

**CONDUCT OF BUSINESS SOURCEBOOK (MiFID, ARTICLE 4 AND OTHER
AMENDMENTS) 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)
 - (a) section 138 (General rule-making power)
 - (b) section 145 (Financial promotions rules);
 - (c) section 149 (Evidential provisions);
 - (d) section 156 (General supplementary powers);
 - (e) section 157(1) (Guidance); and
 - (2) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions sourcebook.
- 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 November 2007.

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
General Provisions (GEN)	Annex B
Conduct of Business sourcebook (COBS)	Annex C
Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)	Annex D
Collective Investment Schemes sourcebook (COLL)	Annex E

Notes

- E. In Annex C to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Conduct of Business Sourcebook (MiFID, Article 4 and Other Amendments) Instrument 2007.

By order of the Board
26 July 2007

Annex A

Amendments to the Glossary of definitions

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

combined initial disclosure document (~~CIDD~~) information ~~set out in COB 4 Annex 5R~~ about the ~~scope~~ scope of advice or scope of basic advice and the nature of the services offered by a *firm* in relation to:

(a) ~~a combination of~~ two or more of the following:

(i)(a) packaged products or, for basic advice, stakeholder products;

(ii)(b) non-investment insurance contracts;

(iii)(c) regulated mortgage contracts other than lifetime mortgages;

(iv)(d) home purchase plans;

(v)(e) equity release transactions;

which contains the keyfacts logo, headings and text in the order shown in, and in accordance with the notes in, COBS 6 Annex 2; ~~or,~~

(b) ~~[deleted]~~

commission equivalent (~~equivalent~~) the cash payments, benefits and services listed in ~~COB 5.7.16E~~ COBS 6 Annex 6E which satisfy the criteria in ~~COB 5.7.5R (2)~~ COBS 6.4.3R.

essential information ~~[deleted]~~

equivalent see commission equivalent.

initial disclosure document (~~IDD~~) information about the ~~scope~~ scope of advice or scope of basic advice and the nature of the services offered by a *firm* in relation to:

(a) packaged products as described in required by COB 4.3.7 R COBS 6.3.7G which contains the keyfacts logo, headings and text described in COBS 6 Annex 1G;

(b) stakeholder products as described in required by COB 5A.2.1(1)R COBS 9.6.9R (Disclosure at first contact) which contains the keyfacts logo, headings and text described in COBS 6 Annex 1G;

(c) ...

...

menu a statement maintained by a *firm* in accordance with *COBS* 6.3.

range of stakeholder products, range (in relation to a *firm*) the range of *stakeholder products* on which the *firm* gives *basic advice* (see ~~*COB* 5A.3.2R~~ *COBS* 9.6).

References to a *firm's* range (or ranges) of *stakeholder products* include, where the context requires, a reference to the range (or ranges) of the *firm's* appointed representatives.

rules on the disclosure of commission and commission equivalent [deleted]

rule on use of dealing commission *COBS* 11.6.3R.

scope of advice, scope the basis on which *personal recommendations on packaged products* is given by a *firm*, that is, one of the following:

(1) the whole market (or the whole of a named sector of the market); or

(2) a limited number of *product providers*; or

(3) a single *company* or single group of *companies*.

References to a *firm's* scope of *personal recommendations of packaged products* include, where the context requires, a reference to the scope of *personal recommendations* of the *firm's* appointed representatives or, where applicable, *tiered agent*.

scope of basic advice the basis on which a *firm* gives *basic advice on stakeholder products*, that is, with reference to the *stakeholder products* of one, or more than one, *stakeholder product provider*.

website conditions the following conditions (~~which must be satisfied if a *firm* provides information to a *client* by means of a website containing information that is not addressed personally to that *client*~~):

(1) the provision of that information in that medium by means of a

website must be appropriate to the context in which the business between the *firm* and the *client* is, or is to be, carried on (that is, there is evidence that the *client* has regular access to the internet, such as the provision by the *client* of an e-mail address for the purposes of the carrying on of that business);

- (2) the *client* must specifically consent to the provision of that information in that form;
- (3) the *client* must be notified electronically of the address of the website, and the place on the website where the information may be accessed;
- (4) the information must be up to date; and
- (5) the information must be accessible continuously by means of that website for such period of time as the *client* may reasonably need to inspect it.

[**Note:** article 3 of the *MiFID implementing Directive*]

Annex B

Amendments to the General Provisions (GEN)

In this Annex, new text is underlined and struck through text is deleted.

4.2 Purpose

4.2.1 G ...

4.2.2 G There are other pre-contract information requirements outside this chapter, including:

- (1) for *financial promotions*, in the financial promotion rules ~~COB 3 (Financial promotion)~~;
- (2) for *designated investment business*, in COBS 4.2 8 (Terms of business and eClient agreements with customers), COBS 5 (Distance Communications), COBS 6 4.3 (Disclosing information about services, fees and commission packaged products) Information about the firm, its services and remuneration, ~~COB 5.5 (Information about the firm)~~, COBS 13 and 146.1 to COB 6.5 (Product disclosure) (which relate to product information) and CASS (Client assets);
- (3) ...

4.3 Letter disclosure

Disclosure in letters to ~~private customers~~ retail clients

4.3.1 R A *firm* must take reasonable care to ensure that every letter (or electronic equivalent) which it or its *employees* send to a ~~private customer~~ retail client, with a view to or in connection with the *firm* carrying on a *regulated activity*, includes the disclosure in *GEN 4 Annex 1R*.

4.3.1A G Where a letter covers both activities to which this chapter applies and activities to which this chapter does not apply, the *firm* should comply with the rules in this chapter in relation to the business to which it applies. An example would be where a letter covers business for which the *FSA* is the competent authority under the *IMD* and under *MiFID*.

- 4.3.3 G
- (1) *GEN 4.3.1R (Disclosure in letters to ~~private customers~~ retail clients)* covers letters delivered by hand, sent by *post* and sent by fax and also electronic mail, but not text messages, account statements, business cards or compliment slips (used as such).
 - (2) *GEN 4.3.1R (Disclosure in letters to ~~private customers~~ retail clients)* applies in relation to letters sent by any of the *firm's employees*, which includes its *appointed representatives* and their *employees*.

(3) ...

Exception: insurers

4.3.4 R *GEN* 4.3.1R (Disclosure in letters to ~~private customers~~ retail clients) does not apply in relation to:

(1) ...

Exception: authorised professional firms

4.3.5 R For an *authorised professional firm*, *GEN* 4.3.1 R (Disclosure in letters to ~~private customers~~ retail clients) does not apply with respect to its *non-mainstream regulated activities*.

4.4 Business for retail clients ~~private customers~~ from non-UK offices

4.4.1 R (1) If, in any communication:

(a) made to:

(i) ...

(iii) (in all other cases) a retail client ~~private customer~~; and

...

5 The FSA logo and the keyfacts logo

5.1 Application and purpose

...

5.1.5 R A *firm* must not use the keyfacts logo other than as and when it is required or expressly permitted to be used by the *rules* ...

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, except where otherwise indicated, underlining indicates new text and striking through indicates deleted text. Where new Sections are being inserted, this is stated and the text is not underlined.

2.3 Inducements

Rule on inducements

2.3.1 R ...

(1) ...

(2) [delete (2) and replace with the following]

a fee, commission or non-monetary benefit paid or provided to or by a third party or a *person* acting on behalf of a third party, if:

(a) the payment of the fee or commission, or the provision of the non-monetary benefit does not impair compliance with the *firm's* duty to act in the best interests of the *client*; and

(b) the existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, is clearly disclosed to the *client*, in a manner that is comprehensive, accurate and understandable, before the provision of the service;

(i) this requirement only applies to business other than *MiFID* or equivalent third country business if it includes giving a *personal recommendation* in relation to a *packaged product*;

(ii) where this requirement applies to business other than *MiFID* or equivalent third country business, a *firm* is not required to make a disclosure to the *client* in relation to a non-monetary benefit permitted under (a) and which falls within the table of reasonable non-monetary benefits in *COBS* 2.3.15G as though that table were part of this *rule* for this purpose only;

(iii) this requirement does not apply to a *firm* giving *basic advice*,

(c) in relation to *MiFID* or equivalent third country business, the payment of the fee or commission, or the provision of the non-monetary benefit is designed to enhance the quality of the

service to the *client*.

(3) ...

[Note: The Committee of European Securities Regulators (CESR) has issued recommendations on inducements under MiFID]

Guidance on inducements

...

2.3.4 G ~~[intentionally blank]~~ COBS 11.6 (Use of dealing commission) deals with the acceptance of certain inducements by *investment managers* and builds upon the requirements in this section. *Investment managers* should ensure they comply with this section and COBS 11.6.

Packaged products evidential provisions and guidance on inducements

2.3.9 G ~~[intentionally blank]~~ The following *guidance* and *evidential provisions* provide examples of arrangements the *FSA* believes will breach the *client's best interests rule* if it sells, *personally recommends* or arranges the sale of a *packaged product* for a *retail client*.

2.3.10 E (1) ~~[intentionally blank]~~ If a *firm* is required to disclose *commission* (see COBS 6.4) to a *client* in relation to the sale of a *packaged product* (other than in relation to arrangements between *firms* that are in the same *immediate group*) the *firm* should not enter into any of the following:

(a) volume overrides, if *commission* paid in respect of several transactions is more than a simple multiple of the *commission* payable in respect of one transaction of the same kind; and

(b) an agreement to indemnify the payment of *commission* on terms that would or might confer an additional financial benefit on the recipient in the event of the *commission* becoming repayable.

(2) Contravention of (1) may be relied upon as tending to establish contravention of the *rule* on inducements (COBS 2.3.1R).

2.3.11 G (1) ~~[intentionally blank]~~ If a *firm* enters into an arrangement with another *firm* under which it makes or receives a payment of *commission* in relation to the sale of a *packaged product* that is increased in excess of the amount disclosed to the *client*, the *firm* is likely to have breached the *rules* on disclosure of charges, remuneration and *commission* (see COBS 6.4) and, where applicable, the *rule* on inducements in COBS 2.3.1R(2)(b), unless the increase is attributable to an increase in the *premiums* or contributions payable by that *client*.

2.3.12 E (1) ~~[intentionally blank]~~ This *evidential provision* applies in relation to a holding in, or the provision of *credit* to, a *firm* which holds itself out as

making personal recommendations to retail clients on packaged products, except where the relevant transaction is between persons who are in the same immediate group.

(2) A product provider should not take any step which would result in it:

- (a) having a direct or indirect holding of the capital or voting power of a firm in (1); or
- (b) providing credit to a firm in (1) (other than commission due from the firm to the product provider in accordance with an indemnity commission clawback arrangement);

unless all the conditions in (4) are satisfied. A product provider should also take reasonable steps to ensure that its associates do not take any step which would result in it having a holding as in (a) or providing credit as in (b).

(3) A firm in (1) should not take any step which would result in a product provider having a holding as in (2)(a) or providing credit as in paragraph (2)(b), unless all the conditions in (4) are satisfied.

(4) The conditions referred to in (2) and (3) are that:

- (a) the holding is acquired, or credit is provided, on commercial terms, that is terms objectively comparable to those on which an independent person unconnected to a product provider would, taking into account all relevant circumstances, be willing to acquire the holding or provide credit;
- (b) the firm (or, if applicable, each of the firms) taking the step has reliable written evidence that (a) is satisfied;
- (c) there are no arrangements, in connection with the holding or credit, relating to the channelling of business from the firm in (1) to the product provider; and
- (d) the product provider is not able, and none of its associates is able, because of the holding or credit, to exercise any influence over the personal recommendations made in relation to packaged products given by the firm.

(5) In this evidential provision, in applying (2) and (3) any holding of, or credit provided by, a product provider's associate is to be regarded as held by, or provided by, that product provider.

(6) In this evidential provision, in applying (3) references to a "product provider" are to be taken as including an unauthorised equivalent of a product provider; that is, an unauthorised insurance undertaking or an unauthorised operator of a regulated collective investment scheme or of an investment trust savings scheme;

(7) Contravention of (2) or (3) may be relied upon as tending to establish contravention of the rule on inducements (COBS 2.3.1R).

2.3.13 G ~~[intentionally blank]~~ In considering the compliance of arrangements between members of the same immediate group with the rule on inducements (COBS 2.3.1 R), firms may wish to consider the evidential provisions in COBS 2.3.10E and COBS 2.3.12E, to the extent that these are relevant.

~~[intentionally blank]~~ Reasonable non-monetary benefits

2.3.14 G (1) In relation to the sale of packaged products, the table on reasonable non-monetary benefits (COBS 2.3.15G) indicates the kind of benefits which are capable of enhancing the quality of the service provided to a client and, depending on the circumstances, are capable of being paid or received without breaching the client's best interests rule. However, in each case, it will be a question of fact whether these conditions are satisfied.

(2) The guidance in the table on reasonable non-monetary benefits is not relevant to non-monetary benefits which may be given by a product provider or its associate to its own representatives. The guidance in this provision does not apply directly to non-monetary benefits provided by a firm to another firm that is in the same immediate group. In this situation, the rules on commission equivalent (COBS 6.4.3 R) will apply.

2.3.15 G ~~[intentionally blank]~~ Reasonable non-monetary benefits

This table belongs to COBS 2.3.14G.

<u>Reasonable non-monetary benefits</u>	
	<u>Gifts, Hospitality and Promotional Competition Prizes</u>
<u>1</u>	<u>A product provider giving and a firm receiving gifts, hospitality and promotional competition prizes of a reasonable value.</u>
	<u>Promotion</u>
<u>2</u>	<u>A product provider assisting another firm to promote its packaged products so that the quality of its service to clients is enhanced. Such assistance should not be of a kind or value that is likely to impair the recipient firm's ability to pay due regard to the interests of its clients, and to give advice on, and recommend, packaged products available from the recipient firm's whole range or ranges.</u>
	<u>Joint marketing exercises</u>
<u>3</u>	<u>A product provider providing generic product literature (that is, letter</u>

<u>Reasonable non-monetary benefits</u>	
	<u>heading, leaflets, forms and envelopes) that is suitable for use and distribution by or on behalf of another firm if:</u>
(a)	<u>the literature enhances the quality of the service to the client and is not primarily of promotional benefit to the product provider; and</u>
(b)	<u>the total costs (for example, packaging, posting, mailing lists) of distributing such literature to its client are borne by the recipient firm.</u>
4	<u>A product provider supplying another firm with 'freepost' envelopes, for forwarding such items as completed applications, medical reports or copy client agreements.</u>
5	<u>A product provider supplying product specific literature (for example, key features documents, minimum information) to another firm if:</u>
(a)	<u>the literature does not contain the name of any other firm; or</u>
(b)	<u>if the name of the recipient firm is included, the literature enhances the quality of the service to the client and is not primarily of promotional benefit to the recipient firm.</u>
6	<u>A product provider supplying draft articles, news items and financial promotions for publication in another firm's magazine, only if in each case any costs paid by the product provider for placing the articles and financial promotions are not more than market rate, and exclude distribution costs.</u>
	<u>Seminars and conferences</u>
7	<u>A product provider taking part in a seminar organised by another firm or a third party and paying toward the cost of the seminar, if:</u>
(a)	<u>its participation is for a genuine business purpose; and</u>
(b)	<u>the contribution is reasonable and proportionate to its participation and by reference to the time and sessions at the seminar when its staff play an active role.</u>
	<u>Technical services and information technology</u>
8	<u>A product provider supplying a 'freephone' link to which it is connected.</u>
9	<u>A product provider supplying another firm with any of the following:</u>
(a)	<u>quotations and projections relating to its packaged products and, in relation to specific investment transactions (or for the purpose of any scheme for review of past business), advice on the completion of forms or other documents;</u>

<u>Reasonable non-monetary benefits</u>	
	(b) <u>access to data processing facilities, or access to data, that is related to the <i>product provider's</i> business;</u>
	(c) <u>access to third party electronic dealing or quotation systems that are related to the <i>product provider's</i> business; and</u>
	(d) <u>software that gives information about the <i>product provider's</i> packaged products or which is appropriate to its business (for example, for use in a scheme for review of past business or for producing projections or technical product information).</u>
10	<u>A <i>product provider</i> paying cash amounts or giving other assistance to a firm not in the same immediate group for the development of software or other computer facilities necessary to operate software supplied by the <i>product provider</i>, but only to the extent that by doing so it will generate equivalent cost savings to itself or clients.</u>
11	<u>A <i>product provider</i> supplying another firm with information about sources of mortgage finance.</u>
12	<u>A <i>product provider</i> supplying another firm with generic technical information in writing, not necessarily related to the <i>product provider's</i> business, when this information states clearly and prominently that it is produced by the <i>product provider</i> or (if different) supplying firm.</u>
	<u>Training</u>
13	<u>A <i>product provider</i> providing another firm with training facilities of any kind (for example, lectures, venue, written material and software).</u>
	<u>Travel and accommodation expenses</u>
14	<u>A <i>product provider</i> reimbursing another firm's reasonable travel and accommodation expenses when the other firm:</u>
	(a) <u>participates in market research conducted by or for the <i>product provider</i>;</u>
	(b) <u>attends an annual national event of a United Kingdom trade association, hosted or co-hosted by the <i>product provider</i>;</u>
	(c) <u>participates in the <i>product provider's</i> training facilities (see 13);</u>
	(d) <u>visits the <i>product provider's</i> United Kingdom office in order to:</u>
	(i) <u>receive information about the <i>product provider's</i> administrative systems; or</u>
	(ii) <u>attend a meeting with the <i>product provider</i> and an existing or prospective client of the receiving firm.</u>

- 2.3.16 G ~~[intentionally blank]~~ In interpreting the table of reasonable non-monetary benefits, *product providers* should be aware that where a benefit is made available to one *firm* and not another, this is more likely to impair compliance with the *client's best interests rule*.

Record keeping: inducements

- 2.3.17 R (1) ...
- (2) ~~[intentionally blank]~~ A *firm* must make a record of each benefit given to another *firm* in accordance with COBS 2.3.14G, and must keep that record for at least five years from the date on which it was given.

After COBS 6.1 insert the following new Sections; the text is not underlined:

6.2 Describing the breadth of a firm's personal recommendations

Application and introduction

- 6.2.1 R This section applies to a *firm* which makes a *personal recommendation* to a *retail client* to buy a *packaged product*.
- 6.2.2 R This section does not apply if a *firm* gives *basic advice* in accordance with the *basic advice rules*.
- 6.2.3 G Under the territorial application *rules* in COBS 1, the *rules* in this section apply to:
- (1) a *UK firm's* business carried on from an establishment in an *EEA State* other than the *United Kingdom* for a *retail client* in the *United Kingdom* unless, the office from which the activity is carried on were a separate *person*, the activity:
- (a) would fall within the overseas *persons* exclusion in article 72 of the *Regulated Activities Order*; or
- (b) would not be regarded as carried on in the *United Kingdom*;
- (2) a *firm's* business carried on from an establishment in the *United Kingdom* carried on for a *client* in another *EEA state*.
- 6.2.4 G A *firm's scope of advice* relates to the *product providers* whose products it sells. Its *range* relates to which products from those providers it sells.
- 6.2.5 G A *firm* may operate on the basis of recommending only a subset of the *packaged products* (its *range*) selected from the *product providers* within its *scope*.

- 6.2.6 G In order to comply with the *rule* on information disclosure before providing services (COBS 2.2.1R(1)(a)) and, if applicable, the *rule* on information to be provided by an *insurance intermediary* (COBS 7.2.1R(2)) a *firm's disclosures* to a *client* should include whether it expects its *scope* to be:
- (1) the whole of the market;
 - (2) limited to several product providers;
 - (3) limited to a single product provider.
- 6.2.7 G In order to comply with the *rule* on providing the details of *insurance undertakings* (COBS 7.2.1R(3)) a *firm* should make a record appropriate for distribution to a *client* of the names of the *insurance undertakings* with which the *firm* conducts, or may conduct, business.
- 6.2.8 G
- (1) If a *firm* holds itself out as independent or as otherwise giving *personal recommendations* to *retail clients* on *packaged products* from the whole market (or the whole of any sector of that market), the *firm's* selection for this purpose will need to be sufficiently large to satisfy the *client's best interests rule* and the *fair, clear and not misleading rule*.
 - (2) A *firm* that gives *personal recommendations* on *packaged products* from the whole of a sector of the market may hold itself out as giving *personal recommendations* from the whole of that sector.
- 6.2.9 G A *firm* may use "panels" of *product providers* which are sufficient for the purpose of giving recommendations from the whole market and which are reviewed on a regular basis. A *firm* which provides *personal recommendations* from the whole market should ensure that its analysis of the market and the available *packaged products* is kept adequately up to date.
- 6.2.10 R A *firm* must not hold itself out as providing *personal recommendations* from the whole market on any type of *personal pension scheme* unless its advice is based on all types of *personal pension schemes*, including *SIPPs*.

Selling products from the scope and range

- 6.2.11 G In accordance with the *client's best interests rule* and the *fair, clear and not misleading rule*, a *firm* should not describe its services to a *retail client* as being based on a particular *scope of advice* and *range* unless its business processes are designed to ensure that:
- (1) its *representatives* consider, based on adequate knowledge, products from across that *scope* and *range* before making a *personal recommendation*;
 - (2) it does not recommend products that are not in its *scope* or *range*;

- (3) each of its *representatives* who advise on *packaged products* is able to recommend and sell each product within the relevant *range*. However it may use a *representative* who is not competent to advise on and sell a product or category of product within the *range* if it:
 - (a) prevents that *representative* from recommending that product or category of product; and
 - (b) ensures that if a product ought to be recommended to a *client*, that *client* is referred to a *representative* that is competent to recommend it;
- (4) it does not narrow the *scope* it provides to a *client* compared with the *scope* it has disclosed to that *client*;
- (5) it does not alter the *scope* or *range* (where permitted under (4)) compared to the *scope* it has disclosed to a *retail client* without making a subsequent disclosure of its *scope* or *range* with appropriate content, presented with sufficient prominence, and in an appropriate format; and
- (6) it does not extend the *scope* or *range* in a way that materially alters its remuneration arrangements and unless it provides to the *client* a new and appropriate information on inducements, costs and charges (a *firm* may do this by providing a further *menu*).

Records of scope and range

- 6.2.12 R (1) A *firm* must make, and keep up to date, a record of the *scope* (or *scopes*) and the *range* (or *ranges*) it will use.
- (2) A *firm* must maintain a record of the particular *scope* and *range* on which its *personal recommendation* to each *retail client* is based.
- (3) (a) The record of the *firm's scope* and *range* (or *ranges*) must be retained for five years from the date on which it was superseded by a more up-to-date record.
- (b) The *client-specific* record required by (2) must be retained for five years from the date of the provision of the *personal recommendation*.
- 6.2.13 G In the case of a *firm* whose only *scope* is the selection of *packaged products* from the whole of the market (or from the whole of a sector of the market), it will be sufficient if the *firm's* record simply confirms that the *personal recommendations* it provides are given on this basis (and in the case of a *firm* which provides *personal recommendations* on the whole of a sector of the market, confirms the nature and parameters of that sector).

Remuneration structure and referrals

6.2.14 G In determining the remuneration structure of its *representatives*, a *firm* should manage any tensions between its obligations to its *clients* and the personal interests of its *representatives* (see SYSC 3A.6.2G and SYSC 10.1.3R).

Firms holding themselves out as independent

6.2.15 R (1) A firm must not hold itself out to a client as acting independently unless it intends to:

- (a) provide *personal recommendations* to that client on *packaged products* from the whole market (or the whole of a sector of the market); and
- (b) offers the *client* the opportunity of paying a *fee* for the provision of such advice.

(2) Paragraph (1) does not apply to *group personal pension schemes* if a *firm* discloses information to a *client* in accordance with the *rule* on *group personal pension schemes* (COBS 6.3.21R).

6.2.16 R (1) A *firm* which charges a *retail client* a *fee* under COBS 6.2.15R(1)(b) must do so on the basis that it will, in respect of any *commission* which it receives in respect of transactions in *packaged products* for that *client* (and to which the particular *fee* charging arrangement relates), ensure the value of that *commission* is transferred to the *client*.

(2) This *rule* does not prohibit such a *firm* from agreeing with the *client* (in writing) that it will retain an amount or rate of trail or renewal *commission* up to an amount each year specified in the agreement and so small, relative to the overall amount of *fees* paid by the *client*, that it would be manifestly disproportionate for the *firm* to be required to account to the *client* in one of the ways outlined in this *rule*.

6.2.17 G A *firm* that carries on business in relation to *packaged products*, *regulated mortgage contracts* and *home reversion plans* can do so in relation to the whole market and therefore be "independent" for one but offer only a limited service for the others. If this is the case, the *firm* should explain the different nature of the services in a way which complies with the *fair, clear and not misleading rule*. (See also MCOB and ICOB.)

6.2.18 G The *rule* on independence means that a *firm* wishing to hold itself out as independent will need to give *clients* a purely *fee* based option for paying for its services. Such a *fee* may be offered on a contingent basis so that it does not become payable if the *client* does not acquire a product. A *firm* offering a *fee*-based service may, in addition, provide the *client* with other payment options, such as by *commission*, or by a combination of *fee* and *commission*.

- 6.2.19 G A *firm* that holds itself out as independent should consider whether any ownership by it of shares in a *product provider* or by a *product provider* in it, or any loan agreements with a *product provider*, should be disclosed in order to meet the *fair, clear and not misleading rule*.

6.3 Disclosing information about services, fees and commission – packaged products

Application

- 6.3.1 R This section applies to a *firm* which makes a *personal recommendation* to, *deals in investments as agent* for, or *arranges for*, a *retail client* in relation to a *packaged product*.
- 6.3.2 R This section does not apply to a *firm* giving *basic advice* where the *firm* follows with the *basic advice rules* in COBS 9.6.

Disclosure to *retail clients* in good time

- 6.3.3 G (1) The *rules* referred to in (4) and (5) are derived from the *Single Market directives* and the *Distance Marketing Directive*. In the *FSA's* opinion, a *firm* will comply with them if it ensures that in good time before:
- (a) a *retail client* is bound by an agreement for the provision of a *personal recommendation on packaged products*; or
 - (b) the *firm* performs an act preparatory to the provision of a *personal recommendation*;
 - (c) in relation to the amendment of a *life policy* for that *retail client*, it gives a *personal recommendation* in relation to *packaged products*;
- its *representative* provides the *client* with an *initial disclosure document* or *combined initial disclosure document* and a *menu*.
- (2) A *firm* should consider the extent to which it is appropriate to provide an *initial disclosure document* or a *menu* if the appropriate information has been given to the *client* on a previous occasion and the information is still accurate and appropriate for the *client*.
- (3) A *firm* should provide the information required by this section in a *durable medium*.
- (4) For the purposes of (1), provision of the *menu* will comply with:
- (a) (other than in relation to a *personal pension deposit*, *SIPP* or a *personal pension product*) the elements of the *rule* on summary disclosure of fees, commissions and non-monetary

benefits (*COBS* 2.3.1R(2)(b), as qualified by *COBS* 2.3.2R) that relate to disclosure of fees and commissions;

(b) the *rule* on information about costs and charges (*COBS* 6.1.9R) but only if the hourly rates indicated in the *menu* are actual hourly rates rather than indicative hourly rates.

(5) For the purposes of (1), provision of the *initial disclosure document* or, where applicable *combined initial disclosure document*, will comply with:

(a) the *rule* on information disclosure before providing services (*COBS* 2.2.1R(1)(a));

(b) the items of distance marketing information, set out in paragraphs (1), (2), (4), (5), (19) and (20) of *COBS* 5 Annex 1R;

(c) paragraphs (1) (so far as it relates to the *firm's* name and address), (4) and (6) of the *rule* on disclosure of information about a firm and its services (*COBS* 6.1.4R);

(d) the investor compensation scheme *rule* in *COBS* 6.1.16R(1) and (2); and

(e) the *rule* on information to be provided by an *insurance intermediary* (*COBS* 7.2.1R(1) and (2)).

6.3.4 R For the purposes of *GEN* 5, a *firm* may not use the keyfacts logo in relation to any *document* that is designed to comply with *rules* in *COBS* 5, 6.1 or *COBS* 7 unless it is an *initial disclosure document*, *combined initial disclosure document* or *menu* produced in accordance with the templates and Notes in the annexes to this chapter.

6.3.5 G Each of the *initial disclosure document*, *combined initial disclosure document* and *menu* that a *firm* provides to a *client* should be *documents* which the *firm* reasonably considers will be, or are likely to be, appropriate for the *client* having regard to the type of service which the *firm* may provide or business which the *firm* may conduct.

6.3.6 G A *firm* will satisfy the requirements as to timing in the *rules* referred to in *COBS* 6.3.3R(4) and (5) if its *representative* provides information to the *client* on first making contact with the *client*.

Initial disclosure document

6.3.7 G (1) An *initial disclosure document* is a document that contains the keyfacts logo, headings and text in the order shown in *COBS* 6 Annex 1G and in accordance with the Notes.

(2) A *combined initial disclosure document* is a document that contains the keyfacts logo, headings and text in the order shown in *COBS* 6

Annex 2G and in accordance with the Notes.

6.3.8 G A *firm* may include at the end of an *initial disclosure document* information the *firm* is required by *COBS* or by the *rule* on disclosing a *tiered agent's* capacity (*SUP* 12.6.13R) and which is not in the template for the *initial disclosure document* if the information would be sufficiently prominent. For example, a *firm* may wish to use the *initial disclosure document* to satisfy the parts of the *rule* on information about the *firm* and its services (*COBS* 6.1.4R) that would not otherwise be satisfied by providing the *initial disclosure document*.

6.3.9 G *Firms* can obtain from the *FSA* website <http://www.fsa.gov.uk> a specimen of the *initial disclosure document*. A *firm* may produce its *initial disclosure document* by using its own house style and brand. Electronic tools to help *firms* to construct their own *initial disclosure documents* and *menus* are available from the *FSA* website.

Menu

6.3.10 G (1) A *menu* is a document that contain the keyfacts logo, heading and text in the order shown in *COBS* 6 Annex 3G and in accordance with the Notes.

(2) In order to be able to provide an accurate menu, a *firm* should maintain as many versions of the *menu* as are appropriate to the different bases on which it may conduct business with *retail clients*.

6.3.11 R (1) A *firm* must keep its *menus* up to date and keep a record of each *menu* for a period of five years from the date on which it was updated or replaced.

(2) A *firm* must maintain a record of each particular *menu* which it provides to a *retail client* (other than when given merely in response to a request).

6.3.12 G A *firm* may add text at the end of the *menu* that is designed to comply with the disclosure duties in:

(1) the *rule* on disclosure of fees, commissions and non-monetary benefits (*COBS* 2.3.1R(2)) to the extent the *menu* does not include that information in relation to the relevant product;

(2) the *rule* on costs and associated charges (*COBS* 6.1.9R);

(3) the items of distance marketing information described in paragraphs (6), (8), (10) and (11) of *COBS* 5 Annex 1.

6.3.13 G If a *firm* is asked to provide a *menu* by a *person* with whom the *firm* has had no prior contact it may provide the *menu* which is appropriate for its typical or most prevalent *client* type and the business it conducts with them.

- 6.3.14 G A *firm* would be unlikely to comply with the *client's best interests rule* if the *menu* that it provided initially did not reflect relevant expected *commission* arrangements.
- 6.3.15 G Long-term care and whole of life *policies*, for which the example given in the *menu* refers to the age of the *policyholder*, are deemed to have a term equal to the difference between the age of the *policyholder* (at the time that the policy is taken out) and the age of 85.
- 6.3.16 G If a *firm* decides to provide a *retail client* with a *personal recommendation* on a type of *packaged product* which falls within a product group specified in Notes 14 or 19 to COBS 6 Annex 3G in relation to which the *menu* previously given to the *client* does not contain the information described in the *menu*, it should issue a new and appropriate *menu* to that *client*.

Provision of information on request

- 6.3.17 G A *firm* should take reasonable steps to ensure that its *representative* provide a copy of the appropriate *range of packaged products* to a *client* on the *client's* request.

Ongoing disclosure

- 6.3.18 G (1) In accordance with the *client's best interests rule* and the *fair, clear and not misleading rule*, a *firm* which has started to provide a *retail client* with services in relation to *packaged products* following the provision of information on inducements required under COBS 2.3.1R or a *menu* should not (at least until the completion of those services) arrange to retain any *commission* which exceeds the maximum amount or rate disclosed without first providing further appropriate inducements information or *menu* and obtaining the *client's* prior informed consent to the proposed alteration in a *durable medium*.
- (2) (a) Paragraph (1) does not apply if, in relation to a *life policy* or a *pension contract*:
- (i) the maximum amounts or rates already disclosed to the *client* only apply to products of the example term or age of *client* given in the *menu* or *payment information* or to products with shorter terms; and
- (ii) the *firm* arranges a product for a term longer than the example term (or longer than the term deemed for the example age given) and the increase in the *commission* which the *firm* arranges to retain over the maximum already disclosed is not more than an amount that is directly proportional to the increase in the duration of the term of the product (or to the term deemed from the age of *client*).

- (b) If requested by a *client*, a *firm* should explain the basis of the higher maximum *commission* or *fees* charged in accordance with (1).

Telephone sales

- 6.3.19 G In cases where *firms* make initial contact with a *client* on the telephone a *firm* may, in addition, have to take into account and comply with the requirements in this sourcebook applicable to the conclusion of distance contracts (see *COBS* 5).
- 6.3.20 G (1) In accordance with the *rule* on information disclosure before providing services (*COBS* 2.2.1R), if a *firm's* initial contact with a *retail client* with a view to providing a *personal recommendation* on *packaged products* is by telephone then the following information should be provided before proceeding further:
 - (a) the name of the *firm* and, if the call is initiated by or on behalf of a *firm*, the commercial purpose of the call;
 - (b) whether the *firm* offers *packaged product* from the whole market or from a limited number of *companies* or from a single *company* or single group of *companies*;
 - (c) whether the *firm* will provide the *client* with a *personal recommendation* on *packaged products*;
 - (d) that the *client* can request a copy of the appropriate *range of packaged products*;
 - (e) whether the *firm* offers a *fee*-based service, a *commission*-based service, a service based on a combination of *fee* and *commission*, or a combination of these services, and the consequences for the *client* of proceeding with each type of service; and
 - (f) that the information given under (a) to (e) will subsequently be confirmed in writing.
- (2) If a *firm's* initial contact with a *retail client* is by telephone in circumstances in which the *firm* would otherwise provide an *initial disclosure document*, a *menu* or both, it should consider sending the *client* the *document* as soon as is reasonably practicable following the conclusion of the call.

Group Personal Pensions

- 6.3.21 R A *firm* must take reasonable steps to ensure that its *representatives* when making contact with an employee with a view to giving a *personal recommendation* on his employer's *group personal pension scheme* or *stakeholder pension scheme*, inform the employee:

- (1) that the *firm* will be providing a *personal recommendation* on *group personal pension schemes* and/or *stakeholder pension schemes* provided by the employer;
- (2) whether the employee will be provided with a *personal recommendation* that is restricted to the *group personal pension scheme* or *stakeholder pension scheme* provided by the employer or the recommendation will also cover other products;
- (3) the amount and nature of any payments that the employee will have to pay, directly or indirectly, for the *personal recommendation*.

6.3.22 G The payments that the employee would have to pay could be:

- (1) *fees*;
- (2) *commission*;
- (3) *commission equivalent*;
- (4) a combination of the above.

6.4 Disclosure of charges, remuneration and commission

Application

6.4.1 R This section applies to a *firm* carrying on *designated investment business* with a *retail client*.

6.4.2 G Under the territorial application *rules* in *COBS 1*, the *rules* in this section apply to:

- (1) a *UK firm's* business carried on from an establishment in an *EEA State* other than the *United Kingdom* for a *retail client* in the *United Kingdom* unless, if the office from which the activity is carried on were a separate *person*, the activity:
 - (a) would fall within the overseas *persons* exclusion in article 72 of the *Regulated Activities Order*; or
 - (b) would not be regarded as carried on in the *United Kingdom*.
- (2) a *firm's* business carried on from an establishment in the *United Kingdom* carried on for a *client* in an other *EEA state*.

Disclosure of commission (or equivalent) for packaged products

- 6.4.3 R (1) If a *firm* sells, *personally recommends* or *arranges* the sale of a *packaged product* to a *retail client*, and subsequently if the *retail client* requests it, the *firm* must disclose to the *client* in cash terms:
- (a) any *commission* receivable by it or any of its *associates* in connection with the transaction;
 - (b) if the *firm* is also the *product provider*, any *commission* or *commission equivalent* payable in connection with the transaction; and
 - (c) if the *firm* or any of its *associates* is in the same *immediate group* as the *product provider*, any *commission equivalent* in connection with the transaction.
- (2) Disclosure "in cash terms" in relation to *commission* does not include the value of any indirect benefits listed in the table at COBS 2.3.15G.
- (3) In determining the amount to be disclosed as *commission equivalent*, a *firm* must put a proper value on the cash payments, benefits and services provided to its *representatives* in connection with the transaction.
- (4) This *rule* does not apply if:
- (a) the *firm* is acting as an *investment manager*; or
 - (b) the *retail client* is not present in the *EEA* at the time of the transaction; or
 - (c) the *firm* provides the *client* with a *key features document* or a *simplified prospectus*, in accordance with COBS 14, provided that the *firm* discloses to the *client* the actual amount or value of *commission* or *equivalent* within five *business days* of effecting the transaction.
- (5) If the terms of a *packaged product* are varied in a way that results in a material increase in *commission* or *commission equivalent*, a *firm* must disclose to a *retail client* in writing any consequent increase in *commission* or *equivalent* receivable by it in relation to that transaction.
- 6.4.4 G Where a *firm* is required to disclose the value of *commission equivalent*, the value will be at least as high as the amount of any *commission*.
- 6.4.5 R (1) A *firm* must make the disclosure required by the *rule* on disclosure of *commission* or *equivalent* (COBS 6.4.3R) as close as practicable to the time that it sells, *personally recommends* or *arranges* the sale of a *packaged product*.

- (2) The *firm* must make the disclosure:
 - (a) in a *durable medium*; or
 - (b) when a *retail client* does not make a written application to enter into a transaction, orally. In these circumstances, the *firm* must give written confirmation as soon as possible after the date of the transaction, and in any event within five *business days*.

- 6.4.6 E (1) When determining the value of cash payments, benefits and services under the *rule* on disclosure of *commission equivalent* (COBS 6.4.3R), a *firm* should follow the provisions of COBS 6 Annex 6E.
- (2) Compliance with this *evidential provision* may be relied on as tending to establish compliance with COBS 6.4.3R; and
- (3) Contravention of this *evidential provision* may be relied on as tending to establish contravention of COBS 6.4.3R.

Guidance on disclosure requirements for packaged products.

- 6.4.7 R A *firm* must not enter into an arrangement to pay *commission* other than to the *firm* responsible for a sale, unless:
 - (1) the *firm* responsible for the sale has passed on its right to receive the *commission* to the recipient; or
 - (2) another *firm* has given a *personal recommendation* to the same *retail client* after the sale; or
 - (3) the *commission* is paid following the sale of a *packaged product* by the *firm* in response to a *financial promotion* communicated by that *firm* to a *client* of the recipient *firm*; or
 - (4) the arrangement is with a *firm* in the same *immediate group*.
- 6.4.8 G A disclosure made under this section should indicate the timing of any payment. For example, if a *firm* exchanges its right to future *commission* payments for a lump sum, whether by way of a loan or other commercial arrangement, it should disclose the amount of *commission* receivable by it that has been exchanged for the lump sum.
- 6.4.9 G The *rules* in this section build on the disclosure of fees, commissions and non-monetary benefits made under the *rule* on inducements (COBS 2.3.1R). However the *rules* in this section do not require disclosures before the *firm* makes a *personal recommendation*.
- 6.4.10 G If the precise rate or value of *commission* or *equivalent* is not known in advance, the *firm* should estimate the rate likely to apply to the

representative in respect of the transaction.

6.4.11 G

Commission or equivalent disclosure statements: content and wording	
A <i>firm</i> should consider including the following in its written statement of <i>commission</i> :	
(1)	Amounts or values of <i>commission</i> rounded as appropriate to help the <i>client</i> understand the document (for example, large amounts might be rounded to three significant figures).
(2)	The names of the <i>firms</i> involved in paying and receiving <i>commission</i> or <i>commission equivalent</i> .
(3)	A plain language description of whether remuneration takes the form of <i>commission</i> or <i>commission equivalent</i> . <i>Commission equivalent</i> could, for example, be described as "remuneration and services received from XYZ Ltd".
(4)	The timing of payments and period over which they are paid.
(5)	For payments relating to the <i>client's</i> fund, examples of how much money might be taken, such as:
(a)	where the <i>commission</i> or <i>equivalent</i> is on an increasing basis, the amount to be taken in the first and tenth year in which it is paid; or
(b)	where the <i>commission</i> or <i>equivalent</i> is a percentage of the fund, the amount that would be taken if the fund was worth a certain value and the amount that would be taken if the fund was worth twice that value.

COBS 6 Annex 1G: Initial disclosure document described in COBS 6.3.13G (1)

1. Firms should omit the notes and square brackets which appear in the following specimen.



about our services [Note 1]



[Note 2]]

[Note 3]
[123 Any Street
Some Town
ST21 7QB]

1. The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. This document is designed by the FSA to be given to consumers considering taking advice on certain financial products. Use this information to decide if our services are right for you.

2. Whose products do we offer? [Note 4] [Note 7]

- We offer products from the whole market. [Note 5] [We offer our own product(s); you can ask us for a list but our recommendation will be made following an analysis of the whole market.] [Note 6]

- We [can] [Note 8] only offer products from a limited number of companies. Ask us for a list of the companies and products we offer. [Note 11] [These include our own product(s) but our recommendation will be made following an analysis of our entire range of products.] [Note 9]
Ask us for a list of the companies and products we offer. [Note 11]

- We [can] [Note 8] only offer [a] product[s] from [a single group of companies] [name of single company]. [Note 10(1)] [Note 12]
[or] [Note 10(2)]
 We only offer our own products.
Ask us for a list of the companies whose products we offer. [Note 11]

3. Which service will we provide you with? [Note 4]

- We will advise and make a recommendation for you 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 that we will provide details on. You will then need to make your own choice about how to proceed.
- We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances but we will not:
- conduct a full assessment of your needs;
 - offer advice on whether a non-stakeholder product may be more suitable.
- [Note 5]

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

- Before we provide you with advice, we will give you our keyfacts guide 'about the cost of our services'. [Note 13]
- We will tell you how we get paid, and the amount, before we carry out any business for you.

5. Who regulates us? [Note 12]

[XYZ Financial Services] [123 Any Street, Some Town, ST21 7QB] [Note 15] [Note 16] is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. [Note 17]

Our permitted business is []. [Note 18]

[or] [Note 19]

[Name of *appointed representative*] [Notes 2][Note 3] is an appointed representative of [name of *firm*] [address of *firm*] [Note 15] [Note 16] which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [].

[Name of *firm's*] permitted business is [] [Note 18]

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

6. Loans and ownership [Note 20]

[B&C Investments plc owns 20% of our share capital.]

[London Union plc provides us with loan finance of £250,000 per year.]

[XYZ Financial Services (or we) have 20% of the voting rights in Royal Edinburgh.]
[Note 20][Note 21]Note 22][Note 23]

7. What to do if you have a complaint [Note 14]

If you wish to register a complaint, please contact us:

...in writing Write to [XYZ Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... by phone Telephone [0121 100 1234]. [Note 24]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 25]

8. Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 12] [Note 26] [Note 27]

<p>We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.</p>
--

1.	<i>Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000.</i>
2.	
3.	<i>Further information about compensation scheme arrangements is available from the FSCS.</i>
4.	

The following notes do not form part of the *initial disclosure document*.

Note 1 – permission to use the keyfacts logo: the *Financial Services Authority* has developed a common keyfacts logo to be used on significant pieces of information directed to *clients*. The keyfacts logo and the text 'about our services' may only be used and positioned as shown in the *initial disclosure document* (see *COBS 6.3.4R*). The logo may be re-sized and re-coloured. It may only be used if it is reasonably prominent and its proportions are not distorted. A specimen of the keyfacts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 2 – insert the *firm's* or *appointed representative's* name (either the name under which it is *authorised* or the name under which it trades). A corporate logo or logos may be included. If an individual who is employed or engaged by an *appointed representative* provides the information, the individual should not put his or her own name on the *initial disclosure document*.

Note 3 – insert the head office or if more appropriate the principal place of business from which the *firm* or *appointed representative* expects to conduct business (this can include a *branch*) with *clients*. (An *appointed representative* should include its own name and address rather than those of the *authorised firm*)

Section 2: Whose products do we offer?

Note 4 – The *firm* should select, for example by ticking, one box which is appropriate for the service which it expects to provide to the *clients*. This needs to be done only in relation to the service it is offering to a particular *client*.

Note 5 – if a *firm* indicates that it will be providing *basic advice* on *stakeholder products* then the first box in section 2 should not be ticked as the *firm* will not be doing so on the basis of *personal recommendations* from the whole market.

Note 6 – a *firm* should only include these words if it offers whole of market advice and it owns or operates products that fall within the relevant market (e.g. a *SIPP*).

Note 7 - if the *initial disclosure document* is provided by an *appointed representative*, the service described should be that offered by the *appointed representative*.

Note 8 – insert “can” if the *firm's* range of products is determined by any contractual obligation. This does not apply where a *product provider, insurer, lender* or company is selling its own products.

Note 9 –a *firm* should only include these words if it offers limited range advice and it

owns or operates products that fall within the relevant range (e.g. a *SIPP*).

Note 10 – if the *firm* selects this box, it will be offering the products of one provider to the *client*. It should therefore follow the format specified in (1) below except when offering its own products, in which case it should follow (2) instead. If the *firm* does not select this box, then the text should follow that set out in Note 12 below.

- (1) Insert the name of the provider. For example: "We can only offer products from [name of *product provider*]". If the provider has only one product, the *firm* should amend the text to the singular – for example: "We can only offer a pension from [name of lender]".
- (2) If the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part's trading name, it should use this alternative text.

Note 11 – this sentence is required only where a *firm* selects this service option. The list of products will be the range of *packaged products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *client*. For services provided in relation to *non-investment insurance contracts*, this is the list required by *ICOB 4.2.14R*.

Note 12 – if the *firm* does not select this box, it should alter the wording to say "a single group of companies". For example: "We only offer the products from a single group of companies" should replace the text in the specimen *initial disclosure document*.

Section 4: What will you have to pay us for our services?

Note 13 – *firms* need not provide a *retail client* with an appropriate *menu* if they do not propose to give that *client* a *personal recommendation* on *packaged products*. Where a *firm* does not provide that *client* with a *menu* then it should tick the second box in section 4.

Section 5: Who regulates us?

Note 14 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *client*, provided the *client* with its *client* agreement which contains that information including the *firm's permitted business*. If this section is omitted, the other sections of the *initial disclosure document* should be renumbered accordingly.

Note 15 – if the *firm's* address on the *FSA Register* differs from that given on the *initial disclosure document* under note 5, the address on the *FSA Register* should be given in this section. If the address is the same as that given under note 5 it should be repeated in this section.

Note 16 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it should include the name under which it is *authorised* and listed in the *FSA Register*. It may also include its trading name(s) if it wishes.

Note 17 - an *incoming EEA firm* will need to modify this section if it chooses to use this *initial disclosure document* (see *GEN 4 Ann 1R(2)*).

Note 18 – insert a short, plain language description of the business for which the *firm* has a

permission which relates to the service it is providing.

Note 19 – where the information is provided by an *appointed representative*, the *appointed representative* should use this text instead. The *appointed representative* should give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *client*.

Section 6: Loans and ownership

Note 20 – omit this section where there are no relevant loan or ownership arrangements under the following notes. If this section is omitted the other sections of the *initial disclosure document* should be renumbered accordingly. Where the information is provided by an *appointed representative*, it should cover loans made to or by that *appointed representative*, or holdings in or held by that *appointed representative*, as appropriate.

Note 21 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *firm* which is held by a provider or *operator* of a *packaged product* or by the parent of the provider or *operator*.

Note 22 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of a provider or *operator* of a *packaged product* which is held by the *firm*.

Note 23 – insert, in the *firm's* own words, a short description of any *credit* provided to the *firm* by a *product provider* (other than *commission* due to the *firm* in accordance with an indemnity claw-back arrangement) or by any *undertaking* in the *immediate group* of the *product provider* where the amount of the *credit* exceeds 10 per cent of the share and loan capital of the *firm*.

Section 7: What to do if you have a complaint

Note 24 - if different to the address in note 5, give the address and telephone number which is to be used by *client* wishing to complain.

Note 25 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it should make clear that the *Financial Ombudsman Service* will not be available. The *firm* may refer to any similar complaints scheme that may be applicable.

Section 8: Are we covered by the Financial Services Compensation Scheme (FSCS)?



Note 26 – when an *incoming EEA firm* provides the *combined initial disclosure document*, it should modify this section as appropriate.

Note 27 - when a *firm* which is not a *participant firm* provides the *combined initial disclosure document*, it should answer this question 'No' and should state the amount of cover provided (if any) and from whom further information about the compensation arrangements may be obtained.

COBS 6 Annex 2: Combined initial disclosure document described in COBS 6.3, ICOB 4.2.7R, MCOB 4.4.1R(1) and MCOB 4.10.2R(1)

This specimen covers services in relation to *packaged products, non-investment insurance contracts and home finance transactions (including equity release transactions)*.
If the *firm* is not providing services in relation to all products, the parts of the *combined initial disclosure document* that are not relevant should be omitted.

Firms should omit the notes and square brackets that appear in the following *combined initial disclosure document*. The completed *combined initial disclosure document* should contain the keyfacts logo, headings and text in the order shown and in accordance with the notes. Subject to this, a *firm* may use its own house style and brand.

  Financial Services [Note 2]	about our services [Note 1]	[Note 3] [123 Any Street Some Town ST21 7QB]
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The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. This document is designed by the FSA to be given to consumers considering taking advice on certain financial products. Use this information to decide if our services are right for you.

2 Whose products do we offer? [Note 4][Note 6]

Investment

- [We offer products from the whole market.] [Note 5] [We offer our own product(s); you can ask us for a list, but our recommendation will be made following an analysis of the whole market.] [Note 8]
- We [can] [Note 7] only offer products from a limited number of companies. [These include our own product(s) but our recommendation will be made following an analysis of our entire range of products.] [Note 9]

Ask us for a list of the companies whose products we offer. [Note 15]

We [can] **[Note 7]** only offer [a] product[s] from [a single group of companies] [name of single company]. **[Note 11(1)] [Note 16]**

[or] **[Note 11(2)]**

We only offer our own products.

Ask us for a list of the companies and products we offer. **[Note 15]**

Insurance

We offer products from a range of insurers [for] [list the types of *non-investment insurance contracts*].

We [can] **[Note 7]** only offer products from a limited number of insurers [for] [list the types of *non-investment insurance contracts*].

Ask us for a list of the insurers we offer insurance from. **[Note 15]**

We [can] **[Note 7]** only offer [a] product[s] from [a single insurer] [name of single *insurance undertaking*] [for] [list the types of *non-investment insurance contracts*]. **[Note 10] [Note 11(1)] [Note 16]**

[or] **[Note 11(2)]**

We only offer our own products for [list the types of *non-investment insurance contracts*].

Home Finance Products [Note 13]

[Compliance with Islamic law [Note 17]

Our services are regularly checked by [name(s) of scholar(s)] to ensure compliance with Islamic law. Ask us if you want further information about the role of our scholar(s).]

[1] [Lifetime] [Mortgages] [Equity Release Products] [and home reversion schemes] [Note 13]

We offer [lifetime] [mortgages] [home reversion plans] [equity release products] from the whole market.

We [can] **[Note 7]** only offer [lifetime] [mortgages] [home reversion plans] [equity release products] from a limited number of [lenders / companies].

Ask us for a list of the [lenders / companies] we offer [lifetime] [mortgages] [home reversion plans] [equity release products] from. **[Note 14]**

We [can] **[Note 7]** only offer [a limited range of the] [a] [lifetime] [mortgage] [s] [home reversion plan] [s] [equity release products] from [a single lender / company] [name of single lender / company]. **[Note 11(1) and (3)]****[Note 16]**

[or]

We only offer our own [lifetime] [mortgages] [home reversions plan] [equity release products]. **[Note 11(2)]**

We do not offer [lifetime mortgages] [home reversion plans]. **[Note 12]**

[2] [Islamic Home Purchase Plans] [Note 18] [Note 13]

We offer Islamic home purchase plans from the whole market.

We [can] **[Note 7]** only offer Islamic home purchase plans from a limited number of providers.

Ask us for a list of the providers we offer Islamic home purchase plans from. **[Note 14]**

We [can] **[Note 7]** only offer [a limited range of the] [a] Islamic home purchase plan [s] from [a single provider] [name of single provider]. **[Note 11(1) and (3)]****[Note 16]**
[or]

We only offer our own Islamic home purchase plans. **[Note 11(2)]**

3 Which service will we provide you with? [Note 4]

Investment

We will advise and make a recommendation for you 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 that we will provide details on. You will then need to make your own choice about how to proceed.

We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances but we will not:

- conduct a full assessment of your needs;
 - offer advice on whether a non-stakeholder product may be more suitable
- [Note 5]**

Insurance

We will advise and make a recommendation for you after we have assessed your needs [for] [list the types of *non-investment insurance contracts*].

- You will not receive advice or a recommendation from us [for] [list the types of *non-investment insurance contracts*]. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

[Home Finance Products] [Note 13]

[1] [Mortgages] [Equity Release Products] [Note 13]

- We will advise and make a recommendation for you on [lifetime mortgages] [home reversions] [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 [lifetime mortgages] [home reversions] [equity release products] that we will provide details on. You will then need to make your own choice about how to proceed.

[2] [Islamic Home Purchase Plans] [Note 13]

- We will advise and make a recommendation for you 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 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?

Investment

- Before we provide you with advice, we will give you our keyfacts guide 'about the cost of our services'. **[Note 19]**
- We will tell you how we get paid, and the amount, before we carry out any business for you.

Insurance [Note 20]

- A fee [of £ []] [for] [list the types of services provided for *non-investment insurance contracts*].
- No fee [for] [list the types of services provided for *non-investment insurance contracts*].

You will receive a quotation which will tell you about any other fees relating to any particular insurance policy.

[Home Finance Products] [Note 13]

[1] [Mortgages] [Equity Release Products] [Note 13]

- No fee. [We will be paid by commission from the [lender/company that buys your home].] **[Note 21]**
- A fee of £[] payable at the outset and £[] payable when you apply for a [lifetime] [mortgage] [home reversion plan] [equity release product]. [We will also be paid commission from the [lender/company that buys your home.]]. **[Note 21] [Note 22]**

You will receive a key features illustration when considering a particular [lifetime] [mortgage] [home reversion plan] [equity release product], which will tell you about any fees relating to it. [Note 13]

Refund of fees [Note 20] [Note 13]

If we charge you a fee, and your [lifetime] [mortgage] [home reversion plan] does not go ahead, you will receive: [Note 23]

- A full refund [if the [lender/company] rejects your application]. [Note 24]
- A refund of £ [] [if your application falls through]. [Note 24] [Note 25]
- No refund [if you decide not to proceed]. [Note 24]
- [2] [Islamic Home Purchase Plans] [Note 13]
- No fee. [We will be paid by commission from the provider. [Note 21]
- A fee of £[] payable at the outset and £[] payable when you apply for an Islamic home purchase plan. [We will also be paid commission from the provider]. [Note 17] [Note 19]

Refund of fees [Note 20]

If we charge you a fee, and your Islamic home purchase plan does not go ahead, you will receive: [Note 20]

- A full refund [if the provider] rejects your application]. [Note 24]
- A refund of £ [] [if your application falls through]. [Note 24] [Note 25]
- No refund [if you decide not to proceed]. [Note 24]

5 Who regulates us? [Note 27]

[XYZ Financial Services] [123 Any Street, Some Town, ST21 7QB] [Note 28] [Note 29] is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. [Note 30]

Our permitted business is []. [Note 31]

[or] [Note 32]

[Name of *appointed representative*] [Note 2] is an appointed representative of [name of *firm*] [address of *firm*] [Note 28] [Note 29] which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [].

[Name of *firm's*] permitted business is [] [Note 31]

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

6 Loans and ownership [Note 33]

[B&C Investments plc owns 20% of our share capital.]

[London Union plc provides us with loan finance of £250,000 per year.]

[XYZ Financial Services (or we) have 20% of the voting rights in Royal Edinburgh.]
[Note 33][Note 34][Note 35][Note 36][Note 37][Note 38]

7 What to do if you have a complaint [Note 27]

If you wish to register a complaint, please contact us:

...in writing Write to [XYZ Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... by phone Telephone [0121 100 1234]. [Note 39]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 40] [Note 42]

8 Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 27] [Note 43] [Note 44]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Investment

Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000.

[question: why are these sections blank?]

Insurance

Insurance advising and arranging is covered for 100% of the first £2,000 and 90% of the remainder of the claim, without any upper limit.

[or] [Note 45] [Note 46]

For compulsory classes of insurance, insurance advising and arranging is covered for 100% of the claim, without any upper limit.

[Mortgages] [and] [and Home Purchase Plans] [Equity Release Products] [Note 13]
[Mortgage], [and] [Home purchase] [and] [Equity release] advising and arranging is covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000.

Further information about compensation scheme arrangements is available from the FSCS.

[Note 47] Message from the Financial Services Authority

Think carefully about this information before deciding whether you want to go ahead.

If you are at all unsure about which equity release product is right for you, you should ask

your adviser to make a recommendation.

[Note 48] Think carefully about the product and services you need. [We can only offer services in relation to Islamic home purchase plans and cannot provide advice on standard mortgages.] [If you want [information][or][advice] on standard mortgages, please ask.]

The following notes do not form part of the *combined initial disclosure document*.

Note 1 – permission to use the keyfacts logo: the *Financial Services Authority* has developed a common keyfacts logo to be used on significant pieces of information directed to *clients*. The keyfacts logo and the text 'about our services' may only be used and positioned as shown in the *combined initial disclosure document* (see *COBS 6.3.4R*). The logo may be re-sized and re-coloured. It may only be used if it is reasonably prominent and its proportions are not distorted. A specimen of the keyfacts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 2 – insert the *firm's* or *appointed representative's* name (either the name under which it is *authorised* or the name under which it trades). A corporate logo or logos may be included. If an individual who is employed or engaged by an *appointed representative* provides the information, the individual should not put his or her own name on the *combined initial disclosure document*.

Note 3 – insert the head office or if more appropriate the principal place of business from which the *firm* or *appointed representative* expects to conduct business (this can include a *branch*) with *clients*. (An *appointed representative* should not include the name and address of the *authorised firm* instead of its own.)

Section 2: Whose products do we offer? And Section 3: Which services will we provide you with?

Note 4 – A *firm* should describe the services that it expects to provide to, the particular *client*. For services in relation to:

- *packaged products* – the *firm* should select, for example by ticking, one box.
- *non-investment insurance contracts* – the *firm* should select more than one box if the scope of the service or the type of service it provides varies by type of contract (e.g. if it deals with a single *insurance undertaking* for motor insurance and a range of *insurance undertakings* for household insurance). If more than one box is selected, the *firm* should specify which box relates to which type of *non-investment insurance contract*, by adding text to the *combined initial disclosure document*.
- *equity release transactions* – the *firm* should select a maximum of two boxes within this section. *Firms* should not omit the boxes not selected (but see Note 17).

Note 5 – if a *firm* indicates that it will give *basic advice* then the first box in section 2 should not be ticked as the *firm* will not be doing so on the basis of *personal recommendations* from the whole market.

Note 6 – if the *combined initial disclosure document* is provided by an *appointed representative*, the service described should be that offered by the *appointed representative*, in accordance with *ICOB 4.2.8R* Note 1(e) and *MCOB 4.3.10R*.

Note 7 – insert “can” if the *firm’s* range of products is determined by any contractual obligation. This does not apply where a *product provider, insurer, lender, home purchase provider* or *home reversion provider* is selling its own products.

Note 8 – a *firm* should only include these words if it offers whole of market *personal recommendations* and it owns or operates products that fall within the relevant market (e.g. a *SIPP*).

Note 9 – a *firm* should only include these words if it offers limited range *personal recommendations* and it owns or operates products that fall within the relevant range (e.g. a *SIPP*).

Note 10 – if the *insurance intermediary* deals with a different *insurance undertaking* for different types of *non-investment insurance contracts*, it should identify all the *insurance undertakings* and specify the type of contract to which they relate on the *combined initial disclosure document*. This only needs to be done in relation to the service it is offering a particular *client*. For example, “we can only offer products from ABC Insurance for motor insurance and XYZ Insurance for household insurance”.

Note 11 – if the *firm* selects this box, it will be offering the products of one provider for a particular product type. It should therefore follow the format specified in (1) below except when offering its own products, in which case it should follow (2) instead. In the case of *non-investment insurance contracts*, where the *firm* is providing a service in relation to different types of insurance, this box covers the situation where it is offering a particular type of insurance from a single *insurance undertaking*.

- (1) Insert the name of the provider, namely the *product provider* for *packaged products*, the *insurance undertaking(s)* for *non-investment insurance contracts*, the *lender* for *regulated mortgage contracts* and *regulated lifetime mortgage contracts* and the *home reversion provider* for *home reversion plans*. For example: "We can only offer products from [name of *product provider*]". For *non-investment insurance contracts* the type of insurance offered should also be included. For example: "We only offer XYZ's household insurance and ABC's motor insurance." If the provider has only one product, the *firm* should amend the text to the singular – for example: "We can only offer a mortgage from [name of *lender*]". If the *firm* does not offer all of the *home finance transactions* generally available from that provider, it should insert the words "a limited range of" as shown in the specimen.
- (2) If the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part’s trading name, it should use this alternative text.
- (3) If the *firm* offers *home reversion plans* from only one *reversion provider*, and *lifetime mortgages* from only one *lender*, which is different from the *reversion provider*, then the *firm* should identify the *lender* and the *reversion provider* and specify the type of *equity release transaction* to which they relate. For example, "We can only offer lifetime mortgages from ABC Mortgages Ltd and home reversion plans from XYZ Reversions Ltd."

Note 12 – if the *firm* does not give *personal recommendations* advise or give personalised information on both types of *equity release transactions*, then it should indicate to the *client* the sector that the *firm* does not cover. However, if the *firm's* scope of service does not include *equity*

release transactions, the last box ('We do not offer [lifetime mortgages] [home reversion plans]'), should be omitted.

Note 13 – in describing the services and products provided, *firms* should 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:

(1) Headings and sub-headings:

- a. If the *firm* offers both *regulated mortgage contracts* and *home purchase plans*, it should include the heading "Home Finance Products" in the *combined initial disclosure document* and describe the *regulated mortgage contracts* and *home purchase plans* that it offers under two separate sub-headings. The sub-headings ("Mortgages" and "Home Purchase Plans") should be numbered accordingly. If the *firm* only offers one of these two products, then the heading "Home Finance Products" should be omitted and the heading will read "Mortgages" or "Home Purchase Plans", as appropriate.
- b. If the *firm* offers *equity release transactions*, then the heading "Home Finance Products" should be omitted and the heading will read "Equity Release Products" (even if the *firm* offers *equity release transactions* from only one sector).

(2) Describing the products:

- a. If a *firm* gives *personal recommendations* or gives personalised information on lifetime mortgages, it should change "mortgage" to "lifetime mortgage"
- b. If a *firm* gives *personal recommendations* or gives personalised information on home reversion plans, it should use the text in brackets relating to home reversion plans.
- c. If the *firm* gives *personal recommendations* or gives personalised information on products from both equity release market sectors, then it should use the term 'equity release products' when referring to them collectively.

(3) Describing the provider: If a *firm* gives *personal recommendations* or gives personalised information on *home purchase plans* or *home reversion plans*, it should change "mortgage" to "product" and "lender" to "company" or "provider", as appropriate.

Note 14 – for services provided in relation to *home finance transactions*, this sentence is required only where a *firm* selects this service option. It may also be omitted if a *firm* chooses to list all of the *lenders*, *home purchase providers* and *home reversion providers* it offers *home finance transactions* from in the previous line, so long as the *firm* offers all of the products generally available from each.

Note 15 – this sentence is required only where a *firm* selects this service option. For services provided in relation to *packaged products*, the list of products will be the range of *packaged products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *client*. For services provided in relation to *non-investment insurance contracts*, this is the list required by *ICOB* 4.2.14R.

Note 16 – if the *firm* does not select this box, it should alter the wording to say "a single group of companies" for *packaged products*, "a single insurer" for *non-investment insurance contracts*, "a single lender" for *regulated mortgage contracts* or *lifetime mortgages* and "a

single company" (or "a single provider") for *home purchase plans* and *home reversion plans*. For example: "We only offer the products from a single group of companies" should replace the text in the specimen *combined initial disclosure document*.

Section 2: Subsection on 'Compliance with Islamic law' or other beliefs

Note 17 – This 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 *combined initial disclosure document*. If a *firm* includes this section it should describe it as Section 2 and renumber subsequent sections accordingly.

A *firm* that wishes to hold itself, its *regulated mortgage contract* or *home purchase plan* products or services out as compliant with religious or philosophical beliefs other than Islamic law in the *combined initial disclosure document* may also use the subsection in accordance with this note and modify the wording in the section to the extent appropriate.

Note 18 – A *firm* that carries on *home purchase activities* may omit the word "Islamic" from "Islamic home purchase plan(s)" if one or more *home purchase plans* within its scope of service is not held out as compliant with Islamic law. If "Islamic" is omitted, it should be omitted consistently throughout the document. However, a *firm* may omit the word "Islamic" in sections 5 and 8 without having to omit it throughout the document. A *firm* that wishes to hold itself, its products or services out as compliant with religious or philosophical belief other than Islamic law in the *Initial Disclosure Document* may make appropriate amendments to references to "Islamic" and "Islamic law".

Section 4: What will you have to pay us for our services?

Note 19 – *firms* may provide a *retail client* with a *menu* if they propose to give that *client* *personal recommendations* on *packaged products*. Where a *firm* does not provide that *client* with a *menu* because the *firm* does not intend to give him a *personal recommendation* on *packaged products*, then it should tick the second box in section 4.

Note 20 – if the *client* will be charged a *fee* for *insurance mediation activities* in connection with *non-investment insurance contracts*, insert a plain language description of what each *fee* is for and when each *fee* is payable. This should include any *fees* for *advising on* or *arranging a non-investment insurance contract* and any *fees* over the life of the contract, for example, for mid-term adjustments. If a *firm* does not charge a *fee* the text in the first box should be abbreviated to 'A fee'. If the *firm* is offering more than one type of service in connection with *non-investment insurance contracts*, the *firm* may aggregate the *fees* over all the services provided, and (if that is the case) identify the services for which there is no *fee*.

Note 21 – if the *firm* receives commission instead of, or in addition to, *fees* from the *client* for services relating to *home finance transactions*, it should insert a plain language explanation of this (see specimen for a plain language example). If the *firm* will pay over to the *client* any commission the *firm* receives, it may refer to that fact here.

Note 22 – insert a plain language description of when any *fees* are payable for services relating to *home finance transactions*. This description could include, for example, a cash amount, a percentage of the loan or reversion amount or the amount per hour, as appropriate. However, where a cash amount is not disclosed, one or more examples of the cash amount should be included. If a *firm* offers more than one pricing option in relation to *equity release transactions*, it should specify the pricing policy for each of them. For example, "A fee of £100 payable at the outset and £120 when you apply for a lifetime mortgage and £80 when you apply for a home reversion plan". If a *firm* does not charge a *fee*, the text for the second box should

be abbreviated to 'A fee'.

Note 23 – omit this part of the *combined initial disclosure document* on 'Refund of fees' if the *firm* has indicated that there will be "No fee" for services in relation to *home finance transactions* or that any *fee* will be payable only if the product completes.

Note 24 – *firms* may select as many boxes as appropriate.

Note 25 – insert a short, plain language description of the circumstances in which the *fee* for services in relation to *home finance transactions* is refundable or not refundable as described. If the refund policy is different depending on the *equity release transaction* in question, the *firm* should specify the refund policy for each of them. For example, "A refund of £100 if your lifetime mortgage application falls through and a refund of £120 if your home reversion plan application falls through."

Note 26 – a *firm* may delete this line if it does not offer a partial refund for services in relation to *home finance transactions* in any circumstances.

Section 5: Who regulates us?

Note 27 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *client*, provided the *client* with its *client agreement* which contains that information including the *firm's permitted business*. This section may be omitted for services relating to *non-investment insurance contracts* if the *firm* provides the information covered by this section where it is required by *ICOB 4.2.8R* to the *client* by some other means. This section may be omitted for services relating to *home finance transactions* in accordance with *MCOB 4.4.1R(3)*. If this section is omitted, the other sections of the *combined initial disclosure document* should be renumbered accordingly.

Note 28 – if the *firm's* address on the *FSA Register* differs from that given on the *combined initial disclosure document* under Note 5, the address on the *FSA Register* should be given in this section. If the address is the same as that given under Note 5 it should be repeated in this section.

Note 29 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it should include the name under which it is *authorised* and listed in the *FSA Register*. It may also include its trading name(s) if it wishes.

Note 30 – an *incoming EEA firm* will need to modify this section if it chooses to use this *combined initial disclosure document* (see *GEN 4 Ann 1R(2)*).

Note 31 – insert a short, plain language description of the business for which the *firm* has a *permission* which relates to the service it is providing.

Note 32 – where the information is provided by an *appointed representative*, the *appointed representative* should use this text instead. The *appointed representative* should give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *client*.

Section 6: Loans and ownership

Note 33 – omit this section where there are no relevant loan or ownership arrangements under the following notes or if the *firm* is an *insurer* selling its own *non-investment insurance*

contracts. If this section is omitted the other sections of the *combined initial disclosure document* should be renumbered accordingly. If the *firm* is not providing services in relation to *packaged products*, the heading of this section should be changed to 'Ownership'. Where the information is provided by an appointed representative, it should cover loans made to or by that appointed representative or holdings in, or held by, that appointed representative as appropriate.

Notes 34, 35 and 36 apply only to a *firm* making a *personal recommendation, dealing in, or arranging* in relation to *packaged products*.

Note 34 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *firm* which is held by a provider or *operator* of a *packaged products* or by the parent of the provider or *operator*.

Note 35 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of a provider or *operator* of a *packaged products* which is held by the *firm*.

Note 36 – insert, in the *firm's* own words, a short description of any *credit* provided to the *firm* by a *product provider* (other than *commission* due to the *firm* in accordance with an indemnity claw-back arrangement) or by any *undertaking* in the *immediate group* of the *product provider* where the amount of the *credit* exceeds 10 per cent of the share and loan capital of the *firm*.

Notes 37 and 38 apply to an *insurance intermediary* that is not an *insurer* providing services in relation to *non-investment insurance contracts*.

Note 37 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *insurance intermediary* which is held by an *insurance undertaking* or by the parent of an *insurance undertaking*.

Note 38 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of an *insurance undertaking* which is held by the *insurance intermediary*.

Section 7: What to do if you have a complaint

Note 39 – if different to the address in Note 5, give the address and telephone number which is to be used by *clients* wishing to complain.

Note 40 – this text may be omitted for *non-investment insurance contracts* if the *insurance intermediary* is aware that a *commercial customer* would not be an *eligible complainant*.

Note 41 – if the *combined initial disclosure document* is provided by an *authorised professional firm* which is exclusively carrying on *non-mainstream regulated activities*, the *authorised professional firm* should delete this sentence and refer to the alternative complaints handling arrangements. It should also omit the information required under Note 14.

Note 42 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it should make clear that the *Financial Ombudsman Service* will not be available. The *firm* may refer to any similar complaints scheme that may be applicable.

Section 8: Are we covered by the Financial Services Compensation Scheme (FSCS)?

Note 43 – when an *incoming EEA firm* provides the *combined initial disclosure document*, it should modify this section as appropriate.

Note 44 – when a *firm* which is not a *participant firm* provides the *combined initial disclosure document*, it should answer this question 'No' and should state the amount of cover provided (if any) and from whom further information about the compensation arrangements may be obtained. It should also omit the information required under Note 14.

Note 45 – where the *insurance intermediary* provides a service in relation to a compulsory class of insurance, such as *employers' liability insurance*, it should use this alternative text.

Note 46 – where the *insurance intermediary* provides a service in relation to a contract which covers both a compulsory class of insurance and a class of insurance which is not compulsory, it should indicate the level of compensation that applies to each class.

Home finance products warning

Note 47 – This warning box should be added when the *firm* sells *lifetime mortgages contracts* or home reversion plans or both.

Note 48 – A *firm* should only include this paragraph if the services to which the *combined initial disclosure document* relates include *home purchase activities*. If the *firm* does not carry on *regulated mortgage activities*, it should include the second sentence and delete the third. If the *firm* carries on *regulated mortgage activities* as well as *home purchase activities* it should omit the second sentence and include the third.

COBS 6 Annex 3G (Menu described in COBS 6.3)

1. (1) This Annex contains a template for the *menu* for the purposes of COBS 6.3:
- (2) *Firms* should omit the notes and square brackets that appear in the following template. Except to the extent indicated in the notes set out at the end of this Annex, *firms* should use the text, format and type size shown in the templates. In particular, the templates should contain the 'keyfacts' logo, headings and prescribed text in the position and order shown and in accordance with the notes. Subject to this, a *firm* may use its own house style and brand.

about the cost of our services
[Note 2]



[Note 3] Last updated []

[ABC Financial Services plc, 123 Any Street, Some Town, ST21 7QB] [Note 4]

1. The Financial Services Authority (FSA)

The FSA is the independent regulator of financial services. This document is designed by the FSA to be given to consumers considering taking advice on certain financial products. You may use this information to compare value for money, to shop around and to decide which firm to use.

2. Our services [Note 5]

We offer an initial discussion (without charge) when we will describe our services more fully and explain the payment options. If you decide to go ahead, we will:

- gather and analyse personal information about you, your finances, your needs and objectives;
- recommend and discuss any action we think you should take and, with your agreement, arrange relevant investments for you.

3. What are your payment options? [Note 6a]

Not all firms charge for advice in the same way. We will discuss your payment options with you and answer any questions you have. We will not charge you anything until you have agreed how we are to be paid. **We have ticked the payment options we offer.**



Paying by fee. Whether you buy a product or not, you will pay us a fee for our advice and services. If we also receive commission from the product provider when you buy a product, we will pass on the full value of that commission to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the commission to you. [Note 6(b),(c),(d)]



Paying by commission (or product charges). If you buy a financial product, we will normally receive commission on the sale from the product provider. Although you pay nothing up front, that does not mean our service is free. You still pay us indirectly through product charges. Product charges pay for the product provider's own costs and any commission. These charges reduce the amount left for investment. If you buy direct, the product charges could be the same as when buying through an adviser, or they could be higher or lower. We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier. [Note 6(e)]



Paying by a combination of commission and fee. In some circumstances, we also charge a fee on top of any commission we might receive. [Note 6(f)(g)]

4. How much might our services cost? [Note 7] [Note 8]

If you choose the fee option

We will agree the rate we will charge before beginning work. We will tell you if you have to pay VAT. [Note 9]
Our typical charges are: [Note 10]

Principal/Director/Partner	£150-200 per hour
Financial adviser	£100-150 per hour
Administration	£25 per hour

You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first. [Note 9]

If you choose the combination of commission and fee option [Note 11]

We will charge you a combination of fees and commission. The actual amounts will depend on the service provided to you, but will not exceed the total of the maximum fees set out above and the maximum commission set out in the tables below.

If you choose the commission option

Tables 1 and 2 show examples of the amounts of commission we could receive (or the equivalent we earn through product charges) and compare those amounts with the market average (see notes 1 & 2 at the end of this section 4).

The amounts vary according to: the type of product, the amount you invest, and (sometimes) how long you invest for, or your age when you start the product. We will confirm the actual amount to you before you buy a product.

Table 1 - Commission if you invest monthly [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £100 per month
		Our maximum	Market average	
<i>This shows the maximum costs of our sales and advice for a monthly investment or premium of £100, ignoring any changes in fund value</i>				
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 20]	[Note 21]
Endowments	10 year term	[Note 18]	[Note 20]	[Note 21]
Protection				
Whole of life assurance	Age 40	[Note 18]	[Note 20]	[Note 21]
Saving for retirement				
Personal and Stakeholder pensions	25 year term	[Note 18]	[Note 20]	[Note 21]
	10 year term	[Note 18]	[Note 20]	[Note 21]
Personal Pension Schemes				
Not all types of personal pension scheme are included in the information above about commissions. Instead only the more common types are included, and schemes such as SIPP are not. Before we start advising you, we will inform you of how much we could be paid if we do recommend one of these products to you. You can also ask us about commission we might receive on underlying investments we recommend you hold within a SIPP if not contained in the information above.				
[Note 19]				

Table 2 - Commission if you invest a lump sum [Notes 12-17]

Products	Example term or age	Comparison of costs		Example based on £10,000 lump sum
		Our maximum	Market average	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10,000 ignoring any changes in fund value</i>
Savings and investments				
Collective investments (eg unit trusts)	Any	[Note 18]	[Note 20]	[Note 21]
Investment bond	Any	[Note 18]	[Note 20]	[Note 21]
Saving for retirement				
Personal and Stakeholder pensions	Any	[Note 18]	[Note 20]	[Note 21]
At retirement				
Annuities	Any	[Note 18]	[Note 20]	[Note 21]
Income drawdown	Any	[Note 18]	[Note 20]	[Note 21]
Personal Pension Schemes				
Not all types of personal pension scheme are included in the information above about commissions. Instead only the more common types are included, and schemes such as SIPP are not. Before we start advising you, we will inform you of how much we could be paid if we do recommend one of these products to you. You can also ask us about commission we might receive on underlying investments we recommend you hold within a SIPP if not contained in the information above.				
[Note 19]				
At retirement				
Annuities	Any	[Note 18]	[Note 20]	[Note 21]
Income drawdown	Any	[Note 18]	[Note 20]	[Note 21]

Notes:

1. The market average figures are calculated by the FSA using actual data from a representative sample of regulated firms and are shown in a way that you may compare with our own maximum rates. The market average figures will be updated by the FSA from time to time based on new data.
2. Where a firm sells its own products it calculates its figures according to FSA guidelines. **[Note 22]**

5. Further information [Note 23]

If you need any more help or information

- ask your adviser; or
- visit www.fsa.gov.uk/consumer.

[Note 23]

[Note 3] Last updated []

The following Notes do not form part of the template.

Note 1 **Permission to use the keyfacts logo:** the *Financial Services Authority* has developed a common keyfacts logo to be used on significant pieces of information directed to *clients*. The keyfacts logo and the text 'about our services' may only be used and positioned as shown in the *initial disclosure document* (see *COBS 6.3.4R*). The logo may be re-sized and re-coloured. It may only be used if it is reasonably prominent

and its proportions are not distorted. A specimen of the keyfacts logo can be obtained from the FSA website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 2 Insert the name of the *firm* or its *appointed representative* (which in either case may be its *authorised* name or its trading name). A corporate logo or logos may also be included, where illustrated, but should be of equal prominence to 'keyfacts' logo. Where an *appointed representative* is providing the *menu*, then the *appointed representative's* name should be inserted. An appointed representative may include its logo, but this should be in place of, and not in addition to, its principal's logo.

Note 3 Insert the date on which the *menu* was prepared or last amended. This date may be shown either at the top of the front page of the *menu* or at the end of the *menu* after Section 5.

Note 4 Insert the name and address of the head office or, if more appropriate, the principal place of business from where the *firm* or *appointed representative* expects to provide *personal recommendations* to *retail clients* on *packaged products*. The name and address of the *authorised firm* should not be included if the *menu* is to be given by an *appointed representative*, which should insert its own address

Section 2

Note 5 The text in Section 2 is not prescribed, but *firms* may adopt a form of the wording shown. *Firms* should describe the services they offer relating to *packaged products* in their own words, concisely, in plain language and within the space indicated in the template. This description should make clear that the initial discussion (not necessarily the initial meeting) about whether the *client* wishes to use any of the *firm's* services will be without charge. A *firm* may choose to start charging (if appropriate) for the remainder of any or meeting, but only after any discussion on the content of the *menu* has been concluded.

Section 3

Note 6

- a) A *firm* should select, by inserting a tick, the appropriate boxes which show the service that the *firm* expects to provide to the *client*. If the *menu* is provided by an *appointed representative*, the service selected should be that offered by the *appointed representative*.
- b) The "Paying by fee" option should be included in each *menu* even if the *firm* is not offering a purely *fee* based option - in which case, the box and prescribed text should be included, but without a tick.
- c) A *firm* which holds itself out as acting independently in the provision of *personal recommendations* on *packaged products* should, in accordance with COBS 6.2, offer a *retail client* the "Paying by fee" option.
- d) A *firm* which offers a "contingent" *fee* based option should modify the wording by the "Paying by fee" option to explain (clearly and in plain language) how the contingent *fee* arrangement will operate. A *firm* could use the following example description: "If you buy a financial product, you will pay us a fee for our advice and services. But if no sale is made, you will not have to pay us anything."
- e) The "Paying by commission (or product charges)" option should be included in each *menu* even if the *firm* is not offering this option - in which case, the box and the prescribed text should be included, but without a tick. In this option, reference to "commission" means *commission* and *commission equivalent*.

- f) A *firm* should only include the "Paying by a combination of commission and fee" option in the *menu* where this option is actually offered to the *client* to whom the *menu* is given.
- g) The text that accompanies the "Paying by a combination of commission and fee" option is not prescribed. However, a *firm* should insert a clear plain language description of how its maximum remuneration is calculated using both the *fee* and the *commission* information provided in Section 4 of the *menu*.

Section 4 – Information on headings and text to include

Note 7 In Section 4, if a *firm* offers more than one payment option to the *client* to whom the *menu* is given, then it should include the:

1. headings "If you choose the fee option", "If you choose the commission option" and "If you choose the combination of commission and fee option"; and
 2. accompanying text
- relating to each option offered.

Note 8 If a *firm* offers only one payment option to the *client* to whom the *menu* is given, then all three prescribed headings ("If you choose the fee option", "If you choose the commission option" and "If you choose the combination of commission and fee option") can be omitted, but the relevant text for the option offered should be included.

Section 4 – Information for firms offering payment by fees

Note 9 If a *menu* contains information relating to *fees*, then a *firm* should ensure that the following statements are included:

1. "We will agree the rate we will charge before beginning work. We will tell you if you have to pay VAT."
2. "You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first."

Note 10 The text for describing a *firm's fee* charging arrangements is not prescribed, but should be clear and in plain language. A *firm* should provide numerical statements of the amount or rate of its *fees* and these should be expressed in pounds sterling or another appropriate currency, where relevant. A *firm* may describe actual hourly rates where possible or typical hourly rates.

Examples of statements which *firms* may use are:

Hourly Rate

We will agree the rate we will charge before beginning work. Our typical charges are:
 Principal/Director/Partner £00-000 per hour
 Financial adviser £00-000 per hour
 Administration £00 per hour
 Your adviser will tell you if you have to pay VAT.

Lump Sum

We will agree what we will charge you before beginning work. Our typical charges are:

Individual financial review £00
 Your adviser will tell you if you have to pay VAT.

Percentage of funds under management

We will agree what we will charge you before beginning work. Our typical charges are:

Investment management agreement

0% per year of the value of the investments you ask us to manage

Your adviser will tell you if you have to pay VAT.

Section 4 – Information for firms offering payment by a combination of commission (or equivalent) and fees

Note 11 If a *menu* contains information relating to the combination of *commission* (or *equivalent*) and *fee* option, a *firm* should:

1. set out its maximum *fee* amount in the fee section of Section 4;
2. set out its maximum *commission* (or *equivalent*) amount in the commission section of Section 4; and
3. ensure that the maximum amount of *fee* and *commission* (or *equivalent*) does not exceed the total of both options.

The text for describing a *firm's* charging arrangements where a *firm* offers the combination of *commission* (or *equivalent*) and *fees* option is not prescribed, but a *firm* should describe correctly (clearly and in plain language) its usual way of charging a combination of *fee* and *commission*. *Firms* may use a form of the wording set out in the following examples:

1. Where we charge a combination of fees and commission, our maximum rates are set out in the fee information section above and the commission section below.
2. We charge a consultation fee of up to £x, and, if you buy a financial product, we will also retain commission within the amounts set out in the commission tables below.
3. We will charge you a combination of fees and commission. The actual amounts will depend on the service provided to you, but will not exceed the total of the maximum fees set out above and the maximum commission set out in the tables below.
4. We charge an annual fee as described in the fee information set out above. If we arrange for you to purchase a financial product, then we will also retain commission which will be within the maximum commission amounts set out in the tables below.

Section 4 – Information for firms offering payment by commission (or equivalent)

Note 12 If a *menu* contains information relating to *commission*, then a *firm* should set out information concerning *commission* (or *equivalent*) in the tabular format prescribed. The headings for Tables 1 and Table 2; the headings and sub-headings for each column; the product headings in each row of the first column; and the example term and age set out in the second column of each table are all prescribed and should not be amended. If the boxes entitled 'Personal and Stakeholder pensions' are included, the positioning and wording of those boxes is prescribed and should not be amended.

Note 13 Each *menu* should refer to the range of packaged products which the *firm* expects to be relevant for the particular *client* or group of *clients* to whom the *menu* is likely to be given. Where this stated range does not contain a product that is included in the templates, then a *firm* may delete the appropriate product row from the tables in its *menu*.

Note 14 The text and information contained in the commission section of Section 4 should be included if a *firm* reasonably expects to provide those services to a *retail client* receiving the *menu* in respect of any of the following product groups.

Regular contribution business

The following product groups relate to regular contribution investments (including annual and quarterly premium contracts) and include any non-contractual top-ups or increments (to existing regular contribution investments) which generate *commission* (or *equivalent*).

- a) Collective investments
Any *regulated collective investment scheme* or *investment trust savings scheme*.
- b) Endowments
A *life policy* that pays a sum of *money* on the survival of the life assured to a specific date or, if earlier, on death.
- c) Whole of life assurance
A *life policy* which, disregarding any benefit payable on surrender, secures a capital sum only on death or either on death or on disability, but does not include term assurance.
- d) Personal and stakeholder pensions
Any *personal pension scheme*, *FSAVC scheme* or *stakeholder pension scheme* (other than a *SIPP*, *personal pension product*, *personal pension deposit*, *group personal pension scheme* or *stakeholder pension scheme* arranged on a group basis for the employees of a particular employer). (See Note 18)

Lump sum business

The following product groups relate to single contribution business, including commission (or equivalent) generating, non-contractual, top-ups or increments to existing lump sum investments.

- a) Collective investments
Any *regulated collective investment scheme*.
- b) Investment bond
A single premium *whole of life assurance* policy or endowment policy.
- c) Personal and stakeholder pensions
Any *personal pension scheme*, *FSAVC scheme* or *stakeholder pension scheme* (other than a *SIPP*, *personal pension product*, *personal pension deposit*, *group personal pension scheme* or *stakeholder pension scheme* arranged on a group basis for the employees of a particular employer). (See Note 18)
- d) Annuities
A *pension annuity* or purchased life annuity.
- e) Income drawdown
A *pension contract* effected for the purpose of *income withdrawal* from a pension fund.

Note 15 A *firm* which conducts business with *retail clients* in relation to any *packaged products* not falling within any of the product groups for which maximum commission is disclosed on the *menu*, may provide a *client* with information about *commission* (or *equivalent*) relating to that business by way of a separate annex. For the purpose of the *rules*, any such information does not form part of a *firm's menu*.

Note 16 Having regard to the nature of the business which a *firm* reasonably expects to conduct with the *clients* to whom the *menu* will be provided, a *firm* should (i) present

information about *commission* receivable on regular monthly payments in accordance with Table 1; and (ii) present information about *commission* receivable on lump sums in accordance with Table 2. The information should be presented in the two separate but sequential Tables 1 and 2.

- Note 17** Where a *firm* reasonably expects not to conduct either regular contribution or lump sum business with the *clients* to whom the *menu* will be provided, it may exclude the relevant table so that its *menu* contains only the table relevant to the type of business it expects to conduct.
- Note 18** For each product group shown a *firm* should disclose the maximum amount or rate of *commission (or equivalent)* where applicable under *COBS 6.4* which it reasonably expects it would retain in respect of the sale of a *packaged product* falling within the product group. The maximum rate or amount should be ascertained in accordance with the procedure set out in *COBS 6 Annex 4G*.
- Note 19** Where a firm expects to advise on *SIPPs, personal pension products* or *personal pension deposits*, in addition to a product listed in Note 14, this box and prescribed wording should be included.
- Note 20** For each product group shown a *firm* should disclose the corresponding market average calculated and published by the FSA and in accordance with the procedure set out in *COBS 6 Annex 4G*.
- Note 21** For each product group illustrated a *firm* should include an example in accordance with *COBS 6 Annex 4G*.
- Note 22** The two notes shown at the end of Section 4 of the *menu* should be included as shown if the *menu* contains information relating to *commission*.

Section 5

- Note 23** A *firm* should not alter the text in Section 5.

COBS 6 Annex 4G

Identifying and describing the maximum rate of commission (or equivalent), the market average and the Example

1. A *firm* should state in each *menu* it issues:
 - (a) its maximum rate of *commission* (or *equivalent*) for each product group in the statement;
 - (b) the market average rate for each product group;
 - (c) an illustration in the example column of an amount of *commission* (or *equivalent*) calculated by reference to its maximum rate for each product group in the statement and the example contribution levels stated in the tables (ie eg £100 per month or £10,000 lump sum).

Maximum rate of commission (or equivalent)

2. The maximum rate of *commission* (or *equivalent*) specified by a *firm* should be the maximum amount that the firm decides to retain.
3. If the maximum *commission* (or *equivalent*) is not apparent from the rates supplied by a *product provider* then a *firm* should adopt the net present value comparison method set out below.
4. For any product group, the maximum rate of *commission* (or *equivalent*) should not be more than a *firm* could reasonably expect to receive from any *product provider*.

Identifying a maximum rate of commission – comparison of net present value

5. A *firm* should use the assumptions set out in paragraphs 8-12 below when calculating the maximum commission figures to be inserted into its *menu*. Where a *firm* uses a tool provided by the *FSA* for this express purpose (for example a calculator provided by the *FSA* on a cd-rom for the purpose of calculating the maximum commission figures), the calculations can be presumed to have used these assumptions.
6. The net present value for each *commission* (or *equivalent*) rate should be calculated as the sum of the discounted values of each *commission* (or *equivalent*) payment that the *firm* may retain for that *commission* (or *equivalent*) rate, using the assumptions set out in paragraphs 8-12 below.
7. For any product group, the *firm's* maximum rate of *commission* (or *equivalent*) is the *commission* (or *equivalent*) rate in that product group with the highest net present value.
8. A *firm* should use the assumptions outlined in Table 1 when calculating net present values.

COBS 6 Annex 4 G Table 1 Table of assumptions to be used in calculating net present values.

Product	a) Discount Rate	b) Net growth rate	c) Lapse rate (per annum)	d) Assumed Term	e) Withdrawal rate (per annum)
Regular premiums/contributions					
Collective investment scheme	Net growth rate + 3%	6%	6%	10 years	
Endowment	Net growth rate + 3%	6%	6%	Maturity	
Personal Pensions / SHP	Net growth rate + 3%	6%	12% for 5 years then 5%	Maturity	
Whole of Life	Net growth rate + 3%	6%	6%	37 years	
Single premiums/contributions					
Annuities	Net growth rate + 3%	6%	0%	16 years	
Bonds	Net growth rate + 3%	6%	2.5%	7 years	5%
Collective investment scheme	Net growth rate + 3%	6%	6%	7 years	
Personal Pensions / SHP	Net growth rate + 3%	6%	2.5%	10 years	
Income withdrawals	Net growth rate + 3%	6%	0%	10 years	6%

9. *Commission* (or *equivalent*) payments should be assumed to be payable as outlined in COBS 6 Annex 4G Table 2

COBS 6 Annex 4 G Table 2 – The timing of *commission* (or *equivalent*) payments

Type of commission (or equivalent payment)	When payable
Initial / indemnified commission	immediately at outset of the contract
Commission as a % of premiums	at the time of payment of the relevant monthly premium
Commission as a % of fund value	at the end of each policy month, immediately after any withdrawals and lapses, at a monthly rate of 1/12 th of the annual % of the fund value

10. Withdrawals should be assumed to occur monthly at a rate that is 1/12th of the assumed annual withdrawal rate.
11. Lapses should be assumed to occur monthly, at a rate that is 1/12th of the assumed annual lapse rate. In calculating the net present value, no commission should be assumed to be

payable on the proportion of policies that are assumed to have lapsed.

12. Mortality rates should be ignored.

Describing the maximum rate of commission (or equivalent)

13. Subject to paragraph 14, a *firm* should use each appropriate description in COB 6 Annex 4G Table 3 (ie one or more) to describe the maximum rates of *commission (or equivalent)* in its *menu*.

COBS 6 Annex 4 G Table 3

Type of commission (or equivalent)	Descriptions
Regular premium or contributions	i. "X% of the first 12 month's payments" ii. "X % of each of the first n month's payments" iii. "Y% of all payments" iv. "Y% of all payments from month p" v. "Z% of your fund value each year from year q".
Lump sums	i. "X% of the amount you invest" ii. "Z% of your fund value each year from year q"

14. A *firm* should adapt any of the descriptions prescribed by Table 3 so that its *menus* adequately describe the particular characteristics of a *firm's commission (or equivalent)* arrangements. For example, a *firm* can and should re-express the percentage figure, in the description taken from Table 3, in a "shape" (that is a description of the pattern of payments) that it considers to be typical of the way in which it retains *commission (or equivalent)*. This may differ from the shape in which the particular maximum rate of *commission (or equivalent)* is actually payable. Another example of the way in which a *firm* should adapt the descriptions in Table 3 is if the *commission* received by a *firm* is payable as a fixed cash amount per policy then alternative wording should be used by the *firm* to adequately describe the fixed nature of the payment in its description of the rate of commission.
15. A *firm* that uses more than one of the descriptions in COBS 6 Annex 4G Table 3 should make it clear that it has used more than one description (eg by inserting the word "plus" in between each description).
16. The maximum rate of *commission (or equivalent)* should be rounded to the nearest 0.1% unless the *commission (or equivalent)* is a multiple of 0.25% of a fund value in which case it should be shown rounded to the nearest 0.25%.

Identifying and describing the market average

17. The *FSA* will publish the net present value of market average rates on its website from time to time.
18. A *firm* should express the market average rate in the shape or pattern of payments which most closely corresponds to the number, frequency and nature of payments in the shape or

pattern of payments used to describe the firm's maximum *commission* (or *equivalent*).

19. A *firm* can use any suitable tool or method to re-express the market average in its *menus*, as long as that method uses the assumptions set out in 8 -12 above (for example a calculator contained on a cd-rom of the type referred to in paragraph 5).
20. The market average rate shown in the *menu* a re-expression of the published net present value of the market average using the assumptions set out in 8 – 12 above. Subject to any rounding in the final description, this re-expression should have the same net present value as the published market average.
21. A *firm* should describe the market average rate using the most appropriate description in the Descriptions column in Table 3.

The market average may be equivalently expressed by adopting the method set out in the worked example in *COBS 6 Annex 5G* below, used in conjunction with tables of net present value factors that will be made available by the *FSA*. These factors will be calculated using the assumptions set out above. Alternatively, the market average expression may be expressed using such other tools, systems or methods as the *FSA* may make available from time to time.

Changes in the market average

22. A *firm* should ensure that its *menus* are revised to take account of changes in the market average rates published by the *FSA* by not later than:
 - (a) 2 months from the date on which the *FSA* prescribes amended market average rates if the effect of the amendment is to reduce any of the averages for a relevant product group by 4% or more of the previous average; and
 - (b) in all other cases at such time as the *firm* has occasion to revise its *statements*.

The example

23. Subject to paragraph 25, a *firm* should use, in the example in its *menu*, the description in Table 4 that corresponds to description(s) of the maximum rate of the *commission* (or *equivalent*) that appears in its *menu*.

COBS 6 Annex 4 G Table 4

Type of <i>commission</i> (or <i>equivalent</i>)	Description of the maximum rate of <i>commission</i> (or <i>equivalent</i>)	Corresponding description to be used in the example
Regular premium or contributions	i. "X% of the first 12 month's payments"	i. "£X initially"
	ii. "X % of each of the first n month's payments"	ii. "£X spread evenly over the first n months"
	iii. "Y% of all payments"	iii. "£Y each year"

	iv. "Y% of all payments from month p"	iv. "£Y each year from month p"
	v. "Z% of your fund value each year from year q".	v. "£Z in year p, £Z + A in year p + 1, and so on (the actual amounts will vary in line with your fund value)"
Lump sums	i. "X% of the amount you invest"	"£X initially"
	ii. "Z% of your fund value each year from year q"	"£Z each year from year p (The actual amounts will vary in line with your fund value)"

24. A *firm* that uses more than one of the descriptions in Table 4 should make it clear that it has used more than one description (eg by inserting the word "plus" in between each description).
25. A *firm* should adapt any of the descriptions prescribed by Tables 3 and 4 as are necessary to ensure that a *menu* adequately describes the particular characteristics of a *firm's commission (or equivalent)* arrangement. Examples of the way in which the descriptions could be adapted are provided in paragraph 14 above.

Calculation of a maximum rate of commission

- The net present value of each *commission* (or *equivalent*) rate may be calculated by adopting the method set out in the worked example below, used in conjunction with tables of sample net present value factors issued by the *FSA*. These factors will be calculated using the assumptions set out in paragraphs 8 to 12 of *COBS 6 Annex 4G*.

Worked Example of Commission Disclosure in a menu

- For the purposes of the following worked example four variations of *commission* (or *equivalent*) are shown for an investment bond. The market averages and NPV factors are purely illustrative.

A *firm* has commission arrangements for the sale of investment bonds with five *product providers* involving all four variations. The *firm* retains all commissions from each provider. The arrangements are:

Provider	Provider Commission		
	Initial	% of fund value	Fund based start month
1	5.25%	-	-
2	4.5%	-	-
3	-	0.75%	13
4	3.0%	0.5%	1
5	3.5%	0.25%	1

Stage 1 - Comparison of net present value

The *firm* has to decide which provider pays "our maximum". The test is to calculate the net present value of the different commissions using the assumptions prescribed by the *FSA*.

To do this, the method in form 1b below is used. The *firm* needs to look up the table of NPV factors which shall be made available by the *FSA*. Looking these up, and completing the form as follows gives:

Product group	Investment Bonds						
	Initial Commission			Fund Based Renewal / Trail Commission			Total NPV
	Commission Rate	NPV Factor	Value = Rate x Factor	Commission Rate (& Start Month)	NPV Factor	Value= Rate x Factor	
	A	B	C = A x B	J	K	L = J x K	
1	5.25%	1.00	5.25%	-	-	-	5.25%
2	4.5%	1.00	4.5%	-	-	-	4.5%
3	-	1.00	-	0.75% from month 13	3.997	2.98%	2.98%
4	3.0%	1.00	3.0%	0.5% from month 1	4.943	2.47%	5.47%

5	3.5%	1.00	3.5%	0.25% from month 1	4.943	1.24%	4.74%
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So commission shape 4 has the highest net present value and is thus "our maximum".

Stage 2 – Worked example

An example is calculated by applying "our maximum" rates to the prescribed lump sum or monthly amounts. £10000 in this case gives "£300 immediately plus £50 each year from year 1".

Stage 3 – Market Average

"The market average" is the market average rate published by the *FSA* expressed in the shape that most corresponds to the shape of "our maximum". To do this, the method used in form 2 below is used. The *firm* needs to look up the table of NPV factors and the table of market average NPVs prescribed by the *FSA*. Looking these up, and completing the form as follows gives:

Form 1 (Worked Example)

Product group		Investment Bond						
Market Average NPV		5.0%						
		Fund Based Renewal / Trail Commission		Premium Based Renewal Commission		Spread initial / Non-Indemnified Commission		Initial / Indemnified Commission
		Commission rate	Start month	Commission rate	Start month	Commission rate	Spread period	Commission rate
Commission Shape of your maximum	A	0.5%	Month 1	-	-	-	-	3.0%
NPV Factor	B	4.943		-		-		1.000
Value of Commission Shape	C = A x B	2.47%		-		-		3.0%
Value of market average - Fund Based Commission	D1 – see notes	2.47%						
Value of market average – Premium Based Commission	D2 – see notes			-				
Value of market average - Spread Initial Commission	D3 – see notes					-		
Value of market average - Initial Commission	D4 – see notes							5.0% - 2.47% = 2.53%
Market Average Commission Shape	E = D ÷ B	2.47% / 4.943 = 0.5% from month 1		-		-		2.53% / 1.000 = 2.5%

Therefore the market average, expressed in the shape that most closely resembles "our maximum" is 2.5% of the lump sum plus 0.5% of the fund from month 1

Stage 4

Enter the appropriate figures in the *menu* as shown below.

		<i>Our maximum</i>	<i>Market average</i>	<i>This shows the maximum costs of our sales and advice for a lump sum investment of £10,000 ignoring any changes to fund value</i>
Savings and investments				
Investment bond	Any	3.0% of the amount you invest plus 0.5% of your fund value each year from year 1	2.5% of the amount you invest plus 0.5% of your fund value each year from year 1	£300 in year 1 plus £50 each year from year 1 (The actual amount will vary in line with your fund)

Form 1a – Calculation of Maximum Commission Amounts (Monthly Premium Products)

This form should be used to help decide which of the commission options received for a product group in the "monthly products" table should appear as "our maximum" on the *menu*.

Product group													
	Initial / Indemnified Commission			Spread Initial Commission			Premium Based Renewal Commission			Fund Based Renewal / Trail Commission			Total NPV
	Commission Rate	NPV Factor	Value = Rate x Factor	Commission Rate (& Spread Period)	NPV Factor	Value = Rate x Factor	Commission Rate (& Start Month)	NPV Factor	Value = Rate x Factor	Commission Rate (& Start Month)	NPV Factor	Value = Rate x Factor	
	A	B	C = A x B	D	E	F = D x E	G	H	I = G x H	J	K	L = J x K	
1		1.00											
2		1.00											
3		1.00											
4		1.00											
5		1.00											
6		1.00											
7		1.00											
8		1.00											

***The maximum rate of commission for this product group is the shape with the highest Total NPV (column M).
This maximum rate of commission should be included in the menu for this product group***

Notes for completion of Form 1a

1. A separate form should be completed for all monthly product groupings appearing on the *menu*.
2. Complete a separate row for each potential maximum commission shape that you receive in the chosen product group.
3. Commission shapes that are clearly lower in value than others of the same shape should be omitted – for example, 15% initial + 0.5% fund based paid from month 12 is clearly lower than 20% initial + 0.5% fund based paid from month 12, and so only the latter needs to be included in the calculations.
4. Commission rates used should be the highest rates of the total commission payable that you may retain;
5. Commission rates should be entered for each commission type as follows:
 - Column A (Initial/Indemnified) - a percentage of the first 12 months' premiums;
 - Column D (Spread Initial/Non-Indemnified Initial) – a percentage of each premium paid in the initial commission period;
 - Column I (Premium based renewal) – a percentage of each premium paid in the renewal period;
 - Column L (Fund Based renewal/trail) – a percentage of the fund value each year.
6. Level commissions, payable as a percentage of all monthly premiums, should be treated as premium-based renewal commissions.
7. The relevant NPV Factors in columns B, E, H & K should be inserted for the relevant Product Group, Commission Type, Spread Period and Start Month. They can be obtained from the document "Published NPV Factors".
8. Columns C, F, I, L & M should be calculated based on the figures inserted in the previous columns.
9. The commission shape which has the highest total NPV in column M should be used in the "Our Maximum" section of the *menu*.

Form 1b – Calculation of Maximum Commission Amounts (Lump Sum Products)

This form should be used to help decide which of the commission options received for a product group in the "lump sum products" table should appear as "our maximum" on the *menu*.

Product group							
	Initial Commission			Fund Based Renewal / Trail Commission			Total NPV
	Commission Rate	NPV Factor	Value = Rate x Factor	Commission Rate (& Start Month)	NPV Factor	Value= Rate x Factor	
	A	B	C = A x B	J	K	L = J x K	
		1.00					
2		1.00					
3		1.00					
4		1.00					
5		1.00					
6		1.00					
7		1.00					
8		1.00					

The maximum rate of commission for this product group is the shape with the highest Total NPV (column M). This maximum rate of commission should be included in the menu for this product group

Notes for completion of Form 1b

1. A separate form should be completed for all lump sum products appearing on the *menu*.
2. Complete a separate row for each potential maximum commission shape that you receive in the chosen product group.
3. Commission shapes that are clearly lower in value than others of the same shape should be omitted – for example, 15% initial + 0.5% fund based paid from month 12 is clearly lower than 20% initial + 0.5% fund based paid from month 12, and so only the latter needs to be included in the calculations.
4. Commission rates used should be the highest rates of the total commission payable that you may retain.
5. Commission rates should be entered for each commission type as follows:
 - Column A (Initial) - a percentage of the lump sum payment;
 - Column J (Fund Based renewal/trail) – a percentage of the fund value each year.
6. The relevant NPV Factors in columns B & K should be inserted for the relevant Product Group, Commission Type and Start Month. They can be viewed in the document "Published NPV Factors".
7. Columns C, L & M should be calculated based on the figures inserted in the previous columns.
8. The commission shape which has the highest total NPV in column M should be used in the "Our Maximum" section of the *menu*.

Form 2 – Re-expression of market average commission

This form should be used to re-express the market average NPV into the relevant shape, for use in the *menu*.

Product group								
Market Average NPV								
		Fund Based Renewal / Trail Commission		Premium Based Renewal Commission		Spread initial / Non-Indemnified Commission		Initial / Indemnified Commission
		Commission rate	Start month	Commission rate	Start month	Commission rate	Spread period	Commission rate
Commission Shape of your maximum	A							
NPV Factor	B							
Value of Commission Shape	C = A x B							
Value of market average - Fund Based Commission	D1 – see notes							
Value of market average – Premium Based Commission	D2 – see notes							
Value of market average - Spread Initial Commission	D3 – see notes							
Value of market average - Initial Commission	D4 – see notes							
Market Average Commission Shape	E = D ÷ B							

Notes for completion of Form 2

1. A separate form should be completed for each product group appearing on your *menu*;
2. The Market Average NPV should be obtained from the FSA's most recent published list of market averages, choosing the appropriate rate for the relevant product group.
3. In row A, enter the details of the commission shape that the market average is to be expressed in. This should be the commission shape shown as "your maximum" for the relevant product group in your *menu*.
4. Commission rates should be entered for each commission type as follows:
 - Fund Based renewal/trail – a percentage of the fund value each year;
 - Premium based renewal – a percentage of each premium paid in the renewal period;
 - Spread Initial/Non-Indemnified Initial – a percentage of each premium paid in the initial commission period;
 - Initial/Indemnified - a percentage of the first 12 months' premiums, or a percentage of the lump sum, as appropriate.
5. Level commissions, payable as a percentage of all monthly premiums, should be treated as premium-based renewal commissions.
6. Where "your maximum" commission does not contain a commission type (e.g. your maximum has no spread initial commission), the column relating to that commission type should be left blank.
7. The relevant NPV Factors in row B should be inserted for the relevant Product Group, Commission Type, Spread Period and Start Month. They can be obtained from the document "Published NPV Factors".
8. Row C should be calculated as the product of the relevant commission rate in row A and the NPV factor in row B.
9. Row D1 should be calculated as the lower of:
 - the Market Average NPV, and
 - Row C - The Value of Commission Shape for the **fund based commission** type (but see the note below)

Note: If the commission shape in row A contains no premium-based, spread initial or initial/indemnified commission (i.e. if fund based commission is the final commission type being considered) then the calculation in row C should be ignored when calculating D1. In this instance, the value in D1 should be equal to:

- the Market Average NPV

10. Row D2 should be calculated as the lower of:

- The Market Average NPV minus the value calculated for row D1; and
- Row C – The Value of Commission Shape for the **premium based commission** type (but see note below).

If this calculation gives a negative value, D2 should be set to zero.

Note: If the commission shape in row A contains no spread initial or initial/indemnified commission (i.e. if premium-based commission is the final commission type being considered) then the calculation in row C should be ignored when calculating D2. In this instance, the value in D2 should be equal to:

- The Market Average NPV minus the value calculated for row D1.

11. Row D3 should be calculated as the lower of:

- The Market Average NPV minus the value calculated for row D1,
minus the value calculated for row D2, and
- Row C – The Value of Commission Shape for the **spread initial / non-indemnified commission** type (but see note below).

If this calculation gives a negative value, D2 should be set to zero.

Note: If the commission shape in row A contains no initial/indemnified commission (i.e. if premium-based commission is the final commission type being considered) then the calculation in row C should be ignored when calculating D3. In this instance, the value in D3 should be equal to:

- The Market Average NPV minus the value calculated for row D1,
minus the value calculated for row D2.

12. Row D4 should be calculated as:

- The Market Average NPV minus the value calculated for row D1, minus the value calculated for row D2, minus the value calculated for row D3.

If this calculation gives a negative value, D4 should be set to zero.

13. Row E should be calculated as the value in the relevant row D (for that commission type, e.g. row D2 for premium based renewal commission) divided by the relevant NPV factor in row B. For presentation in the *menu*, this result should be rounded to the nearest 0.1% (or the nearest 0.25%, if fund-based commission is paid as an exact multiple of this).

Calculating commission equivalent

This table forms part of COBS 6.4.6E.

Calculating commission equivalent	
<p>This table sets out the basis on which the <i>firm</i> should determine the value of cash payments, benefits and services to be disclosed as <i>commission equivalent</i>. Benefits and services, as set out in parts B and C below, need be included only if their value is such that they could not be provided to a <i>firm</i> as a non-monetary benefit listed in the table in COBS 2.3.15G. The result of the calculation should be that the amounts disclosed as <i>commission equivalent</i> are, as far as possible, the same as the amounts and value of <i>commission</i> which would be paid in a corresponding sale.</p>	
Part A: Cash payments	
1.	These cover all payments by a <i>firm</i> to a <i>representative</i> , <i>appointed representative</i> or, where applicable, a <i>tied agent</i> , or a <i>firm</i> in the same <i>immediate group</i> in relation to a transaction in a <i>packaged product</i> . This includes bonus payments, manager's overrides, extra earnings from other transactions and other payments conditional on amounts of new business.
2.	In determining the amounts to be included in the calculation, a <i>firm</i> should have regard to the following:
(a)	when the precise rate of <i>commission equivalent</i> is not known in advance (for example, if retrospective volume overrides apply), the <i>firm</i> should estimate the rate likely to apply to the <i>representative</i> in question. When an identical <i>commission equivalent</i> scale applies to all <i>representatives</i> (although they might earn differing percentages of it), the same average amount of <i>commission equivalent</i> (and the value of other benefits and services) in respect of identical transactions may be disclosed, regardless of the percentage of the scale paid to each individual <i>representative</i> . Averaging should not be used for <i>appointed representatives</i> , or, where applicable, <i>tied agents</i> .
(b)	all credits to an account from which periodic withdrawals may be made should be included.
(c)	when a payment is made before the <i>firm</i> receives the <i>premium</i> or the investment monies to which it relates (for example, indemnity <i>commission equivalent</i>), it should be included as being received at the time of payment. <i>Firms</i> that wish to explain this arrangement to the <i>clients</i> are free to do so, provided this does not detract from the required disclosure.
(d)	when the <i>firm</i> arranges for a third party to make a payment to a <i>representative</i> in exchange for the income stream to which the <i>representative</i> is entitled, or to make a loan to the <i>representative</i> on the security or expectation of future

		payments from the <i>firm</i> , this should be treated as if it were a payment from the <i>firm</i> at the time of the transaction.
	(e)	when a <i>firm</i> provides, or arranges for a third party to provide, a loan to a <i>representative</i> , on the security of, or in the expectation of, future payments from the <i>firm</i> , the amounts to be included are the payments to the <i>representative</i> on which the provision of the loan is based, as if they were received at the time the transaction was effected, irrespective of their actual timing.
	(f)	when an agent is employed and remunerated by the <i>firm's appointed representative</i> , or, where applicable, <i>tied agent</i> , the payments to be included should be those made by the <i>firm</i> to the <i>appointed representative</i> or <i>tied agent</i> , not those made by the <i>appointed representative</i> or <i>tied agent</i> to its own agent.
	Part B: Benefits	
3.	Benefits include the cost to the <i>firm</i> of all non-monetary benefits provided by it to a <i>representative</i> . A benefit should be included whether or not the <i>representative</i> is liable to income tax on it and whether it is chargeable to tax. Examples of benefits include the use of a car, attendance at conferences, subsidised loans, contributions to <i>pension schemes</i> , national insurance contributions, and the value of <i>share option</i> (taking into account any discount on issue and assuming that the <i>shares</i> in question grow at a reasonable rate in line with other <i>investments</i>).	
	Part C: Services	
4.	Services include benefits which are not indirect benefits within the table in <i>COBS</i> 2.3.15G.	
5.	The following services should be included:	
	(a)	office accommodation and equipment, including telephone, photocopying and fax;
	(b)	loans where a commercial rate of interest is not charged, including <i>commission equivalent</i> advances overdue for repayment;
	(c)	general stationery and mailing or distribution costs;
	(d)	computer hardware and software (except software which specifically relates to the <i>firm's packaged product</i> , such as software used for producing illustrations, <i>projection</i> and product information);
	(e)	clerical and administrative support;
	(f)	business insurance cover, including professional indemnity and fidelity guarantee;
	(g)	recruitment;

	(h)	compliance monitoring;
	(i)	<i>client</i> services;
	(j)	business planning services;
	(k)	line management.
6.	To put a value on these services, the following costs should be included:	
	(a)	all overheads attributable to a particular cost item (for example, the cost of a compliance official);
	(b)	salary costs pro rata if individuals are only engaged part-time on relevant business;
	(c)	rent and associated premises costs at an appropriately reduced rate if the premises are also used for other business activities;
	(d)	only that proportion of the cost of lead generation promotions attributable to the generation of relevant business (but including the placing of any <i>financial promotion</i> , and its mailing or provision of access to third party <i>clients</i>);
	(e)	only the marginal additional compliance costs of ensuring that <i>representatives</i> and their support and training material comply with relevant <i>rules</i> ;
	(f)	the commercial value of a service which is the use of an asset owned by the <i>firm</i> (for example in the case of a property, its full market rent);
	(g)	in respect of <i>appointed representative</i> , or, where applicable <i>tied agent</i> , the costs of any promotion in a newspaper or elsewhere and the provision of <i>representative</i> -specific literature in connection with a <i>financial promotion</i> ;
	(h)	in respect of a <i>firm</i> in the same <i>immediate group</i> and connected <i>appointed representatives</i> or, where applicable, <i>tied agents</i> , where the name of the company is included in the <i>financial promotion</i> , the costs of any promotion in a newspaper or elsewhere and the provision of literature specific to the <i>representative</i> in connection with a <i>financial promotion</i> .
7.	The following costs should be excluded:	
	(a)	the cost of corporate awareness advertising;
	(b)	training costs;
	(c)	costs of developing and maintaining computer systems for the provision of <i>projections</i> of benefits, <i>client</i> -specific <i>key features documents</i> , <i>simplified prospectuses</i> or other product information;
	(d)	costs of compensating <i>clients</i> ;

	(e)	the costs of head office and branch level management and support, other than payments to <i>managers</i> falling under Part 1, for <i>representatives</i> , if these services could also be provided to a <i>firm</i> not in the same <i>immediate group</i> , for example, broker consultants and 'inspectors'.
	Part D: Calculation methodology	
8.	Estimating commission equivalent	
	The cost of benefits and services should normally be based on the most recent relevant experience of the <i>firm</i> , except if the <i>firm</i> has grounds to believe that the <i>commission equivalent</i> for the period concerned will be higher or lower than that implied by the experience or no such experience is available. In such a case, the estimate should be based on and evidenced by business plans which the <i>firm</i> is satisfied are achievable.	
9.	<i>Firms</i> that receive or expect to receive:	
	(a)	<i>commission</i> in respect of <i>packaged products</i> which are not its own products or the products of a <i>product provider</i> who is in the same <i>immediate group</i> ; and
	(b)	<i>commission equivalent</i> in respect of its own products;
	must ensure that the costs and benefits attributed to these products do not exceed the amounts that can be financed from that <i>commission</i> .	
	Construction of commission equivalent scales	
10.	The total costs of cash payments, benefits and services should be assessed and the normal approach is to split them into new business costs and after sale servicing costs. The costs of each of these functions should be assessed directly in relation to the work carried out by the <i>representatives</i> .	
11.	(a)	The total <i>commission equivalent</i> costs identified in 10 should be spread across the business using a new business <i>commission equivalent</i> scale and a servicing <i>commission equivalent</i> scale respectively.
	(b)	The <i>commission equivalent</i> scales should distinguish between products for which the <i>commission equivalent</i> of <i>representatives</i> is likely to be different.
12.	If the <i>representative's commission equivalent</i> includes a cash payment related to volume and/or value of the transactions sold (which payment must be in accordance with the <i>clients' best interest rule</i>), the following method would be appropriate:	
	(a)	The payment scales should be grossed up by new business uplift factors or servicing uplift factors as appropriate to reflect the cost of benefits and services. The grossed up scales represent the new business and servicing <i>commission equivalent</i> scales, and are applied to each contract to derive the <i>commission equivalent</i> to be disclosed.

	(b)	If servicing costs are expected to be incurred in any year in which no servicing payments are to be made on a contract, disclosure should still be made, for example by using a technique similar to that described in 14.
13.	(a)	When a <i>representative</i> receives a salary, or other payment unrelated to volume or sales:
	(i)	this should be amalgamated with the cost of benefits and services; and
	(ii)	the total costs should be apportioned over individual transactions in a way that reflects the value of a contract to a <i>firm</i> or the <i>firm's immediate group</i> .
	(b)	If a <i>firm</i> is a distributor for a <i>product provider</i> within the same <i>immediate group</i> , the <i>firm</i> must apportion total costs over individual transactions in a way that reflects the value of the contract to the <i>firm's immediate group</i> .
14.		If a <i>representative</i> agrees to forgo part of his or her normal payment to improve the terms of the contract, the disclosure may be reduced in such a way that fairly reflects the overall effect of the amount foregone.
15.		The <i>firm</i> should review the <i>commission equivalent</i> scales if at any time it becomes aware that the <i>commission equivalent</i> figures have become misleading. A review should take place at least annually.
		Payments to associates
16.		If a <i>firm</i> pays <i>commission equivalent</i> to another <i>firm</i> in the same <i>immediate group</i> , or an <i>appointed representative</i> or, where applicable <i>tied agent</i> , which is an <i>associate</i> of the <i>firm</i> , it should ensure that the calculation of the sum to be disclosed is the higher of:
	(a)	all payments, benefits and services provided to the <i>firm</i> or <i>appointed representative</i> or <i>tied agent</i> , from whatever source, plus an additional allowance for profit of 15% - unless the <i>firm</i> can demonstrate that another figure (higher or lower) is more appropriate; and
	(b)	the cash payments actually paid by the <i>firm</i> , plus the value of services provided.

...

Interface with the initial disclosure document

7.2.2 G ~~[intentionally blank]~~ A firm will satisfy elements of the requirement immediately above if it provides an initial disclosure document to a client (see COBS 6.3).

7.2.2A R A firm may provide an initial disclosure document to a client who buys a

non-advised life policy.

...

After COBS 9.3, insert the following new Section; the text is not underlined:

9.4 Suitability reports

Providing a suitability report

9.4.1 R A *firm* must provide a *suitability report* to a *retail client* if the *firm* makes a *personal recommendation* to the *client* and the *client*:

- (1) acquires a holding in, or *sells* all or part of a holding in:
 - (a) a *regulated collective investment scheme*;
 - (b) an *investment trust* where the relevant *shares* have been or are to be acquired through an *investment trust savings scheme*;
 - (c) an *investment trust* where the relevant *shares* are to be held within an *ISA* or *PEP* which has been promoted as the means for investing in one or more specific *investment trusts*; or
- (2) *buys, sells, surrenders, converts or cancels rights under, or suspends contributions to, a personal pension scheme or a stakeholder pension scheme*; or
- (3) elects to make *income withdrawals* or purchase a *short-term annuity*; or
- (4) enters into a *pension transfer* or *pension opt-out*.

[**Note:** article 19(8) of *MiFID*]

9.4.2 R If a *firm* makes a *personal recommendation* in relation to a *life policy*, it must provide the *client* with a *suitability report*.

[**Note:** article 12(3) of the *Insurance Mediation Directive*]

9.4.3 R The obligation to provide a *suitability report* does not apply:

- (1) if the *firm*, acting as an *investment manager* for a *retail client*, makes a *personal recommendation* relating to a *regulated collective investment scheme*;
- (2) if the *client* is habitually resident outside the *EEA* and the *client* is not present in the *United Kingdom* at the time of acknowledging consent to the proposal form to which the *personal recommendation*

relates;

- (3) to any *personal recommendation* by a *friendly society* for a small *life policy* sold by it with a *premium* not exceeding £50 a year or, if payable weekly, £1 a week;
- (4) if the *personal recommendation* is to increase a regular *premium* to an existing contract;
- (5) if the *personal recommendation* is to invest additional single *premiums* or single contributions to an existing *packaged product* to which a single *premium* or single contribution has previously been paid.

Timing

- 9.4.4 R A *firm* must provide the *suitability report* to the *client*:
- (1) in the case of a *life policy*, before the contract is concluded unless the necessary information is provided orally or immediate cover is necessary; or
 - (2) in the case of a *personal pension scheme* or *stakeholder pension scheme*, where the *rules* on cancellation (*COBS 15*) require notification of the right to cancel, no later than the fourteenth day after the contract is concluded; or
 - (3) in any other case, when or as soon as possible after the transaction is effected or executed.

[**Note:** article 12(3) of the *Insurance Mediation Directive*]

- 9.4.5 R If, in respect of a *life policy*, the *firm* gives necessary information orally or gives immediate cover, it must provide a *suitability report* to the *client* in a *durable medium* immediately after the contract is concluded.

[**Note:** article 13(2) of the *Insurance Mediation Directive*]

- 9.4.6 R In the case of telephone selling of a *life policy*, when the only contact between a *firm* and its *client* before conclusion of a contract is by telephone, the *suitability report* must:
- (1) comply with the distance marketing disclosure *rules* (*COBS 5.1*);
 - (2) be provided immediately after the conclusion of the contract; and
 - (3) be in a *durable medium*.

[**Note:** article 13(3) of the *Insurance Mediation Directive*]

Contents

- 9.4.7 R The *suitability report* must, at least:
- (1) specify the *client's* demands and needs;
 - (2) explain why the *firm* has concluded that the recommended transaction is suitable for the *client* having regard to the information provided by the *client*; and
 - (3) explain any possible disadvantages of the transaction for the *client*.
- [**Note:** article 12(3) of the *Insurance Mediation Directive*]
- 9.4.8 G A *firm* should give the *client* such details as are appropriate according to the complexity of the transaction.
- [**Note:** article 12(3) of the *Insurance Mediation Directive*]
- 9.4.9 R If a *firm* is providing a *suitability report* in the course of *insurance mediation activity*, the information must be provided:
- (1) in a *durable medium* which is available and accessible to the *client*;
 - (2) in a clear and accurate manner, comprehensible to the *client*; and
 - (3) in an official language of the *State of the commitment* in which the *contract of insurance* is made or in any other language agreed by the parties.
- [**Note:** article 13 of the *Insurance Mediation Directive*]

Additional content for income withdrawals

- 9.4.10 G When a *firm* is making a *personal recommendation* to a *retail client* about *income withdrawals* or purchase of *short-term annuities*, explanation of possible disadvantages in the *suitability report* should include the risk factors involved in entering into an *income withdrawal* or purchase of a *short-term annuity*. These may include:
- (1) the capital value of the fund may be eroded;
 - (2) the *investment* returns may be less than those shown in the illustrations;
 - (3) annuity or *scheme pension* rates may be at a worse level in the future;
 - (4) when maximum withdrawals are taken or the maximum *short-term annuity* is purchased, high levels of income may not be sustainable;
 - (5) the maximum income that can be withdrawn under an *alternatively secured pension* after age 75 is significantly less than the maximum that applies before age 75.

...

Delete COBS 9.6 and replace with the following; the text is not underlined:

9.6 Special rules for giving basic advice on a stakeholder product

9.6.1 G This section applies to a *firm* giving *basic advice*, which has chosen to comply with the *rules* in this section instead of the other *rules* in this chapter (see *COBS 9.1.2R*).

Range

9.6.2 R A *firm* is permitted to maintain more than one *range of stakeholder products*.

9.6.3 R A *range of stakeholder products*:

- (1) may include more than one *deposit-based stakeholder product*;
- (2) may include the *stakeholder products* of more than one *stakeholder product* provider;
- (3) must not include any more than one:
 - (a) *CIS stakeholder product* or *linked life stakeholder product*; or
 - (b) *stakeholder CTF*; or
 - (c) *stakeholder pension scheme*.

9.6.4 R When a *firm* provides *basic advice* it must:

- (1) explain why it chose the *stakeholder products* and *stakeholder product* providers that appear in the relevant *range*; and
- (2) give the *client* a list of the *stakeholder products* and *stakeholder product* providers that appear in that *range*;

if the *client* asks it do so.

Requirements on first contact

9.6.5 R When a *firm* first has contact with a *retail client* with a view to giving *basic advice* on a *stakeholder product*, it must give the *retail client*:

- (1) the *basic advice* initial disclosure information (*COBS 9 Annex 1R*), in a *durable medium*, together with an explanation of that information, unless:
 - (a) it has already done so and the *basic advice* initial disclosure information is likely still to be accurate and appropriate; or

- (b) the contact is not face to face and is using a means of communication which makes it not practicable to provide the *basic advice* initial disclosure information in a *durable medium*; and
 - (2) an explanation of how the advice will be paid for and the fact that any commission will be disclosed.
- 9.6.6 G (1) A *firm* may give a *retail client* the *basic advice* initial disclosure information (COBS 9 Annex 1R) as part of an:
- (a) *initial disclosure document*; or
 - (b) a *combined initial disclosure document* if it has reasonable grounds to believe that it will provide services relating to a *stakeholder product* and a *non-investment insurance contract*, a *regulated mortgage contract*, an *equity release transaction* or a *home purchase plan*.
- (2) If a *firm* provides an *initial disclosure document* or *combined initial disclosure document* to a *retail client* it will comply with the requirements under:
- (a) COBS 2.2.1R(1)(a);
 - (b) COBS 9.6.5R(1) and COBS 9 Annex 1R;
 - (c) the items of distance marketing information set out in paragraphs (1), (2), (4), (5) (19) and (20) of COBS 5 Annex 1R; and
 - (d) any duties that apply to it under the *rule* on information to be provided by the insurance intermediary (COBS 7.2.1R (1) and (2)).
- 9.6.7 R For the purposes of GEN 5, a *firm* may not use the keyfacts logo in relation to any *document* that is designed to comply with *rules* in COBS 9.6 or COBS 7 unless it is an *initial disclosure document*, *combined initial disclosure document* or *menu* produced in accordance with the templates and notes in the annexes to COBS 6.
- 9.6.8 R If a *firm's* first contact with a *retail client* is not face to face, it must:
- (1) inform the *client* at the outset:
 - (a) (if the communication is initiated by or on behalf of a *firm*), of the name of the *firm* and the commercial purpose of the communication;

- (b) whether the *firm* will select from, or deal with, *stakeholder products* from a single provider, or from more than one provider;
 - (c) that the *firm* will provide the *retail client* with *basic advice* without carrying out a full assessment of the *retail client's* needs and circumstances; and
 - (d) that such information will be confirmed in writing; and
- (2) (if not provided at first contact) send the *client* the *basic advice* initial disclosure information (*COBS 9 Annex 1R*) in a *durable medium* as soon as reasonably practicable following the conclusion of the first contact.

Sales process

- 9.6.9 R When a *firm* gives *basic advice*, it must do so using:
- (1) a single range of *stakeholder products*; and
 - (2) a sales process that includes putting pre-scripted questions to the *client*.
- 9.6.10 R When a *firm* gives *basic advice* it must not:
- (1) describe or recommend a *stakeholder product* outside the *firm's range*; or
 - (2) describe or recommend a *smoothed linked long term stakeholder product*; or
 - (3) describe fund choice, or recommend a particular fund, if a *stakeholder product* offers a choice of funds; or
 - (4) recommend the level of contributions required to be made to a *stakeholder pension scheme* to achieve a specific income in retirement; or
 - (5) recommend or agree that a *client* makes a contribution to an *ISA* which exceeds the HM Revenue & Customs *ISA* limits.
- 9.6.11 R (1) If a *firm* starts the sales process for a *stakeholder product* that is not a *deposit-based stakeholder product*, it must not depart from that process unless it has advised the *retail client* that it will not provide *basic advice* on *stakeholder products* during the period of departure. A *firm* that does that must not provide *basic advice* during the departure period.
- (2) Before a *firm* returns to the sales process for *stakeholder products*, it must tell the *retail client* that that process is about to recommence.

Suitability of recommendations

- 9.6.12 R A *firm* must only recommend a *stakeholder product* to a *retail client* if:
- (1) it has taken reasonable steps to assess the *client's* answers to the scripted questions and any other facts, circumstances or information disclosed by the *client* during the sales process;
 - (2) (unless the relevant product is a *deposit-based stakeholder product*) having done so, it has reasonable grounds for believing that the *stakeholder product* is suitable for the *client*; and
 - (3) the *firm* reasonably believes that the *client* understands the *firm's* advice and the basis on which it was provided.
- 9.6.13 G *COBS 9 Annex 2G* gives *guidance* on the steps a *firm* could take to help it meet these suitability obligations.
- 9.6.14 R If a *firm* giving *basic advice* recommends to a *retail client* to acquire a *stakeholder product*, it must ensure that, before the conclusion of the contract, its *representative*:
- (1) (unless the relevant product is a *deposit-based stakeholder product*) explains to the *client*, if necessary in summary form, but always in a way that will allow the *client* to make an informed decision about the *firm's* recommendation:
 - (a) the nature of the *stakeholder product*; and
 - (b) the "aims", "commitment" and "risks" sections of the appropriate *key features document*;
 - (2) provides the *client* with a summary sheet, which is in a *durable medium* and sets out, for each product it recommends:
 - (a) the specific amount the *client* wishes to pay into the product; and
 - (b) the reasons for the recommendation, including the *client's* attitude to risk and any information provided by the *client* on which the recommendation is based; and
 - (3) informs the *client* that in determining any subsequent complaint, the *Ombudsman* may take into account the limited information on which the recommendation was based and the fact that it was not tailored to take account of those aspects of the *client's* financial needs and circumstances not covered by the *firm's* sales process.
- 9.6.15 R Notwithstanding *COBS 9.6.14R(2)* a *firm* may provide the summary sheet (*COBS 9.6.14R(2)*) as soon as reasonably practicable after the conclusion of the contract if the *client* asks it to do so, or the contract will be concluded

using a means of distance communication that does not enable the provision of the summary sheet in a *durable medium* before the conclusion of the contract, but only if the *firm*:

- (1) reads the summary sheet to the *client* before it concludes the contract; and
- (2) sends the summary sheet to the *client* as soon as practicable after the conclusion of the contract.

Concluding the contract

- 9.6.16 R If a *firm* concludes a contract for a *stakeholder product* with or for a *retail client* it must provide a copy of the completed questions and answers to the *client* in a *durable medium* as soon as reasonably practicable afterwards.

Basic advice on stakeholder products: other issues

- 9.6.17 R (1) When a *firm* provides *basic advice* on a *stakeholder product*, it must not hold itself out as giving independent advice.
- (2) Nevertheless, a *firm* may still use the facilities and stationery it uses for other business in respect of which it does hold itself out as acting or advising independently.
- 9.6.18 R A *firm* must ensure that none of its *representatives*:
- (1) is likely to be influenced by the structure of his or her *remuneration* to give unsuitable *basic advice* on *stakeholder products* to a *retail client*; or
 - (2) refers a *retail client* to another *firm* in circumstances which would amount to the provision of any fee, commission or non-monetary benefit.

Records

- 9.6.19 R A *firm* must record that it has chosen to give *basic advice* to a *retail client* and make a record of the *range* used and the summary sheet (COBS 9.6.14R(2)) prepared for each *retail client*. That record must be retained for at least five years from the date of the relevant *basic advice*.
- 9.6.20 R (1) A *firm* must make an up-to-date record of:
- (a) its *scope of basic advice*, and the *scope of basic advice* used by its *appointed representatives* (if any); and
 - (b) its *range* (or *ranges*) of *stakeholder products*, and the *range* (or *ranges*) used by its *appointed representatives* (if any).
- (2) Those records must be retained for five years from the date on which they are replaced by a more up-to-date record.

Renumber the existing COBS 9 Annex 1G as COBS 9 Annex 2G, and insert the following new annex as COBS 9 Annex 1R; the text is not underlined:

COBS 9 R Basic advice initial disclosure information
Annex 1

This Annex belongs to COBS 9.6.5R(1)

Information that comprises the following:	
1.	the name and address (head office or principal place of business if more appropriate) of the <i>firm</i> ;
2.	a statement as to whether the <i>range of stakeholder products</i> on which advice will be given comprises products from a single <i>stakeholder product provider</i> , or a limited number of <i>stakeholder product providers</i> ;
3.	a statement that the service being offered is <i>basic advice</i> on a limited <i>range of stakeholder products</i> by asking questions about income, savings and other circumstances but without carrying out a full assessment of the <i>retail client's</i> needs and without offering advice on whether a non-stakeholder product may be more suitable;
4	a statement that the <i>firm</i> is authorised and regulated by the <i>FSA</i> (or if an <i>appointed representative</i> , a statement of whom it is an <i>appointed representative</i> and that that <i>firm</i> is authorised and regulated by the <i>FSA</i>) to give basic advice, together with the registration number of the <i>firm</i> and the fact that the <i>firm's</i> status can be checked with the <i>FSA</i> on 0845 730 0104 or on the <i>FSA</i> website at www.fsa.gov.uk ;
5.	a statement disclosing any product provider loans (where such credit exceeds 10% of share and loan capital) and direct or indirect ownership (where that ownership exceeds 10% of share capital or voting power) either by, or of, a single <i>product provider</i> or <i>operator</i> ; (See also notes 20-23 in COBS 6 Annex 1G and notes 33-38 of COBS 6 Annex 2 G).
6.	A description of the arrangements concerning complaints and the circumstances in which the <i>retail client</i> can refer the matter to the <i>Financial Ombudsman Service</i> ; (See also notes 24-25 in COBS 6 Annex 1G and notes 39-42 of COBS 6 Annex 2 G).
7.	a description of the circumstances and the extent to which <i>firm</i> is covered by the <i>compensation scheme</i> and the <i>retail client</i> will be entitled to compensation from the <i>compensation scheme</i> . (See also notes 26-27 of COBS 6 Annex 1G and notes 43-46 of COBS 6 Annex 2G).

[Note: in respect of 1, 2, 4, 5, and 6, Articles 12 and 13 of the *Insurance mediation directive* and in respect of 7, Article 10 of the *Investors compensation directive*]

Amend existing COBS 9 Ann 1G as shown:

COBS 9 G Sales processes for stakeholder products
Annex 1
2

...	
Preliminary - all sales	
5.	<p>The <i>retail client</i> should be given the following preliminary information:</p> <ul style="list-style-type: none"> (a) the <i>retail client</i> will only be given <i>basic advice</i> about <i>stakeholder products</i>; (b) <i>stakeholder products</i> are intended to provide a relatively simple and low-cost way of investing and saving; (c) intentionally blank <u>the range of stakeholder products on which the representative will give advice to that retail client;</u> (d) the <i>retail client</i> will be asked a series of questions about his or her needs and circumstances and, at the end of the procedure, he or she may be recommended to acquire a <i>stakeholder product</i>; (e) the assessment of whether a <i>stakeholder product</i> is suitable will be made without a detailed assessment of the <i>retail client's</i> needs but will be based only on the information disclosed during the questioning process; and (f) the <i>retail client's</i> answers will be noted and, at the end of the process, if a recommendation to acquire a <i>stakeholder product</i> is made, the <i>retail client</i> will be provided with a copy of the completed questionnaire.
...	
Saving and investment objectives - all sales (except establishing a stakeholder CTF)	
12.	A <i>retail client's</i> savings and investment objectives, including the period over which the <i>retail client</i> wishes to save or invest, should be ascertained including whether the <i>retail client</i> :

	<p>(a) may need early access to some or all of the amount saved or invested; <u>or</u></p> <p>(b) wishes to save or invest for retirement; or</p> <p>(c) wants to accumulate a specific sum by a specific date.</p>
13.	<p>If that information indicates that the <i>retail client's</i> objective is:</p> <p>(a) to accumulate a specific sum by a specific date; <u>or</u></p> <p>(b) to save or invest only for the short term; or</p> <p>(c) early access may be required to the whole of the sum saved or invested;</p> <p>the <i>firm</i> should not normally recommend a <i>CIS stakeholder product</i>, a <i>linked life stakeholder product</i>, a <i>stakeholder pension scheme</i> or topping up of a <i>stakeholder CTF</i>.</p>
...	

Application to section on the use of dealing commission

11.1.3 R The section on the use of dealing commission applies to a *firm* that acts as an *investment manager*.

...

11.2.1 R ...

[**Note:** article 21(1) of *MiFID*]

[**Note:** The Committee of European Securities Regulators (CESR) has issued a Question and Answer paper on best execution under *MiFID*. This paper also incorporates the European Commission's response to CESR's questions regarding the scope of the best execution obligations under *MiFID*. The paper can be found at: http://www.cesr-eu.org/index.php?page=document_details&from_title=Documents&id=4606]

After COBS 11.5 insert the following new Section; the text is not underlined:

11.6 ~~[intentionally blank]~~ **Use of dealing commission**

11.6.1 G This section deals with the acceptance of certain inducements by *investment managers* and builds upon the *rule* on inducements (*COBS 2.3.1R*). *Investment managers* should ensure they comply with both this section and the *rule* on inducements.

Application

- 11.6.2 R This section applies to a *firm* that acts as an *investment manager* when it *executes customer orders* that relate to:
- (1) *shares*; and
 - (2)
 - (a) *warrants*;
 - (b) *certificates representing certain securities*;
 - (c) *options*; and
 - (d) *rights to or interests in investments* of the nature referred to in (a) to (c);
- to the extent that they relate to *shares*.

Use of dealing commission to purchase goods or services

- 11.6.3 R (1) An *investment manager* must not accept goods or services in addition to the *execution* of its *customer orders* if it:
- (a) *executes its customer orders* through a broker or another *person*;
 - (b) passes on the broker's or other *person's charges* to its *customers*; and
 - (c) is offered goods or services in return for the *charges* referred to in (b).
- (2) This prohibition does not apply if the *investment manager* has reasonable grounds to be satisfied that the goods or services received in return for the *charges*:
- (a)
 - (i) are related to the *execution* of trades on behalf of the *investment manager's customers*; or
 - (ii) comprise the provision of research; and
 - (b) will reasonably assist the *investment manager* in the provision of its services to its *customers* on whose behalf the orders are being *executed* and do not, and are not likely to, impair compliance with the duty of the *investment manager* to act in the best interests of its *customers*.
- 11.6.4 E (1) Where the goods or services relate to the *execution* of trades, an *investment manager* should have reasonable grounds to be satisfied that the requirements of the *rule* on use of dealing commission (COBS 11.6.3R) are met if the goods or services are:

- (a) linked to the arranging and conclusion of a specific investment transaction (or series of related transactions); and
 - (b) provided between the point at which the *investment manager* makes an investment or trading decision and the point at which the investment transaction (or series of related transactions) is concluded.
 - (2) Compliance with (1) may be relied upon as tending to establish compliance with the *rule* on use of dealing commission (*COBS* 11.6.3R).
- 11.6.5 E (1) Where the goods or services relate to the provision of research, an *investment manager* will have reasonable grounds to be satisfied that the requirements of the *rule* on use of dealing commission (*COBS* 11.6.3R) are met if the research:
 - (a) is capable of adding value to the investment or trading decisions by providing new insights that inform the *investment manager* when making such decisions about its *customers'* portfolios;
 - (b) whatever form its output takes, represents original thought, in the critical and careful consideration and assessment of new and existing facts, and does not merely repeat or repackage what has been presented before;
 - (c) has intellectual rigour and does not merely state what is commonplace or self-evident; and
 - (d) involves analysis or manipulation of data to reach meaningful conclusions.
- (2) Compliance with (1) may be relied upon as tending to establish compliance with the *rule* on use of dealing commission (*COBS* 11.6.3R).
- 11.6.6 G An example of goods or services relating to the *execution* of trades that the *FSA* does not regard as meeting the requirements of the *rule* on use of dealing commission (*COBS* 11.6.3R) is post-trade analytics.
- 11.6.7 G Examples of goods or services that relate to the provision of research that the *FSA* does not regard as meeting the requirements of the *rule* on use of dealing commission (*COBS* 11.6.3R) include price feeds or historical price data that have not been analysed or manipulated to reach meaningful conclusions.
- 11.6.8 G Examples of goods or services that relate to the *execution* of trades or the provision of research that the *FSA* does not regard as meeting the requirements of either evidential provisions *COBS* 11.6.4E or *COBS* 11.6.5E include:

- (1) services relating to the valuation or performance measurement of portfolios;
- (2) computer hardware;
- (3) connectivity services such as electronic networks and dedicated telephone lines;
- (4) seminar fees;
- (5) subscriptions for publications;
- (6) travel, accommodation or entertainment costs;
- (7) order and execution management systems;
- (8) office administrative computer software, such as word processing or accounting programmes;
- (9) membership fees to professional associations;
- (10) purchase or rental of standard office equipment or ancillary facilities;
- (11) employees' salaries;
- (12) direct money payments;
- (13) publicly available information; and
- (14) *custody* services relating to *designated investments* belonging to, or managed for, *customers* other than those services that are incidental to the *execution* of trades.

- 11.6.9 G The reference to research in the *rule* on use of dealing commission (*COBS* 11.6.3R) is not confined to *investment research* as defined in the *Glossary*. The *FSA's* view is that research can include, for example, the goods or services encompassed by *investment research*, provided that they are directly relevant to and are used to assist in the management of *investments* on behalf of *customers*. In addition, any goods or services that relate to the provision of research that the *FSA* regards as not acceptable under *COBS* 11.6.6G or *COBS* 11.6.7G should be viewed as not meeting the requirements of *COBS* 11.6.3R(2), notwithstanding that their content might qualify as *investment research*.
- 11.6.10 G This section applies only to arrangements under which an *investment manager* receives from brokers or other *persons* goods or services that relate to the *execution* of trades or the provision of research. It has no application in relation to *execution* and research generated internally by an *investment manager* itself.
- 11.6.11 G An *investment manager* should not enter into any arrangements that could compromise its ability to comply with its best execution obligations (*COBS*

11.2).

Rule on prior disclosure

- 11.6.12 R An *investment manager* that enters into arrangements under this section must make adequate prior disclosure to *customers* concerning the receipt of goods or services that relate to the *execution* of trades or the provision of research. This prior disclosure should form part of the summary form disclosure under the *rule* on inducements (*COBS 2.3.1R*).

Guidance on prior disclosure

- 11.6.13 G The *rule* on prior disclosure of goods and services under this section complements the requirements on the disclosure of inducements (*COBS 2.3.1(2)(b)*). *Investment managers* should ensure they comply with both requirements where relevant.
- 11.6.14 G (1) The prior disclosure required by this section should include an adequate disclosure of the *firm's* policy relating to the receipt of goods or services that relate to the *execution* of trades or the provision of research in accordance with the *rule* on use of dealing commission (*COBS 11.6.3R*).
- (2) The prior disclosure should explain generally why the *firm* might find it necessary or desirable to use dealing commission to purchase goods or services, bearing in mind the practices in the markets in which it does business on behalf of its *customers*. While the appropriate method of making such a disclosure is for the *firm* to decide, this could, for example, be achieved in a client agreement.

Rule on periodic disclosure

- 11.6.15 R If an *investment manager* enters into arrangements in accordance with the *rule* on use of dealing commission (*COBS 11.6.3R*), it must in a timely manner make adequate periodic disclosure to its *customers* of the arrangements entered into.

Adequate prior and periodic disclosure

- 11.6.16 R Adequate prior and periodic disclosure under this section must include details of the goods or services that relate to the *execution* of trades and, wherever appropriate, separately identify the details of the goods or services that are attributable to the provision of research.
- 11.6.17 G In assessing the adequacy of prior and periodic disclosures made by an *investment manager* under this section, the *FSA* will have regard to the extent to which the *investment manager* adopts disclosure standards developed by industry associations such as the Investment Management Association, the National Association of Pension Funds and the London Investment Banking Association.

Making periodic disclosures in a timely manner

- 11.6.18 E (1) A *firm* will make periodic disclosure to its *customers* under this section in a timely manner if it is made at least once a year.
- (2) Compliance with (1) may be relied upon as tending to establish compliance with the *rule* on periodic disclosure (COBS 11.6.16R).

Record keeping

- 11.6.19 R An *investment manager* must make a record of each prior and periodic disclosure it makes to its *customers* in accordance with this section and must maintain each such record for at least five years from the date on which it is provided.

13 Preparing product information

...

- 13.2.1 ~~RG~~ [delete and replace with the following]
- When a *firm* prepares documents or information in accordance with this chapter, the *firm* should consider the rules on providing product information (COBS 14). Those rules require a *firm* to provide the product information in a durable medium or via a website that meets the website conditions (if the website is not a durable medium).

14 Providing product information to clients

After COBS 14.1 insert the following new Section; the text is not underlined:

14.2 Providing product information to clients

The provision rules

- 14.2.1 R A *firm* that sells:
- (1) a *packaged product* to a *retail client*, must provide a *key features document* to that *client* (unless the *packaged product* is a *unit* in a *simplified prospectus scheme* or an *EEA simplified prospectus scheme*);
 - (2) a *life policy* that is not a *reinsurance contract* to a *client*, must provide the *Consolidated Life Directive information* to that *client*;
 - (3) the variation of a *life policy* or *personal pension scheme* to a *retail client*, must provide that *client* with sufficient information about the variation for the *client* to be able to understand the consequences of the variation (unless the policy or scheme is a *SIPP*);

- (4) a *cash-deposit ISA* or *cash-deposit CTF* to a *retail client*, must provide a *key features document* to that *client*;
- (5) a *unit* in a *simplified prospectus scheme* to a *client*, must offer the *scheme's current simplified prospectus* to that *client*. In addition, if the *client* is a *retail client* present in the *EEA*, the *firm* must provide the *simplified prospectus* to the *client* together with:
 - (a) enough information for the *client* to be able to make an informed decision about whether to hold the *units* in a *wrapper* (if the *units* will, or may, be held in that way); and
 - (b) information about the three types of *CTF* that are generally available (*stakeholder CTFs*, *cash-deposit CTFs* and *share CTFs*), and the type of *CTF* the *firm* is offering (if the *units* will, or may, be held in a *CTF*);
- (6) a *unit* in an *EEA simplified prospectus scheme* to a *client*, must offer an up-to-date copy of the *scheme's EEA simplified prospectus* to that *client*.

[**Note:** in respect of (2) article 36(1) of, and Annex III to, the *Consolidated Life Directive*]

[**Note:** in respect of (5) and (6) articles 1, 33(1) and 44 of the *UCITS Directive*]

- 14.2.2 R The *documents* or information required to be provided or offered by the first provision rule (*COBS 14.2.1R*) must be in a *durable medium* or made available on a website (where that does not constitute a *durable medium*) that meets the *website conditions*.
- 14.2.3 R
 - (1) A *firm* that *personally recommends* that a *retail client* holds a particular asset in a *SIPP* must provide that *client* with sufficient information for the *client* to be able to make an informed decision about whether to buy or invest.
 - (2) This *rule* does not apply if the asset is described in *COBS 14.2.1R*.

Firm not to cause confusion about the identity of the producer of a product

- 14.2.4 R When a *firm* provides a *document* or information in accordance with the *rules* in this section, it must not do anything that might reasonably cause a *retail client* to be mistaken about the identity of the *firm* that has produced, or will produce, the product.

Exception to the provision rules: key features documents and simplified prospectuses

- 14.2.5 R A *firm* is not required to provide:
- (1) a *document*, if the *firm* produces the product and the *rules* in this section require another *firm* to provide the document;
 - (2) a *key features document*, if another *person* is required to provide the *distance marketing information* by the *rules* of another *EEA State*;
 - (3) the *Consolidated Life Directive information*, if another *person* is required to provide that information by the *rules* of another *EEA State*;
 - (4) a *simplified prospectus* if:
 - (a) another *person* is required to offer the *simplified prospectus* to the *client* by the *rules* of another *EEA State*; or
 - (b)
 - (i) the *client* is buying or investing in response to a *direct offer financial promotion* without receiving a *personal recommendation* to buy or invest; and
 - (ii) the *firm* offers an up-to-date copy of the *simplified prospectus* to the *client* and provides materially the same information to the *client* in some other way.

[**Note:** in respect of (3), article 36(4) of, and Annex III to, the *Consolidated Life Directive*]

[**Note:** in respect of (4), articles 1, 33(1) and 44 of the *UCITS directive*]

14.2.6 R [intentionally blank]

Exception to the provision rules: key features documents

14.2.7 R A *firm* is not required to provide a *key features document* for:

- (1) a *key features scheme* if it provides a *simplified prospectus* instead;
- (2) a *life policy* that is not a *reinsurance contract* if:
 - (a) the *firm* is operating from an establishment in another *EEA State* and the sale is by *distance contract*; or
 - (b) the *client* is habitually resident outside the *United Kingdom* and the sale is not by *distance contract*.
- (3) a *traded life policy*.

[**Note:** in respect of (2), articles 4(1) and 16 of the *Distance Marketing Directive* and article 36 of the *Consolidated Life Directive*]

Exception to the provision rules: key features documents

- 14.2.8 R A *firm* is not required to provide a *key features document*, if:
- (1) the *client* is buying or investing in response to a *direct offer financial promotion* without receiving a *personal recommendation* to buy or invest; and
 - (2) the *firm* provides materially the same information in some other way.

Exception to the provision rules: key features documents and simplified prospectuses

- 14.2.9 R A *firm* is not required to provide a *key features document* or a *simplified prospectus* for a *key features scheme* or *simplified prospectus scheme* if:
- (1) the *client* is habitually resident outside the *EEA* and not present in the *EEA* when the relevant application is signed; or
 - (2) the purchase is by a *discretionary investment manager* on behalf of a *retail client*; or
 - (3) the sale is *arranged* or *personally recommended* by an *investment manager* and the *client* has agreed that a *key features document* or *simplified prospectus* is not required; or
 - (4) a *retail client* is purchasing a holding in a *scheme* in which the *client* already has a holding, or the *client* is switching from one class of *shares* or *units* to another in the same *scheme*, and the relevant *document* has already been provided to that *client*.

[**Note:** articles 1, 33(1), and 44 of the *UCITS directive*]

- 14.2.10 G Although a *firm* is not always required to provide a *simplified prospectus* to a *client* (*COBS* 14.2.9R), the obligation to offer the prospectus to the *client* (*COBS* 14.2.1R (5)) remains.

Exception to the provision rules: aggregated scheme documents

- 14.2.11 R A *firm* may provide a single *document*, which describes more than one *key features scheme*, *simplified prospectus scheme* or *EEA simplified prospectus scheme*, or any combination of those *schemes*, if:
- (1) the *schemes* are offered through a *funds supermarket service*;
 - (2) the *document* clearly describes the difference between the relevant *schemes*; and
 - (3) (in the case of a *simplified prospectus scheme* or an *EEA simplified prospectus scheme*) the *firm* also offers copies of the relevant prospectuses to the *client*.

[**Note:** article 33(1) of the *UCITS directive*]

Exception: successive operations

- 14.2.12 R In the case of a *distance contract* comprising an initial service agreement, followed by successive operations or a series of separate operations of the same nature performed over time, the *rules* in this section only apply to the initial agreement.
- 14.2.13 R If there is no initial service agreement but the successive operations or separate operations of the same nature performed over time are performed between the same contractual parties, the *rules* in this section only apply:
- (1) when the first operation is performed; and
 - (2) if no operation of the same nature is performed for more than a year, when the next operation is performed (the next operation being deemed to be the first in a new series of operations).

The timing rules

- 14.2.14 R When the *rules* in this section require a *firm* to:
- (1) offer a *simplified prospectus* or an *EEA simplified prospectus* to a *client*, that prospectus must be offered free of charge before the conclusion of the contract; or
 - (2) provide a *key features document*, a *simplified prospectus*, an *EEA simplified prospectus* or any other *document* or information to a *client*, the *document* or information must be provided free of charge and in good time before the *firm* carries on the relevant business.

[**Note:** article 33(1) of the *UCITS directive*]

Exception to the timing rules: child trust funds

- 14.2.15 R A *key features document* for an *HMRC allocated CTF* must be provided as soon as reasonably possible after the *CTF* has been opened.

Exception to the timing rules: distance contracts and voice telephony communications

- 14.2.16 R A *firm* may provide a *document*, or the information required to be provided by the *rules* in this section, in a *durable medium* immediately after the conclusion of a *distance contract*, if the contract has been concluded at a *client's* request using a means of distance communication that does not enable the *document* or information to be provided in that form in good time before the *client* is bound by the contract.
- 14.2.17 R Where the *rules* in this section require a *document* or information to be provided, in the case of a voice telephony communication, a *firm* must:

- (1) if the *client* gives explicit consent to receiving only limited information, provide the abbreviated distance marketing disclosure information (*COBS 6 Annex 2R*) orally to the *client*;
- (2) if the *client* does not give explicit consent to only receiving limited information, and the parties wish to proceed by voice telephony communication, provide the distance marketing information (*COBS 6 Annex 1R*) orally to the *client*;
- (3) in the case of (1) or (2), send the *documents* or information to the *client* in a *durable medium* immediately after the contract is concluded.

...

14.3.8 R The *documents* and information provided in accordance with the *rules* in this section must be in a *durable medium* or available on a website (where that does not constitute a *durable medium*) that ~~is capable of meeting~~ meets the *website conditions*.

[**Note:** article 29(4) of the *MiFID implementing Directive*]

...

16.2.3A G In determining what is essential information, a *firm* should consider including:

- (1) for transactions in a *derivative*:
 - (a) the maturity, delivery or expiry date of the derivative;
 - (b) in the case of an *option*, a reference to the last exercise date, whether it can be exercised before maturity and the strike price;
 - (c) if the transaction *closes out* an open *futures* position, all essential details required in respect of each contract comprised in the open position and each contract by which it was *closed out* and the profit or loss to the *client* arising out of *closing out* that position (a difference account);
- (2) for the exercise of an *option*:
 - (a) the date of exercise, and either the time of exercise or that the *client* will be notified of that time on request;
 - (b) whether the exercise creates a sale or purchase in the underlying asset; and
 - (c) the strike price of the *option* (for a currency *option*, the rate of exchange will be the same as the strike price) and, if applicable, the total consideration from or to the *client*; and

- (3) the fact that the transaction involves any dividend or capitalisation or other right which has been declared, but which has not been paid, allotted or otherwise become effective in respect of the investment, and under the terms of the transaction the benefit of which will not pass to the purchaser.

16.4.5 G In reporting to a client in accordance with this section, a firm should consider whether to provide details of any assets loaned or charged including:

- (1) which investments (if any) were at the end of the relevant period loaned to any third party and which investments (if any) were at that date charged to secure borrowings made on behalf of the portfolio; and
- (2) the aggregate of any interest payments made and income received during the period in respect of loans or borrowings made during that period

COBS 16 Annex 1 R			
	The information below must be provided, where relevant for the purposes of reporting to a <i>retail client</i> , in accordance with SUP 17 Annex 1R	(1) Trade confirmation information	(2) Periodic information (where trade confirmation information is not provided on a transaction by transaction basis.)
1.	...		
13.	a total sum of the commissions and expenses charged and, where the <i>retail client</i> so requests, an itemised breakdown, including, where relevant the amount of any <i>mark-up or mark-down</i> imposed by the <i>firm</i> or its <i>associate</i> where the <i>firm</i> or <i>associate</i> acted as <i>principal</i> in <i>executing</i> the transaction, and the <i>firm</i> owes a duty of best execution to the <i>client</i> ;	Y	Y
14.	the rate of exchange obtained where the transaction involves a conversion of currency;	Y	Y
19.	[intentionally blank]		

After COBS 17, insert the following new Chapter; the text is not underlined:

18 Specialist Regimes

[intentionally blank]

18.1 Trustee Firms

Application

- 18.1.1 R (1) This section applies to the *MiFID or equivalent third country business* carried on by a *trustee firm*.
- (2) It does not apply to a *trustee firm* when acting as:
- (a) a *depository*; or
- (b) the trustee of a *personal pension scheme* or *stakeholder pension scheme*.

Application of COBS to trustee firms

- 18.1.2 R The provisions of *COBS* in the table do not apply to a *trustee firm* to which this section applies:

COBS	Description
6.2	Describing the breadth of a firm's advice on investments
6.3	Disclosing information about services, fees and commission - packaged products
6.4	Disclosure of charges, remuneration and commission
9.4	Suitability reports
9.6	Special rules for providing basic advice on a stakeholder product
16.3.9	Guidance on contingent liability transaction
16.5	Quotations for surrender values
16.6	Life insurance contracts – communications to clients
16 Annex 1 R (1) 14	Information to be provided in accordance with <i>COBS</i> 16.2.1R and 16.3

- 18.1.3 G The provisions of *COBS* in the table are unlikely to be relevant in relation to a *trustee firm* to which this section applies:

COBS	Description
------	-------------

5	Distance communications
13	Preparing product information
14.2	Providing product information
15	Cancellation
17	Claims handling for long-term care insurance
18.2	Energy market activity and oil market activity
18.3	Corporate finance business
18.4	Stock lending activity
19	Pensions - supplementary provisions
20	With-profits

Duties of trustee firms under the general law

- 18.1.4 G To the extent a *rule* in *COBS* applies to a *trustee firm*, that *rule*:
- (1) applies in addition to any duties or powers imposed or conferred upon a trustee by the general law; and
 - (2) does not qualify or restrict the duties or powers that the general law imposes or confers upon a trustee; *trustee firms* will be under a duty to observe the provisions of their trust instrument; if its provisions conflict with any applicable *rule*, *trustee firms* will need to take advice in resolving the conflict.

Considering and complying with applicable COBS rules

- 18.1.5 G In considering and reaching decisions as to how applicable *rules* in *COBS* apply in the context of a particular trust arrangement, a *trustee firm* should consider the nature of that arrangement and the provisions of the relevant trust instrument.

References to "client" in applicable COBS rules

- 18.1.6 G Where an applicable *rule* in *COBS* requires the doing of any thing in relation to a *client*, the *trustee firm* should consider who, in the context of that *rule* and having regard to the particular trust arrangement, is the most appropriate person to treat as its *client*. This might, for example, be the beneficiary, another trustee or the trust, depending on the particular circumstances.

18.2 Energy market activity and oil market activity

Energy market activity and oil market activity – MiFID business

- 18.2.1 R The provisions of *COBS* in the table do not apply in relation to any *energy market activity* or *oil market activity* carried on by a *firm* which is *MiFID* or *equivalent third country business*:

COBS	Description
6.2	Describing the breadth of a firm's advice on investments
6.3	Disclosing information about services, fees and commission - packaged products
6.4	Disclosure of charges, remuneration and commission
9.4	Suitability reports
9.6	Special rules for providing basic advice on a stakeholder product
11.6	Use of dealing commission
16.3.9	Guidance on contingent liability transaction
16.5	Quotations for surrender values
16.6	Life insurance contracts – communications to clients
16 Annex 1 R (1) 14	Information to be provided in accordance with <i>COBS</i> 16.2.1R and 16.3

- 18.2.2 G The provisions of *COBS* in the table are unlikely to be relevant to any *energy market activity* or *oil market activity* carried on by a *firm* which is *MiFID* or *equivalent third country business*:

COBS	Description
5	Distance communications
7	Insurance mediation
13	Preparing product information
14.2	Providing product information to clients
15	Cancellation
17	Claims handling for long-term care insurance
18.1	Trustee firms' regime

18.3	Corporate finance business
18.4	Stock lending activity
19	Pensions - supplementary provisions
20	With-profits

18.3 Corporate finance business

Corporate finance business – MiFID business

- 18.3.1 R The provisions of *COBS* in the table do not apply in respect of any *corporate finance business* carried on by a *firm* which is *MiFID* or *equivalent third country business*:

COBS	Description
6.2	Describing the breadth of a firm's advice on investments
6.3	Disclosing information about services, fees and commission - packaged products
6.4	Disclosure of charges, remuneration and commission
9.4	Suitability reports
9.6	Special rules for providing basic advice on a stakeholder product
11.6	Use of dealing commission
16.3.9	Guidance on contingent liability transaction
16.5	Quotations for surrender values
16.6	Life insurance contracts – communications to clients
16 Ann 1 R (1) 14	Information to be provided in accordance with <i>COBS</i> 16.2.1R and 16.3

- 18.3.2 G The provisions of *COBS* in the table are unlikely to be relevant to any *corporate finance business* carried on by a *firm* which is *MiFID* or *equivalent third country business*:

COBS	Description
5	Distance communications, except in relation to <i>distance contracts</i> concluded with <i>consumers</i>

7	Insurance mediation
13	Preparing product information
14.2	Providing product information
15	Cancellation, except cancellation and withdrawal rights in relation to <i>distance contracts</i> concluded with <i>consumers</i>
17	Claims handling for long-term care insurance
18.1	Trustee firms' regime
18.2	Energy market activity and oil market activity
18.4	Stock lending activity
19	Pensions - supplementary provisions
20	With-profits

18.4 Stock lending activity

- 18.4.1 R The provisions of *COBS* in the table do not apply in relation to any *stock lending activity* carried on by a *firm* which is *MiFID* or equivalent *third country business*:

COBS	Subject
6.2	Describing the breadth of a firm's advice on investments
6.3	Disclosing information about services, fees and commission - packaged products
6.4	Disclosure of charges, remuneration and commission
9.4	Suitability reports
9.6	Special rules for providing basic advice on a stakeholder product
11.6	Use of dealing commission
16.3.9	Guidance on contingent liability transaction
16.5	Quotations for surrender values
16.6	Life insurance contracts – communications to clients

16 Annex 1 R (1) 14	Information to be provided in accordance with <i>COBS</i> 16.2.1 and 16.3
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- 18.4.2 G The provisions of *COBS* in the table are unlikely to be relevant in relation to any *stock lending activity* carried on by a *firm* which is *MiFID* or equivalent *third country business*:

COBS	Description
5	Distance communications, except in relation to <i>distance contracts</i> concluded with <i>consumers</i>
7	Insurance mediation
13	Preparing product information
14.2	Providing product information
15	Cancellation, except cancellation and withdrawal rights in relation to <i>distance contracts</i> concluded with <i>consumers</i>
17	Claims handling for long-term care insurance
18.1	Trustee firms' regime
18.2	Energy market activity and oil market activity
18.3	Corporate finance business
19	Pensions - supplementary provisions
20	With-profits

Transitional Provisions

COBS TP 2: Other 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
...
<u>2.2A</u>	<u>COBS 6.3</u> (Disclosing information about services, fees and commission –	<u>R</u>	(1) A <i>firm</i> may use the keyfacts logo on an <i>initial disclosure document</i> , a <i>combined initial</i>	From <u>1 November 2007</u> until <u>1 May 2008</u> .	<u>1 November 2007</u>

	<u>packaged products)</u>		<p><u>disclosure document or a fees and commissions statement that complied with the rules in COB 4.3 in effect on 31 October 2007.</u></p> <p><u>(2) In this transitional rule, "fees and commissions statement" has the meaning given by the Handbook glossary on 31 October 2007.</u></p>		
<u>2.2A</u>	<u>COBS 6.3 (Disclosing information about services, fees and commission – packaged products)</u>	<u>G</u>	<p><u>Under GEN 5.1.5R and COBS 6.3.4R, a firm may not use the keyfacts logo on a document designed to comply with disclosure requirements in COBS unless it is an initial disclosure document, a combined initial disclosure document or a menu prepared in accordance with COBS 6.3. COBS TP 2.2A R allows a firm to use existing stocks of the equivalent documents produced under COB for a transitional period.</u></p>	<u>From 1 November 2007 until 1 May 2008.</u>	<u>1 November 2007</u>
...

Annex D

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

In this Annex, underlining indicates new text.

4.4.1 R ...

- (4) A *firm* must not use a *combined initial disclosure document* in relation to a combination of:
- (a) *regulated mortgage contracts* (other than lifetime mortgages) or *home purchase plans*; and
 - (b) *equity release transactions*.

...

4.10.2 R ...

- (3) A *firm* must not use a *combined initial disclosure document* in relation to a combination of *home purchase plans* and *equity release transactions*.

Annex E

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

4.6 Simplified Prospectus provisions

...

Composite documents for several schemes, sub-funds and classes

4.6.10 G ~~{intentionally blank}~~

In the FSA's view, a firm may, for the purposes of the rules in COBS 14 requiring a firm to provide a key features document or a simplified prospectus, combine the required information on several simplified prospectus schemes, key facts schemes or EEA simplified prospectus schemes or any combination of them into a composite document, provided the document continues to comply with the general requirements such as being clear. Similarly, the information on different sub-funds or classes within a scheme may be combined into a composite document or provided as separate documents. Where the latter approach is adopted, references in this section to "scheme" or "simplified prospectus scheme" should be taken as referring to the relevant sub-fund or class, as applicable.