

Quarterly Consultation

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Consultation Paper

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How to respond

The Financial Conduct Authority invites comments on this Consultation Paper. Comments should reach us by 3 April 2020 for chapters 2, 5, 7, 8 and 9, and 1 May 2020 for chapters 3, 4 and 6.

Comments may be sent by electronic submission using the form on the FCA's website at www.fca.org.uk/cp20-04-response-form. Alternatively, please send comments in writing to:

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If you are responding in writing to several chapters please send your comments to Ayesha Dayaji in the Handbook Team, who will pass your responses on as appropriate.

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1 Overview

Chapter No	Proposed changes to Handbook	Consultation Closing Period
2	Minor amendments to the Decision Procedure and Penalties manual and the Enforcement Guide to implement the Money Laundering and Terrorist Financing (Amendment) Regulations 2019	One month
3	Consequential changes to the Financial Crime Guide to reflect provisions in the Money Laundering and Terrorist Financing (Amendment) Regulations 2019	Two months
4	Propose to add the Institute of Financial Accountants (IFA) to the list of bodies whose members can provide a statement of high net worth to individuals in order for certain credit and consumer hire agreements with them to be exempt from regulation	Two months
5	Minor amendments to the Decision Procedure and Penalties manual to reflect the OPBAS Regulations	One month
6	Amendments to the notification form to amend firm details	Two months
7	Clarify notification procedures, include guidance, and make changes to the Directory persons report	One month
8	Amendments to MiFID II relating to the tick size regime	One month
9	Changes to the Glossary terms for <i>multilateral development bank</i> and <i>designated multilateral development bank</i>	One month

2 Fifth Money Laundering Directive: Proposed changes to DEPP and EG

Introduction

- 2.1** On 10 January 2020, the FCA became the anti-money laundering and counter terrorist financing supervisor of UK cryptoasset exchange providers and custodian wallet providers (“cryptoasset businesses”) under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (“MLRs”), as amended.
- 2.2** On 20 December 2019, the Treasury laid a Statutory Instrument (SI) entitled the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 before Parliament. This legislation, which came into force on 10 January 2020, implements the EU’s Fifth Money Laundering Directive (5MLD) by amending the MLRs. It brings cryptoasset businesses within the scope of the MLRs and provides the FCA with investigation and enforcement powers over them.
- 2.3** We need to make minor amendments to the Handbook’s Decision Procedure and Penalties manual (DEPP) and the Enforcement Guide (EG) to reflect the amended MLRs.

Summary of proposals

- 2.4** The FCA has existing investigation and sanctioning powers in relation to both criminal and civil breaches of the MLRs and is responsible for monitoring and enforcing compliance with them. Chapter 19 of EG sets out our existing approach to investigation and sanctioning under the MLRs which broadly mirrors our approach to enforcement and decision-making procedures under FSMA.
- 2.5** We seek to exercise our enforcement powers in a manner that is transparent, proportionate, responsive to the issue and consistent with our publicly stated policies. We also seek to ensure fair treatment of individuals when exercising our enforcement powers. Our enforcement approach is set out in three key documents: the Enforcement Guide, the Approach to Enforcement and the Enforcement Information Guide.
- 2.6** The amended MLRs extend the FCA’s existing investigative and sanctioning powers to cryptoasset businesses. They also provide the FCA with a new power to impose a direction on a cryptoasset business under Regulation 74C of the MLRs. In addition, they provide the FCA with the power to publish information about a direction imposed on a cryptoasset business and where the FCA has published such information as considered appropriate, they impose requirements on the FCA to publish certain follow-up information.

- 2.7** We need to make minor amendments to DEPP and EG to reflect the extension of our investigation and sanctioning powers to cryptoasset businesses, to explain how the FCA will exercise the power of direction under Regulation 74C MLRs and publish information about a direction.

Changes to DEPP

- 2.8** We propose to amend DEPP 2 Annex 2 and DEPP 2.5 to provide decision making procedures for the imposition of a direction on a cryptoasset business:
- We will decide to impose, vary or rescind a direction under Regulation 74C (5) either under the RDC procedure (if it is a fundamental change to the nature of the cryptoasset business) or Executive procedures. Where the direction is sought by the cryptoasset business itself, the FCA staff will decide using Executive procedures.
 - We will decide to impose, vary or rescind a direction at the request of a cryptoasset business using Executive procedures.

Q2.1 Do you have any comments on our proposed changes to DEPP 2 Annex 2 and DEPP 2.5 as set out in Appendix 2?

Changes to EG

- 2.9** Our current approach to investigations and sanctions under the MLRs is set out in Chapter 19 of EG. We propose to apply the same approach to cryptoasset businesses.
- 2.10** We propose to make minor amendments to EG 19.14 to reflect the extension of our investigative and sanctioning powers to cryptoasset businesses. We propose to set out the power to impose a direction on a cryptoasset business in EG 19.14.
- 2.11** We propose to amend EG 19.15, which describes our approach to money laundering investigations, to explain where we expect to use our power under Regulation 74C of the MLRs to impose a direction on a cryptoasset business to ensure that requirements with the MLRs are met.
- 2.12** In EG 6.2, we propose to reflect our power to publish information about a notice relating to a direction imposed under Regulation 74C of the MLRs. We also propose to reflect the requirements on the FCA, where it has already published information about a direction, to publish additional information as required by Regulation 74C.

Q2.2 Do you agree with our proposed amendments to EG 19.14 as set out in Appendix 2?

Q2.3 Do you agree with our proposed amendments to EG 19.15 as set out in Appendix 2?

Q2.4 Do you agree with our proposed amendments to EG 6.2 as set out in Appendix 2?

Cost benefit analysis

- 2.13** This QCP proposes applying our current approach to investigations and sanctions under the MLRs to cryptoasset businesses. It implements a new decision-making procedure for the imposition of a direction on a cryptoasset business, and specifies the relevant decision-maker for different stages of the process. The proposed approach will not substantially differ from our current approach to the exercise of our disciplinary and investigatory powers. Our view is that the costs of the proposals will be of minimal significance if compared with any reasonable counterfactual and that no cost benefit analysis is required. Similarly, we see no implications for our competition objective.
- 2.14** FSMA, as amended by the Financial Services Act 2012, requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

Compatibility statement

- 2.15** The FCA believes the proposals set out above are compatible with its duties under section 1B of FSMA. The effective and appropriate use of enforcement powers plays an important part in pursuing the FCA's statutory objectives, it increases compliance with rules by making market participants more aware of conduct that may breach these rules, and the potential for sanctions for such conduct.
- 2.16** We have considered the regulatory principles in section 3B of FSMA. In particular, our proposals are consistent with the need to use resources in the most efficient and economical way, and the principle that regulators should exercise their functions as transparently as possible.
- 2.17** Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to consider several high-level 'Principles' as we exercise some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). We have considered the principles in the LRRRA and the Regulators' Code for the parts of the proposals that comprise general policies, principles or guidance.

Impact on mutual societies

- 2.18** We do not expect the proposals in this paper to have a significantly different impact on mutual societies.

Equality and diversity

- 2.19** We have considered the equality and diversity issues that may arise from the proposed amendments. We do not think that the proposals in this chapter adversely impact any of the groups with protected characteristics under the Equality Act 2010, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

3 Consequential changes to the Financial Crime Guide

Introduction

- 3.1** On 10 January 2020, the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (SI 2019/1511) came into force, which amended the UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs)¹. These changes follow Treasury's (HMT) consultation and subsequent Policy Statement on the transposition of the EU's 5th Money Laundering Directive (5MLD) and implementation of additional international recommendations set by the Financial Action Task Force.
- 3.2** As a result, we are proposing a small number of consequential changes to our guidance on money laundering and terrorist financing as set out in the Financial Crime Guide (FCG) to align with the amendments to the MLRs. The changes are not intended to represent an exhaustive list of all the amendments to the MLRs or set out substantive guidance on the amendments or sector specific guidance.
- 3.3** We expect firms to adopt a risk-based approach to anti-money laundering which means a focus on outcomes. Firms that apply a risk-based approach will focus their anti-money laundering resources where they will have the biggest impact. Firms must have in place systems and controls to identify, assess, monitor and manage money laundering risk. These systems and controls must be comprehensive to reflect their obligations as applicable under the MLRs and be proportionate to the nature, scale and complexity of a firm's activities. They should help firms identify the risk associated with different types of customers, and inform the level of customer due diligence measures firms apply and their decision about accepting or maintaining individual business relationships.
- 3.4** The FCA webpage, 'Cryptoassets: AML/CTF regime' contains additional information for cryptoasset businesses. Chapter 2 in the QCP sets out additional minor changes to the Enforcement Guide and Handbook's Decision Procedure and Penalties manual. The Joint Money Laundering Steering Group² (JMLSG) are currently consulting on consequential changes to the JMLSG Guidance as a result of the amendments to the MLRs and intend to publish a further consultation on changes to their guidance, including sector specific guidance for cryptoasset businesses.

1 Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulation 2017

2 The JMLSG produces guidance to assist those in financial industry sectors represented on JMLSG by their trade member bodies, to comply with their obligations under the UK's anti money laundering (AML) and counter terrorist financing (CTF) legislation.

Summary of proposals

- 3.5** We set out below a summary of proposals and the relevant appendix sets out the specific changes within the FCG that we propose to make.
- 3.6** The FCA is required to consult on changes to the FCG because it forms 'guidance on rules' under section 139A of the Financial Services and Markets Act 2000 (FSMA). This guidance is not binding and we will not presume that a firm's departure from our guidance constitutes a breach of our rules. We do, however, expect firms to take note of what our guidance says and, where appropriate, use it to inform their own financial crime systems and controls.
- 3.7** The FCG consolidates our guidance on financial crime and aims to enhance firms' understanding of our expectations of systems and controls in this area. The FCG provides practical assistance and information for firms of all sizes on actions they can take to counter the risk that they might be used to further financial crime. The proposals in this chapter will be of interest to firms who are subject to the money laundering provisions in SYSC 3.2.6R – 3.2.6G, SYSC 6.1.1R and SYSC 6.3 or otherwise for whom we are the supervisory authority under the MLRs.
- 3.8** The proposed changes to the FCG, as set out in the relevant appendix, reflect the following amendments to the MLRs:
- a.** Customer due diligence (CDD) (Regulation 27(8)) – CDD measures to apply when contacting an existing customer as part of any legal duty in the course of a calendar year for the purpose of reviewing information which is relevant to a customer's risk assessment, and relates to beneficial ownership of a customer. CDD measures also apply when contacting an existing customer to fulfil any duty under the International Tax Compliance Regulations 2015;
 - b.** CDD measures (Regulation 28(3A)) – reasonable steps must be taken to understand the ownership and control structure of a customer where the customer is a legal person, trust, company, foundation or similar legal arrangement;
 - c.** CDD measures (Regulation 28(8)) – relates to record keeping of all actions taken in circumstances where all possible means of identifying the beneficial owner of a body corporate have been taken and the beneficial owner cannot be identified satisfactorily or at all. Reasonable measures must also be taken to verify the identity of the senior person in the body corporate responsible for managing it and to keep records of all actions taken to do so and any difficulties encountered in doing so;
 - d.** CDD measures (Regulation 28(19)) – this provision allows for an electronic identification process as a reliable source for the purposes of CDD verification where that process is independent of the person whose identity is being verified, secure from fraud and misuse and capable of providing an appropriate level of assurance that the person claiming a particular identity is in fact that person with that identity;
 - e.** Reporting discrepancies in registers (Regulation 30A). This is a new requirement on firms to collect proof of company registration before establishing a business relationship with certain legal entities as defined in Regulation 30A(1) including a company, a limited liability partnership or eligible Scottish partnership. There is also a requirement on firms to report to Companies House any discrepancies relating to the beneficial ownership of the customer between information it collects when seeking such proof and that which otherwise becomes available in the course of carrying out its obligations under the MLRs;

- f. Enhanced due diligence measures (EDD) (Regulation 33(1)(b) and Regulation 33(3A)) – specified EDD measures which must be taken for relevant transactions (meaning transaction where CDD measures apply under Regulation 27) where either of the parties to the transaction is established in a high-risk third country. These include EDD measures to obtain additional information on the customer, beneficial owner, the intended nature of the business relationship and reasons for the transactions as well as enhanced monitoring;
- g. EDD measures (Regulation 33(1)(f) and 33(4)) – specified EDD measures or transactions which are complex or unusually large, there is an unusual pattern of transactions, or the transaction(s) have no apparent economic purpose or legal purpose. The EDD measures must include, as far as reasonably possible, examining the background and purpose of the transaction and increasing the degree and nature of monitoring of the business relationship in which the transaction is made to determine whether the transaction or relationship appear to be suspicious;
- h. EDD measures (Regulation 33(4A)) – where the customer is a beneficiary of a life insurance policy, is a legal person or legal arrangement and presents a high risk of money laundering or terrorist financing for any other reason, credit or financial institutions must take reasonable measures to identify and verify the identity of a beneficiary of a life insurance policy before any payment is made under the policy; and
- i. EDD measures for high risk factors (Regulation 33(6)) – requires firms to include new additional high-risk factors when assessing the need for EDD.

Q3.1 Do you have any comments on our approach to making consequential changes to the FCG?

Cost benefit analysis

- 3.9** We are not under a statutory obligation to carry out a cost benefit analysis (CBA) when amending guidance. However, we have committed to consider conducting and publishing an analysis of the costs and benefits of any guidance that is likely to result in firms or consumers incurring significant costs that were not formally considered during consultation on rules or principles that the guidance relates to. In this case, changes to the guidance reflect amendments to the MLRs we consider to be consequential and will have been subject to Treasury's consultation process.

Compatibility statement

- 3.10** Section 1B of FSMA requires the FCA to carry out its general functions, as far as is reasonably possible, in a way that is compatible with its strategic objectives and advances one or more of its operational objectives. The FCA also needs to, so as far as is compatible with acting in a way that advances the consumer protection objective or the integrity objective, carry out its general functions in a way that promotes effective competition in the interests of consumers.

- 3.11** We are satisfied that these proposals are compatible with our general duties under section 1B of FSMA, in particular having regard to the matters set out in section 1C(2) of FSMA and the regulatory principles in section 3B. We consider that the expectations contained within it are proportionate to the benefits, it recognises differences in the nature of and the objectives of businesses carried on by different persons and it supports the principle that the regulators should exercise their functions as transparently as possible.

Equality and diversity

- 3.12** We have considered the equality and diversity issues that may arise from this guidance. Some of the guidance in the FCG reflect provisions in amendments to the MLRs on classification of certain jurisdictions as 'high risk' and the requirement to carry out EDD gives rise to possible equality and diversity issues. However, we consider that such classifications are necessary and justifiable though we urge firms to consider whether the approaches they have adopted to manage their risk are proportionate and whether there are steps they can take to mitigate any negative effects on individuals from the jurisdictions in question.
- 3.13** We will continue to consider the equality and diversity implications of this guidance during the consultation period, and will revisit them when publishing the final guidance. In the interim, we welcome any feedback to this guidance consultation on such matters.

4 Changes to the Consumer Credit sourcebook – high net worth exemption

Introduction

- 4.1** Under articles 60H and 60Q of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, certain credit agreements and consumer hire agreements with high net worth individuals are exempt from regulation, subject to certain conditions. One of these conditions is that a statement has been made in relation to the individual's income or assets which complies with FCA rules. The relevant rules are set out in Appendix 1 to our Consumer Credit sourcebook (CONC). CONC App 1.4.3R specifies that the statement of high net worth must be signed by the lender or owner (subject to App 1.4.4R), or by an accountant who is a member of any of the bodies listed, or of a professional body for accountants established in a jurisdiction outside the United Kingdom.

Summary of proposals

- 4.2** We propose to add the Institute of Financial Accountants (IFA) to this list. The IFA is a member of the International Federation of Accountants. It is recognised by HM Treasury as a suitable professional accountancy body to supervise its members for the purposes of the Money Laundering Regulations 2017, and is regulated in this respect by the Office for Professional Body Anti-Money Laundering Supervision.
- 4.3** IFA members are eligible to provide assurance services such as: provision of accountant's certificates and/or accounts to support mortgage applications; certification of income/accounts for work and family visa applications approved by the Home Office; and conducting independent examinations of charity accounts below the audit threshold approved by the charity regulators in all UK jurisdictions.
- 4.4** Adding the IFA to the list increases the range of options for individuals seeking a statement of high net worth. The amendment proposed in the Chapter is minor and we do not consider that it will have any material adverse impact on consumers or firms.

Q4.1 Do you have any comments on the proposed amendment to CONC?

Cost benefit analysis

- 4.5** Section 138I of the Financial Services and Markets Act 2000 (FSMA) requires us to publish a cost benefit analysis (CBA) unless, in accordance with section 138L, we believe that there will be no increase in costs or that the increase will be of minimal significance. Section 138I also requires us to publish an estimate of costs and benefits unless these cannot be reasonably estimated or it is not reasonably practicable to estimate them.
- 4.6** We are satisfied that the proposed amendment either does not increase costs to firms or consumers, or any increase will be of minimal significance.

Impact on mutual societies

- 4.7** Section 138K of FSMA requires us to state whether, in our opinion, our proposed rules have a significantly different impact on authorised persons who are mutual societies, compared to other authorised persons.
- 4.8** We do not expect the proposals in this paper to have a significantly different impact on mutual societies.

Compatibility statement

- 4.9** When consulting on new rules, we are required by section 138I(2) FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives, and has regard to the regulatory principles in section 3B FSMA. We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.
- 4.10** We are satisfied that the proposed amendment is compatible with our objectives and regulatory principles. The amendment advances our operational objectives of securing an appropriate degree of consumer protection and promoting market integrity, and helps to promote effective competition in the interests of consumers. We are satisfied that any burdens or restrictions are proportionate to the expected benefits.

Equality and diversity

- 4.11** We have considered the equality and diversity issues that may arise from the proposed amendments. We do not think that the proposals in this chapter adversely impact any of the groups with protected characteristics under the Equality Act 2010, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

5 OPBAS Regulations: Proposed changes to DEPP

Introduction

- 5.1** The Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017 (the OPBAS Regulations) give the FCA powers to supervise professional body anti-money laundering supervisors ("self-regulatory organisations"), in relation to compliance with anti-money laundering and counter terrorist financing requirements.
- 5.2** The OPBAS Regulations give the FCA the following powers:
- the power to publish a statement censuring a self-regulatory organisation; and
 - the power to make a recommendation to the Treasury that a self-regulatory organisation is removed from Schedule 1 to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- 5.3** The OPBAS Regulations also describe the procedure we need to follow to exercise these powers over a self-regulatory organisation.
- 5.4** We are now consulting on changes to the Decision Procedure and Penalties manual (DEPP) relating to the OPBAS Regulations.

Summary of proposals

- 5.5** We propose changes to DEPP Annex 2 to set out the decision-making procedure to be followed for decisions made under Regulations 16 and 17 of the OPBAS Regulations. The decision maker will be the Regulatory Decisions Committee or FCA Staff under Executive Procedures, following DEPP 3 and 4.

Q5.1 Do you agree with our changes to DEPP?

Cost benefit analysis

- 5.6** The proposal set out in this consultation paper does not impose additional obligations on firms. It is not related to rule changes or guidance on rules. Under section 138I of the Financial Services and Markets Act 2000 (FSMA), when the FCA wishes to introduce any new rules it must publish a cost benefit analysis along with the proposed rules. Since the requirements under section 138I are not applicable, the FCA is not required to carry out a cost benefit analysis. In any event, the FCA does not expect that the proposal will lead to any increase in costs, or the cost increase will be of minimal significance.

Compatibility statement

- 5.7** Section 1B of FSMA requires the FCA, when discharging its general functions, as far as is reasonably possible, to act in a way that is compatible with its strategic objective and advance one or more of its operational objectives. The FCA also needs to, so far as is compatible with acting in a way that advances the consumer protection objective or the integrity objective, carry out its general function in a way that promotes effective competition in the interests of consumers.
- 5.8** The FCA's general functions include its functions in relation to the giving of general advice. In discharging its general functions, the FCA must have regard to the regulatory principles in section 3B of FSMA.
- 5.9** We are satisfied that the proposed changes are compatible with our objectives and regulatory principles.

Equality and diversity

- 5.10** We have considered the equality and diversity issues that may arise from the proposed amendments. We do not think that the proposals in this chapter adversely impact any of the groups with protected characteristics under the Equality Act 2010, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

6 Amendments to the notification form to amend firm details

Introduction

- 6.1** This chapter proposes minor amendments to the notification form by which firms can amend details held on them by the FCA. The notifications are made using the FCA's online system Connect, however the form is also published in the Supervision manual (SUP) in Chapter 15 Annex 3R.
- 6.2** The FCA holds key details (such as firm name, trading name(s), various address(es), website address) of the firms it regulates under the Financial Services and Markets Act (FSMA). This helps the FCA to communicate with firms to fulfil our regulatory functions; display relevant details on the Financial Services Register; ensure firms' regulatory reporting requirements are correct, and to ensure firms are correctly categorised for the purposes of sector analysis and thematic reviews. It is therefore important that this information is kept up to date.
- 6.3** SUP 16.10.4R requires firms to check the accuracy of their details on the FCA online system and to submit any changes using the form set out in SUP 15 Annex 3R of the FCA Handbook via Connect.
- 6.4** Due to ongoing development to improve the forms, there are some minor wording differences between the form as set out on the Connect system and the form contained within the Handbook.
- 6.5** We are proposing to update the wording and format of the Handbook form to align this to the form available within Connect.

Summary of proposals

- 6.6** We propose to amend the form in SUP 15 Annex 3R to bring this into alignment with the form used by firms available within Connect. The Handbook form cannot present information fields in the same way as the Connect system due to the online form's ability to dynamically complete certain sections. Therefore, there are cosmetic differences between the presentation of the form in the Handbook and the way it appears on Connect. We propose to make these amendments to provide clarity and consistency to firms on the reporting requirements.

Q6.1 **Do you have any comments on our proposal to make minor amendments to the notification form to change a firm's details (SUP 15 Annex 3R)?**

Cost benefit analysis

- 6.7** Sections 138I(2)(a) of the Financial Services and Markets Act 2000 (FSMA) requires us to publish a cost benefit analysis (CBA) when proposing draft rules. Section 138L(3) of FSMA provides that Section 138I(2)(a) does not apply where we consider that there will be no increase in costs, or the increases will be of minimal significance.
- 6.8** Having assessed the individual changes proposed in this chapter and based on previous estimates relating to similar reporting changes, we believe the exemption of minimal significance applies to all the items therefore no CBA is required for the proposals in this chapter.

Q6.2 **Do you have any comments on our assessment that any increase of costs from the changes set out in this chapter will be of only minimal significance?**

Impact on mutual societies

- 6.9** Section 138K of FSMA requires us to state whether, in our opinion, our proposed rules have a significantly different impact on authorised persons who are mutual societies, compared to other authorised persons.
- 6.10** We are satisfied that the proposed changes in this chapter do not impact mutual societies. This is due to the fact that mutual societies must use the online mutual society portal instead to update their firm details.

Compatibility statement

- 6.11** When consulting on rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules is (a) compatible with its general duty, under s. 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, and (b) its general duty under s. 1B(5)(a) FSMA to have regard to the regulatory principles in s. 3B FSMA.
- 6.12** The proposed changes in this chapter will ensure consistency in the versions of the Notification form. In turn, this will provide firms with further clarity on reporting requirements and allow more effective and efficient supervision of firms which will help us to advance our consumer protection objective.

Equality and diversity

- 6.13** We have considered the equality and diversity issues that may arise from the proposed amendments. We do not think that the proposals in this chapter adversely impact any of the groups with protected characteristics under the Equality Act 2010, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

7 Clarify notification procedures, include guidance, and make changes to the Directory persons report

Introduction

- 7.1** We introduced the Senior Managers and Certification Regime (SM&CR) for banks, building societies, credit unions and investment firms regulated by both the FCA and PRA (dual-regulated) in March 2016. This regime was then extended to insurers in July 2018 and firms regulated by the FCA but not the PRA (solo-regulated) in December 2019.
- 7.2** The SM&CR limits the number of individuals we approve to the most senior individuals within those firms, such as executive directors and heads of compliance. As a result, individuals who would have previously fallen under the Approved Persons regime but do not carry out Senior Manager Functions (SMF) under SM&CR would not be included on the Financial Services Register (FS Register), as the FS Register includes individuals we have approved.
- 7.3** In July 2018, we consulted on our proposal to introduce the Directory. Our proposal involved extending the existing FS Register to include information on certification employees and other important individuals in firms regulated by the FCA (Directory persons). This was in response to the substantial feedback we received on the public value of the FCA maintaining a central public record of Directory persons, even though their suitability is assessed by firms rather than the FCA.
- 7.4** Following publication of final rules on establishing the Directory in March 2019, we have been making changes to our systems and processes to enable information on Directory persons to be reported to us and displayed on the FS Register. During this process, a few changes were made to the information firms were being asked to provide on Connect to ensure submissions could be correctly processed.
- 7.5** This chapter proposes to make changes to SUP 16 Annex 47AR *Directory persons report* to bring it in line with Connect and to enable the FCA to validate the information received on Directory persons. In line with our Handbook rules, firms are required to report to the FCA certain information on Directory persons via the Directory persons report form.
- 7.6** This chapter proposes to amend, on the Directory Persons report form, the name of the PRA's Material Risk Taker role category to clarify that individuals who fall under the PRA's definition of 'significant risk taker' should also be reported to us using this category. This aligns the role category with the scope of individuals who carry out PRA Certification Functions and who are already in scope of the Directory.

- 7.7** As the SM&CR rules focus regulatory approval on fewer senior individuals in a firm, we are also proposing consequential amendments to the manner in which firms can notify us about the Insurance Distribution Directive (IDD) and Mortgage Credit Directive (MCD) responsibility allocations required by MIPRU 2.2.1R (Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries). We therefore propose to add a notification rule in MIPRU 2.2 and guidance indicating how the notification can be made. We are also proposing to update SUP 16 Annex 47AR Directory persons report, SUP 10C Annex 3D Form A and SUP 10C Annex 7D Form E.
- 7.8** Similarly, the removal of MIPRU 2.2.2 in 2018 from the Handbook may have led to some ambiguity regarding which individuals should be allocated the Insurance distribution activities or the MCD credit intermediation activity responsibilities.
- 7.9** Therefore, in this CP, we want to provide clarity to firms about what MIPRU 2.2.1R requires. When a firm is allocating the Insurance distribution activity and the MCD credit intermediation activity responsibilities to an individual, the firm needs to consider if that individual is of sufficient seniority and authority within the firm to take on this role. For example, the role can be sufficiently allocated to the *executive director function* (SMF3) holder or the other *overall responsibility function* (SMF18) holder and a person who holds a significant management *FCA certification Function* in relation to insurance distribution business or MCD credit intermediation business as relevant. Other individuals may also be sufficiently senior and we want to highlight that it is the firm's responsibility to make a judgement call about the level of seniority needed to hold to be allocated the responsibility. This allocation will be included on the FS Register. We are proposing to add this clarification as guidance in the Handbook.

Summary of proposals

Proposed amendments to SUP 16 Annex 47AR, Directory persons report and the Handbook forms: SUP 10C Annex 3D Form A and SUP 10C Annex 7D Form E

- 7.10** We propose the following amendments to SUP 16 Annex 47AR *Directory persons report* to bring our rules into line with Connect:
- Include an optional 'title' field;
 - Include a 'commonly used name' field (to be provided if known); and
 - Include a 'nationality' field, which is mandatory where the firm provides a passport number.
- 7.11** We are proposing to make the first and second amendment: including an optional 'title' field and a 'commonly used name' field, to bring the form in line with other forms used, for example Form A (Application to perform controlled functions under the approved persons regime). This ensures that the information is collected in a way which corresponds with how the online system processes data and displays it on the FS Register.
- 7.12** We are proposing to make the third amendment: including a 'nationality' field, which is mandatory where the firm provides a passport number, to enable us to correctly match records held on individuals. This amendment allows for consistency as it brings this form in line with other forms firms use to report information to us, again such as Form A.

- 7.13** We are proposing to rename, on the Directory persons report form, the PRA Material Risk Taker Certification Function from '[PRA CF] Material Risk Taker' to '[PRA CF] Significant Risk Taker or Material Risk Taker'. This amendment will clarify that selecting this Certification Function on the Directory persons report form is appropriate for individuals who are considered to be; only a significant risk taker; only a material risk taker; both a significant risk taker and a material risk taker. We consider that this amendment correctly reflects the PRA's coexisting definitions of who is considered to be a significant risk taker and who is considered to be a material risk taker. This is important to ensure we correctly display information on the Register about individuals working at credit unions.
- 7.14** We propose updating the text of SUP 10C Annex 3D Form A and SUP 10C Annex 7D Form E to align our wording with MIPRU 2.2.1R, where we do not apply restrictions that currently exist in the aforementioned forms, by removing the following sentences where they exist:
- "(Note: Yes can only be selected if the individual is applying for a governing function (other than a non-executive director function))"
 - "(Note: Yes can only be selected if the individual is applying for (SMF1, SMF3, SMF27 or SMF29))"
- 7.15** We propose adding IDD and MCD responsibility boxes to the SUP 16 Annex 47AR Directory persons report.
- 7.16** We do not believe that these amendments will result in disproportionate time or cost implications to firms as the information requested is uncomplicated and firms would have provided this information previously for individuals who came under the approved persons regime. Nevertheless, we would welcome any comments respondents may have on the above changes.

Q7.1 Do you have any comments on the proposed amendments to SUP 16 Annex 47AR: Directory persons report, SUP 10C Annex 3D Form A and SUP 10C Annex 7D Form E? If so, please elaborate.

Consequential amendments to MIPRU 2.2 to include notification of the allocation about IDD and MCD responsibilities and guidance on how firms should notify us

- 7.17** We propose to add MIPRU 2.2.1AG to set out who can be allocated the IDD and MCD responsibilities.
- 7.18** We propose to add a notification requirement in MIPRU 2.2.1BR.
- 7.19** We also propose that we add guidance to MIPRU 2.2.1R to explain how firms should notify us about allocations of IDD and MCD responsibilities.
- 7.20** This would direct firms to:
- Continue to use Form A (Application to perform controlled functions), Form D (Notification: Changes to personal information/application details and conduct breaches/disciplinary action related to conduct) and Form E (Internal transfer of a person) if they are allocating these responsibilities to an SMF holder.

- Use the 'Relevant roles currently held' field in the SUP 16 Annex 47AR: Directory persons report, if they are allocating responsibilities to a Directory person. This is the same field that firms use to tell us which certification functions an individual holds and would be an extra tickbox. Firms have 7 business days to update information on any changes.
- Notify us using one of the methods as set out in SUP 15.7.4R (methods of notification) in a timely manner if the role is allocated to a sufficiently senior individual who is not an SMF holder or a Directory person.

Q7.2 Do you agree with the proposed guidance setting out to whom the MIPRU 2.2.1R responsibility can be allocated?

Q7.3 Do you agree with our proposals adding the notification requirement and the proposed guidance explaining how firms should notify us of the allocations of IDD and MCD responsibilities? If not, please elaborate.

Cost benefit analysis

- 7.21** Section 138I of Financial Services and Markets Act (FSMA) requires us to perform a cost benefit analysis of our proposed requirements and to publish the results, unless we consider the proposal will not give rise to any cost or to an increase in costs of minimal significance.
- 7.22** The cost of these changes is expected to be minimal. The changes to the Directory Persons form have resulted in the addition of an optional 'title' field, a 'commonly known as' field which should be completed where the commonly known as name is known and the 'nationality' field which is mandatory only where a passport number has been provided. These additional fields should not result in firms expending undue time or cost when providing or collecting this information as the information is straightforward and ought to be readily available to firms, in particular given that it would have been provided previously for individuals who came under the approved persons regime.
- 7.23** When amending the form, the 'first name' and 'middle name' field were merged, reducing the number of fields firms have to complete by one. As a result, for the purposes of assessing the costs of the changes to firms, there is one additional field for firms to complete. Consequently, we have judged there is no need to carry out a quantitative assessment of the costs as they are expected to be minimal and have not done so.
- 7.24** Regarding the consequential changes relating to the allocation of responsibility for MCD and IDD, the cost of these is expected to be minimal, as firms are already familiar with the Directory Persons report and the relevant SM&CR forms and because the requirement to allocate these responsibilities already exists. The proposed changes will also be of benefit to firms as they will provide clarity on what is required of them and support firms in submitting accurate information to us. As a result, we have considered there is no need to carry out a quantitative assessment of the costs, and have not done so.

Impact on mutual societies

- 7.25** Section 138K of FSMA requires us to state whether, in our opinion, our proposed rules have a significantly different impact on authorised persons who are mutual societies, compared to other authorised persons.
- 7.26** We have considered the equality and diversity issues that may arise from the proposed amendments. We do not think that the proposals in this chapter adversely impact any of the groups with protected characteristics under the Equality Act 2010, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Compatibility statement

- 7.27** Section 1B of FSMA requires us, when discharging our general functions, as far as is reasonably possible, to act in a way that is compatible with our strategic objective and advance one or more of our operational objectives. We also need to, carry out our general functions in a way that promotes effective competition in the interests of consumers, so far as is compatible with acting in a way that advances the consumer protection objective or the integrity objective.
- 7.28** We are satisfied that the proposed amendments are compatible with our strategic objective and advance our operational objectives under section 1B of FSMA. The proposed changes will support firms in providing accurate data to us and the PRA. As a result, this will enable the public and all users of the FS Register to access accurate information, which will help us to advance our consumer protection objective.

Equality and diversity

- 7.29** We have considered the equality and diversity issues that may arise from the proposed amendments. We do not think that the proposals in this chapter adversely impact any of the groups with protected characteristics under the Equality Act 2010, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

8 Amendments to MiFID II relating to the tick size regime

Introduction

- 8.1** The EU Investment Firms Directive³ (IFD) replaces existing prudential requirements for investment firms set out in the Capital Requirements Regulation⁴ (CRR) and Directive⁵ (CRD IV). It also makes some unrelated amendments to the Markets in Financial Instruments Directive⁶ (MiFID II).
- 8.2** The IFD amends the MiFID II tick size regime. The regime's purpose is to set minimum increments by which prices for equity and equity-like instruments can move to support orderly markets. The regime prevents participants from being able to submit orders with infinitesimal price differences, in order to compete for order flow in a way that can adversely affect the price formation process.
- 8.3** Article 64(5) of the IFD amends MiFID II to allow for trading venues to match buy and sell offers which are "large in scale" (that is, orders that are larger in scale compared with normal market size) at the mid-point price within the current bid and offer prices.
- 8.4** MiFID II is an EU Directive, which requires member states to give effect to it through their respective national laws and regulations. The changes made to MiFID II by the IFD are required to be included in national laws and regulations by 26 March 2020. During the transition period this also applies to the UK. The changes relating to the tick size regime will be implemented in the UK. The changes will be implemented in the UK through Treasury legislation and the FCA Handbook. The tick size provisions for trading venues operated by market operators are included in the Recognition Requirements Regulations (RRRs) and mentioned in the Recognised Investment Exchange and Recognised Clearing House sourcebook (REC) in the Handbook. We set out the tick size regime requirements for trading venues operated by investment firms in the Market Conduct chapter (MAR) in the Handbook. The need to make amendments to the relevant Handbook rules and guidance arises out of the Treasury's amendments to the RRRs for any trading venues run by market operators and the application of Article 49 MiFID II to firms with Part 4A permissions to operate a multilateral trading facility (MTF) or an organised trading facility (OTF), further to Article 18(5) MiFID II.
- 8.5** We are now consulting on changes to the FCA Handbook to make changes to the tick size regime. The proposed amendments to REC and MAR are set out in the relevant Appendix. The Treasury has laid a Statutory Instrument dealing with the necessary changes to the RRRs.

3 2019/2034
4 575/2013
5 2013/36
6 2014/65

- 8.6** Separately, the Investment Firm Regulation⁷ applies the MiFID II tick-size regime to Systematic Internalisers (SIs), firms who execute client orders against their own capital. These changes are directly applicable and in line with our general approach to the SI regime. As a result, we will not be copying out these provisions into our Handbook.

Summary of proposals

- 8.7** We propose amending the FCA Handbook to incorporate the new tick size requirements. Specifically, we will amend REC 2.5.1, MAR 5.3A and MAR 5A.5. The provision in REC copies out the relevant section of the RRRs. The MAR rules require trading venues, which include MTFs, to implement the tick size regime under MiFID II.
- 8.8** We propose amending these rules to set out that the tick size regime shall not prevent trading venues from matching large in scale orders at mid-point within current bid and offer prices.

Q8.1 Do you have any comments on our proposed amendments to REC 2.5.1, MAR 5.3A.14AR and MAR 5A.5.14AR?

- 8.9** We have not previously, as part of our supervisory approach to the tick-size regime, prevented trading venues from allowing for the off-tick execution of orders that are large in scale. In our view, the tick size regime was not intended to apply in such circumstances. The amendment to the regime constrains such off-tick trading to the mid-point.

Q8.2 Do you have any comments on how trading on trading venues⁸ and their members and participants might be affected by the amendment to the MiFID tick-size regime? Could you also provide us with an indication of what the cost implications might be?

Cost benefit analysis

- 8.10** The Financial Services and Markets Act 2000 (FSMA) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.
- 8.11** This analysis addresses the impacts of our proposals. Our proposals relate to a matter where it is intended that there is a common approach across the EU and therefore we have little or no margin for discretion in implementing MiFID II. We therefore provide a high-level cost benefit analysis.

⁷ 2019/2033

⁸ As mentioned, we will make changes to REC to reflect those made to the RRRs and therefore also welcome responses from recognised investment exchanges (RIEs) under Part XVIII of the Financial Services and Markets Act 2000.

Costs

- 8.12** There should be no detrimental effect on price formation of allowing large-in-scale trades to happen at a price which lies outside the constraint of the tick-size regime. That regime is designed to protect the price formation process on a central limit order book by imposing a cost on executing at the spread which deters excessive trading. Trading venues may, however, have to adapt their systems to ensure that large-in-scale trades only happen outside the constraints of the tick-size regime at the mid-point price.

Benefits

- 8.13** Allowing large-in-scale trades to execute at the mid-point enables buyers and sellers to equally share the benefits, in terms of a lower explicit cost of execution, where both are happy to trade outside of the constraints of the tick-size regime.

Impact on mutual societies

- 8.14** Section 138K of FSMA requires us to state whether, in our opinion, our proposed rules have a significantly different impact on authorised persons who are mutual societies, compared to other authorised persons.
- 8.15** We do not expect the proposals in this paper to have a significantly different impact on mutual societies.

Compatibility statement

- 8.16** These proposals set out in this consultation are primarily intended to advance our operational objective of ensuring markets function well. This is because they are seeking to limit the application of the tick-size regime in circumstances where it was not really designed to constrain market participants from trading at mid-point if they so desire.

Equality and diversity

- 8.17** We have considered the equality and diversity issues that may arise from the proposed amendments. We do not think that the proposals in this chapter adversely impact any of the groups with protected characteristics under the Equality Act 2010, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

9 Changes to the Glossary terms for '*multilateral development bank*' and '*designated multilateral development bank*'

Introduction

- 9.1** We are proposing to update the Handbook Glossary terms for '*multilateral development bank*' and '*designated multilateral development bank*'. We think that these changes are appropriate in order to mirror amendments that have been made to the list of multilateral development banks in Article 117 of the Capital Requirements Regulation No. 575/2013 (CRR). This will ensure that our lists of eligible multilateral development banks are consistent with international standards.

Summary of proposals

- 9.2** The Glossary terms '*multilateral development bank*' and '*designated multilateral development bank*' list entities recognised by the FCA as eligible multilateral development banks. In order to ensure consistency with international standards, we are proposing to update both terms in line with Article 117 of the CRR, as amended which will involve expanding their scope by adding new entities to the current lists. The instrument in the relevant appendix lists the specific entities being added under this proposal.
- 9.3** The terms currently only appear in two prudential sourcebooks as follows:
- a.** '*multilateral development bank*' appears in the Interim Prudential Sourcebook for Investment Firms (IPRU-INV) 3 as well as the Prudential Sourcebook for BIPRU firms (BIPRU) 3, 4, 5 and 7 where it is used in relation to the standardised and internal ratings-based (IRB) approaches to credit risk as well as by reference to the calculation of position risk; and
 - b.** '*designated multilateral development bank*' appears only in BIPRU 12 which allows for inclusion of debt securities issued by such entities in a liquid asset buffer of a firm subject to BIPRU 12.
- 9.4** Currently the Prudential Sourcebook for Investment Firms (IFPRU) firms benefit from preferential treatment in respect of a larger number of entities recognised in the CRR as eligible multilateral development banks. Expanding our lists in line with the CRR will eliminate any inconsistencies between IFPRU firms and firms subject to IPRU-INV and BIPRU.

- 9.5 In the interest of bringing our Handbook Glossary into line with existing EU definition and international standards in a timely manner, and considering the change is beneficial to firms, we propose to consult on these changes for one month only.

Q9.1 Do you agree with this proposed change to the Glossary terms 'multilateral development bank' and 'designated multilateral development bank'?

Cost benefit analysis

- 9.6 We do not believe the proposed updates warrant the need for a detailed cost and benefit analysis. This is because we do not expect any costs to arise as a result of these updates, whether to firms or the FCA. Aligning our Glossary terms with international standards is only expected to bring benefits by enabling larger population of FCA firms to benefit from the preferential treatment associated with exposures to entities recognised as eligible multilateral development banks.

Compatibility statement

- 9.7 Section 1B of FSMA requires us, when discharging our general functions, to act in a way that is compatible with our strategic objective and advances one or more of our operational objectives. We also need, so far as is compatible with acting in a way that advances the consumer protection objective or the integrity objective, to carry out our general functions in a way that promotes effective competition in the interests of consumers.
- 9.8 The proposals set out in this chapter are primarily intended to advance our operational objective of promoting effective competition and ensuring markets function well. This is because they are designed to make the Handbook consistent with the international standards.

Equality and diversity

- 9.9 We have considered the equality and diversity issues that may arise from the proposed amendments. We do not think that the proposals in this chapter adversely impact any of the groups with protected characteristics under the Equality Act 2010, i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Annex 1

Abbreviations used in this paper

5MLD	EU's Fifth Money Laundering Directive
BIPRU	Prudential Sourcebook for BIPRU firms
CBA	Cost-benefit analysis
CDD	Customer due diligence
CONC	Consumer Credit sourcebook
CP	Consultation Paper
CRD IV	Capital Requirements Directive
CRR	Capital Requirements Regulation
DEPP	Decision Procedure and Penalties manual
EDD	Enhanced due diligence
EG	Enforcement Guide
EU	European Union
EUWA	European Union Withdrawal Act
FCA	Financial Conduct Authority
FCG	Financial Crime Guide
FS Register	Financial Services Register
FSMA	Financial Services and Markets Act 2000
Handbook	The FCA's Handbook of rules and guidance
HMT	Her Majesty's Treasury
IDD	Insurance Distribution Directive
IFA	Institute of Financial Accountants
IFD	Investment Firms Directive

IFPRU	Prudential Sourcebook for Investment Firms
IPRU-INV	Interim Prudential Sourcebook for Investment Firms
JMLSG	Joint Money Laundering Steering Group
MAR	FCA Handbook, Market Conduct chapter
MCD	Mortgage Credit Directive
MiFID II	Markets in Financial Instruments Directive
MIPRU	The Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries
MLRs	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
MTF	Multilateral trading facility
OPBAS Regulations	Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017
OTF	Organised trading facility
PRA	Prudential Regulation Authority
RDC	Regulatory Decisions Committee
REC	The Recognised Investment Exchanges sourcebook
RIE	Recognised Investment Exchange
RRR	Recognition Requirements Regulation
SI	Statutory Instrument
SI	Systematic Internalisers
SM&CR	Senior Managers and Certification Regime
SMF	Senior Management Function
SUP	Supervision manual



We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

Appendix 1: List of questions

- Q2.1** Do you have any comments on our proposed changes to DEPP 2 Annex 2 and DEPP 2.5 as set out in Appendix 2?
- Q2.2** Do you agree with our proposed amendments to EG 19.14 as set out in Appendix 2?
- Q2.3** Do you agree with our proposed amendments to EG 19.15 as set out in Appendix 2?
- Q2.4** Do you agree with our proposed amendments to EG 6.2 as set out in Appendix 2?
- Q3.1** Do you have any comments on our approach to making consequential changes to the FCG?
- Q4.1** Do you have any comments on the proposed amendment to CONC?
- Q5.1** Do you agree with our changes to DEPP?
- Q6.1** Do you have any comments on our proposal to make minor amendments to the notification form to change a firm's details (SUP 15 Annex 3R)?
- Q6.2** Do you have any comments on our assessment that any increase of costs from the changes set out in this chapter will be of only minimal significance?
- Q7.1** Do you have any comments on the proposed amendments to SUP 16 Annex 47AR: Directory persons report, SUP 10C Annex 3D Form A and SUP 10C Annex 7D Form E? If so, please elaborate.
- Q7.2** Do you agree with the proposed guidance setting out to whom the MIPRU 2.2.1R responsibility can be allocated?
- Q7.3** Do you agree with our proposals adding the notification requirement and the proposed guidance explaining how firms should notify us of the allocations of IDD and MCD responsibilities? If not, please elaborate.
- Q8.1** Do you have any comments on our proposed amendments to REC 2.5.1, MAR 5.3A.14AR and MAR 5A.5.14AR?

- Q8.2** Do you have any comments on how trading on trading venues⁹ and their members and participants might be affected by the amendment to the MiFID tick-size regime? Could you also provide us with an indication of what the cost implications might be?
- Q9.1** Do you agree with this proposed change to the Glossary terms '*multilateral development bank*' and '*designated multilateral development bank*'?

⁹ As mentioned, we will make changes to REC to reflect those made to the RRRs and therefore also welcome responses from recognised investment exchanges (RIEs) under Part XVIII of the Financial Services and Markets Act 2000.

Appendix 2

Enforcement (Fifth Money Laundering Directive) Instrument 2020

**ENFORCEMENT (FIFTH MONEY LAUNDERING DIRECTIVE) INSTRUMENT
2020**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 139A (Power of the FCA to give guidance); and
 - (c) section 395 (The Authority’s procedures);
 - (2) the following provisions in the Money Laundering and Terrorist Financing (Amendment) Regulations 2019:
 - (a) regulation 8 (amendment of Part 8: information and investigation); and
 - (b) regulation 9 (amendment of Part 9: enforcement and Part 10: appeals)
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on *[date]*.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Decision Procedure and Penalties manual (DEPP) is amended in accordance with Annex B to this instrument.

Amendments to material outside the Handbook

- F. The Enforcement Guide (EG) is amended in accordance with Annex C to this instrument.

Citation

- G. This instrument may be cited as the Enforcement (Fifth Money Laundering Directive) Instrument 2020.

By order of the Board
[*date*]

Annex A**Amendments to the Glossary of definitions**

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

cryptoasset exchange provider as defined in the *Money Laundering Regulations*.

custodian wallet provider as defined in the *Money Laundering Regulations*.

Annex B

Amendments to the Decision Procedure and Penalties manual (DEPP)

In this Annex, underlining indicates new text.

2 Statutory notices and the allocation of decision making

...

Notices under other enactments

...

2.5.18 G ...

(5A) The decision to impose or vary a direction under regulation 74C of the *Money Laundering Regulations* will be taken by the RDC, if the direction involves a fundamental imposition or variation. Otherwise, the decision to give the supervisory notice will be taken by FCA staff under *executive procedures*. FCA staff under *executive procedures* will be the decision maker whenever a *cryptoasset business* agrees not to contest the direction. A fundamental imposition or variation of a direction means:

- (a) preventing a *cryptoasset business* from undertaking *cryptoasset business*; or
- (b) imposing or varying a direction in relation to the *cryptoasset business*' assets, or refusing an application to vary or cancel such a direction.

...

2 Annex Supervisory notices

2

...

<u>The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017</u>	<u>Description</u>	<u>Handbook reference</u>	<u>Decision maker</u>
Regulation 74C(5)	<u>When the FCA is exercising its</u>		<u>RDC or</u>

	<u>own initiative powers to impose, vary or rescind a direction.</u>		<u>Executive procedures</u>
<u>Regulation 74C(6)</u>	<u>When the FCA is exercising its powers at the request of a cryptoasset business to impose, vary or rescind a direction.</u>		<u>Executive procedures</u>

Annex C

Amendments to the Enforcement Guide (EG)

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

6 Publicity

...

6.2 Publicity during, or upon the conclusion of regulatory action

...

Supervisory notices varying a firm's Part 4A permission, imposing a requirement or varying an approval on the FCA's own initiative (see EG 8 and DEPP 8) and supervisory notices imposing a direction under regulation 74C of the Money Laundering Regulations on the FCA's own initiative (see EG 19.15)

- 6.2.21 It is important that the *FCA* maintains an accurate public record. One of the ways the *FCA* does this is by publishing the reasons for variations of *Part 4A permission*, the imposition of requirements ~~and~~, variations of the approval of *SMF managers* and the imposition and variation of directions under regulation 74C of the Money Laundering Regulations. The *FCA* will always aim to balance the interests of *consumers* and the possibility of unfairness to the *person* subject to the *FCA's* action. The *FCA* will publish relevant details of fundamental and non-fundamental variations of *Part 4A permission* and requirements which it imposes on *firms*, ~~and~~ variations of approval of *SMF managers* and directions under regulation 74C of the Money Laundering Regulations. But it will use its discretion not to do so if it considers this to be unfair to the *person* on whom the variation or direction is imposed, prejudicial to the interests of *consumers*, or detrimental to the stability of the *UK financial system*. Publication will generally include placing the notice on the *FCA* website and this may be accompanied by a press release. As with warning notice statements, *decision notices* and *final notices*, *supervisory notices* and related press releases that are published on the *FCA's* website will be reviewed upon request. The *FCA* will determine at that time whether continued publication is appropriate, or whether notices and related press releases should be removed or amended. The *FCA* expects usually to conclude that *supervisory notices* and related press releases that have been published for less than six years should not be removed from the website.
- 6.2.22 The *FCA* will amend the *Financial Services Register* to reflect a *firm's* actual *Part 4A permission* ~~or~~, the terms of an *SMF manager's* actual approval under section 59 of the *Act* following any variation or the terms of a direction imposed under regulation 74C of the Money Laundering Regulations.
- 6.2.23 Where the *FCA* publishes a *supervisory notice* issued under regulation 74C of the *Money Laundering Regulations* and the *FCA* subsequently decides to rescind the direction to which a notice relates or the subject of a direction is successful

in overturning the direction, the FCA will make it clear on its website that the supervisory notice no longer applies. The FCA will normally do this by publishing a notice of discontinuance with the consent of the person to whom the notice of discontinuance has been copied.

6.2.24 Where the FCA publishes a supervisory notice issued under regulation 74C of the Money Laundering Regulations and the subject of the direction refers the matter to the Tribunal, the FCA will make it clear on its website that the supervisory notice has been referred to the Tribunal.

...

19 Non-FSMA powers

...

19.14 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

...

19.14.2 The FCA is responsible for monitoring and enforcing compliance with the *Money Laundering Regulations* not only by authorised firms who are within the *Money Laundering Regulations*' scope, but also by what the Regulations describe as "Annex I financial institutions", and cryptoasset exchange providers and custodian wallet providers. These are businesses which are not otherwise authorised by us but which carry out certain of the activities listed in Annex I of the Banking Consolidation Directive, now Annex I of the *CRD*. The activities include lending (e.g. forfaiters and trade financiers), financial leasing, and safe custody services. Annex I financial institutions are required to register with the FCA.

19.14.3 The *Money Laundering Regulations* add to the range of options available to the FCA for dealing with anti-money laundering and anti-terrorist financing failures. These options include:

- to prosecute a relevant person, including but not limited to an authorised firm, an Annex I financial institution, an auction platform, a cryptoasset exchange provider or a custodian wallet provider, as well as any responsible officer;
- to fine or censure a relevant person, including but not limited to an authorised firm, an Annex I financial institution, ~~an~~ an auction platform, a cryptoasset exchange provider or a custodian wallet provider, as well as any officer knowingly concerned in the breach, under regulation 76 of the *Money Laundering Regulations*;
- to cancel, suspend or impose limitations or other restrictions on the authorisation or registration of an authorised person or payment service provider, under regulation 77 of the *Money Laundering Regulations*; and

- to impose a temporary or permanent prohibition on an officer knowingly concerned in a breach by a relevant person, including an authorised firm or Annex I financial institution, ~~or~~ a payment service provider, a *cryptoasset exchange provider* or a *custodian wallet provider* under regulation 78 of the *Money Laundering Regulations*.

...

19.14.4A The FCA also has powers under regulation 74C to impose a direction on a *cryptoasset business* to:

- remedy a failure to comply with a requirement under the *Money Laundering Regulations*;
- prevent a failure to comply, or continued non-compliance with a requirement under the *Money Laundering Regulations*; or
- prevent the *cryptoasset business* from being used for money laundering or terrorist financing.

The FCA may impose a direction requiring or prohibiting the taking of specified action. *Cryptoasset businesses* can also apply for a direction to be imposed, varied or rescinded.

...

19.15 The conduct of investigations under the Money Laundering Regulations

...

19.15.1A Where the FCA considers it appropriate to do so, it will exercise its powers under regulation 74C of the *Money Laundering Regulations*, to impose a direction on a *cryptoasset business* to ensure requirements of the *Money Laundering Regulations* are met. The FCA will exercise this power where:

- (1) it has serious concerns about the *cryptoasset business*' compliance with the *Money Laundering Regulations*;
- (2) it is concerned that a failure of the *cryptoasset business* to take the desired steps may result in a breach of the *Money Laundering Regulations*;
- (3) the imposition of a direction reflects the importance the FCA attaches to the need for the *cryptoasset business* to address its concerns;
- (4) the imposition of a direction may assist the *cryptoasset business* to take steps which would otherwise be difficult because of legal obligations owed to third parties.

19.15.1B The FCA will also exercise its powers to:

- (1) vary a direction; or

- (2) cancel a direction,

where it considers it appropriate to do so.

19.15.1C Examples of circumstances in which the *FCA* will consider imposing a direction on a *cryptoasset business* because it has serious concerns about a *cryptoasset business*, or about the way its business is being or has been conducted include where the *cryptoasset business* appears to be failing, or appears likely to fail, to comply with requirements under the *Money Laundering Regulations*, because:

- (1) it appears to have consistently failed to comply with requirements of the *Money Laundering Regulations* and in doing so, it may have put itself at risk of being used for the purposes of *money laundering* or terrorist financing;
- (2) its personnel do not appear to have adequate skills and experience to carry on *cryptoasset business*; or
- (3) it appears to have breached requirements imposed on it by or under the *Money Laundering Regulations*, for example in respect of disclosure requirements about the applicability of the jurisdiction of the *Financial Ombudsman Service* to its *cryptoasset business* and whether it is subject to *FSCS* protection.

19.15.1D The *FCA* may impose a direction so that it takes effect immediately or on a specified date if it reasonably considers it necessary to do so, having regard to the ground on which it is exercising this power.

19.15.1E The *FCA* will consider imposing a direction as a matter of urgency where:

- (1) the information available to it indicates serious concerns about the *cryptoasset business* that need to be addressed immediately; and
- (2) circumstances indicate that it is appropriate to impose a direction immediately to require and/or prohibit certain actions by the *cryptoasset business* to ensure the *cryptoasset business* addresses these concerns.

19.15.1F The *FCA* will consider the full circumstances of each case when it decides whether an urgent imposition of a direction is appropriate. The following is a non-exhaustive list of factors the *FCA* may consider:

- (1) The extent of any loss, or risk of loss, or other adverse effect on *consumers* caused by the failure to adhere to the *Money Laundering Regulations*. The more serious the loss or potential loss or other adverse effect, the more likely it is that the urgent imposition of a direction will be appropriate, to protect the *consumers'* interests.
- (2) The extent to which *customer* assets appear to be at risk due to the failure to comply with the *Money Laundering Regulations*. Urgent imposition of a direction may be appropriate where the information available to the *FCA* suggests that *customer* assets held by, or to the order of, the *cryptoasset*

business may be at risk.

- (3) The nature and extent of any false or inaccurate information provided by the *cryptoasset business*. Whether false or inaccurate information warrants the urgent imposition of a direction will depend on matters such as:
 - (a) the impact of the information on the *FCA*'s view of the *cryptoasset business*'s compliance with the requirements of the *Money Laundering Regulations*, or the likelihood that the *cryptoasset business* may be being used in connection with *financial crime*;
 - (b) whether the information appears to have been provided in an attempt knowingly to mislead the *FCA*, rather than through inadvertence;
 - (c) whether the matters to which false or inaccurate information relates indicate there is a risk to *customer* assets or to the other interests of the *cryptoasset business*' actual or potential *customers*.
- (4) The seriousness of any suspected breach of the requirements of the *Money Laundering Regulations* and the steps that need to be taken to correct that breach.
- (5) The financial resources of the *cryptoasset business*. Serious concerns may arise where there is a likelihood of the *cryptoasset business*' assets being dissipated without the *FCA*'s intervention.
- (6) The risk that the *cryptoasset business* may be used or has been used to facilitate *financial crime*, especially *money laundering* and terrorist financing. The information available to the *FCA*, including information supplied by other law enforcement agencies may suggest the *cryptoasset business* is being used for, or is itself involved in *financial crime*. Where this appears to be the case, and the *cryptoasset business* appears to be failing to comply with requirements of the *Money Laundering Regulations* or has put its *customers*' interests at risk, the *FCA*'s urgent imposition of a direction may be appropriate.
- (7) The risk that the *cryptoasset business*' conduct or business presents to the *UK financial system* and to confidence in the *UK financial system*.
- (8) The *cryptoasset business*' conduct. The *FCA* will take into account:
 - (a) whether the *cryptoasset business* identified the issue (and if so whether this was by chance or as a result of the *cryptoasset business*' normal *controls* and monitoring);
 - (b) whether the *cryptoasset business* brought this issue promptly to the *FCA*'s attention;
 - (c) the *cryptoasset business*' past history, management ethos and compliance culture;

(d) steps that the *cryptoasset business* has taken or is taking to address the issue.

(9) The impact that the imposition of a direction will have on the *cryptoasset business*' business and on its *customers*. The *FCA* will need to be satisfied that the impact of any use of the direction power is likely to be proportionate to the concerns being addressed, in the context of the overall aim of achieving its *statutory objectives*.

19.15.1G Examples of directions that the *FCA* may consider imposing in support of its enforcement function are: a direction not to take on new business; a direction that prohibits the disposal of, or other dealing with, any of the *cryptoasset business*' assets (whether in the *United Kingdom* or elsewhere) or restricts those disposals or dealings; and a direction that all or any of the *cryptoasset business*' assets, or all or any assets belonging to *consumers* but held by the *cryptoasset business* to its order, must be transferred to a *trustee* approved by the *FCA*.

Appendix 3

Financial Crime Guide (Amendment No 4)

Instrument 2020

FINANCIAL CRIME GUIDE (AMENDMENT No 4) INSTRUMENT 2020

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) section 139A (Power of the FCA to give guidance) of the Financial Services and Markets Act 2000;
 - (2) regulation 120(1) (Guidance) of the Payment Services Regulations 2017; and
 - (3) regulation 60(1) (Guidance) of the Electronic Money Regulations 2011.

Commencement

- B. This instrument comes into force on [*date*].

Amendments to material outside the Handbook

- C. The Financial Crime Guide: A firm’s guide to countering financial crime risks (FCG) is amended in accordance with the Annex to this instrument.

Citation

- D. This instrument may be cited as the Financial Crime Guide (Amendment No 4) Instrument 2020.

By order of the Board
[*date*]

Annex

Amendments to the Financial Crime Guide: A firm's guide to preventing crime (FCG)

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

3 Money Laundering and terrorist financing

...

3.2 Themes

...

3.2.4 Customer due diligence (CDD) checks

Firms must **identify** their customers and, where applicable, their beneficial owners, and then **verify** their identities. Firms must also understand the **purpose** and **intended nature** of the customer's relationship with the firm and collect information about the customer and, where relevant, beneficial owner. This should be sufficient to obtain a complete picture of the risk associated with the business relationship and provide a meaningful basis for subsequent monitoring.

Firms should note that CDD measures also apply when contacting an existing customer as part of any legal duty in the course of a calendar year for the purpose of reviewing information which is relevant to the risk assessment of the customer, and relates to beneficial ownership of the customer.

Firms should also note that CDD measures must also be applied when the relevant person has to contact an existing customer in order to fulfil any duty under the International Tax Compliance Regulations 2015.

CDD measures must also include taking reasonable steps to understand the ownership and control structure of a customer where the customer is a legal person, trust, company, foundation or similar legal arrangement.

Firms are required to keep written records in circumstances where all possible means of identifying the beneficial owner of a *body corporate* have been taken and the beneficial cannot be identified satisfactorily or at all. In circumstances where the beneficial owner of a *body corporate* cannot be identified, reasonable measures must be taken to verify the identity of the senior person in the *body corporate* responsible for managing it. In doing so, firms should keep written records made of the actions taken and any difficulties encountered.

Firms are required to collect proof of company registration (or an excerpt from the register) before establishing a business relationship with certain legal entities including a company subject to the requirements of Part 21A of the Companies Act 2006, a limited liability partnership or an eligible Scottish partnership. Firms are required to report to Companies House discrepancies between this information and information which otherwise becomes available to them in the course of complying with the *Money Laundering Regulations*. Firms may wish to refer to further guidance from the Companies House.

In situations where the money laundering risk associated with the business relationship is increased, banks must carry out additional, enhanced due diligence (EDD). *FCG 3.2.8G* below considers enhanced due diligence.

Where a firm cannot apply customer due diligence measures, including where a firm cannot be satisfied that it knows who the beneficial owner is, it must not enter into, or continue, the business relationship.

Firms should note that an electronic identification process may be regarded as a reliable source for the purposes of CDD verification where that process is independent of the person whose identity is being verified, secure from fraud and misuse and capable of providing an appropriate level of assurance that the person claiming a particular identity is in fact that person with that identity.

Self-assessment questions:

...

...

See regulations 5, 6, 27, 28, 30A, 31, 33, 34 and 35 of the *Money Laundering Regulations*.

...

3.2.7 Handling higher risk situations

The law requires that firms' anti-money laundering policies and procedures are sensitive to risks. This means that in higher risk situations, firms must apply enhanced due diligence and ongoing monitoring. **Situations that present a higher money laundering risk** might include, but are not restricted to: customers linked to higher risk countries or business sectors; or who have unnecessarily complex or opaque beneficial ownership structures; and transactions which are unusual, lack an obvious economic or lawful purpose, are complex or large or might lend themselves to anonymity.

Firms must take account of risk factors set out under regulation 33(6) which relate to customer risk, product risk and geographical risk when assessing whether there is a high risk of money laundering or terrorist financing in a particular situation and the extent of measures which should be taken to manage and mitigate that risk.

The *Money Laundering Regulations* also set out some scenarios in which specific enhanced due diligence measures have to be applied:

...

- **Business relationships or transactions with a person established in a high risk third countries a 'relevant transaction' where either party is established in a high risk third country**: the *Money Laundering Regulations* defines:

- (a) a high-risk third country as being one identified by the EU Commission by a delegated act. See EU Regulation 2016/1675 (as amended from time to time);
- (b) a relevant transaction as being a transaction in relation to which the relevant person is required to apply customer due diligence under Regulation 27;
- (c) established in a country in the case of a legal person as being the country of incorporation or principal place of business, or, in the case of a financial institution or credit institution, where its principal regulatory authority is.

In these scenarios, EDD must include specified measures which include obtaining additional information on the customer, the beneficial owner, the intended nature of the business relationship, source of funds and wealth, reasons for the transactions and senior management approval for the business relationship. Conducting enhanced monitoring is also a requirement.

- **Other transactions:** EDD must be performed:
 - (a) in any case where a transaction is complex ~~and~~ or unusually large, or there is an unusual pattern of transactions, ~~and~~ or the transaction or transactions have no apparent economic or legal purpose. In this scenario, there are specified EDD measures which must include, as far as reasonably possible, examining the background and purpose of the transaction and increasing the degree and nature of monitoring of the business relationship in which the transaction is made to determine whether that transaction or that relationship appears to be suspicious;
 - (b) in any other case which by its nature can present a higher risk of money laundering or terrorist financing.

Where the customer is the beneficiary of a life insurance policy, is a legal person or a legal arrangement, and presents a high risk of money laundering or terrorist financing for any other reason, credit and financial institutions must take reasonable measures to identify and verify the identity of the beneficial owners of that beneficiary before making a payment under the life insurance policy.

...

Appendix 4 Consumer Credit (High Net Worth Exemption) (Amendment) Instrument 2020

**CONSUMER CREDIT (HIGH NET WORTH EXEMPTION) (AMENDMENT)
INSTRUMENT 2020**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules) (as provided for in articles 60H and 60Q of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making provisions listed above are specified for the purposes of section 138G (2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*].

Amendments to the Handbook

- D. The Consumer Credit sourcebook (CONC) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Consumer Credit (High Net Worth Exemption) (Amendment) Instrument 2020.

By order of the Board
[*date*]

Annex
Amendments to the Consumer Credit sourcebook (CONC)

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

App 1.4 Exemption for high net worth borrowers and hirers and exemption relating to businesses

...

App 1.4.3 R ...

- (2) The bodies referred to in (1)(b) are:
- (a) the Institute of Chartered Accountants in England and Wales;
 - (b) the Institute of Chartered Accountants of Scotland;
 - (c) the Institute of Chartered Accounts in Ireland;
 - (d) the Association of Chartered Certified Accountants;
 - (e) the Chartered Institute of Management Accountants;
 - (f) the Chartered Institute of Public Finance and Accountancy;
 - (fa) the Association of International Accountants;
 - (fb) the Association of Accounting Technicians; ~~and~~
 - (fc) the Institute of Financial Accountants; and
 - (g) a professional body for accountants established in a jurisdiction outside the United Kingdom.

...

Appendix 5

Decision Procedure and Penalties Manual (Office for Professional Body Anti-Money Laundering Supervision) Regulations Instrument 2020

**DECISION PROCEDURE AND PENALTIES MANUAL (OFFICE FOR
PROFESSIONAL BODY ANTI-MONEY LAUNDERING SUPERVISION)
REGULATIONS INSTRUMENT 2020**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following power in the Financial Services and Markets Act 2000 (“the Act”) and related provision:
- (1) section 395 (The Authority’s procedures); and
 - (2) regulation 19 (procedure for disciplinary measures) of the OPBAS Regulations.

Commencement

- B. This instrument comes into force on [*date*].

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Decision Procedure and Penalties manual (DEPP) is amended in accordance with Annex B to this instrument.

Citation

- G. This instrument may be cited as the Decision Procedure and Penalties Manual (Office for Professional Body Anti-Money Laundering Supervision) Regulations Instrument 2020.

By order of the Board
[*date*]

Annex A**Amendments to the Glossary of definitions**

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

OPBAS Regulations the Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017 (SI 2017/1301).

self-regulatory organisation one of the professional bodies listed in Schedule 1 to the *Money Laundering Regulations*.

Annex B

Amendments to the Decision Procedure and Penalties manual (DEPP)

In this Annex, underlining indicates new text, unless otherwise stated.

2 Statutory notices and the allocation of decision making

...

2 Annex Warning notices and decision notices under the Act and certain other
1 enactments

...

Proxy Advisors (Shareholders' Rights) Regulations	Description	Handbook reference	Decision maker
...			
<u>OPBAS Regulations</u>	<u>Description</u>	<u>Handbook reference</u>	<u>Decision maker</u>
<u>Regulation 16</u>	when the <i>FCA</i> is <u>proposing or deciding to publish a statement censuring a <i>self- regulatory organisation</i></u>		<u>RDC</u>
<u>Regulation 17</u>	when the <i>FCA</i> is <u>proposing to make a recommendation to the Treasury that a <i>self- regulatory organisation</i> is removed from Schedule 1 to the <i>Money Laundering Regulations</i></u>		<u>RDC</u>
<u>Regulation 17</u>	when the <i>FCA</i> is <u>deciding to recommend to the</u>		<u>Executive procedures where no representations</u>

	<p>Treasury that a <u>self-regulatory organisation is removed from Schedule 1 to the Money Laundering Regulations</u></p>		<p>are made in response to a <u>warning notice, otherwise by the RDC</u></p>
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Appendix 6

Supervision Manual (Reporting No [14])

Instrument 2020

SUPERVISION MANUAL (REPORTING No [14]) INSTRUMENT 2020

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 139A (Power of the FCA to give guidance).
- 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 [*date*].

Amendments to the Handbook

- D. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Supervision Manual (Reporting No [14]) Instrument 2020.

By order of the Board
[*date*]

Annex

Amendments to the Supervision manual (SUP)

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

The form at SUP 15 Annex 3R (Notification to amend firm details form) is amended as follows.



Notification to amend firm details

To update firm name and trading names, website address, accounting reference date, auditors, locum, contacts and addresses

SUP 15 Annex 3R – Notifications under SUP 16.10

Firm name

Firm reference number

Address

Firms are required to submit this form via the appropriate online system referred to in SUP 15.5.9R.

This form should be used to update your firm name and trading name(s), website address, accounting reference data, auditors, locum, contacts and addresses.

...

1

Personal Details Application contact details**1.1 ~~Contact Name for this notification~~ Please enter the contact details of the person we will get in touch with about this application**

<u>Title</u>	
--------------	--

<u>First name(s)</u>	
----------------------	--

<u>Last name</u>	
------------------	--

<u>Job title</u>	
------------------	--

<u>Business address</u>	
<u>Postcode</u>	
<u>Country</u>	

<u>Phone number</u> <u>country code</u>	
<u>Phone number</u>	

<u>Mobile number</u>	
----------------------	--

<u>Email address</u>	
----------------------	--

1.2 Contact Details

Position in the firm	
Daytime telephone number	
Email address	
Individual reference number (IRN), if applicable	

Change full name of firm

2

If you wish to advise the FCA or PRA of a change to the firm's name please enter the following details, otherwise proceed to Section 3.

Note: this section is not intended to be used by firms that are covered by Industrial & Provident, Friendly Society, Credit Union or Building Society legislation. These firms should contact the FCA's Mutuels Team.

2.1 ~~Current~~ Existing legal status

- Private Limited Company
- Public limited company
- Limited Liability Partnership
- Limited partnership
- Sole trader
- Unlimited Liability Company
- Partnership
- Other ▶ Please specify below

2.2 ~~New full name of firm~~ registered firm name

If you are a sole trader, you should enter your own name in this section.
You can add any trading names later in the application

2.2A Company House registration number

2.2B I confirm that the change requested does not constitute a change of legal status.

- Yes

2.3 Please enter the date on which the change becomes effective

 / /

2.4 ...

~~2.5 I confirm that the change requested does not constitute a change of legal status.~~

- Yes

...

Change Contact Details

4

If you wish to change the contact details of the ~~Complaints Officer Contact~~ or ~~Primary Compliance Officer Contact~~ please enter the following details, otherwise please proceed to Section 5.

Please note that this will not change your approved person records. If you want to change these records, please complete the appropriate Approved Persons Form.

4.1 Please indicate which contact this change applies to.

- ~~Complaints Officer Contact~~ Person's Details for the Financial Services Register
- ~~Primary Compliance Contact~~ Officer

Title	
Forename(s) <u>First name</u>	
Surname <u>Last name</u>	
Job title	
Email address <u>Address</u>	
Postcode	

<u>Country</u>	
<u>Phone number</u> <u>country code</u>	
Phone number: This must be a direct dialled number.	
<u>Mobile number</u>	
<u>Email address</u>	

4.2 Please enter the date on which the change becomes effective

		/			/				
<u>Address</u>									
<u>Postcode</u>									

Change of Address

5a

5.1 ...

5.2 Please enter the new address details

Address	
Postcode	
<u>Country</u>	
<u>Phone number</u> <u>country code</u>	
Telephone <u>Phone</u> number	
Email address <u>(only applicable</u> <u>for Principal Place</u> <u>of Business)</u>	

5.3 Please enter the date on which the change becomes effective

<input type="text"/>	<input type="text"/>	/	<input type="text"/>	<input type="text"/>	/	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	---	----------------------	----------------------	---	----------------------	----------------------	----------------------	----------------------

Change of Other Address

5b

5.5 ...

5.6 Please enter the new contact and address details

Firm name (for professional advisor only)	
Title	
First name(s)	
Last name	
Job title	
Address	
Postcode	
Country	
Phone number country code	
Telephone Phone number	
Mobile number	
Email address	

5.7 Please enter the date on which the change becomes effective

<input type="text"/>	<input type="text"/>	/	<input type="text"/>	<input type="text"/>	/	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	---	----------------------	----------------------	---	----------------------	----------------------	----------------------	----------------------

6

Change of ~~Accounting Reference~~ financial year end date

6.1 Please enter the following details to change your ~~accounting reference~~ financial year end date

Current ~~Accounting Reference~~ financial year end date (dd/mm)

/

New ~~Accounting Reference~~ financial year end date (dd/mm)

/

6.2 What accounting periods will result from the change? The new ~~accounting reference~~ financial year end date that you have entered could result in several different periods depending on whether you want to extend or reduce your periods and which period is the first period affected.

Although the FCA or PRA may accept accounting periods of up to 18 months, SUP 16.3.18G advises firms that accounting periods longer than 15 months may be deemed unacceptable as this may hinder the timely provision of relevant and important information to the FCA or PRA. If a firm wishes to have an accounting period of longer than 18 months (sole traders and certain partnerships), the firm must apply to the FCA in writing.

Please detail the start and end dates for the current accounting period and the two following periods below:

Current Period

From

/ /

To

/ /

Next Period

From

/ /

To

/ /

Next Period 2

From

		/			/				
--	--	---	--	--	---	--	--	--	--

To

		/			/				
--	--	---	--	--	---	--	--	--	--

Note the change that you have requested will result in a change to your reporting timetable.

I confirm the change requested above and that it is correctly represented by the accounting periods listed.

7

Change of Website Address

7.1 Please enter the new website address (format – www.fca.org.uk)

7.2 Please enter the date on which the change becomes effective

<input type="text"/>	<input type="text"/>	/	<input type="text"/>	<input type="text"/>	/	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	---	----------------------	----------------------	---	----------------------	----------------------	----------------------	----------------------

8 Change Auditor/Reporting Accountant details

8.1 Please enter the following details to change your Auditor's/Reporting Accountant details

Firm name	
<u>Title</u>	
<u>First name(s)</u>	
<u>Last name</u>	
<u>Job title</u>	
Address	
Postcode	
Telephone <u>Phone</u> number	
<u>Mobile number</u>	
Email address	

8.2 ~~Effective date~~ Please enter the date on which the change becomes effective

/ /

9 Change Locum details

9.1 **Please tick this box if the applicant is dependent on a single key person**

9.2 **Please enter the following details to change your Locum's details**

<u>Firm name</u>	
<u>Firm reference number</u>	
<u>Title</u>	
<u>Forename(s) First name</u>	
<u>Surname Last name</u>	
<u>Job title</u>	
<u>Address</u>	
<u>Postcode</u>	
<u>Country</u>	
<u>Phone number country code</u>	
<u>Telephone Phone number</u>	
<u>Mobile number</u>	
<u>Email address</u>	

9.23 **Effective date** **Please enter the date on which the change becomes effective**

		/			/				
--	--	---	--	--	---	--	--	--	--

...

Appendix 7

Reporting of Information about Directory Persons (Miscellaneous Amendments) Instrument 2020; Allocation of the Responsibility for Insurance Distribution Activity or MCD Credit Intermediation Activity Instrument 2020

**REPORTING OF INFORMATION ABOUT DIRECTORY PERSONS
(MISCELLANEOUS AMENDMENTS) INSTRUMENT 2020**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 39 (Exemption of appointed representatives);
 - (b) section 59 (Approval for particular arrangements);
 - (c) section 60 (Applications for approval);
 - (d) section 62A (Changes in responsibilities of senior managers);
 - (e) section 63E (Certification of employees by authorised persons);
 - (f) section 63F (Issuing of Certificates);
 - (g) section 137A (The FCA’s general rules);
 - (h) section 137T (General supplementary powers);
 - (i) section 139A (Power of the FCA to give guidance);
 - (j) section 347 (The record of authorised persons etc);
 - (k) paragraph 23 (Fees) of Schedule 1ZA (The Financial Conduct Authority); and
 - (2) the other rule and guidance-making powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions sourcebook (GEN) of the FCA’s Handbook.
- 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 *[date]*.

Amendments to the Handbook

- D. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Reporting of Information about Directory Persons (Miscellaneous Amendments) Instrument 2020.

By order of the Board
[date]

Annex

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

16 Annex 47AR Directory persons report

...

(3)	(4)	(5)	(6)	<u>(6A)</u>	(7)	<u>(7A)</u>	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Individual Reference Number (IRN)	Passport number <u>and nationality</u> , for any Directory person who does not have an NI Number or for whom a passport number, and not an NI number, has previously been provided	National insurance (NI) number	Date of birth	<u>Title (optional)</u>	First name	<u>Name commonly known by (if known)</u>	Middle names (if known)	Last name	Date started role	Date role ended	Relevant roles currently held	Activities which the Directory person carries on and for which they hold the relevant qualifications	Customer engagement method(s) (online, telephone, face to face) offered by any Directory person who deals with customers and requires a qualification to do so	Workplace location(s) (post code(s)) for any Directory person who deals with customers face to face and requires a qualification to do so	Relevant accredited body membership for any Directory person who deals with customers and requires a qualification to do so
													
											[PRA CF] <u>Significant risk taker or Material material risk taker</u>				
											...				

											<u>Responsibility for Insurance Distribution (MIPRU 2.2.1R)</u>				
											<u>Responsibility for MCD Intermediation (MIPRU 2.2.1R)</u>				

16 Annex 47BG **Guidance notes for Directory persons report in SUP 16 Annex 47AR**

...

4. The information in (4), (5) and (6) will be used to cross-check the identity of the *Directory person* against other information held by the *FCA*. It will not be published on the *Directory*. It is only necessary to report a *Directory person's* passport number and nationality in (4) where:

...

**ALLOCATION OF THE RESPONSIBILITY FOR INSURANCE
DISTRIBUTION ACTIVITY OR MCD CREDIT INTERMEDIATION
ACTIVITY INSTRUMENT 2020**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) 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 137A (The FCA’s general rules);
 - (b) section 139A (Power of the FCA to give guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- 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 [*date*].

Amendments to the Handbook

- D. The Prudential sourcebook for Mortgage and Home Finance firms, and Insurance Intermediaries (MIPRU) is amended in accordance with Annex A to this instrument.
- E. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Allocation of the Responsibility for Insurance Distribution Activity or MCD Credit Intermediation Activity Instrument 2020.

By order of the Board
[*date*]

Annex A

**Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms,
and Insurance Intermediaries (MIPRU)**

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

2 Responsibility for insurance distribution and MCD credit intermediation activity

...

2.2 Allocation of the responsibility for insurance distribution activity or MCD credit intermediation activity

Responsibility for insurance distribution activity or MCD credit intermediation activity

2.2.1 R A *firm*, other than a sole trader, must allocate the responsibility for the *firm's insurance distribution activity* or *MCD credit intermediation activity* to a director or senior manager.

[**Note:** article 3(1), eighth paragraph of the *IDD* and article 29(4)(a), first sentence, of the *MCD*.]

2.2.1A G (1) Where a *firm* allocates responsibility under *MIPRU 2.2.1R* it should ensure that the person to whom the allocation is made is of sufficient seniority and authority within the *firm* to take on that role.

(2) This could, for example, be:

(a) an *SMF manager* who holds the *executive director function* (*SMF 3*) or the *other overall responsibility function* (*SMF 18*);
or

(b) a person who holds a significant management *FCA certification function*,

in relation to *insurance distribution* business or *MCD credit intermediation* business, as relevant.

2.2.1B R The *firm* must notify the *FCA* in a timely manner of the allocation in *MIPRU 2.2.1R*.

2.2.1C G (1) Where the person to whom the *MIPRU 2.2.1R* responsibility is allocated, is:

(a) an *SMF manager*, the notification is included in Form A (*Application to perform controlled functions*) (see *SUP 10C Annex 3D*), Form D (*Notification: Changes to personal information/application details and conduct*)

breaches/disciplinary action related to conduct) (see SUP 10C Annex 6R) or Form E (Internal transfer of a person) (see SUP 10C Annex 7D); or

- (b) a *Directory person*, the notification is included in the *Directory person* report (see SUP 16 Annex 47AR (*Directory persons* report)); or
- (c) a person other than a person in (a) and (b), then notification may be emailed to '[email address to be inserted]' or made using a method as set out in SUP 15.7.4R (methods of notification).

...

- 2.2.5 G The *FCA* will specify in the *Financial Services Register* the name of the *persons* to whom the responsibility for the *firm's insurance distribution activity* or *MCD credit intermediation activity* has been allocated ~~by inserting after the relevant controlled function the words "(insurance distribution)" or "(MCD intermediation)"~~. In the case of a *sole trader*, the *FCA* will specify in the *Financial Services Register* the name of the sole trader as the 'contact person' in the *firm*.

...

Annex B

Amendments to the Supervision manual (SUP)

In this Annex, striking through indicates deleted text.

10C Annex 3D Form A: Application to perform senior management functions

...



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



Application number
(for FCA/PRA use only)

The FCA has produced notes which will assist both the applicant *firm* and the *candidate* in answering the questions in this form. Please read these notes, which are available on both the FCA and PRA websites at:
<https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>

Both the applicant *firm* and the *candidate* will be treated by the FCA and PRA as having taken these notes into consideration when completing this form. Terms defined in either or both of the FCA Handbook or the PRA Rulebook are italicised and should be construed accordingly.

Long Form A – Dual-regulated firms (including EEA and third country firms)

...

3A.03 Job title

Insurance distribution

Will the *candidate* be responsible for insurance distribution at the *firm*? YES NO

(Note: Yes can only be selected if the individual is applying for a governing function (other than a *non-executive director* function))

Mortgage Credit Directive

Will the *candidate* be responsible for Mortgage Credit Directive Intermediation at the *firm*? YES NO



I have supplied further information
related to this page in Section 6

YES

NO

...



Application number
(for FCA use only)

The FCA has produced notes which will assist both the applicant *firm* and the *candidate* in answering the questions in this form. Please read these notes, which are available on the Handbook website at: <https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3.html>

Both the applicant *firm* and the *candidate* will be treated by the FCA as having taken these notes into consideration when completing their answers to the questions in this form.

Long Form A – UK and Overseas Firms (not Incoming EEA) for MiFID authorisation applications*

...

...

3.03

Job title[†]

Please refer to notes on the requirements for submitting a CV

Insurance distribution

Will the *candidate* be responsible for Insurance distribution at the *firm*?

(Note: Yes can only be selected if the *individual* is applying for (SMF1, SMF3, SMF27 or SMF29))

YES NO

Mortgage Credit Directive

Will the *candidate* be responsible for Mortgage Credit Directive Intermediation at the *firm*?

(Note: Yes can only be selected if the *individual* is applying for (SMF1, SMF3, SMF 27 or SMF 29.)

YES NO



I have supplied further information related to this page in Section 6[†]

YES NO

...



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



Application number
(for FCA/PRA use only)

The *FCA* has produced notes which will assist both the applicant *firm* and the *candidate* in answering the questions in this form. Please read these notes, which are available on the *FCA* website at:
<https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>

Both the applicant *firm* and the *candidate* will be treated by the *FCA* and *PRA* as having taken these notes into consideration when completing this form. Terms defined in either or both of the *FCA Handbook* or the *PRA Rulebook* are italicised and should be construed accordingly.

Short Form A – Dual-regulated firms (including EEA and third country firms)

...

3A.03 Job title

Insurance distribution

Will the *candidate* be responsible for Insurance distribution at the *firm*? YES NO

(Note: Yes can only be selected if the *candidate* is applying for a governing function (other than a *non-executive director* function))

Will the *candidate* be responsible for Mortgage Credit Directive Intermediation at the *firm*? YES NO

...



Application number
(for FCA use only)

The *FCA* has produced notes which will assist both the applicant *firm* and the *candidate* in answering the questions in this form. Please read the notes, which are available on the *FCA*'s website at:
<https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>

Both the *applicant* and the *candidate* will be treated by the *FCA* as having taken these notes into consideration when completing this form.

Long Form A – Solo-regulated firms (including EEA and third country)

...

3A.03 Job title

Insurance Distribution

Will the *candidate* be responsible for insurance distribution at the *firm*? YES NO

(Note: Yes can only be selected if the *individual* is applying for a *governing function* (other than a *non-executive director function*))

Mortgage Credit Directive

Will the *candidate* be responsible for Mortgage Credit Directive Intermediation at the *firm*? YES NO

(Note: Yes can only be selected if the *individual* is applying for a *governing function* (other than a *non-executive director function*))

...



Application number
(for FCA use only)

The FCA has produced notes which will assist both the applicant *firm* and the *candidate* in answering the questions in this form. Please read these notes, which are available on the FCA website at:
<https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>

Both the applicant *firm* and the *candidate* will be treated by the FCA as having taken these notes into consideration when completing this form.

Short Form A – Solo-regulated firms (including EEA and third country)

...

3A.03 Job title

Insurance distribution

Will the *candidate* be responsible for Insurance distribution at the firm? YES NO

(Note: Yes can only be selected if the *individual* is applying for a *governing function* (other than a *non-executive director function*))

Mortgage Credit Directive

Will the *candidate* be responsible for Mortgage Credit Directive Intermediation at the firm? YES NO

(Note: Yes can only be selected if the *individual* is applying for a *governing function* (other than a *non-executive director function*))

...

SUP 10C Annex 7D Form E: Internal transfer of a person performing a controlled function



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



Application number
(for FCA/PRA use only)

The FCA has produced notes which will assist both the applicant *firm* and the *candidate* in answering the questions in this form. Please read these notes, which are available on the FCA website at <https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>

Both the applicant *firm* and the *candidate* will be treated by the FCA and PRA as having taken these notes into consideration when completing this form. Terms defined in either or both of the *FCA Handbook* or the *PRA Rulebook* are italicised and should be construed accordingly.

Form E – Internal transfer of a person performing a controlled function for dual regulated firms

...

Arrangement and Senior management functions Section 4A

4A.04 Insurance distribution

Will the *candidate* be responsible for insurance distribution at the *firm*? YES NO

(Note: Yes can only be selected if the individual is applying for a governing function (other than a *non-executive director* function))

4A.05 Mortgage Credit Directive

Will the candidate be responsible for Mortgage Credit Directive Intermediation at the *firm*? YES
NO

...



Application number
(for FCA use only)

The *FCA* has produced notes which will assist both the applicant *firm* and the *candidate* in answering the questions in this form. Please read these notes, which are available on the *FCA* website at <https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex7D.html>

Both the applicant *firm* and the *candidate* will be treated by the *FCA* as having taken these notes into consideration when completing this form.

Form E – Internal transfer of a person performing a *controlled function* for solo-regulated firms (including EEA and third country)

...

Senior management functions

Section 4A

...

4A.03 Job title

4A.04 Insurance distribution

Will the *candidate* be responsible for Insurance distribution at the *firm*?

YES

NO

(Note: Yes can only be selected if the *individual* is applying for a *governing function*)

4A.05 Mortgage Credit Directive

Will the *candidate* be responsible for Mortgage Credit Directive Intermediation at the *firm*?

YES

NO

(Note: Yes can only be selected if the *individual* is applying for a *governing function* (other than a *non-executive director function*))

...

Appendix 8

Markets in Financial Instruments (Tick Sizes)

Instrument 2020

**MARKETS IN FINANCIAL INSTRUMENTS
(TICK SIZES) INSTRUMENT 2020**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance); and
 - (4) the relevant powers and related provisions referred to in schedule 4 to the General Provisions of the FCA Handbook.
- B. The rule-making provisions referred to above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*].

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes in this instrument listed in column (2) below.

(1)	(2)
Market Conduct sourcebook (MAR)	Annex A
Recognised Investment Exchanges sourcebook (REC)	Annex B

Citation

- E. This instrument may be cited as the Markets in Financial Instruments (Tick Sizes) Instrument 2020.

By order of the Board
[*date*]

Annex A

Amendments to the Market Conduct sourcebook (MAR)

In this Annex, underlining indicates new text.

5 **Multilateral trading facilities (MTFs)**

...

5.3A **Systems and controls for algorithmic trading**

Flagging orders, tick sizes and clock synchronisation

...

5.3A.14 R A *firm* must adopt tick size regimes in:

- (1) shares, depositary receipts, *exchange-traded funds*, *certificates* and other similar *financial instruments* traded on the *MTF*; and
- (2) any other *financial instrument* which is traded on that *trading venue*, as required by a regulatory technical standard made under article 49.3 or 49.4 of *MiFID*.

[**Note:** article 49 of *MiFID* and *MiFID RTS 11*]

5.3A.14 R A *firm* adopting tick sizes in accordance with MAR 5.3A.14R may match
A orders large in scale at mid-point within the current bid and offer prices.

[**Note:** article 49 of *MiFID* and *MiFID RTS 11*]

...

5A **Organised trading facilities (OTFs)**

...

5A.5 **Systems and controls for algorithmic trading**

...

Flagging orders, tick sizes and clock synchronisation

...

5A.5.14 R The *firm* must adopt tick sizes regimes for *financial instruments* as required by a regulatory technical standard made under article 49.3 or 49.4 of

MiFID.

[**Note:** article 49 of *MiFID* and *MiFID RTS 11*]

5A.5.14 R A firm adopting tick sizes in accordance with MAR 5A.5.14R may match
A orders large in scale at mid-point within the current bid and offer prices.

[**Note:** article 49 of *MiFID* and *MiFID RTS 11*]

Annex B

Amendments to the Recognised Investment Exchanges sourcebook (REC)

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

2.5.1 UK **Schedule to the Recognition Requirements Regulations, paragraphs 3 – 3H**

	...
	Paragraph 3G – Tick size regimes
(1)	<u>Subject to paragraph 1A,</u> The [UK RIE] must adopt tick size regimes in respect of trading venues operated by it in -
(a)	shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments traded on each trading venue; and
	[Note: MiFID RTS 11 contains requirements on the tick size regime for shares, depositary receipts, exchange-traded funds and certificates]
(b)	any financial instrument for which regulated technical standards are adopted by the European Commission pursuant to Article 49.3 or 4 of the markets in financial instruments directive which is traded on that trading venue.
	[Note: MiFID RTS 11]
(1A)	<u>The application of tick sizes shall not prevent the [UK RIE] from matching orders that are large in scale (as determined in accordance with Article 4 of the markets in financial instruments regulation) at the mid-point within the current bid and offer prices.</u>
	[Note: MiFID RTS 1]
	...

Appendix 9

Glossary Amendment (Multilateral Development Banks) Instrument 2020

**GLOSSARY AMENDMENT (MULTILATERAL DEVELOPMENT BANKS)
INSTRUMENT 2020**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*].

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Glossary Amendment (Multilateral Development Banks) Instrument 2020.

By order of the Board
[*date*]

Annex

Amendments to the Glossary of definitions

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

<i>designated multilateral development bank</i>	<p>Any of the following:</p> <p>...</p> <p>(ba) <u>Asian Infrastructure Investment Bank;</u></p> <p>(bb) <u>Caribbean Development Bank;</u></p> <p>...</p> <p>(ea) <u>European Investment Fund;</u></p> <p>...</p> <p>(ga) <u>International Development Association;</u></p> <p>...</p> <p>(ha) <u>International Finance Facility for Immunisation;</u></p> <p>(i) Islamic Development Bank; and</p> <p>(ia) <u>Multilateral Investment Guarantee Agency; and</u></p> <p>...</p>
<i>multilateral development bank</i>	<p>(a) any of the following:</p> <p>...</p> <p>(ia) <u>Asian Infrastructure Investment Bank;</u></p> <p>...</p> <p>(ixa) <u>International Development Association;</u></p> <p>...</p> <p>(b) (in <i>BIPRU</i>) for the purposes of the <i>standardised approach</i> to credit risk the following are <u>also</u> considered to be a multilateral development bank:</p> <p>...</p> <p>(ii) the Black Sea Trade and Development Bank; and</p>

- (iii) the Central American Bank for Economic Integration; and
- (iv) the CAF-Development Bank of Latin America.

