

HANDBOOK ADMINISTRATION (NO 18) INSTRUMENT 2010**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force as follows:
- (1) Part 2 of Annex D (IPRU(INV)) comes into force on 31 December 2011;
 - (2) the remainder of this instrument comes into force on 6 July 2010.

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
Statements of Principle and Code of Practice for Approved Persons (APER)	Annex B
General Prudential sourcebook (GENPRU)	Annex C
Interim Prudential sourcebook for Investment Businesses (IPRU(INV))	Annex D
Conduct of Business sourcebook (COBS)	Annex E
Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)	Annex F
Supervision manual (SUP)	Annex G
Building Societies sourcebook (BSOCS)	Annex H

Citation

- E. This instrument may be cited as the Handbook Administration (No 18) Instrument 2010.

By order of the Board
24 June 2010

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical place. This text is not underlined.

<i>debt capital</i>	(in <i>IPRU(INV)</i> 13) a <i>security</i> of indeterminate duration or other instrument the debt agreement for which provides that: <ul style="list-style-type: none"> (a) it may not be reimbursed on the holder's initiative; (b) the borrower has the option of deferring the payment of interest on the debt; (c) the lender's claims on the borrower must be wholly subordinated to those of all non-subordinated creditors; (d) debt and unpaid interest should be such as to absorb losses, whilst leaving the borrower in a position to continue trading; and which is fully paid-up.
<i>exchange traded</i>	(in <i>IPRU(INV)</i> 13) listed or traded on a <i>recognised</i> or <i>designated investment exchange</i> .
<i>material current year losses</i>	(in <i>IPRU(INV)</i> 13) losses of an amount equal to 10 per cent or more of the amount by which the <i>own funds</i> of an <i>undertaking</i> exceed the <i>own funds</i> needed to meet financial resources test 1 as prescribed in chapter 13.
<i>moneymadeclear</i>	information for consumers produced and published by the Consumer Financial Education Body.

Amend the following as shown.

<i>deposit</i>	(1) ...
	(2) (in <i>COMP</i>) the <i>investment</i> within (1), but including a sum of money that would otherwise be excluded: <ul style="list-style-type: none"> (a) ... (b) ...; <u>or</u> (c) <u>by article 6 of the Regulated Activities Order, where the person paying it is an eligible claimant.</u>

[*Editor's Note:* This definition supersedes the text of the change made by FSA 2009/49, in order to provide for an earlier commencement date of the change than that provided for in FSA 2009/49.]

own funds

...

(3) (in *IPRU(INV)* Chapter 8) ...

(3A) (in *IPRU(INV)* 13) the own funds of a *firm* calculated in accordance with 13.1A.14R.

...

Annex B

Amendments to the Statements of Principle and Code of Practice for Approved Persons (APER)

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

Systems of control

- 4.7.12 G ... The nature and extent of the systems of control that are required will depend upon the relevant requirements and standards of the *regulatory system*, and the nature, scale and complexity of the business (~~see APER 3.3.2~~).

Annex C

Amendments to the General Prudential sourcebook (GENPRU)

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

- 3.1.2 G *GENPRU* 3.1 implements the *Financial Groups Directive*. However, material on the following topics is to be found elsewhere in the *Handbook* as follows:

...

- (3) material on reporting obligations can be found in *SUP* ~~16.7.82R~~ 16.12.32R and *SUP* ~~16.7.83R~~ 16.12.33R; and

...

Annex D

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

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

Part 1: Comes into force on 6 July 2010

13.1.15 ~~G-R~~ If a policy is denominated in any currency other than euros, a *firm* must take reasonable steps to ensure that the *limits of indemnity* are, when the policy is effected (i.e. agreed) and at renewal, at least equivalent to those denominated in euros.

...

13.1.29 G For the purposes of the provisions relating to professional indemnity insurance, “additional capital resources” means readily realisable *own funds*. The FSA expects items included in *own funds* to be regarded as “readily realisable” only if they can be realised, at any given time, within 90 days.

...

13.1A.3 R (1) A *firm* which is not an *IMD insurance intermediary* must have:

- (a) *initial capital* of €50,000; or
- (b) professional indemnity insurance at least equal to the requirements of ~~13.1.4(2)(b)~~ 13.1.11R and ~~13.1.4(3)~~ 13.1.15R to ~~13.1.6~~ 13.1.27R; or
- (c) a combination of *initial capital* and professional indemnity insurance in a form resulting in a level of coverage equivalent to (a) or (b).

[Note: Article 67(3) of *MiFID* and Article 7 of *CAD* (see also rule ~~13.1.4(2)(b)~~ 13.1.11R)]

(2) If a *firm* chooses to comply with either (b) or (c) above, it must nevertheless have *initial capital* of at least £10,000.

13.1A.4 R (1) A *firm* that is also an *IMD insurance intermediary* must have professional indemnity insurance at least equal to the limits set out in ~~13.1.4(2)(b)~~ 13.1.10R and in addition has to have:

- (a) *initial capital* of €25,000; or

- (b) *professional indemnity insurance* at least equal to the requirements of ~~13.1.4(2)(e)~~ 13.1.12R and ~~13.1.4(3)~~ 13.1.15R to ~~13.1.6~~ 13.1.27R; or
- (c) a combination of *initial capital* and professional indemnity insurance in a form resulting in a level of coverage equivalent to (a) or (b).

[Note: Article 67(3) of *MiFID* and Article 8 of *CAD* (see also rule ~~13.1.4(2)(e)~~ 13.1.12R)]

- (2) If a *firm* chooses to comply with either (b) or (c) above, it must nevertheless have *initial capital* of at least £10,000.

...

In place of **Appendix 13(1) (Defined terms for Chapter 13)** [deleted], insert the following new text which is not shown underlined.

APPENDIX 13(1)

Defined terms for Chapter 13

If a defined term does not appear in the IPRU(INV) 13 glossary below, the definition appearing in the main Handbook Glossary applies.

exchange	a <i>recognised investment exchange</i> or <i>designated investment exchange</i> .
low resource firm	a <i>Category B3 firm</i> which is not a <i>network</i> , has fewer than 26 <i>financial advisers</i> or <i>representatives</i> and is not <i>permitted</i> to: <ul style="list-style-type: none"> (a) carry on discretionary portfolio management; (b) <i>establish, operate or wind up a personal pension scheme</i>; or (c) delegate the activities in (a) or (b) to an <i>investment firm</i>.
net current assets	the total, at a particular date, of all assets which are not intended for use on a continuing basis in the <i>firm's</i> business (i.e. current assets), less all the liabilities payable within 12 months of that date.
properly secured	fully secured by a first <i>charge</i> in favour of the <i>firm</i> on land and buildings, or on a <i>readily realisable investment</i> where the <i>firm</i> has in its possession or under its control a document of title or a document evidencing title to that <i>investment</i> .

Part 2: Comes into force on 31 December 2011

...

Delete Appendix 13(1) (Defined terms for Chapter 13) in its entirety. The deleted text is not shown here.

Appendix 13(1) (Defined terms for Chapter 13) [deleted]

Annex E

Amendments to the Conduct of Business sourcebook (COBS)

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

9 Annex 2G Sales processes for stakeholder products

...

...	
21.	A <i>firm</i> may provide a copy of the table setting out initial monthly pension amounts, found within the <i>FSA's</i> "Stakeholder pension decision tree" factsheet, <u>available on www.moneymadeclear.org.uk</u> in accordance with COBS 13 Annex 2 1.8R, but in doing so should also provide and explain the caveats and assumptions behind the table. ...
...	

...

13 Annex 2 Projections

...

R	
1.8	In the case of a <i>stakeholder pension scheme</i> , the specimen benefits table, contained within the <i>FSA's</i> "Stakeholder pension decision tree" factsheet <u>available on www.moneymadeclear.org.uk</u> and headed "Pension Table... How much should I save towards a pension?" which sets out initial monthly pension amounts, may be used instead of a <i>standardised deterministic projection</i> but only if it is accompanied by an explanation of the caveats and assumptions behind the table.

...

...

16.2 Occasional reporting

...

16.2.6 R In relation to business that is not *MiFID* or *equivalent third country business*, a *firm* need not despatch a confirmation if:

...

- (2) the *designated investment* is a *life policy*, *stakeholder pension scheme* or a *personal pension scheme* (other than a *SIPP*); or

...

...

19.4 Open market options

19.4.1 R In this section:

...

- (3) ‘open market option statement’ means:

- (a) the ~~FSA’s~~ fact sheet “Your pension: it’s time to choose” ~~fact sheet~~ available on www.moneymadeclear.org.uk, together with a written summary of the *retail client’s* open market option, which is sufficient for the *client* to be able to make an informed decision about whether to exercise, or to decline to exercise, an open market option; or

...

Annex F

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

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

5.6 Content of illustrations

...

5.6.25 R Under the section heading ‘Description of this mortgage’ the *illustration* must:

...

- (5) include the following text if the *regulated mortgage contract* meets the Government’s mortgage CAT standards: ‘This mortgage meets the Government’s CAT standards. ~~Further information on mortgage CAT standards is available from the FSA~~ (~~www.fsa.gov.uk/consumer~~) or by calling ~~0845 606 1234~~.’;

...

...

5.6.65 R The following text must be included at the end of Section 7 ‘Are you comfortable with the risks?’: ‘The FSA’s money made clear information sheet “You can afford your mortgage now, but what if...?” will help you consider the risks. You can get a free copy from ~~www.money made clear.fsa.gov.uk~~ www.money made clear.org.uk, or by calling ~~0845 606 1234~~ 0300 500 5000.’

...

5.6.145 R The following text must be included at the end of Section 7 ‘Are you comfortable with the risks?’: ‘The FSA’s money made clear information sheet “You can afford your mortgage now, but what if...?” will help you consider the risks. You can get a free copy from ~~www.money made clear.fsa.gov.uk~~ www.money made clear.org.uk, or by calling ~~0845 606 1234~~ 0300 500 5000.’

...

5 Annex 1R The mortgage illustration: table of contents, prescribed text and prescribed section headings and subheadings.

...

[...]. Where can you get more information about mortgages?
The FSA <u>Consumer Financial Education Body</u> publishes useful guides on choosing a mortgage. These are available free through its website: www.moneymadeclear.fsa.gov.uk <u>www.moneymadeclear.org.uk</u> , or by calling 0845 606 1234 <u>0300 500 5000</u> . The website also provides Comparative Tables to help you shop around.

...

9 Annex 1R The illustration: table of contents, prescribed text and prescribed section headings and subheadings.

...

1. About this information
...
The FSA <u>Consumer Financial Education Body (CFEB)</u> provides useful information on lifetime mortgages and other ways of releasing equity from your home in a booklet called 'Raising money from your home'. You can get this free through the FSA CFEB website www.moneymadeclear.fsa.gov.uk <u>www.moneymadeclear.org.uk</u> or by calling 0845 606 1234 <u>0300 500 5000</u> .

...

9 Annex 2R The illustration: table of contents, prescribed text and prescribed section headings and subheadings.

...

1. About this information
...
The FSA <u>Consumer Financial Education Body (CFEB)</u> provides useful information on ways of releasing equity from your home in a booklet called 'Raising money from your home'. You can get this free through the FSA CFEB website www.moneymadeclear.fsa.gov.uk <u>www.moneymadeclear.org.uk</u> or by calling 0845 606 1234 <u>0300 500 5000</u> .

13.4 Arrears: provision of information to the customer of a regulated mortgage contract

- 13.4.1 R If a *customer* falls into *arrears* on a *regulated mortgage contract*, a *firm* must as soon as possible, and in any event within 15 *business days* of becoming aware of that fact, provide the *customer* with the following in a *durable medium*:
- (1) the current ~~FSA information sheet on mortgage arrears~~ moneymadeclear information sheet “Just the facts about problems paying your mortgage”;
- ...
- 13.4.2 G (1) The ~~current FSA~~ moneymadeclear information sheet ~~on mortgage arrears~~ “Just the facts about problems paying your mortgage” is available on the ~~FSA website, www.fsa.gov.uk website~~ www.moneymadeclear.org.uk; copies can also be obtained ~~from the FSA by calling 0300 500 5000.~~
- (2) ~~In the event of the FSA making any changes to the information sheet, at least three months’ notice of the changes will be given on the FSA website. [deleted]~~
- 13.4.3 G (1) A *firm* may provide the information in MCOB 13.4.1R(2), (3), (4), (5) and (6) orally, for example, by telephone, but must provide the information in a *durable medium* with a copy of the ~~FSA~~ moneymadeclear information sheet ~~on mortgage arrears~~ “Just the facts about problems paying your mortgage” within 15 *business days* of becoming aware of the *customer’s* account falling into *arrears*.
- ...
- ...

13.7 Business loans

- 13.7.1 R Where the *regulated mortgage contract* is for a business purpose, a *firm* may as an alternative to MCOB 13.4.1R(1) provide the following information in a *durable medium* instead of the ~~FSA~~ moneymadeclear information sheet ~~on mortgage arrears~~ “Just the facts about problems paying your mortgage”:
- ...

Annex G

Amendments to the Supervision manual (SUP)

In this Annex, text is being deleted without being shown struck through.

Schedule 2 Notification requirements

In SUP Sch 2.2G delete the rows starting “*SUP* 16.7.7R to *SUP* 16.7.15R” to “*SUP* 16.7.64R to *SUP* 16.7.65R” inclusive. The deleted text of these rows is not shown.

Annex H

Amendments to the Building Societies sourcebook (BSOCS)

In this Annex, striking through indicates deleted text.

5.7.3 G This table sets out guidance on financial risk management processes and procedures in accordance with the five approaches (see *BSOCS* 1.1.2G).

...

FINANCIAL RISK MANAGEMENT

...

EXTENDED APPROACH	
...	
HEDGING INSTRUMENTS	Match funding Vanilla interest rate <i>swaps</i> (purchase only) Vanilla interest rate caps/collars /floors (purchase only) Swaptions (purchase only) <i>FRAs / Futures</i> (purchase only) FTSE <i>swaps</i> (receive only) FX <i>swaps/forward</i> contracts (purchase only) FX <i>options</i> (purchase only)
...	

...