



# CUMMINGS PEPPERDINE ON THE FCA HANDBOOK

## 1. WHAT IS THE FINANCIAL CONDUCT AUTHORITY (“FCA”) HANDBOOK OF RULES AND GUIDANCE (“THE HANDBOOK”)?

The Handbook sets out the rules, guidance, legislative and other provisions which the FCA has made under powers given to it by the Financial Services and Markets Act 2000 (“FSMA”) (as amended), and to which firms authorised and regulated by it must adhere.

The Handbook consists of a number of Blocks and underlying Sourcebooks.

The Handbook is found online (at [www.handbook.fca.org.uk/handbook](http://www.handbook.fca.org.uk/handbook)), to make accessibility and navigation as easy as possible.

Below, we set out the structure of the Handbook as well as its Blocks and underlying Sourcebooks.

## 2. SO HOW IS THE HANDBOOK STRUCTURED?

Although the online Handbook contains the most accessible version of the rules and is consolidated, updated on a regular basis, the definitive rules are contained in the FCA’s rule-making instruments (available on the Handbook website). The FCA is required to produce these instruments under section 138G of the FSMA.

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The Handbook consists of a number of Blocks that in turn contain a number of modules. A module may be either a sourcebook or a Manual. An old version of the FCA's Reader's Guide to the Handbook (dated March 2013) stated that sourcebooks contain regulatory obligations that are binding on firms while Manuals contain provisions relevant to the regulatory relationship which the FCA has with firms, such as on supervision, enforcement and levying fees.

The table below sets out the structure of the Handbook.

## CONTENTS OF THE HANDBOOK

The FCA Handbook is divided into several "blocks", each consisting of a number of sourcebooks and Modules, and a Glossary of definitions used in the Handbook.

Below we set out a summary of some, but not all, these blocks.

### Block 1: High Level Standards

Block 1 of the Handbook contains the FCA's High-Level Standards. These are the overarching requirements that apply to authorised firms, to approved persons and to individuals within the scope of the Senior Managers Regime ("SMR") and the Certification Regime (collectively, "SM&CR"). They set the standards by which firms and approved persons are expected to conduct themselves and also the core regulatory obligations that apply to them.

#### The sourcebooks in Block 1 are:

- Principles for Businesses ("PRIN"): The Principles for Businesses are the high-level principles on which the more detailed rules and guidance contained in the Handbooks are based. There are eleven principles and they form the foundation of regulated firms' responsibilities.
- Senior Management Arrangements, Systems and Controls ("SYSC"): SYSC sets out rules and guidance on the FCA's expectations of senior management arrangements, systems and controls. They reflect the FCA's concern to ensure that firms' directors and senior management take appropriate responsibility for managing their firms' affairs and establish and maintain such systems and controls as are appropriate to their businesses. SYSC also includes the FCA's remuneration codes and guidance on whistleblowing.
- Code of Conduct ("COCON"): COCON contains conduct rules relating to individuals within the scope of the SM&CR.
- Threshold Conditions ("COND"): COND contains guidance on the minimum statutory conditions for authorisation, the threshold conditions, that a firm must satisfy prior to authorisation and maintain once authorised.
- Statements of Principle and Code of Practice for Approved Persons ("APER"): APER sets out the standards of behaviour that the FCA expects of approved persons (that is, individuals performing key roles currently in the approved persons regime whom the FCA has individually approved). In practice, these rules also apply to appointed representatives ("ARs").
- and Proper test for Employees and Senior Personnel ("FIT"): FIT sets out the criteria that firms should consider when assessing the fitness and propriety of individuals within the scope of the SM&CR and that the FCA will consider when assessing a candidate for a controlled function ("CF").
- Financial Stability and Market Confidence sourcebook ("FINMAR"): This Sourcebook now only contains provisions relating to short selling.
- Training and competence ("TC").] TC sets out requirements on the training and competence of employees at authorised firms carrying out certain roles.
- General Provisions ("GEN"): GEN is effectively the miscellaneous section of the Handbook. It provides guidance on, among other things, how to interpret the Handbook, disclosure of firms' regulatory status, insurance against financial penalties and charging consumers for telephone calls.

- Fees ("FEES"): FEES contains provisions relating to the funding of the FCA and also the levies payable by firms in respect of, among other things, the Financial Ombudsman Service ("FOS"), the Financial Services Compensation Scheme ("FSCS"), the Money and Pensions Service ("MaPS") and the Payment Systems Regulator ("PSR").

## Block 2: Prudential Standards

Firms are required to maintain capital resources that are commensurate to the risks to which they are exposed. The FCA must ensure that firms act prudently with regard to the risks they face, and that they hold adequate capital as a buffer, so that they can absorb losses and avoid those losses impacting their creditors. Block 2 sets out the prudential standards that the FCA expects firms to maintain, while PRA-authorized firms should take account of prudential provisions in the PRA Rulebook.

### The sourcebooks in Block 2 are:

- General Prudential sourcebook ("GENPRU"): GENPRU sets out the general prudential standards applying to BIPRU firms. It effectively acts as an introduction to BIPRU. GENPRU does not apply to mortgage and home finance firms and insurance intermediaries (whose prudential requirements are set out in MIPRU) or to UCITS firms (whose prudential requirements are set out in IPRU ("INV"). It also does not apply to banks, building societies and most investment firms or insurers, with the exception of GENPRU 3 (cross sector groups).
- Prudential sourcebook for insurers ("INSPRU"): this section applies to a firm in relation to insurance business and general insurance business, except where a particular provision provides for a narrower scope.
- Prudential sourcebook for MiFID Investment Firms ("MIFIDPRU"): this section sets out the detailed prudential requirements that apply to firms that undertake MiFID business (e.g. reception and transmission of client orders).
- Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries ("MIPRU"): this section sets

out the detailed prudential requirements that apply to firms with Part 4A permission to carry on certain types of regulated activities (e.g. insurance distribution).

- Interim Prudential sourcebook for Friendly Societies ("IPRU-FSOC"): this section sets out the detailed prudential requirements that apply to a special category of firms referred to as friendly societies. The general provisions of IPRU apply with noted exceptions.
- Interim Prudential Sourcebook for Insurers ("IPRU-INS"): this section sets out the detailed prudential requirements that apply to firms carrying out insurance activities. The general provisions of IPRU apply with noted exceptions.
- Interim Prudential sourcebook for Investment Businesses ("IPRU-INV"): this section sets out the detailed prudential requirements that apply to firms carrying out activities that amount to investment business. The general provisions of IPRU apply with noted exceptions.

## Block 3: Business Standards

Block 3 sets out the requirements applicable to firms in their day-to-day business, particularly in their dealings with clients. Most of this material appears only in the Handbook.

### The sourcebooks in Block 3 are:

- Conduct of Business sourcebook ("COBS"): The primary purpose of COBS is to set and reinforce business standards for various aspects of firms' relationships with their investment business customers. The content of COBS relates the business of investment firms and other firms, such as banks and insurers, carrying on investment business.
- Insurance: Conduct of Business sourcebook ("ICOBS"): The primary purpose of ICOBS is to set and reinforce business standards for various aspects of firms' relationships with their insurance customers. The content of ICOBS relates to the insurance business of firms and other firms, such as insurance distribution activities.
- Mortgages and Home Finance: Conduct of Business sourcebook ("MCOBS"): The primary

purpose of MCOBS is to set and reinforce business standards for various aspects of firms' relationships with their mortgage and home finance customers. The content of MCOBS relates to the mortgage and home finance business of firms and other firms, such as business loans and loans to high net worth mortgage customers.

- **Banking: Conduct of Business sourcebook ("BCOBS"):** The primary purpose of BCOBS is to set and reinforce business standards for various aspects of firms' relationships with their banking customers. The content of BCOBS relates to the banking business of firms and other firms, such as accepting deposits.
- **Claims Management: Conduct of Business sourcebook ("CMCOB"):** The primary purpose of CMCOBS is to set and reinforce business standards for various aspects of firms' relationships with their claims management customers. The content of CMCOB relates to the claims management business of firms and other firms, such as credit broking and entering into a regulated credit agreement as lender or insurance distribution activity.
- **Client assets ("CASS"):** CASS sets out rules and guidance for firms holding client assets and client money.
- For information on CASS, see Practice note, Client assets regulation: CASS overview.
- **Market conduct ("MAR"):** MAR sets out rules and guidance relating to the wholesale and professional markets. It includes guidance on the retained EU law version of the Market Abuse Regulation (596/2014) (UK MAR) and rules implementing the MiFID II requirements on multilateral trading facilities (MTFs), organised trading facilities ("OTFs"), systemic internalisers and transparency reports. MAR 8 contains requirements for firms that carry out the regulated activities of providing information in relation to a specified benchmark and administering a specified benchmark.
- **Product intervention and Product Governance sourcebook ("PROD"):** PROD contains rules and guidance relating to the FCA's power to make temporary product

intervention rules, and the obligations of manufacturers and distributors when manufacturing or distributing financial instruments.

- **Environmental, Social and Governance sourcebook ("ESG"):** The primary purpose of ESG is to set out the rules and guidance concerning a firm's approach to environmental, social and governance matters. This includes, but is not limited to, the disclosure of climate-related information consistent with regulatory requirements.

## **Block 4: Regulatory Processes**

Block 4 contains modules relating to the supervisory functions of the FCA and also the FCA's disciplinary functions.

### **The sourcebooks in Block 4 are:**

- **Supervision Manual ("SUP"):** SUP sets out the FCA approach to ongoing supervision of authorised firms. Its rules cover a broad range of issues, including the change of control regime, ARs and reporting obligations.
- **Skilled persons reports ("SUP 5").**
- **Applying to vary and cancel firms' Part 4A permissions and to impose, vary or cancel requirements ("SUP 6").**
- **Waiver and modification of rules ("SUP 8").**
- **Individual guidance ("SUP 9").**
- **Approved Persons regime for ARs ("SUP 10A").**
- **Overview of the SM&CR for Approved Persons ("SUP10C").**
- **FSMA Controllers and close links: overview ("SUP 11").**
- **ARs ("SUP 12").**
- **Notifications to the FCA ("SUP 15").**
- **UK MiFIR transaction reporting regime and supply of reference data ("SUP17A")**
- **Transfers of insurance business under Part 7 of FSMA ("SUP 18").**
- **Decision Procedure and Penalties Manual ("DEPP"):** DEPP sets out the FCA's decision-making procedures, including its policy in respect of the imposition and amount of penalties.

## Block 5: Redress

Block 5 contains modules dealing with complaints-handling by firms, and compensation on the insolvency of an authorised firm.

### The modules in Block 5 are:

- Dispute resolution: Complaints (“DISP”): DISP sets out the requirements for firms’ internal complaints handling procedures and for the operation of the FOS.
- Compensation (“COMP”): COMP contains rules made by the FCA relating to the FSCS and, in particular, the process for claiming compensation under the FSCS and obligations on firms relating to the FSCS.
- Consumer Redress Schemes sourcebook (“CONRED”):

## Block 6: Specialist sourcebooks

Block 6 contains modules that set out how the Handbooks apply to specific financial services sectors.

### The sourcebooks in Block 6 are:

- Collective Investment Schemes (“COLL”): COLL sets out requirements applying to, among others, investment companies with variable capital (“ICVCs”) and authorised unit trusts (“AUTs”), and implements a number of measures reflecting the UK implementation of the UCITS Directive (2009/65/EC).
- Investment funds sourcebook (“FUND”): FUND is the specialist sourcebook for alternative investment fund managers (AIFMs). The FCA originally intended to transpose the existing provisions in COLL to FUND to establish a single specialist sourcebook for investment funds. However, in CP15/27, published in September 2015, the FCA commented that its experience since 2013 suggested that such a significant change was not necessary at present and could create unnecessary burdens both for the FCA and for stakeholders “at a time when many other regulatory changes are taking place”.
- Credit Unions sourcebook (“CREDS”): The primary purpose of CREDS is to set and reinforce requirements applicable to firms

with respect to the Part 4A permission to accept deposits. The content of CREDS contains provisions specific to credit unions and those that are otherwise relevant.

- Consumer Credit sourcebook (“CONC”): The primary purpose of CONC is to set and reinforce requirements applicable to firms with respect to the Part 4A permission for credit-related regulated activities. The content of CONC contains provisions specific to consumer credit firms and those that are otherwise relevant.
- Professional Firms (“PROF”): The primary purpose of PROF is to set and reinforce requirements applicable to firms with respect to those that are exempt from FSMA. The content of PROF contains provisions specific to exempt professional firms that carry on particular regulated activities supervised and regulated by designated professional bodies (e.g. the Law Society of England & Wales).
- Regulated Covered Bonds (“RCB”): The primary purpose of RCB is to set out the guidance, directions and rules made by the FCA under the RCB Regulations. Specifically, these regulations enable bonds to be issued which qualify under certain sections of the Handbook for a concession from the general spread of risk requirements in respect of transferable securities.
- Recognised Investment Exchanges (“REC”): The primary purpose of REC is to set out the rules and guidance applicable to recognised bodies and to applicants for recognition as RIEs (e.g. the London Stock Exchange).

## GUIDES

A number of guides are published on the webpages of the Handbooks that are not, technically, part of the Handbook. These guides are split into “Handbook guides” and “Regulatory guides”.

The guides contain material that the FCA regards as useful for authorised firms (or, in the case of PERG, unauthorised firms seeking to determine whether they fall within the regulatory scope of FSMA) but that it feels should not be treated as formal rules.

## REGULATORY GUIDES

Regulatory guides are guides to particular regulatory topics.

The Handbooks contain the following regulatory guides:

- The Collective Investment Scheme Information Guide (“COLLG”): COLLG contains an overview of the regulatory regime governing collective investment schemes in the UK.
  - The Enforcement Guide (“EG”): EG sets out the FCA’s approach to exercising the main enforcement powers given to it by FSMA.
  - Financial Crime Guide: A firm’s guide to countering financial crime risks (“FCG”): FCG sets out both general financial crime guidance, as well as guidance on specific financial crime risks.
  - Financial Crime Thematic Reviews (“FCTR”): FCTR provides summaries of, and links to, a number of previously published FSA and FCA financial crime thematic reviews that are still relevant. It also collates statements of good and poor practice identified from the reviews.
  - The Perimeter Guidance Manual (“PERG”): PERG provides guidance on the FCA’s interpretation of the FSMA regulatory perimeter. It should be used as a point of reference when considering whether any particular activity falls within the scope of the regulatory regime of the FCA whether any given communication is a financial promotion. PERG also gives guidance on the FCA’s understanding of how the scope of materials derived from EU legislation interacts with the regulatory perimeter.
  - The Responsibilities of Providers and Distributors for the Fair Treatment of Customers (“RPPD”): RPPD is intended to clarify the FCA’s expectations of what the Principles for Businesses and more detailed FCA rules require from all regulated firms involved in the supply of products or services to retail customers.
  - The Unfair Contract Terms and Consumer Notices Regulatory Guide (“UNFCOG”):
- The Wind-down Planning Guide (“WDPG”): WDPG sets out an approach to wind-down planning intended to assist FCA -authorised firms that may need to wind down. It is intended to show what an effective wind-down plan might include, but it does not impose any obligation on a firm to create a wind-down plan.
  - The MiFID 2 Onshoring Guide (“M2G”): This guide sets out an overview of the FCA’s approach to the onshoring of materials relating to the MiFID II Directive. M2G 1 considers the onshoring of MiFID II in MAR and REC, focusing on the regulatory regime in MiFID II for trading venues and data reporting service providers. M2G 2 considers the onshoring of MiFID II in SYSC, focusing on the regulatory regime for UK firms and is aimed at UK MiFID investment firms.

## EU-DERIVED MATERIALS

The FCA’s website contains links to the consolidated texts of the technical standards for which it is responsible and links to European Union (“EU”) non-legislative (level 3) material, such as guidelines that were produced by European Securities and Markets Authority (“ESMA”), European Insurance and Occupational Pensions Authority (“EIOPA”) and the European Banking Authority (“EBA”) before the end of the Brexit transition period.

In October 2020, the FCA published a guide to the version of the Handbook as it would apply following the end of the transition period. Among other things, this sets out details of the FCA’s approach to how it displays the texts of onshored technical standards and level 3 material.

## TECHNICAL STANDARDS

Regulatory technical standards (“RTS”) and implementing technical standards (“ITS”) (collectively, binding technical standards or BTS) are binding standards adopted by the European Commission intended to supplement or implement EU legislation and to address issues that are highly technical in nature. The delegated regulations and implementing regulations containing RTS and ITS respectively that applied before the end of the transition period were onshored into UK law at the end of the transition period.

The FCA was given the power to make and amend technical standards that are relevant to its functions.

The Handbook website has a webpage containing links to consolidated texts of the technical standards for which the FCA is responsible. These texts are grouped under the names of the individual EU legislative acts that the technical standards originally supplemented.

## LEVEL 3 MATERIAL

Level 3 material continues to be relevant after the end of the transition period. The FCA expects firms and other market participants to continue to apply guidelines and recommendations from the EBA, EIOPA and ESMA as they did before the end of the transition period, taking into account the UK’s withdrawal from the EU and amendments made to relevant legislation and regulation in the withdrawal process.

The FCA Handbook website has a webpage containing links to texts of level 3 materials. These can be filtered by specifying the dossier (that is, the original EU legislation) to which the materials relate.

**For more information, visit our website to read our [Pep Publications](#) and listen to [The Hugely Popular Cummings Pepperdine Crypto Questions](#)**

## THE TEAM

Cummings Pepperdine is a leading advisor in crypto. We are one of a select few that advises a large and diverse global client base in the crypto space and the only to provide a complete crypto solution building on the three key areas of law, tax and FCA with legal underpinning at every point.

In law, we have a team of qualified and regulated solicitors and barrister who retains right of audience.

In tax, we have one of the only crypto tax advisors who is both a qualified solicitor and qualified chartered accountant.

In regulation, our team comprises specialists in crypto compliance monitoring structures and governance oversight who are known to the FCA for the quality of their work.

The team is led by Claire Cummings, a leading solicitor specialising in crypto law and the current and evolving regulation. Claire is on the advisory boards of a crypto exchange and an NFT gaming guild and is also a member of the Global Digital Finance working group on



**Claire Cummings**

stablecoins. Claire has also acted as compliance officer, MLRO and director of an FCA regulated fund manager and qualified under SIB to trade derivatives. As a leading expert in crypto, Claire is a sought after speaker and has published multiple articles on the legal and regulatory issues surrounding cryptocurrencies and the crypto eco-system. Claire is named at the Top 10 influencer in London for hedge funds (2&20, 2022) and is included in the CityWealth Crypto Top 100

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The Cummings Pepperdine Online Training Programme, includes sections focussing on the FCA Handbook, has been designed by a specialist board of compliance consultants, solicitors, chartered accountants, tax advisors and regulatory consultants. We believe that we are the only firm which offers training created by this range of qualified advisors.

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