

**INSURANCE: CONDUCT OF BUSINESS SOURCEBOOK (CONSEQUENTIAL
AMENDMENTS TO THE HANDBOOK) INSTRUMENT 2004**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 139(4) (Miscellaneous ancillary matters);
 - (c) section 145 (Financial promotion rules);
 - (d) section 146 (Money laundering rules);
 - (e) section 149 (Evidential provisions);
 - (f) section 150(2) (Actions for damages);
 - (g) section 156 (General supplementary powers);
 - (h) section 157(1) (Guidance); and
 - (i) section 332(1) (Rules in relation to persons to whom the general prohibition does not apply);
 - (2) regulation 3 of the Electronic Commerce Directive (Financial Services and Markets Act) Regulations 2002 (S.I. 2002/1775); and
 - (3) schedule 4 to the General provisions.
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).¹

Commencement

- C. This instrument comes into force as follows:
- (1) the amendments to *MCOB* in Annex D, Part 1 come into force on 31 October 2004;
 - (2) all other amendments come into force on 14 January 2005.

Amendments to the Handbook

¹ The amendments in this instrument take account of the amendments contained in the instrument - Mortgage: Conduct of Business (Consequential Amendments to the Handbook) 2003/72. Those amendments were made on 15 October 2003 and will come into force on 31 October 2004.

- 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)
Reader's Guide Reader's Short Guide	Annex A
COND	Annex B
GEN	Annex C
MCOB	Annex D, Parts 1 and 2
TC	Annex E
ML	Annex F
AUTH	Annex G
SUP	Annex H
DISP	Annex I
CRED	Annex J
ECO	Annex K
ELM	Annex L
Glossary	Annex M

Citation

- E. This instrument may be cited as the Insurance: Conduct of Business Sourcebook (Consequential Amendments to the Handbook) Instrument 2004.

By Order of the Board
15 January 2004

Amended by Addendum
19 October 2004

Annex A

Amendments to the Reader's Guide

In this Annex, underlining indicates new text.

...

Contents of the Handbook

	Sourcebook or manual	Reference code
Business Standards	...	
	Conduct of Business	COB
	<u>Insurance: Conduct of Business</u>	<u>ICOB</u>
	Mortgages: Conduct of Business	MCOB
	...	

Amendments to the Reader's Short Guide

...

Contents of the Handbook

	Sourcebook or manual	Reference code
Business Standards	...	
	Conduct of Business	COB
	<u>Insurance: Conduct of Business</u>	<u>ICOB</u>
	Mortgages: Conduct of Business	MCOB
	...	

Annex B

Amendments to COND

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

- 2.2A.3 G *Rules and guidance concerning a motor vehicle liability insurer's obligations in relation to the appointment of its claims representatives, and the responsibilities and duties that the motor vehicle liability insurer must give to, or impose on, its claims representatives are set out in ~~COB 6.8.19G to COB 6.8.29G~~ ICOB 7.6.*

Annex C

Amendments to GEN

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

Transitional provisions

...
3 G Table (2) Transitional provisions applying to *GEN* only

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1	<i>GEN</i> 2.2.7	R	...		
2	<i>GEN</i> 4.3.1	R	(1) For the purpose of <i>GEN</i> 4.3.1R (Disclosure in letters to private customers), a <i>regulated activity</i> does not include a <i>regulated mortgage activity</i> or an <i>insurance mediation activity in relation to a non-investment insurance contract</i>. (2) If a <i>firm</i> in a letter (or electronic equivalent) which it or its <i>employees</i> send to a <i>customer</i>, with a view to or in connection with the <i>firm</i> carrying out a <i>regulated mortgage activity</i> or an <i>insurance mediation activity</i>, makes a statement about its statutory or regulated status under the <i>Act</i> for carrying on a <i>regulated mortgage activity</i> or <i>insurance mediation activity</i>, the <i>firm</i> must include the disclosure in <i>GEN</i> 4 Ann 1R.	From 31 October 2004 until 15 July 2005.	Apply in relation to <i>regulated mortgage activities</i> from 31 October 2004 and to <i>insurance mediation activities</i> from 14 January 2005.

3	GEN 4.3.1R	G	(1) Transitional provision 2R defers the application of <i>GEN rules</i> so that a <i>firm</i> need only make one change to its statutory status to reflect the onset of mortgage and non-investment insurance regulation. <u>However, a firm which undertakes other regulated activities will nevertheless need to comply with GEN 4.3.1R in relation to those regulated activities, subject to the transitional provision in GEN TR 2.</u> (2) Until 1 August 2005, a A <i>firm</i> may continue to use stationery and similar materials which refer to its membership of self-regulatory schemes superseded by <i>FSA regulation</i>. However, a firm will need to ensure that any such reference is adequately qualified so that the customer is not misled as to the regulatory arrangements in place. In addition, firms undertaking insurance mediation activities in relation to non-investment insurance contracts may wish to take account of the transitional provision in <u>ICOB TR 4.</u>	From 31 October 2004 until 15 July 2005.	Apply in relation to <i>regulated mortgage activities</i> from 31 October 2004 <u>and insurance mediation activities from 14 January 2005.</u>
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...

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

...

- (3) ~~for general insurance contracts and pure protection contracts~~ non-investment insurance contracts, in ~~COB 6.8 (Insurance contracts: life and general)~~ ICOB 4 (Advising and selling standards); and ICOB 5 (Product disclosure);

- ...
- ...
- 4.4.1 R (1) If, in any communication:
- (a) made to a *private customer* or, in the case of a communication relating to non-investment insurance contract, a retail customer,
 - (b) in connection with a *regulated activity* carried on from an establishment of the *firm* (or its *appointed representative*) that is not in the *United Kingdom*;
- the *firm* indicates that it is an *authorised person*, it must also, where relevant, and with equal prominence, give the information in (2) in writing.
- ...
- 4.4.2 G ICOB 4.2.19R contains provisions relating to communications by *insurance intermediaries* from outside the *United Kingdom* in connection with *non-investment insurance contracts* with or for a *retail customer*. The definition of *insurance intermediary* includes an *insurer* when the *insurer* is carrying on *insurance mediation activities*.

Annex D

Amendments to MCOB

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire section of text is being replaced, the place the new text goes is indicated and it is not underlined.

Part 1

Amendments taking effect on 31 October 2004.

Use of intermediaries

- 1.3.6 G The mere fact that an intermediary (acting for the supplier or for the *retail customer*) is involved, does not make the sale of a financial product or service a *distance contract*. There will not be a *distance contract* if there has been simultaneous physical presence of the intermediary and the *retail customer* at some stage in the offer, negotiation and conclusion of the contract, ~~which has been meaningful in terms of the contract which ensues.~~

...

- 4.5 Additional disclosure for distance mortgage mediation contracts with retail customers

- 4.5.1 G (1) There are certain additional disclosure requirements laid down by the *Distance Marketing Directive* that will have to be provided by a *mortgage intermediary* to a *retail customer* prior to the conclusion of a *distance mortgage mediation contract*. The purpose of this section, *MCOB 4.5*, is to set out those additional requirements. *MCOB 4.6* sets out the cancellation rights that apply in relation to a *distance mortgage mediation contract*.
- (2) The *FSA* expects the requirements in *MCOB 4.5* and *MCOB 4.6* to be relevant only in a small minority of cases. Mediation at a distance (see *MCOB 1.3.5G* and *MCOB 1.3.6G*) is unlikely in the mortgage market. *MCOB 4.5* and *MCOB 4.6* will only be relevant if a *mortgage intermediary* enters into a *distance contract* in respect of its *mortgage mediation activities* quite independent of any contractual arrangement with a *retail customer* relating to a particular *regulated mortgage contract*. An example of a *distance mortgage mediation contract* would be a *distance contract* under which a *mortgage intermediary* agreed to review and provide *advice* on a *retail customer's* mortgage needs from time to time.

...

Delete *MCOB 4.5.4R* and *MCOB 4.5.5G* and replace with the following:

Unsolicited services

- 4.5.4 R Unless *MCOB 4.5.5R* applies, a *firm* must not:
- (1) *advise on, arrange, enter into or renew a distance mortgage mediation contract with a retail customer* without a prior request on his part, when the supply of such service includes a request for immediate or deferred payment; or
 - (2) enforce any obligation against a *retail customer* in the event of unsolicited supplies of such services, the absence of a reply not constituting consent.
- 4.5.5 R *MCOB 4.5.4R* does not prevent a *firm* from exercising any right that it may have, by contract or otherwise, to *renew a distance contract* with a *retail customer* without any request made by or on behalf of that *retail customer* prior to the *renewal* of the contract.

Part 2

Amendments taking effect on 14 January 2005

MCOB 1 Ann 4G

	Module	Application
....		
Business Standards		
	Conduct of Business Sourcebook, <i>COB</i>	
	<u>Insurance: Conduct of Business sourcebook, <i>ICOB</i></u>	<u>Does not apply to a <i>firm</i> when entering into or administering a regulated mortgage contract or when communicating or approving a qualifying credit promotion. However, <i>ICOB</i> may apply to any such <i>firm</i> if it also carries on an insurance mediation activity in relation to a non-investment insurance contract or communicates or approves non-investment financial promotions.</u>
		

...

- 4.4.1 R (1) A *firm* must ensure that, on first making contact with a *customer* when it anticipates giving personalised information or *advice* on a *regulated mortgage contract*, it:

...

- (c) (unless (2) applies) provides the *customer* with either:
- (i) the initial disclosure document in *MCOB 4 Ann 1R*; or
 - (ii) if the *firm* has reasonable grounds to be satisfied that the services which it is likely to provide to the *customer* will, in addition to relating to regulated mortgage contracts or regulated lifetime mortgage contracts, relate to one or more of non-investment insurance contracts or packaged products in circumstances where the rules in *MCOB 4 Ann 2R* allow this, the combined initial disclosure document in *MCOB 4 Ann 2R*;

subject to (3) and in a *durable medium*.

This Annex belongs to MCOB 4.4.1R(1).

This specimen covers services in relation to *packaged products*, *non-investment insurance contracts* and *regulated mortgage contracts* (including *regulated lifetime mortgage contracts* and home reversion schemes). If the *firm* is only providing services in relation to two types of these products, the parts of the CIDD that are not relevant must be omitted. *Firms* must omit the notes and square brackets that appear in the following CIDD. The CIDD must contain the key facts logo, headings and text in the order shown and in accordance with the notes. [Note 1]

about our services [Note 2]

key facts



Financial Services

[Note 5]
[123 Any Street
Some Town
ST21 7QB]

[Note 3] [Note 4]

1 The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. It requires us to give you this document. Use this information to decide if our services are right for you.

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

Investment

- ☐ We offer products from the whole market.
- ☐ 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 12]

- ☐ We [can] [Note 8] only offer [a] [a limited range of the] product[s] from [a single group of companies] [name of single company]. [Note 10(1)] [Note 13]

[or] [Note 10(2)]

We only offer our own products.

Ask us for a list of the products we offer. [Note 12]

- ☐ We will advise you about group personal pensions.

Insurance

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

- ☐ We [can] [Note 8] 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 12]

- ☐ We [can] [Note 8] only offer [a] product[s] from [a single insurer] [name of single *insurance undertaking*] [for] [list the types of *non-investment insurance contracts*]. [Note 9] [Note 10(1)] [Note 13]

[or] [Note 10(2)]

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

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- ☐ We offer mortgages from the whole market.

- ☐ We [can] [Note 8] only offer mortgages from a limited number of lenders.

Ask us for a list of the lenders we offer mortgages from. [Note 11]

- ☐ We [can] [Note 8] only offer [a limited range of the] [a] mortgage[s] from [a single lender] [name of single lender]. [Note 10(1)] [Note 13]

[or] [Note 10(2)]

We only offer our own mortgages.

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

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.

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.

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- ☐ 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 key facts guide to the cost of our services. [Note 15]

Insurance

- ☐ A fee [of £ []]. [Note 16]
- ☐ No fee.

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

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

- ☐ No fee. [We will be paid by commission from the [lender/company].] [Note 17]
- ☐ A fee of £[] payable at the outset and £[] payable when you apply for a [lifetime] mortgage [or home reversion scheme]. [We will also be paid commission from the [lender/company].] [Note 17] [Note 18]

You will receive a key facts illustration when considering a particular [lifetime] mortgage, [or further information about a particular home reversion scheme] which will tell you about any fees relating to it. [Note 14]

Refund of fees [Note 19] [Note 14]

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

[Note 20]

☐ A full refund [if the [lender/company] rejects your application]. [Note 21]

☐ A refund of £ [] [if your application falls through]. [Note 21] [Note 22]

☐ No refund [if you decide not to proceed]. [Note 21]

5 Who regulates us? [Note 23]

[XYZ Financial Services] [123 Any Street, Some Town, ST21 7QB] [Note 24] [Note 25] is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. [Note 26]

Our permitted business is []. [Note 27]

[or] [Note 28]

[Name of *appointed representative*] [Notes 3 and 4] is an appointed representative of [name of *firm*] [address of *firm*] [Note 24] [Note 25] 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 27]

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.

[Home reversion schemes are not regulated by the FSA.] [Note 14]

6 Loans and ownership [Note 29]

[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 29][Note 31][Note 32][Note 33][Note 34]

7 What to do if you have a complaint [Note 23]

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 35]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 36] [Note 37] [The Financial Ombudsman Service does not consider complaints about home reversion schemes.] [Note 14]

8 Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 23] [Note 38]

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.

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 39]

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

[Lifetime] Mortgages [and home reversion schemes] [Note 14]

Mortgage 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. [Home reversion schemes are not covered by the Financial Services Compensation Scheme.] [Note 14]

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

9. Group personal pensions [Notes 40, 41 and 42]

This meeting has been arranged so that we can provide you with [information about] [advice upon whether or not you should join] the Group Personal Pension scheme which your employer has established. You should be aware that we cannot advise upon or recommend any other specific investment products during this meeting.

[Note 43] 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 lifetime mortgage or home reversion scheme is right for you,
you should ask your adviser to make a recommendation.

Please remember that home reversion schemes are not regulated by the FSA.

The following notes do not form part of the CIDD.

Note 1 – subject to this, a *firm* may use its own house style and brand.

Note 2 – the *Financial Services Authority* has developed a common key facts logo to be used on significant pieces of information directed to *customers*. *ICOB 4.2.6R* sets out the requirements on the use of the key facts logo. A specimen of the key facts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 3 – 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.

Note 4 – 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 CIDD.

Note 5 – 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 *customers*. (An *appointed representative* must not include the name and address of the *authorised firm* instead of its own.)

Section 2: Whose products do we offer?

Note 6 – for services in relation to *packaged products* and *regulated mortgage contracts*, *regulated lifetime mortgage contracts* and home reversion schemes the *firm* must select, for example by ticking, one box which is appropriate for the service which it expects to provide to the *customer*. For services in relation to *non-investment insurance contracts*, the *firm* must select more than one box if the scope of the service or the type of service it provides to a particular *customer* varies by type of contract. For example, if it deals with a single *insurance undertaking* for motor insurance and a range of *insurance undertakings* for household insurance or if it provides *advice* on some types of contract but not others. In the case where 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 CIDD. This needs to be done only in relation to the service it is offering to a particular *customer*.

Note 7 - if the CIDD is provided by an *appointed representative*, the service described must be that offered by the *appointed representative*, in accordance with *COB 5*, *ICOB 4.2.8R* note 1(e) and *MCOB 4.3.10R*.

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 – 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 CIDD. This only needs to be done in relation to the service it is offering a particular *customer*. For example, “we can only offer products from ABC Insurance for motor insurance and XYZ Insurance for household insurance”.

Note 10 – if the *firm* selects this box, it will be offering the products of one provider to the *customer* 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*. If the *firm* does not select this box, then the text must follow that set out in note 13 below.

- (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 company for home reversion schemes. 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* must 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 *packaged products* or mortgages or home reversion schemes generally available from that provider, it must 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.

Note 11 – for services provided in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* and home reversion schemes, this sentence may be omitted if the *firm* chooses to list all of the companies it offers products from instead of the text “a limited number of lenders” in the previous line, so long as the *firm* offers all the products generally available from each provider.

Note 12 – 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 *customer*. For services provided in relation to *non-investment insurance contracts*, this is the list required by ICOB 4.2.14R.

Note 13 – if the *firm* does not select this box, it must 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 *regulated lifetime mortgage contracts* and “a single company” for home reversion schemes. For example: “We only offer the products from a single group of companies” should replace the text in the specimen CIDD.

Note 14 – change “mortgage” to “lifetime mortgage” where the *firm* sells only *regulated lifetime mortgage contracts*. *Firms* must insert the text relating to home reversion schemes and change “mortgage” to “product” and “lender” to “company” if they advise or give personalised information on home reversion schemes in addition to *advising* or giving personalised information on *regulated lifetime mortgage contracts*.

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

Note 15 – *firms* are only required to provide a *private customer* with an appropriate “key facts guide to the costs of services” (i.e. a menu) if they propose to give that *customer advice* on *packaged products*. Where a *firm* is not required to provide that *customer* with a menu because the *firm* does not give *advice* on *packaged products*, the *firm* may omit the part of section 4 of the CIDD that relates to *packaged products*.

Note 16 – if the *customer* 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’.

Note 17 – if the *firm* receives commission instead of, or in addition to, *fees* from the *customer* for services relating to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes, it must insert a plain language explanation of this (see specimen for a plain language example).

Note 18 – insert a plain language description of when any *fees* are payable for services relating to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes. 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 must be included. If a *firm* offers more than one pricing option, it may illustrate each with a separate box. If a *firm* does not charge a *fee*, the text for the second box should be abbreviated to ‘A fee’.

Note 19 – omit this part of the CIDD on ‘Refund of fees’ if the *firm* has indicated that there will be “No fee” for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes.

Note 20 – *firms* may select as many boxes as appropriate.

Note 21 – insert a plain language description of the circumstances in which the *fee* for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes is refundable or not refundable as described.

Note 22 – a *firm* may delete this line if it does not offer a partial refund for services in relation to *regulated mortgage contracts*, *regulated lifetime mortgage contracts* or home reversion schemes in any circumstances.

Section 5: Who regulates us?

Note 23 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *customer*, provided the *customer* with its *terms of business* 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 *customer* by some other means. This section may be omitted for services relating to *regulated mortgage contracts* (including *regulated lifetime mortgage contracts*) and home reversion schemes in accordance with *MCOB 4.4.1R(3)*. If this section is omitted, the other sections of the CIDD must be renumbered accordingly.

Note 24 – if the *firm's* address on the *FSA Register* differs from that given on the CIDD under note 5, the address on the *FSA Register* must 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 25 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it must 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 26 - an *incoming EEA firm* will need to modify this section if it chooses to use this CIDD (see *GEN 4 Ann 1R(2)*).

Note 27 – insert a plain language description of the business for which the *firm* has a *permission* which relates to the service it is providing.

Note 28 – where the information is provided by an *appointed representative*, the *appointed representative* must use this text instead. The *appointed representative* must give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *customer*.

Section 6: Loans and ownership

Note 29 – 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 CIDD must be renumbered accordingly. If the *firm* is not providing services in relation to *packaged products*, the heading of this section must be changed to 'Ownership'.

Notes 30, 31 and 32 apply only to a *firm advising on, dealing in, or arranging* in relation to *packaged products* for *private customers*.

Note 30 – 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 of *packaged products* or by the parent of the provider.

Note 31 – 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 of *packaged products* which is held by the *firm*.

Note 32 – 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 33 and 34 apply to an *insurance intermediary* that is not an *insurer* providing services in relation to *non-investment insurance contracts*.

Note 33 – 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 34 – 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 35 – if different to the address in note 5, give the address and telephone number which is to be used by *customers* wishing to complain.

Note 36 – 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 37 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it must 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 38 – when an *incoming EEA firm* provides the CIDD, it must modify this section as appropriate.

Note 39 – where the *insurance intermediary* provides a service in relation to a compulsory class of insurance, such as *employers' liability insurance*, it must use this alternative text.

Section 9: Group personal pensions

Note 40 – *firms* should only include section 9 if they intend to give information about, or *advise on*, the opportunity for *employees* to join a *group personal pension scheme* established by their employer. In all other cases it should be omitted entirely.

Note 41 – the words in square brackets should be omitted or included, as appropriate, depending upon whether the *firm* is *advising employees* whether or not to join a *group personal pension scheme*, or merely providing them with factual information about the scheme.

Note 42 – although *firms* must not use the occasion of a meeting to discuss a *group personal pension scheme* as an opportunity to give *advice on* other *designated investments*, this does

not preclude the provision of *advice on non-investment insurance contracts, regulated mortgage contracts or regulated lifetime mortgage contracts*. A *firm* may also, when giving *advice on a group personal pension scheme*, suggest that a further meeting be arranged to discuss *designated investments* and if so must provide a further appropriate IDD or CIDD.

Lifetime mortgage warning

Note 43 - This warning box should be added when the *firm* sells *regulated lifetime mortgage contracts* or home reversion schemes or both.

...

- 8.1.5 G If a *firm* is an *authorised professional firm*, *MCOB* 1.2.10R(3) has the effect that when the *firm* conducts *non-mainstream regulated activities* with a *customer*, *MCOB* 4.4 (Initial disclosure requirements) (as modified by *MCOB* 8) applies. The *firm* is only required to provide the initial disclosure information in *MCOB* 8 Ann 1R or *MCOB* ~~8~~ 4 Ann 2R section 7 (What to do if you have a complaint) and section 8 (Are we covered by the Financial Services Compensation Scheme (FSCS)?).

...

- 8.3.3 R

Initial disclosure requirements for packaged products or non-investment insurance contracts (in addition to regulated lifetime mortgage contracts)	MCOB 4.4.1R(1)(e) and (3)	MCOB 4 Ann 2R	MCOB 8 Ann 2R
---	--------------------------------------	--------------------------	--------------------------

...

- 8.4.1 R If a *firm* gives, or anticipates giving, advice or personalised information on home reversion schemes in addition to *regulated lifetime mortgage contracts*, the initial disclosure information in *MCOB* 4.4.1R and *MCOB* 4.4.7R must be provided in respect of the home reversion schemes, as well as the *regulated lifetime mortgage contracts*, using the text set out in *MCOB* 8 Ann 1R and *MCOB* ~~8~~ 4 Ann 2R.

...

MCOB 8 Ann 2R Delete annex

Amendments to TC

In this Annex, underlining indicates new text.

2.1.4 R Table Activities to which TC 2 applies

	Activity	Extent of Application
1. <i>Employees engaging in:</i>	...	...
	(r) <u>advising on investments</u> which are <u>non-investment insurance contracts</u> .	3. In relation to <i>advising on investments</i> which are <i>non-investment insurance contracts</i> if the activity is carried on with or for a <u>retail customer</u> (see <u>ICOB</u>), the whole of <u>TC 2</u> applies, except for <u>TC 2.5</u> , as if in <u>TC 2.2</u> , <u>2.3</u> , <u>2.4</u> and <u>2.7</u> each reference to <i>private customer</i> were a reference to <i>retail customer</i> .
	...	...
2. <i>Employees overseeing on a day-to-day basis:</i>	...	

	Activity	Extent of Application
	(b) safeguarding and administering investments or holding of client money (unless held in the course of carrying on a mortgage mediation activity, <u>or an insurance mediation activity only in relation to a non-investment insurance contract</u>);	

...

- 2.4.2 R (1) A *firm* which permits an *employee* to engage in an activity with or for a *private customer* under supervision must ensure that:
- ~~(1)~~ (a) the *employee* has first passed the relevant regulatory module of an appropriate *approved examination*; and
 - ~~(2)~~ (b) the *firm* has satisfied itself that the *employee* has an adequate level of knowledge and skills to act with or for *private customers* while under supervision.
- (2) (1) (a) does not apply when this activity is an *insurance mediation activity* in relation to a *non-investment insurance contract*.

...

Assessing competence

- 2.4.5 R (1) A *firm* must not assess an *employee* as competent to engage in or oversee an activity unless that *employee*:
- ~~(1)~~ (a) has been assessed as competent to apply the knowledge and skills necessary to engage in or oversee the activity without supervision; and
 - ~~(2)~~ (b) has passed each module of the appropriate *approved examination* specified in the annexes to TC 2.
- (2) (1)(b) does not apply when this activity is an *insurance mediation activity* in relation to a *non-investment insurance contract*.

Annex F

Amendments to ML

In this Annex, underlining indicates new text.

1.1.3 G The scope of this sourcebook is very wide. It includes all *firms* except:

- (1)
- (2) those within the exception for *firms* carrying on any insurance mediation activity in relation to a general insurance contract or pure protection contract (see ML 1.1.4R(1A)) or any mortgage mediation activity (see ML 1.1.4R(5)); in this respect, the chapter follows [article [] of the [] [to be added when 2003 Money Laundering Regulations are in final form].

The scope extends to *incoming firms*...

1.1.4 R In this sourcebook, “*relevant regulated activities*” means any *regulated activity* apart from:

- (1) *general insurance business*;
- (1A) *insurance mediation activity in relation to a general insurance contract or pure protection contract*;
- (2) *long-term insurance business* which is outside the *First Life Directive* (and is not otherwise a *relevant regulated activity*);
- (3)

Annex G

Amendments to AUTH

In this Annex, underlining indicates new text.

- 1.5.3 G As a general guide, all applicants for *Part IV permission* should be familiar with the *threshold conditions (COND)* and the *Principles for Businesses (PRIN)* in the High Level Standards part of the *Handbook*. To complete an application for *Part IV permission*, an applicant will also need to have regard to the following matters:
- (1) ...
 - ...
 - (4) Other regulatory obligations:
 - (a) the detailed regulatory obligations that apply to certain types of *firm* or *regulated activity* in *COB*, *ICOB*, *MCOB*, the Market Conduct sourcebook (*MAR*) and *SUP*;
 - ...

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom.	(2) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom.
<i>COB</i>		
<u><i>ICOB</i></u>	<u><i>ICOB</i> applies.</u>	<u>Only the following provisions of <i>ICOB</i> apply:</u> <u>(a) <i>ICOB</i> 3 (Financial promotion), but see the territorial scope in <i>ICOB</i> 3.4 (Application: where?)</u> <u>(b) <i>ICOB</i> 5.5.20R(1)-(3), but only in relation to general insurance contracts if the state of the risk is the United Kingdom;</u> <u>(c) <i>ICOB</i> 5.5.20R(4)-(15) and (22), but only in respect of non-investment insurance contracts which are pure protection contracts where the habitual residence of the customer, other than an EEA ECA recipient, is in the United Kingdom;</u> <u>(d) <i>ICOB</i> 6 (Cancellation), but only in respect of non-investment insurance contracts which are pure protection contracts where the habitual residence of the customer, other than an EEA ECA recipient, is in the United Kingdom.</u>
<i>MCOB</i>	...	...

Annex H

Amendments to SUP

In this Annex, underlining indicates new text.

SUP 8.2.7G Rules which can be waived (see SUP 8.2.6G)

Rules	Section of the Act or other provision under which rules are made	Chapters of the Handbook where such rules appear (Note 1)
....		
Financial promotion rules	Section 145	<i>COB 3, <u>ICOB 3</u>, MCOB 3, PRIN and SYSC</i>
....		

Annex I

Amendments to DISP

In this Annex, underlining indicates new text. Where a new provision is inserted the place where it goes is indicated and it is not underlined.

After *DISP* 1.2.1R, insert the following:

- 1.2.1A R If the expression of dissatisfaction is from, or on behalf of, a *person* who is not an *eligible complainant*, and relates to *insurance mediation activity* carried on by an *insurance intermediary*, then unless the *insurance intermediary* is an *insurer*, the *insurance intermediary* must have in place and operate appropriate and effective procedures for registering, and responding to, the expression of dissatisfaction.

...

- 1.2.11 G In order to comply with *DISP* 1.2.9R(1), a *firm* may include reference to its complaints handling procedure in contractual documentation, for example:
- (1) (where the *firm* is subject to the requirements in *COB*), in a *terms of business letter*, *key features document* or *client agreement*;
 - (2) (where the *firm* is subject to the requirements in *ICOB*), as part of status disclosure (see *ICOB* 4.2 and *ICOB* 8.3), in a *policy summary* or *policy document*, or
 - (3) (where the *firm* is subject to the requirements in *MCOB*) in an initial disclosure document or *offer document*.

Annex J

Amendments to CRED

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

- 1.1.2 G *CRED* does not encompass the requirements associated with any regulatory *permission* other than a *Part IV permission to accept deposits*. Other *permissions* are covered elsewhere in the *Handbook*. Thus, for example, a *credit union* seeking a *permission* to undertake a regulated mortgage-lending activity would need to comply with the requirements in ~~the specialist sourcebook on mortgage lending (MORT) MCOB~~; and a *credit union* seeking a permission to undertake insurance mediation activity in relation to non-investment insurance contracts would need to comply with the requirements in ICOB.

Annex K

Amendments to ECO

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

1.2.3R ...

Exceptions: deposits, ~~general insurance contracts, pure protection contracts~~
non-investment insurance contracts and reinsurance

1.2.4 R (1) *ECO 1.2.1R does not apply to an incoming ECA provider with respect to an electronic commerce activity relating to:*

(a) *a deposit (other than a cash deposit ISA); or*

(b) *(if ECO 1.2.3R does not apply) a ~~general insurance contract, pure protection contract~~ non-investment insurance contract or reinsurance contract;*

but, instead, the incoming ECA provider must comply with (2).

(2) *Unless the contract concerned is a non-investment insurance contract,*
before entering into a contract with a UK ECA recipient who is a consumer, an incoming ECA provider must indicate to the recipient whether the contract falls within the jurisdiction of:

(a) *any dispute resolution service operating in the EEA; and*

(b) *in the case of services within (1)(b), any compensation scheme operating in the EEA;*

and, if either or both of (a) and (b) apply, must identify each such scheme.

1.2.5 G (1) *ECO 1.2.4R(2)(b) does not require a deposit-taking incoming ECA provider to mention a deposit guarantee scheme, but its Home State will require it to do so in accordance with the Deposit Guarantee Directive.*

(2) *ECO 1.2.4R does not require an incoming ECA provider carrying on electronic commerce activities in relation to non-investment insurance contracts to mention a dispute resolution service or a compensation scheme, but its country of origin will require it to do so in accordance with the Distance Marketing Directive.*

...

...

2.1.2 G (1) ...

...

- (3) *ECO 2.2* also extends the territorial scope of *COB 3* (Financial promotion), *ICOB 3* (Financial promotion) and *MCOB 3* (Financial promotion) in relation to a *financial promotion* which is an *outgoing electronic commerce communication*, whether or not the recipient is a *consumer*.

...

Financial promotion

- 2.2.3 R (1) In relation to a *financial promotion* which is an *outgoing electronic commerce communication*, a *firm* must comply with *COB 3* (Financial promotion), *ICOB 3* (Financial promotion) and *MCOB 3* (Financial promotion) as if the *person* to whom the *communication* is made or directed was in the *United Kingdom*.
- (2) Accordingly, (1) overrides *COB 3.3* (Application: where?), *ICOB 3.4* (Application: where?) and *MCOB 3.3* (Application: where?).
- (3) But (1) is subject to *ECO 2.2.1R*, which disapplies certain *COB rules* applicable to *incoming ECA providers* when dealing with *consumers*.
- 2.2.4 G The effect of *ECO 2.2.3R* is to apply the whole of *COB 3*, *ICOB 3* and *MCOB 3*, where relevant, to *outgoing electronic commerce communications*, except those provisions of *COB 3*, *ICOB 3* and *MCOB 3*, identified in *ECO 2.2.1R*. (See *ECO 2.2.2G* for an explanation of this approach.)

Annex L

Amendments to ELM

In this Annex, underlining indicates new text.

1.5.2 G Table: Application of other parts of the Handbook to ELMIs

Block	Module	Application
...		
Block 2 (Business Standards)		
...	Conduct of Business sourcebook (<i>COB</i>)	
	<u>Insurance: Conduct of Business sourcebook (<i>ICOB</i>)</u>	<u>Does not apply to an <i>ELMI</i> when issuing <i>e-money</i>.</u>
	Mortgage: Conduct of Business sourcebook (<i>MCOB</i>)	Does not apply to an <i>ELMI</i> when issuing <i>e-money</i>

Annex M

Amendments to the Glossary

Insert the following new definitions in the appropriate alphabetical position:

claims handling (in *ICOB*) in relation to a *claim* under a *non-investment insurance contract*, carrying out the contract (by an *insurer*) or paying or declining to pay a *claim* on behalf of a *member* (by a *managing agent*).

connected contract a *non-investment insurance contract* which:

- (a) is not a contract of long-term insurance (as defined by article 3 of the *Regulated Activities Order*);
- (b) has a total duration (including *renewals*) of five years or less;
- (c) has an annual *premium* (or the equivalent of annual *premium*) of €500 or less;
- (d) covers the risk of:
 - (i) breakdown, loss of, or damage to, non-motor goods supplied by the provider; or
 - (ii) damage to, or loss of, baggage and other risks linked to travel booked with the provider (“travel risks”);
- (e) does not cover any liability risks (except, in the case of a contract which covers travel risks, where the cover is ancillary to the main cover provided by the contract);
- (f) is complementary to the non-motor goods being supplied or service being provided by the provider; and
- (g) is of such a nature that the only information that a *person* requires in order to carry on one of the *insurance mediation activities* is the cover provided by the contract.

distance non-investment mediation contract

a *distance contract* (other than a contract concluded merely as a stage in the *effecting* or *carrying out* of an *insurance contract* by the *firm* or another *person*) the making or performance of which constitutes, in relation to a *non-investment insurance contract*, any of the following activities:

- (a) *dealing in investments as agent*;
- (b) *making arrangements with a view to transactions in investments*;
- (c) *assisting in the administration and performance of a contract of insurance*;
- (d) *arranging (bringing about) deals in investments*;
- (e) *advising on investments*;
- (f) *agreeing to carry on a regulated activity* in (a) to (e).

group policy

a *non-investment insurance contract* which a *person* enters into as legal holder of the *policy* on his own behalf and for other *persons* who are or will become *policyholders* and:

- (a) those other *persons* are or become *policyholders* by virtue of a common employment, occupation or activity which has arisen independently of the *contract of insurance*;
- (b) the common employment, occupation or activity is not brought about, in relation to the *contract of insurance*, by
 - (i) the *insurance undertaking* which *effects* it or carries it out; or
 - (ii) any activity which if carried on by a *firm* would be an *insurance mediation activity*; and
- (c) the risks insured under the *policy* are related to the common employment, occupation or activity of the *policyholders*.

introducing

(in *ICOB*) the activity of effecting introductions carried on by a *firm* with *permission* for *making arrangements with a view to deals in investments* which are *non-investment insurance contracts*.

non-investment

a *non-real time financial promotion* for a *non-investment*

<i>financial promotion</i>	<i>insurance contract.</i>
<i>policy document</i>	a <i>policy</i> in a <i>durable medium</i> .
<i>policy summary</i>	a summary of a <i>non-investment insurance contract</i> in a <i>durable medium</i> containing the information specified in <i>ICOB 5.5.5R</i> .

Amend the following definitions as shown (underlining indicates new text and striking through indicates deleted text):

<i>charge</i>	any <i>fee</i> or <i>charge</i> made to a <i>client</i> in connection with: (a) <u><i>designated investment business; or</i></u> (b) <u><i>any insurance mediation activities in respect of a non-investment insurance contract;</i></u> whether levied by the <i>firm</i> or any other <i>person</i>, including a <i>mark-up</i> or <i>mark-down</i>.
<i>claim</i>	(1) (in <i>COMP</i>) a valid <i>claim</i> made in respect of a civil liability owed by a <i>relevant person</i> to the claimant. (2) (in <i>ICOB</i>, <i>LLD</i>, <i>SUP</i>, and <i>TC</i>) a <i>claim</i> under a <i>contract of insurance</i>.
<i>commission</i>	any form of commission, including a benefit of any kind, offered or given in connection with <i>designated investment business</i>. any form of commission, including a benefit of any kind, offered or given in connection with: (a) <u><i>designated investment; or</i></u> (b) <u><i>insurance mediation activity in connection with a non-investment insurance contract.</i></u>
<i>durable medium</i> ²	(in accordance with article 2(f) of the <i>Distance Marketing Directive</i> and article 2(12) of the <i>Insurance Mediation Directive</i>) (in relation to information addressed personally to a recipient) in a form which:

² This is an amendment to the proposed definition in Annex Q to the Mortgages: Conduct of Business Sourcebook (Consequential Amendments to the Handbook) Instrument 2003.

- ~~(a) is capable of being used by the recipient;~~
- ~~(b) enables the recipient to store the information in a way accessible for future reference for a period of time adequate for the purposes of the information; and~~
- ~~(c) allows the unchanged reproduction of the information;~~

and includes paper, floppy disks, CD-ROMs, DVDs and the hard drive of the recipient's computer on which electronic mail is stored, but not Internet websites unless they fulfil the criteria in (a), (b) and (c).

- (a) paper; or
- (b) (in accordance with recital 20 and article 2(f) of the Distance Marketing Directive and article 2(12) of the Insurance Mediation Directive) any instrument which enables the recipient to store information in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored; this includes in particular floppy disks, CD-ROMs, DVDs and the hard drive of the recipient's computer on which electronic mail is stored, but not Internet websites unless they fulfil the criteria in this definition.

financial promotion rules

COB 3 and ICOB 3.

injured party

(in ICOB 6.87.6) a person who claims damages as a result of any loss or injury suffered in, or as a result of, an accident which occurs in an EEA State other than his usual EEA State of residence which is caused by the use of a motor vehicle insured and normally based in an EEA State.

product provider

- (1) (except in ICOB) a firm which is:
 - (i) a long-term insurer;
 - (ii) a friendly society;
 - (iii) the operator of a regulated collective investment scheme or an investment trust savings scheme.
- (2) (in ICOB) in relation to a non-investment insurance contract, an insurer not acting as an insurance intermediary.

ADDENDUM

INSURANCE: CONDUCT OF BUSINESS SOURCEBOOK (CONSEQUENTIAL AMENDMENTS TO THE HANDBOOK) INSTRUMENT 2004

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

Annex C of this instrument is amended as follows:

Transitional Provisions

...

(1)	(2)	(3)	(4)	(5)	(6)
1	<i>GEN</i> <u>2.2.7R</u>	R	...		
...					
26	<i>GEN</i> <u>4.3.1R</u>	R	(1) For the purpose ...	From 31 October ...	Apply in relation to ...
37	<i>GEN</i> 4.3.1R	G	(1) Transitional provision 26 R defers ... the transitional provision in <i>GEN</i> TR 26	From 31 October ...	Apply in relation to ...

...

Annex E of this instrument is amended as follows:

2.1.4R Table: Activities to which *TC* 2 applies

	Activity	Extent of application
1. <i>Employees</i> engaging in:	... (eq) advising on <i>investments</i> ...	...