

July 2007

07 / 14  
*newsletter*

This newsletter provides a summary of PS07/14. Please see 'Who should read this paper?' below to see if PS07/14 is relevant to you.

Financial Services Authority

# Reforming Conduct of Business Regulation

Final feedback on CP06/19

## Why are we issuing the Policy Statement (PS)?

In the paper, we explain our final decisions in the light of the agreement we have reached with the European Commission on our notifications under Article 4 of the Markets in Financial Instruments Directive (MiFID) Level 2 Implementing Directive. We give feedback on the responses to our Article 4 proposals as set out in CP06/19.

## Who should read the full paper?

The PS is relevant to all firms that conduct 'designated investment business' and are subject to our existing COB sourcebook. This includes all firms that were affected by our proposals in CP06/19.

As we said in PS07/6, *Reforming Conduct of Business Regulation*, we will continue to provide small retail firms with assistance. Summaries of the changes affecting different sectors are detailed on the small firms section of our website ([www.fsa.gov.uk/smallfirms](http://www.fsa.gov.uk/smallfirms)) and we continue to hold surgeries, roadshows and industry workshops tailored to small firms.

## Is this of interest to consumers?

The decisions in the PS are designed to maintain an appropriate level of protection for consumers in the UK markets. In some cases, there is greater flexibility for firms to determine how best to meet the required standards, but this does not in our view represent any decrease in consumer protection.

## What is the background to this?

In PS07/2, *Implementing the Markets in Financial Instruments Directive (MiFID)*, published in January, and in PS07/6 *Reforming Conduct of Business Regulation*, published in May, we provided feedback on most of the responses to our papers, CPs 06/19 and 06/20, in which we set out our proposals for a new conduct of business sourcebook (COBS). However, in May we were not able to finalise decisions on those matters covered or affected by our January notifications to the European Commission under Article 4 of the MiFID Implementing Directive, pending conclusion of our discussion of our notifications with the Commission. In PS07/6, we said we would bring forward rules and guidance on these matters, and issue a further policy statement, in July.

Our discussions with the Commission are now complete, and the remaining Handbook text has been made.

Article 4 of the MiFID Implementing Directive limits the scope for Member States to apply additional requirements in the areas within the Directive's scope. It sets out conditions for the creation or retention of national requirements that go beyond the provisions of MiFID, and requires that these be notified to the European Commission.

## How is the paper set out?

The structure of the PS follows the relevant chapter headings and order of COBS.

The changes to the Handbook covered by the paper are contained in the *Conduct of Business Sourcebook (MiFID, Article 4 and Other Amendments) Instrument 2007* at Annex 2. They will be integrated into COBS, GEN, MCOB and COLL and come into force on 1 November 2007, at the same time as COBS generally.

## What are the next steps?

The creation of COBS, which has been taken forward in stages over the last year, is now almost complete. We are currently consulting on the remaining elements, which include:

- CP07/7, *Permitted links for long-term insurance business*;
- CP07/9, *Conduct of Business regime: non-MiFID deferred matters*; and
- elements of CP07/16, *Consequential Handbook Amendments (arising from implementation of MiFID and creation of NEWCOB)*.

We are planning final decisions and feedback on these consultations for October in most cases. COBS will therefore be substantially complete by 1 November, albeit with transitionals provisions where necessary for a limited period beyond that date.

We also plan to publish a feedback statement in early August on the responses to DP06/3, *Implementing MiFID's best execution requirements*, and on the remaining best execution elements of CP06/19. This will not contain any amendments to the Handbook text on best execution.

This Policy Statement reports on the remaining issues arising from Consultation Paper 06/19 (*Reforming Conduct of Business Regulation*) and publishes final rules.

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## How can I get the full paper?

You can download the full Policy Statement from:

[www.fsa.gov.uk/pages/Library/Policy/Policy/2006/07\\_14.shtml](http://www.fsa.gov.uk/pages/Library/Policy/Policy/2006/07_14.shtml)

Or you can order hard copies of the paper:

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