

# Handbook development



No 60 ♦ February 2005

## What's in this newsletter?

This newsletter contains:

- ♦ information about recent Handbook-related developments;
- ♦ information about recently-issued Handbook-related and other publications;
- ♦ an updated timetable for forthcoming publications; and
- ♦ information about forthcoming conferences and training events.

## Recent Handbook-related developments

### Revised timing for consultation on implementation of the Markets in Financial Instruments Directive

On 24 January, Charles McCreevy, the European Commissioner for Internal Markets and Services, announced in London his intention to submit a proposal to the Commission for a Directive delaying implementation of the Markets in Financial Instruments Directive. His proposal would delay both the transposition date and the date of effective application by firms for six months each – a total delay of 12 months.

We (the FSA) welcome this announcement. It addresses major concerns across Europe about the practicality of the current implementation date of 30 April 2006. In the light of it, whilst recognising that an amending Directive would need to be agreed by both the European Parliament and the Council, we have decided to shift our planned date for publication of the Consultation Paper on UK implementation from July to October 2005. That will enable the implementation proposals to be more soundly based. Providing there is no need to re-consult in Q1 2006 as a result of differences between the Level 2 advice and the final implementing measures adopted, the aim is to adopt final rules in mid-2006. That will provide firms with a full nine to ten months to finalise their preparations.

Despite the prospect of a new implementation timetable, the schedule will remain tight and our intensive pre-consultations with the industry on practical aspects of implementation will remain important.

## Recent Handbook-related and other publications

### Are you missing anything?

The following publications have been issued since the last edition of this Newsletter and are on the CD-ROM. They are also on our website.

CP/PS	Title	Consultation ends/ Comments by
CP05/2**	Regulatory fees and levies 2005/06	25 February 2005 / 1 April 2005
CP05/3***	Strengthening capital standards	29 April 2005
PS05/1	Treating with-profits policyholders fairly Feedback on CP04/14 and made text	N/A

### Regulatory fees and levies 2005/06 (CP05/2\*\*)

In this paper, we consult on the regulatory fees and levies we propose to raise in 2005/06, and a number of fees policy issues. This paper is relevant to all authorised firms and other bodies that pay fees to us, as well as potential applicants for authorisation and listing.

This paper covers the fees and levies for us (the FSA), the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS) in 2005/06. Readers can therefore see, in a single document, fee and levy proposals and what these mean for their 2005/06 regulatory charges.

The majority of fee and levy rules will be finalised in May 2005, for the fee period 1 April 2005 to 31 March 2006. The FSCS management expenses levy limit, and application fees will be set in March 2005 so that they can apply from 1 April 2005.

Fee-payers should be aware that the final rates for 2005/06 – which will be made by our Board at its May 2005 meeting – could vary materially from those in this paper. This is because we

will not have complete data until March 2005 on actual costs and fee income for 2004/05, and on fee-block population and fees data.

For the first time we have produced examples of the likely fees and levies for those firms that would have the most material change to their fees and levies from 2005/06. Other fee calculation examples will be available on our website [www.fsa.gov.uk/fees](http://www.fsa.gov.uk/fees) from the end of January. While there is still some uncertainty regarding the final fee and levy calculations, the examples (including those on our website) should help firms budget for the financial year ahead.

Some of the proposals in this paper need responses by 25 February 2005. This means the relevant proposals will be in place by 1 April 2005 so that, from the start of next financial year, fees can be charged at the up to date rates. The majority of the proposals require responses by 1 April 2005. We plan to invoice for periodic fees and levies from June 2005 onwards, for the fee period 1 April 2005 to 31 March 2006, in the light of firms' actual fee tariff data for that fee period.

### **Strengthening capital standards (CP05/3\*\*\*)**

This is the first of two CPs planned for this year in connection with UK implementation of the Capital Requirements Directive (CRD). It is particularly relevant for deposit-takers and investment firms. A second CP will be published as soon as practicable, following agreement of the final text of the CRD, and will contain a full set of implementing rules and guidance.

It is difficult to make definitive statements about the relevance of the CRD for all categories of UK-regulated firm at this stage. To guide small firms in their reading of the CP there is a box at the end of Chapter 1 which highlights the particular issues and chapters likely to be of most relevance to them. The position of small investment firms remains complex. Those firms are advised to read Chapter 1 (Overview) and Chapter 2 (Scope of application) of the CP particularly closely. Consultation later this year on the implementation of the Markets in Financial Instruments Directive (MiFID) should resolve the remaining uncertainties.

The position for three other categories of firm is as follows:

- ◆ Credit unions are exempt from the provisions of the CRD.
- ◆ Most retail advisory firms – IFAs and others – can expect to be exempt from the CRD, either explicitly or through an expected UK exemption of 'advice only' firms from the scope of implementation of the MiFID.
- ◆ General insurance and mortgage brokers will be unaffected, unless they also do other business – or form part of a larger group, containing a deposit-taker or investment firm.

In this CP we set out the reasons underlying our proposed exercise of the national discretions in the Draft Directive, and areas where we propose to be superequivalent. In addition, the CP outlines a timetable for implementation and our proposals for firms to submit applications for the Internal Ratings Based Approach (IRB for credit risk) and the Advanced Measurement Approach (AMA for operational risk).

The key aim of the CRD is to introduce a modern, risk-sensitive prudential framework for all deposit-takers and investment firms across the Member States of the EU. The European Commission published the draft text of the CRD on 14 July 2004. Our CP, and the draft rules and guidance contained within it, are based on that draft text. However, where the changes agreed by the EU Finance Ministers (ECOFIN) on 7 December 2004 are significant for the UK, we reflect these in the CP.

Consultation on this CP will close on 29 April 2005. Depending on the timing of the agreement of the final text of the CRD and therefore the timing of the second CP, we will either provide a formal feedback statement or reflect our feedback in the second CP.

## **Treating with-profits policyholders fairly Feedback on CP04/14 and made text (PS05/1)**

In CP04/14 *Treating with-profits policyholders fairly – Further consultation, feedback on CP207 and near-final text* published in August 2004, we re-consulted on proposals for new rules and guidance on treating with-profits policyholders fairly. These were previously set out in CP207 *Treating with-profits policyholders fairly* published in December 2003. In the light of comments we received on that CP and the results of some consumer testing, we decided to amend some of the detail of our proposals and seek further views on these.

We received 38 responses to CP04/14. In this Policy Statement (PS), we explain our responses to the comments we received and the changes we have made to our proposals as a result. The PS also includes our made rules and guidance to be inserted in the Conduct of Business sourcebook (COB).

This PS will be of interest to all life insurance firms and friendly societies that carry on with-profits business. It will also be of interest to consumers that have purchased or who may purchase a with-profits product, consumer bodies, trade bodies, the actuarial profession and market commentators and analysts.

As stated in CP04/14, we shall be continuing to place considerable emphasis on the fair treatment of policyholders in our supervision of with-profits firms. In July 2004 we published a report *Treating customers fairly – progress and next steps* that reviewed the progress retail firms across all sectors had made in delivering on their obligation to treat customers fairly. We have continued to look at fairness issues across the retail sector through targeted supervisory work. We aim to issue a further publication reporting on that in Q2 2005.

## **Other Publications**

### **Consumer Factsheets**

The FSA has recently produced the following consumer factsheets:

- ♦ ‘Introduction to the FSA – information for consumers’ – updated due to general insurance regulation.
- ♦ ‘Challenging unfair contract terms’ – updated to include information about the role of the unfair contract terms unit.
- ♦ ‘Credit unions – saving and borrowing to meet your needs’ – general update.
- ♦ ‘Buying insurance? How keyfacts can help you’ – a new factsheet which explains important information consumers will receive now the FSA regulates general insurance.

Copies of these and all other publications can be ordered through our online order form at [www.fsa.gov.uk/pubs/public](http://www.fsa.gov.uk/pubs/public)

### **Promoting the introduction of the Keyfacts logo to customers**

We would like to draw firms’ attention to a note on our website which outlines how firms can raise awareness amongst their customers of the importance of reading documents branded with the keyfacts logo. The note outlines options for firms in promoting the logo. It can be accessed at: [http://www.fsa.gov.uk/pubs/public/notice\\_keyfacts.html](http://www.fsa.gov.uk/pubs/public/notice_keyfacts.html)

## Forthcoming Publications

This list is subject to regular updating. Whilst we make every effort to ensure it is accurate, the entries and dates on it do not represent firm commitments by the FSA. From time to time, individual items contained within the Quarterly CPs may have a shorter or longer consultation period than the consultation period stated in this newsletter.

### High level standards

No publications are currently being planned.

### Business standards

Future publications	Intended audience <sup>1</sup>	Module <sup>^</sup>	Expected date	Consultation Period	Expected Date of Feedback
Suitability standards for personal pensions – CP (2 star)		COB	Feb 2005	3 months	Q3 2005
UK Implementation of the EU Market Abuse Directive – PS and made text		MAR/ COB/UKLA	Q1 2005	N/A	N/A
Bundled Brokerage and Soft Commission arrangements – CP (3 star) <sup>2</sup>	Investment managers, Investment Firms, Life Insurers, Research Providers, Service Providers, Pension Fund Trustees	COB	March 2005	3 months	*
Implementation of the Simplified Prospectus requirements in the UCITS Management Company Directive – PS to CP04/18 and made text		COB	April 2005	N/A	N/A
Implications of a changing accounting framework – PS to CP04/17 and made text		Various	April 2005	N/A	N/A
A wider range of retail investment funds DP (3 star)	Investment managers, Investment Firms, Life Insurers, Retail product consumers	COB/ COLL	Q2 2005	3 months	Q4 2005
Helping Consumers achieve a fair deal (to include material on packaged and non-packaged (complex) product disclosure at the point of sale (including feedback to CP170), information after the point of sale, and review of projection requirements (including feedback to DP 04/1)) – CP (3 star)	Retail firms, Consumers	COB	Q2 2005	3 months	Q4 2005
Strengthening Capital Standards (to include rules and guidance to implement the new Basel and EU Capital Adequacy Standards, and ICAS framework for investment firms and deposit-takers (including FS to CP189)) – PS to CP 05/3 and made text		GENPRU/ BIPRU	Q3 2005	N/A	N/A

## Regulatory processes

Future publications	Intended audience <sup>1</sup>	Module <sup>^</sup>	Expected date	Consultation Period	Expected Date of Feedback
Perimeter guidance on pensions related activities - PS to CP179 and made text		AUTH	April 2005	N/A	N/A
Regulatory reporting requirements for firms impacted by the Capital Requirements Directive – CP to DP 05/1		SUP	Q3 2005	3 months	Q4 2005
Perimeter guidance for e-money - PS to CP172 and made text		AUTH	Sept 2005	N/A	N/A

## Redress

Future publications	Intended audience <sup>1</sup>	Module <sup>^</sup>	Expected date	Consultation Period	Expected Date of Feedback
FSMA 2 Year Review: Financial Ombudsman Service – Feedback to CP04/12		DISP	March 2005	N/A	N/A

## Specialist sourcebooks

Future publications	Intended audience <sup>1</sup>	Module <sup>^</sup>	Expected date	Consultation Period	Expected Date of Feedback
PS (in HN) to Miscellaneous CP04/8 and made text		UKLA	Q1 2005	N/A	N/A
Review of the Listing Regime and implementation of the Prospectus Directive (including FS to CP203) – PS to CP04/16 and made text		UKLA	May 2005	N/A	N/A

## Other<sup>3</sup>

Future publications	Intended audience <sup>1</sup>	Module <sup>^</sup>	Expected date	Consultation Period	Expected Date of Feedback
PS (in HN) to Quarterly CP04/15 and made text		Various	February 2005	N/A	N/A
Fees – FSA Fees and fees policy and Financial Ombudsman Service and Financial Services Compensation Scheme funding 05/06 – PS to CP 05/2 and made text		Various	March/May 2005	N/A	N/A
Quarterly consultation - CP (1 star)	Various	Various	April 2005	2 months	Sept 2005
PS (in HN) to Quarterly CP 05/1 and made text	Various	Various	April/ May 2005	N/A	N/A

<sup>^</sup> A list of abbreviations of the Handbook modules is included at the end of the newsletter.

<sup>1</sup> The Intended audience is only shown for forthcoming Consultation Papers and Discussion Papers. For Consultation Papers and Discussion Papers which have already been issued, readers should refer back to the relevant Consultation or Discussion Paper.

<sup>2</sup> We intend to finalise consultation on this issue during 2005.

<sup>3</sup> This section includes proposals which may affect several modules of the Handbook or where the location of the proposed text is not yet decided.

\* This asterisk indicates that information is not yet available about these aspects.

## Industry Training and Events Update

### Conferences

**Retail Intermediaries Sector Conference – 24 February 2005**

£100 + VAT

*‘As the retail market evolves IFAs face an uncertain future. Those that adapt their businesses to take advantage of the opportunities the changing market place presents will flourish because of the growing consumer need for financial advice.*

*This conference will give delegates an opportunity to hear the views of the FSA, industry participants and other commentators on the retail market; and to participate in a number of workshops on some of the most important regulatory changes affecting them over the next year.’*

David Kenmir, FSA Managing Director and Sector Leader, Retail Intermediaries.

**FSA Implementation of the Basel II Framework and the Capital Requirements Directive in the UK – One Day Conference**

The Queen Elizabeth II Conference Centre, London – 10 March 2005

Keynote address will be delivered by Hector Sants, Managing Director, Wholesale & Institutional Markets.

For further information please visit [http://www.fsa.gov.uk/industry/basel\\_flyer.pdf](http://www.fsa.gov.uk/industry/basel_flyer.pdf)

**FSA Summer School, 21-24 August 2005  
St John’s College, Cambridge**

The delegate fee is £995 (+VAT)

For a priority booking form please visit [www.fsa.gov.uk/industry-training](http://www.fsa.gov.uk/industry-training)  
or contact Kathy McCall on 020 7066 9010

**Asset Management Conference – 19 September 2005**

The Queen Elizabeth II Conference Centre, London

Keynote address: John Tiner, Chief Executive Officer, FSA.

Further information will be available shortly on our website. Alternatively you can call Kathy McCall on 020 7066 4754.

### Roadshows

**Helping Firms Help themselves Roadshow**

8 February 2005 – London – AM only

1 March 2005 – Edinburgh – PM only

Continuing our series of regional roadshows aimed at IFAs to raise key areas of non compliance that we see through our supervisory work and flag important issues that are coming up including the reforms of the retail market.

## **FSA Roadshow for Small Mortgage Brokers**

11 March 2005 1/2 day

For further details on our roadshow series please contact Josephine Fallon on 020 7066 3210.

### **Distance Learning**

Distance learning CD-Roms are available on the following topics:

- Introduction to the FSA
- Effective Complaints Handling
- Training and Competence for Mortgage Intermediaries
- Training and Competence for General Insurance Intermediaries
- Training and Competence for Investment Firms

NEW – Insurance Conduct of Business (ICOB) requirements for intermediaries and insurers

NEW – Mortgage Conduct of Business (MCOB) requirements for mortgage advisers, arrangers, lenders and administrators

For further details please visit [www.fsa.gov.uk/industry-training/dl\\_packages.html](http://www.fsa.gov.uk/industry-training/dl_packages.html) or contact Karis Stander on 020 7066 4322.

### **NEW – Employee Leaflet**

A new Employee Leaflet is now available. The Employee Leaflet is a short leaflet for firms and employees which explores the role of Training and Competence. For further details please visit [http://www.fsa.gov.uk/industry-training/employee\\_leaflet.html](http://www.fsa.gov.uk/industry-training/employee_leaflet.html)

### **In-House Training**

To help firms understand their regulatory responsibilities and demonstrate compliance with our requirements, we offer tailored, in-house training. This training is produced and delivered by the FSA. For further details please visit [http://www.fsa.gov.uk/industry-training/inhouse\\_training.pdf](http://www.fsa.gov.uk/industry-training/inhouse_training.pdf)

### **Workshops**

**Industry Training workshops are available on a range of topics, including:**

#### **NEW Workshop**

#### **Effective Compliance for IFAs**

Current dates:

22 February	Canary Wharf
28 February	Canary Wharf
18 March	Canary Wharf
23 March	Birmingham
05 April	Manchester
08 April	Canary Wharf
12 April	Glasgow
14 April	Leeds
19 April	Bristol

**General Insurance Intermediaries**

- Client Money Requirements
- Complaints Handling Requirements
- Conduct of Business (ICOB) Requirements: For intermediaries selling general insurance and pure protection contracts to retail customers
- Training and Competence Requirements

**Mortgage Intermediaries**

- Complaints Handling Requirements
- Conduct of Business (MCOB) Requirements: Regulating the mortgage sales process for mortgage intermediaries and lenders
- Preparing for Regulation (Presentation)
- Training and Competence Requirements
- Financial Promotions Requirements for Mortgage Firms

**Universal**

- Collective Investment Schemes – understanding our requirements
- Senior Management Responsibilities – implementing the FSA's requirements
- Training and Competence Healthcheck and Update
- Financial Promotions Requirements
- Depolarisation
- Regulatory Reporting Requirements

**Forward Programme – workshops to be announced shortly on:**

- Child Trust Funds
- Stakeholder Products
- NEW – Basle
- NEW – Financial Crime
- NEW – Integrated Prudential Sourcebook
- NEW – Regulatory Reporting

For full details of available workshops please visit [www.fsa.gov.uk/industry-training/forward.pdf](http://www.fsa.gov.uk/industry-training/forward.pdf)

**Contact us**

For more information about industry training, how to make a booking, or to order any of our distance learning materials, please visit [www.fsa.gov.uk/industry-training](http://www.fsa.gov.uk/industry-training)

For further information and to book your place on FSA conferences and events, subscribe to our mailing list or view transcripts from previous events, please visit <http://www.fsa.gov.uk/industry/events.html>, or contact us at [events@fsa.gov.uk](mailto:events@fsa.gov.uk) or on 020 7066 0098.

## Contacts

*Handbook order form:* <http://www.fsa.gov.uk/pubs/handbook/hb-sub.pdf>

*Amendments to authorised firms' contact details for this newsletter:* Sales and Distribution Department on 020 7066 3296 (tel), 020 7066 9799 (fax) or [subs@fsa.gov.uk](mailto:subs@fsa.gov.uk)

*Order line for new publications and subscription queries on the FSA Handbook and UKLA sourcebook:* 0845 608 2372

*Technical queries on the CD-ROM:* [fsa@techindex.co.uk](mailto:fsa@techindex.co.uk) or 0134 440 4457

*Other comments on the CD-ROM contents:* [cdhelp@fsa.gov.uk](mailto:cdhelp@fsa.gov.uk)

*Comments or questions about this newsletter:*

Tel: 020 7066 2464 Fax 020 7066 9708 Email: [samar.farrell@fsa.gov.uk](mailto:samar.farrell@fsa.gov.uk)  
(Handbook Team)

*Comments or questions about forthcoming publications:*

Tel: 020 7066 3174 Fax: 020 7066 9708 Email: [jane.bezant@fsa.gov.uk](mailto:jane.bezant@fsa.gov.uk)  
(General Counsel's Division)

**Abbreviations (in alphabetical order)**

APER	Statements of Principle and Code of Practice for Approved Persons	ICOB	Insurance: Conduct of Business sourcebook
AUTH	Authorisation manual	IPRU(BANK)	Interim Prudential sourcebook for Banks
CASS	Client Assets sourcebook	IPRU(BSOC)	Interim Prudential sourcebook for Building Societies
CIS	Collective Investment Schemes sourcebook	IPRU(FSOC)	Interim Prudential sourcebook for Friendly Societies
COAF	Complaints against the FSA sourcebook	IPRU(INS)	Interim Prudential sourcebook for Insurers
COB	Conduct of Business sourcebook	IPRU(INV)	Interim Prudential sourcebook for Investment Businesses
COLL	Collective Investment Scheme sourcebook	LLD	Lloyd's sourcebook
COLLG	Collective Investment Scheme Information Guide	MAR	Market Conduct sourcebook
COMP	Compensation sourcebook	MCOB	Mortgages: Conduct of Business sourcebook
COND	Threshold Conditions	MIGI	Small Mortgage and Insurance Intermediaries – Handbook Guide (Part I – General)
CP	Consultation Paper	ML	Money Laundering sourcebook
CRED	Credit Unions sourcebook	MOGI	Small Mortgage and Insurance Intermediaries – Handbook Guide (Part II – Mortgage Intermediaries (additional rules))
DEC	Decision Making manual	OMPS	Oil Market Participants – Handbook guide
DISP	Dispute Resolution: Complaints sourcebook	PRIN	Principles for Businesses
DP	Discussion Paper	PROF	Professional Firms sourcebook
ECO	E-Commerce Directive sourcebook	PRU	Integrated Prudential sourcebook
ELM	Electronic Money sourcebook	PS	Policy Statement
EMPS	Energy Market Participants – Handbook guide	REC	Recognised Investment Exchanges and Recognised Clearing Houses sourcebook
ENF	Enforcement manual	SERV	Service companies – Handbook guide
FIT	Fit and Proper test for Approved Persons	SIFA	Small IFAs – Handbook Guide
FREN	Small Friendly Societies – Handbook guide	SUP	Supervision manual
FS	Feedback Statement	SYSC	Senior Management Arrangements, Systems and Controls
GEN	General Provisions	TC	Training and Competence sourcebook
GIGI	Small Mortgage and Insurance Intermediaries Handbook Guide (Part III – Insurance Intermediaries (additional rules))	UKLA	United Kingdom Listing Authority sourcebook
HN	Handbook Notice		

