposures generated by the model used to calculate effective EPE must be closely integrated into the day-to-day CCR management process of the firm. The model’s output must accordingly play an essential role in the credit approval, CCR management, internal capital allocation, and corporate governance of the firm.

13.6.52 R A firm must have a track record in the use of models that generate a distribution of exposures to CCR. Thus, the firm must be able to demonstrate that it has been using a model to calculate the distribution of exposures upon which the EPE calculation is based that meets, broadly, the minimum requirements set out in BIPRU 13.6 for at least one year prior to the date of its CCR internal model method permission.

13.6.53 R (1) A firm must ensure that the model used to generate a distribution of exposures to CCR is part of a CCR management framework that includes the identification, measurement, management, approval and internal reporting of CCR. This framework must include the measurement of usage of credit lines (aggregating CCR exposures with other credit exposures) and internal capital allocation.

(2) …

…

(4) The use test is satisfied if a firm uses other CCR measures, such as peak exposure or PFE (see BIPRU 13.6.47R), based on the distribution of exposures generated by the same model to compute EPE.
Amend BIPRU 13.8.7R as follows:

13.8.7  R Notwithstanding BIPRU 13.8.2R, a firm must determine the exposure value of a credit risk exposure outstanding with a central counterparty in accordance with BIPRU 13.8.10R, provided that the central counterparty's counterparty credit risk exposures with all participants in its arrangements are fully collateralised on a daily basis.

Amend BIPRU 14.1 as follows:

14.1.2  G …

Purpose

14.1.2  G BIPRU 14 implements: …

14.1.3

Delete BIPRU 14.2.19R as follows:

14.2.19  R For the purposes of BIPRU 14.2.18R(1), for such a firm, the value adjustments referred to in BIPRU 14.2.18R(1) must not be included in capital resources other than in accordance with BIPRU 14.2.18R(1).

[deleted]

Amend BIPRU 14.3.4 as follows:

14.3.4  R A firm must multiply the price difference calculated under BIPRU 14.3.23R by the appropriate factor in column A of the Table in BIPRU 14.3.4R in order to calculate its capital requirement for the purposes of BIPRU 14.3.
Annex D

Amendments to the Prudential sourcebook for Insurers (INSPRU)

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

In the provisions of INSPRU specified in column (1) of the following Table, replace the reference to the provision in column (2) of the Table with a reference to the corresponding provision in column (3):

<table>
<thead>
<tr>
<th>(1) Provision</th>
<th>(2) SYSC reference</th>
<th>(3) New reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>INSPRU 5.1.6G</td>
<td>SYSC 3A</td>
<td>SYSC 13</td>
</tr>
<tr>
<td>INSPRU 5.1.10G(1)</td>
<td>SYSC 3A.5.1G(3)</td>
<td>SYSC 13.5.1G(3)</td>
</tr>
<tr>
<td>INSPRU 5.1.16G</td>
<td>SYSC 3A.5.1G(2)</td>
<td>SYSC 13.5.1G(2)</td>
</tr>
<tr>
<td>INSPRU 5.1.22G(1)</td>
<td>SYSC 3A.6</td>
<td>SYSC 13.6</td>
</tr>
<tr>
<td>INSPRU 5.1.22G(2)</td>
<td>SYSC 3A.7</td>
<td>SYSC 13.7</td>
</tr>
<tr>
<td>INSPRU 5.1.22G(3)</td>
<td>SYSC 3A.9</td>
<td>SYSC 13.9</td>
</tr>
<tr>
<td>INSPRU 7.1.30G</td>
<td>SYSC 3A.10</td>
<td>SYSC 13.10</td>
</tr>
</tbody>
</table>

Amend INSPRU 1.3.39BG as follows:

1.3.39BG In determining current market yields for the purpose of INSPRU 1.3.39BG(4), a firm is required to have regard to IFRS 4 as if it were being applied to determine the value under that standard for the first time, that is, without reference to existing practices. Paragraph 27 of the standard is likely to be of particular relevance. A firm should not include an allowance for future investment margins until they are earned. In particular, a firm should not include an allowance for capital growth in determining current market yields for equities and real estate investments.

Amend INSPRU 2.1.22R as follows:

2.1.22R …
(3) …
(c) for a counterparty exposure to a person, or the aggregate exposure arising from the counterparty exposures to each member of a group of closely related persons, who do not fall into the categories of counterparty to whom (a) and (b) apply:
(i) …
(ii) 1% for that part of the exposure arising from shares and other variable yield participations, bonds, debt securities and other money market instruments and capital market instruments from the same counterparty that are not dealt in on a regulated market, or any beneficial interest in a collective investment scheme which is not a UCITS scheme, a non-UCITS retail scheme or a recognised
scheme; the limit for that part of the exposure arising from debt securities (other than hybrid securities) issued by the same regulated institution is increased to 5%;

(iii) ...
Annex E

Amendments to the Prudential sourcebook for UCITS Firms (UPRU)

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

Transitional provision for UPRU

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>This sourcebook</td>
<td>R</td>
<td>An <em>operator</em> of a UCITS scheme … its activities to those specified under <em>CIS 16.5.1R (1) to (3)</em> or <em>COLL 6.9.9R (1) to (3)</em>, as appropriate.</td>
<td>From 01/01/07 to 12/02/07</td>
<td>01/01/07</td>
</tr>
</tbody>
</table>
Annex F

Amendments to the Interim Prudential sourcebook for Investment Businesses
(IPRU(INV))

In this Annex, underlining indicates new text.

…

Annex D

…

3.2 FORM OF DEED OF TERMINATION

THIS DEED OF TERMINATION is made on the ..................... day of ................ 20……

BETWEEN -

(1) * [insert full name of Lender] [registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the Lender”).

(2) * [insert full name of Borrower] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the Borrower”).


…

IN WITNESS WHEREOF this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by [full name of Lender]

................................... Signed ....................................
Director

Signed ....................................
Director/Secretary

or

Signed as a deed by
[full names of individual partners of Lender]
(as such partners and as individuals)

Signed ....................................
Partner

Signed....................................
Partner/Witness

or

Signed as a deed by [full name of Lender]
(if an individual)

Signed....................................

in the presence of

Signed....................................
Witness

Executed as a deed by [full name of Borrower]

Signed....................................
Director

Signed....................................
Director/Secretary

or

Signed as a deed by [full names of individual partners of Borrower]
(as such partners and as individuals)

Signed....................................
Partner

Signed....................................
Partner/Witness

or

Signed as a deed by [full name of Borrower]
(if an individual)

Signed....................................

in the presence of
3.3 FORM OF DEED OF VARIATION

THIS DEED OF VARIATION is made on the ......................... day of ............ 20…..

BETWEEN -

(1) * [insert full name of Lender] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the Lender”).

(2) * [insert full name of Borrower] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the Borrower”).


IN WITNESS WHEREOF this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by [full name of Lender]

................................. Signed.................................
Director

Signed.................................
Director/Secretary

or

Signed as a deed by
[full names of individual partners of Lender]
(as such partners and as individuals)

Signed....................................
Partner

Signed....................................
Partner/Witness

or

Signed as a deed by [full name of Lender]
(if an individual)

Signed....................................

in the presence of

Signed....................................
Witness

Executed as a deed by [full name of Borrower]

.................................
Signed....................................
Director

Signed....................................
Director/Secretary

or

Signed as a deed by [full names of individual partners of Borrower]
(as such partners and as individuals)

Signed....................................
Partner

Signed....................................
Partner/Witness

or

Signed as a deed by [full name of Borrower]
(if an individual)

Signed....................................

in the presence of

Signed....................................
10.3 FORM OF DEED OF TERMINATION

THIS DEED OF TERMINATION is made on the ................. day of .............. 20....

BETWEEN -

(1) * [insert full name of Lender] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the Lender”).

(2) * [insert full name of Borrower] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the Borrower”).


... 

IN WITNESS WHEREOF this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by [full name of Lender]

................................. Signed.................................
Director

Signed.................................
Director/Secretary

or

Signed as a deed by
[full names of individual partners of Lender]
(as such partners and as individuals)

Signed....................................
Partner

Signed....................................
Partner/Witness

or

Signed as a deed by [full name of Lender]
(if an individual)

Signed....................................
in the presence of
Signed....................................
Witness

Executed as a deed by [full name of Borrower]

Signed....................................
Director

Signed....................................
Director/Secretary

or

Signed as a deed by [full names of individual
partners of Borrower]
(as such partners and as individuals)

Signed....................................
Partner

Signed....................................
Partner/Witness

or

Signed as a deed by [full name of Borrower]
(if an individual)

Signed....................................
in the presence of
10.4 FORM OF DEED OF VARIATION

THIS DEED OF VARIATION is made on the ......................... day of ........... 2.....

BETWEEN -

(1) * [insert full name of Lender] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the Lender”).

(2) * [insert full name of Borrower] [(registered in [England] number *) whose registered office is at][if an individual or partnership of] * (“the Borrower”).

(3) **The Financial Services Authority Limited** (registered in England number 1920623) whose registered office is at 25 The North Colonnade, Canary Wharf, London, E14 5HS (“the FSA”).

[...]

IN WITNESS WHEREOF this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first above written.

Executed as a deed by [full name of Lender]

......................... Signed..............................
Director

Signed..............................
Director/Secretary

or

Signed as a deed by
[full names of individual partners of Lender]
(as such partners and as individuals)

Signed....................................
Partner

Signed....................................
Partner/Witness

or

Signed as a deed by [full name of Lender]
(if an individual)

Signed....................................

in the presence of

Signed....................................
Witness

Executed as a deed by [full name of Borrower]

Signed....................................
Director

Signed....................................
Director/Secretary

or

Signed as a deed by [full names of individual partners of Borrower]
(as such partners and as individuals)

Signed....................................
Partner

Signed....................................
Partner/Witness

or

Signed as a deed by [full name of Borrower]
(if an individual)

Signed....................................

in the presence of
The Common Seal of THE FINANCIAL SERVICES AUTHORITY LIMITED was hereunto affixed in the presence of

Signed ....................................
Witness

Signed ........................................
Authorised Signatory

Signed ........................................
Authorised Signatory
Annex G

Amendments to the Collective Investment Schemes sourcebook (CIS)

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

CIS TP 1 Transitional Provisions

<table>
<thead>
<tr>
<th></th>
<th>(2) Material to which the transitional provision applies</th>
<th>(3) Transitional provision: dates in force</th>
<th>(4) Transitional provision: coming into force</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>CIS 16.5.1 R (4) to CIS 16.5.1 R (6)</td>
<td>G A <strong>UK UCITS investment firm</strong> will not be able to act as such and exercise an <strong>EEA right</strong> under the <strong>UCITS Directive</strong> unless it complies with the <strong>Prudential sourcebook for UCITS Firms BIPRU</strong>.</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Annex H

**Amendments to the New Collective Investment Schemes sourcebook (COLL)**

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

**COLL TP 1 Transitional Provisions**

<table>
<thead>
<tr>
<th></th>
<th>Material to which the transitional provision applies</th>
<th>Transitional provisions</th>
<th>Transitional provision: dates in force</th>
<th>Handbook provision: coming into force</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>(COLL) 6.9.9R (2) (4) to (6) (Restrictions of business for UCITS management companies)</td>
<td>R A UCITS management company must not carry on any of the activities specified in (COLL) 6.9.9 (2) (COLL) 6.9.9 (3) (COLL) 6.9.9 (4) (COLL) 6.9.9 (5) (COLL) 6.9.9 (6) (COLL) 6.9.9R (2) (4) to (6) (inclusive) unless ...</td>
<td>From 1 April 2004 to 12 February 2007</td>
<td>1 April 2004</td>
</tr>
<tr>
<td>6</td>
<td>(COLL) 6.9.9 (2) (COLL) 6.9.9 (3) (COLL) 6.9.9 (4) (COLL) 6.9.9 (5) (COLL) 6.9.9 (6) (COLL) 6.9.9R (2) (4) to (6) (Restrictions of business for UCITS management companies)</td>
<td>G A UK UCITS investment firm will not be able to act as such and exercise an EEA right under the UCITS Directive unless it complies with UPRI BIPRI.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annex I

Amendments to Annex A to the General Prudential Sourcebook Instrument 2006
(FSA 2006/40)

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

Amend the table in Annex A to the General Prudential Sourcebook Instrument as follows:

<table>
<thead>
<tr>
<th>PRU provision: current location</th>
<th>Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>8 Annex 1 R</td>
<td>GENPRU &amp; 3 Annex 1 R</td>
</tr>
<tr>
<td>8 Annex 2 R</td>
<td>GENPRU &amp; 3 Annex 2 R</td>
</tr>
<tr>
<td>8 Annex 3 G</td>
<td>GENPRU &amp; 3 Annex 3 G</td>
</tr>
<tr>
<td>8 Annex 4 R</td>
<td>GENPRU &amp; 3 Annex 4 R</td>
</tr>
</tbody>
</table>
Annex J

Amendments to the CRD (Consequential Amendments) Instrument 2006
(FSA 2006/53)

Annex A
Amendments to the Glossary

Part 1B (New definitions taking effect on 1 January 2007)

| non-EEA sub-group | a group of undertakings identified as a non-EEA sub-group in BIPRU 8.3.1R (Main consolidation rule for non-EEA sub-groups); however where the provision in question refers to a non-EEA sub-group in another EEA State it means a group of undertakings identified in Article 73(2) of the Banking Consolidation Directive (Non-EEA sub-groups) required to be supervised on a consolidated basis under Article 73(2) of the Banking Consolidation Directive by a competent authority in that EEA State. |
Part 2A (Revised definitions taking effect on 31 December 2006)

**guaranteed fund**

(1) (a) ...

(b) where the *firm* is required to calculate a *UK MCR* or an *EEA MCR* under PRU 7.6 INSPRU 1.1, for the purposes of that section...

**insurance health risk and life protection reinsurance capital component**

one of the components of the *long-term insurance capital requirement* as set out in PRU 7.2.85R INSPRU 1.1.85R to PRU 7.2.86R INSPRU 1.1.86R.
Part 2B (Revised definitions taking effect on 1 January 2007)

**commodity**

1. (except for the purpose of calculating position risk requirements) a physical asset (other than a financial instrument or cash) which is capable of delivery.

2. (for the purpose of calculating position risk requirements) any of the following (but excluding gold):
   
   (a) a commodity within the meaning of paragraph (1); and

   (b) any:

      (i) physical or energy product; or

      (ii) of the items referred to in paragraph 10 of Section C of Annex I of the MIFID as an underlying with respect to the derivatives mentioned in that paragraph;

          which is, or can be, traded on a secondary market.

**competent authority**

1. …

…

3. (in relation to a group, and for the purposes of PRU 8.1 SYSC 12 (Group risk systems and controls requirement), GENPRU 8.4 (Cross sector groups), PRU 8.5 (Third country groups), PRU 8 Ann 1R (Capital adequacy calculations for financial conglomerates) and PRU 8 Ann 2R (Prudential rules for third country groups), BIPRU and INSPRU, any national authority …

**EEA firm**

…

(b) a credit institution (as defined in article 44(1) of the Banking Consolidation Directive)

(c) a financial institution (as defined in article 44(5) of the Banking Consolidation Directive) which is a subsidiary of the kind mentioned in article 49 24 and which fulfils the conditions in articles 48 23 and 4924;

**financial instrument**

1. (other than for the purposes of BIPRU and GENPRU) as defined in Article 5 of the Prescribed Markets and Qualifying Investments Order and Article 1(3) of the Market Abuse Directive, and which consequently carries the same meaning in the Buy-back and Stabilisation Regulation:

   (a) …
(2) (for the purposes of BIPRU and GENPRU) an instrument listed in Section B of the Annex to the ISD.
Annex L

Amendments to the Supervision manual

Part 4: Consequential amendments taking effect on 1 January 2007

Amend SUP 10.12 as follows:

10.12.3 G In accordance with section 60 of the Act (Applications for approval), applications must be submitted by, or on behalf of, the firm itself, not by the candidate. Usually this will be the firm that is employing the candidate to perform the controlled function. Where a firm has outsourced the performance of a controlled function, the details of the outsourcing determine where responsibility lies and whom the FSA anticipates will submit approved persons forms. SUP 10.12.4 G describes some common situations. The firm which is outsourcing is referred to as "A" and the person to whom the performance of the function has been outsourced, or which makes the arrangement for the function to be performed, is referred to as "B". In each situation, A must take reasonable care to ensure that, in accordance with section 59(2) of the Act, no person performs a controlled function under an arrangement entered into by its contractor in relation to the carrying on by A of a regulated activity, without approval from the FSA. See also SYSC 3.2.4G and SYSC 8.1.1R and if applicable IPRU (BANK) OS, IPRU (BSOC) OS, and for insurers SYSC 13.9.

Amend SUP 15.3 as follows:

15.3.8 G (1) Compliance with Principle 11 includes, but is not limited to, giving the FSA notice of:

(a) ...

(e) entering into, or significantly changing, a material outsourcing arrangement (a bank should also see IPRU (BANK) OS 4.2, and a building society should also see IPRU (BSOC) 11 OS 4.2 SYSC 3.2.4G and SYSC 8, and an insurer should also see SYSC 3A.913.9 for further details); or


## Annex K


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

COB 4 Annex 5R: Combined initial disclosure document (“CIDD”)

### 2. Whose products do we offer? [Note 6] [Note 7]

<table>
<thead>
<tr>
<th>[2] [Islamic Home Purchase Plans] [Note 13A] [Note 14]</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ We [can] [Note 8] only offer [a limited range of the] [an] Islamic home purchase plan[s] from [a single provider]. [Note 10(1) an (3)] [Note 13]</td>
</tr>
</tbody>
</table>

### 3. Which service will we provide you with? [Note 6]

<table>
<thead>
<tr>
<th>[Home Finance Products] [Note 14]</th>
</tr>
</thead>
<tbody>
<tr>
<td>[1] [Mortgages] [Equity Release Products] [Note 14]</td>
</tr>
</tbody>
</table>

☐ We will advise and make a recommendation for you [on lifetime mortgages] [home reversion] [equity release products] after we have assessed your needs.

☐ You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of [products][lifetime mortgages] [home reversion] [equity release products] that we will provide details on. You will then need to make your own choice about how to proceed.

### 4. What will you have to pay us for our services?

<table>
<thead>
<tr>
<th>[Home Finance Products] [Note 14]</th>
</tr>
</thead>
<tbody>
<tr>
<td>[1] [Mortgages] [Equity Release Products] [Note 14]</td>
</tr>
</tbody>
</table>

... Refund of fees [Note 19] [Note 14]
If we charge you a fee, and your [lifetime] [mortgage] [home reversion plan] [equity release product] does not go ahead, you will receive: [Note 20]

…

**Note 7A** – the 'Compliance with Islamic law' subsection is optional unless the *firm* holds itself, its *regulated mortgage contract or home purchase plan* products or services out as compliant with Islamic law in the CIDD. If a *firm* includes Section 1A then it must describe the section on the CIDD as section 2 and renumber subsequent sections accordingly. If the statement does not apply to all of the *firm*’s home finance services then it must amend the statement to make clear to which services it applies.

…

**Note 14** – in describing the services and products provided, *firms* must omit the text in brackets that do not apply and ensure that they describe accurately their activities with respect of the services and products that they offer, as follows:

…

(2) Describing the products in Section 2: In the text associated with boxes that are not ticked, a *firm* must delete references to ‘home reversions’ and ‘lifetime mortgages’ but leave references to ‘equity release products’.

(3) Describing the products in Section 3:

a. If a *firm* advises or gives personalised information on *lifetime mortgages*, it must change "mortgage" to "lifetime mortgage" and use the text in brackets related to *lifetime mortgages*.

…

(4) Describing the provider: If a *firm* advises or gives personalised information on *home purchase plans* or *home reversion plans*, it must change “mortgage” to “product” and “lender” to “company” or "provider", as appropriate.

**Note 41** - A *firm* must only include this paragraph if the services to which the CIDD relates include *home purchase activities* and do not include *regulated mortgage activities*. If the *firm* does not carry on *regulated mortgage activities*, it must include the second sentence and delete the third. If the *firm* carries on *regulated mortgage activities* (but the CIDD does not relate to these services) as well as *home purchase activities* it must omit the second sentence and include the third.
Annex L

Amendments to Annex A of the Mortgages: Conduct of Business Sourcebook (Home Reversion and Home Purchase Activities) Instrument 2006 (FSA 2006/45)

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

MCOB 8 Annex 1 Initial disclosure document (“IDD”)

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2. Whose products do we offer? [Note 3] [Note 7] [Note 8]

...  

We [can] [Note 9] only offer [a limited range of ] [lifetime mortgages] [home reversion plans] [equity release products] from [a single lender/company] [name of single company]. [Note 11] [Note 11A]

☐ [or]

We only offer our own [lifetime mortgages] [home reversion plans] [equity release products]. [Note 12]

...

3. Which service will we provide you with? [Note 3] [Note 7]

We will advise and make a recommendation for you on [lifetime mortgages] [home reversion plans] [equity release products] for you after we have assessed your needs.

...

Note 7 – firms must describe their scope of service by selecting and ticking, the box or boxes that describe the products and services that the firm expects to provide to the customer. This means a firm will select either one or both boxes within this section. Firms must not delete the boxes not selected (but see Note 8A). In the text associated with boxes that are not ticked:

a. in Section 2 a firm must delete references to 'home reversions' and 'lifetime mortgages' but leave references to 'equity release products', omitting the square brackets. This is so that a customer can see other possible options, even if not available from the firm issuing the IDD; and

b. in Section 3, a firm must use the words in square brackets that reflect the products it is offering in Section 2. If the firm advises or gives personalised information on products from both equity release market sectors, it must use the term 'equity release products'.

MCOB 9 Annex 2R

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3. What is a home reversion plan?
When does a home reversion plan end?

- This depends on the terms of the plan but will usually include death or where you (or, in the case of a joint plan, the surviving spouse) move out permanently, for example into long-term residential care. The property will be put up for sale by the provider and the value of any part you do not sell to the provider will be paid to you or your estate. See also "Cancelling a home reversion", below.

Moving home

- Not all home reversion plans can be transferred to a new property, if you should want to move home in the future. Section 5 will tell you if this plan cannot be transferred. …