

**CONDUCT OF BUSINESS SOURCEBOOK (AMENDMENT NO 23)  
INSTRUMENT 2007**

**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 141 (Insurance business rules);
  - (3) section 156 (General supplementary powers); and
  - (4) 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 6 April 2007.

**Amendments to the Handbook**

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

**Citation**

- E. This instrument may be cited as the Conduct of Business Sourcebook (Amendment No 23) Instrument 2007.

By order of the Board  
22 March 2007

## Annex

### Amendments to the Conduct of Business sourcebook (COB)

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

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Conditions relevant to distributions

- 6.12.48 R A *firm* must:
- (1) not make a distribution from a *with-profits fund*, unless the whole of the cost of that distribution can be met without eliminating the *regulatory surplus* in that *with-profits fund*; ~~and~~
  - (2) ensure that the amount distributed to *policyholders* from a *with-profits fund* is not less than the required percentage of the total amount distributed (see COB 6.12.56R); and
  - (3) if it adjusts the amounts distributed to *policyholders*, apply a proportionate adjustment to amounts distributed to shareholders so that the distribution to *policyholders* will not be less than the required percentage.

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- 6.12.51 R ~~Subject to COB 6.12.53 R, and for the purposes of COB 6.12.48R (2), a *firm* must determine the amount to be distributed:~~
- (1) ~~in the case of a distribution, all or part of which is in the form of a transfer of assets out of the *with-profits fund*, by determining the fair *market value* of the assets that will be transferred; and~~
  - (2) ~~in the case of a distribution, all or part of which is in the form of an increase in the *regulatory value of liabilities* of the *with-profits fund*, by determining the amount by which the *regulatory value of liabilities* of the *long-term insurance fund* would increase as a result of the distribution, if (for these purposes only) the *mathematical reserves* were calculated using the long-term gilt yield, net of tax (if that is appropriate), instead of the rate of interest prescribed by INSPRU 1.2.33 R. [deleted]~~
- 6.12.52 G ~~COB 6.12.51R (2) applies, in particular, to distributions that take the form of a reversionary bonus addition to conventional *with-profits policies*. [deleted]~~
- 6.12.53 R ~~Notwithstanding COB 6.12.51 R, a *firm* may determine the amount to be distributed in a different way, if:~~

- (1) ~~it can show that that is consistent with its established practice; and~~
- (2) ~~that established practice is explained in its *PPFM*. [deleted]~~

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6.12.56 R The required percentage referred to in *COB* 6.12.48R ~~(2)~~ is, for each *with-profits fund*:

- (1) ...

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