Powers exercised

A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions of the Financial Services and Markets Act 2000 (“the Act”):

(1) section 137A (The FCA’s general rule-making power); and
(2) section 137T (General supplementary powers).

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 31 July 2020.

Amendments to the Handbook

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

Citation

E. This instrument may be cited as the Conduct of Business Sourcebook (Platform Switching) Instrument 2019.

By order of the Board
12 December 2019
Annex

Amendments to the Conduct of Business sourcebook (COBS)

Insert the following new section, COBS 6.1H, after COBS 6.1G (Re-registration of title to retail investment products). The text is not underlined.

6 Information about the firm, its services and remuneration

... 

6.1H Platform switching

Application

6.1H.1 This section applies to a platform service provider in relation to the transfer, or potential transfer, of a retail client’s units.

Definitions

6.1H.2 In this section:

(1) “transfer” means the process of transferring a client’s investment from existing arrangements with a platform service provider (“ceding platform”) to separate arrangements with another platform service provider (“receiving platform”), irrespective of whether the assets, rights or interests comprising the investment are themselves transferred, or whether any of them are converted, exchanged, sold and replaced by equivalent assets, rights or interests, or realised as part of the process;

(2) “available scheme” is a fund in which units are available for investment by the client via both the ceding and the receiving platforms;

(3) “discounted unit class” is a unit class of an available scheme in respect of which the fund manager is remunerated by a lower level of charges than would otherwise apply to the client’s investment in the available scheme;

(4) “in-specie transfer” refers to a transfer of the client’s units which is given effect via re-registration of the ownership of the units, whether or not the transfer also involves a unit class conversion but in any event without the fund manager redeeming the existing units;

(5) “fund manager” is the operator, or, to the extent not covered by that term, the AIFM of the available scheme; and

(6) “unit” includes any right to or interest in a unit.

In-specie transfers and unit class conversions
6.1H.3 R Where a client contacts a platform service provider in connection with a potential transfer of their investment which is, or includes, units, the platform service provider must provide the client with:

(1) the option of an in-specie transfer of units in an available scheme, provided there are no circumstances outside the control of either the ceding or the receiving platform which would prevent such transfer;

(2) the option of, as part of the transfer, converting the units in an available scheme into units of a discounted unit class, provided units in such class are available for investment by the client via the receiving platform; and

(3) sufficient information in good time about the options above, where they are applicable, to enable the client to make an informed decision about what transfer instructions to give.

6.1H.4 R If the client instructs the platform service provider to proceed with a transfer of units, then:

(1) the ceding and receiving platforms must take all reasonable steps to give effect to the client's transfer instructions efficiently and within a reasonable time, including cooperating with and promptly providing each other with information as necessary;

(2) if the client has chosen an in-specie transfer in accordance with COBS 6.1H.3R(1) and a unit class conversion is required to enable or facilitate such transfer, the ceding platform must request the fund manager to carry out the relevant unit class conversion, and take any other reasonable steps to bring it about; and

(3) if the client has chosen a discounted unit class in accordance with COBS 6.1H.3R(2), the receiving platform must request the fund manager to carry out, and take any other reasonable steps to bring about, the conversion of the units into the appropriate discounted unit class.

6.1H.5 R The obligation to request a unit class conversion in COBS 6.1H.4R(2) and (3) only applies to the extent the platform service provider is entitled to request it.

6.1H.6 R If a platform service provider is unable to give effect to all or part of a client's transfer instructions, it must contact the client at the earliest opportunity to request further instructions.