

Rule C2: Incidental Financial Business

Part I - General

Definitions and interpretation

2.1.1 In this rule 2, unless the context otherwise requires, terms listed in the first column of rule 2.1.1 shall have the meanings respectively ascribed to them in the second column of that rule:

<u>Term</u>	<u>Definition</u>
accounting period	in respect of a licensed person, a period not exceeding six months immediately following the previous accounting period, the first such accounting period commencing on the date on which an incidental financial business licence has been granted to that licensed person or, having been withdrawn, suspended or not renewed, is granted again to that licensed person or is reinstated following suspension
the Act	the Financial Services and Markets Act 2000
the Amendment (No 1) Order	the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 1) Order 2003
the Amendment (No 2) Order	the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2003
bankruptcy proceedings	an award of sequestration, bankruptcy order or equivalent in any other jurisdiction
bankruptcy proceedings	an award of sequestration, bankruptcy order or equivalent in any other jurisdiction
Consumer Credit Activity	any of the following regulated activities: <ol style="list-style-type: none">credit broking (Chapter 6A of Part 2 of the Order)operating an electronic system in relation to lending (Chapter 6B of Part 2 of the Order)activities in relation to debt (Chapter 7B of Part 2 of the Order)regulated credit agreements (Chapter 14A of Part 2 of the Order)regulated consumer hire agreements (Chapter 14B of Part 2 of the Order)specified activities in relation to information (Part 3A of the Order)
contract of insurance	the meaning given by article 3(1) of the Order
contract of long-term care	the meaning given by article 1(4) of the

insurance contract of long-term insurance Directive	Amendment (No 2) Order the meaning given by article 3(1) of the Order Directive 2002/92/EC <u>(EU) 2016/97</u> of the European Parliament and of the Council of the European Union on insurance mediation <u>distribution</u>
<u>lasting medium</u>	<u>any instrument which:</u> <u>(a) enables the recipient to store information personally addressed to them in a way accessible for future reference and for a period of time adequate for the purpose of the information; and</u> <u>(b) allows the unchanged reproduction of the information stored</u>
exempt person	a person who is exempt from the general prohibition as a result of an exemption order made under section 38(1) of the Act or as a result of section 39(1) or 285(2) or (3) of the Act
the FCA	the Financial Conduct Authority
the general prohibition	the meaning given by section 19(2) of the Act
Incidental Financial Business Compliance Certificate	a certificate so designated by the Council in such form as the Council may from time to time prescribe
incidental financial business licence	a licence granted by the Council in terms of Part III of this rule 2
insurance intermediary	a person who carries on insurance mediation activity
insurance mediation <u>distribution</u> activity	any of the following regulated activities carried on in relation to a contract of insurance or rights to or interests in a life policy: <u>(i) i-dealing in investments as agent (Article 21 of the Order)</u> <u>(ii) ii-arranging (bringing about) deals in investments (Article 25(1) of the Order)</u> <u>(iii) iii-making arrangements with a view to transactions in investments (Article 25(2) of the Order)</u> <u>(iv) iv-assisting in the administration and performance of a contract of insurance (Article 39A of the Order)</u> <u>(v) v-advising on investments (Article 53 of the Order)</u> <u>(vi) vi-agreeing to carry on a regulated activity in (i) to (v) (Article 64 of the Order)</u>
<u>insurance distribution</u>	<u>the meaning given by Article 2 of the Directive and shall include reinsurance distribution as defined by Article 2 of the Directive</u>

<u>insurance intermediary</u>	<u>a person who carries on insurance distribution activity</u>
<u>insurance-based investment product</u>	<p><u>an insurance product which offers a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations, and does not include:</u></p> <p>(a) <u>non-life insurance products as listed in Annex I to Directive 2009/138/EC (Classes of non-life insurance);</u></p> <p>(b) <u>life insurance contracts where the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or disability;</u></p> <p>(c) <u>pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement, and which entitle the investor to certain benefits;</u></p> <p>(d) <u>officially recognised occupational pension schemes falling under the scope of Directive 2003/41/EC or Directive 2009/138/EC;</u></p> <p>(e) <u>individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider</u></p>
<u>Insurance Product Information Document</u>	<u>a document containing the information that meets the requirements of Article 20(5) to Article 20 (8) of the Directive</u>
licensed person	a practice unit which is licensed by the Society to carry on incidental financial business in terms of this rule 2
long-term care insurance mediation activity	the meaning given by article 22 of the Amendment (No 2) Order
mortgage mediation activity	in relation to regulated mortgage contracts, has the meaning given by article 26 of the Amendment (No 1) Order
officer	a manager
the Order	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001
personal recommendation	a recommendation given to a specific person, and "personally recommending" shall be interpreted accordingly
regulated activity	the meaning given by section 22 of the Act
regulated mortgage contract	the meaning given by article 61(3) of the Order
<u>remuneration</u>	<u>any commission, fee, charge or other payment, including an economic benefit of any kind or any</u>

[other financial or non-financial advantage or incentive offered or given in respect of insurance distribution activities](#)

retail client

a client who is a natural person who is acting for purposes which are outside his trade, business or profession

2.1.2 References in this rule 2 to incidental financial business or regulated activities carried on by a practice unit shall include such business or activities carried on by an individual as an officer or an employee of the practice unit and employees shall include solicitor and non-solicitor employees and consultants.

Purpose and scope of rule 2

2.2.1 This rule 2 makes provision for the carrying on by practice units of incidental financial business.

2.2.2 This rule 2 applies in respect of practice units where the activities constituting incidental financial business are the only regulated activities carried on by the practice unit (other than regulated activities in relation to which it is an exempt person).

2.2.3 This rule 2 applies in respect of incidental financial business carried on in, into or from the United Kingdom, and to practice units carrying on incidental financial business which is insurance ~~mediation~~-[distribution](#) activity in or into another Member State.

Part II—Incidental Financial Business

Prohibition on carrying on incidental financial business

2.3 No practice unit shall carry on incidental financial business unless it has been licensed by the Society to do so in terms of this rule 2.

Criteria for carrying on incidental financial business

2.4 Subject to rules 2.2.2 and 2.3, a practice unit may carry on incidental financial business:

- (a) to the extent that there is not in force a direction of the FCA under section 328(1) of the Act or an order of the FCA under section 329(1) of the Act preventing the practice unit from carrying on a regulated activity or regulated activities;
- (b) to the extent that the regulated activities are not of a description, nor do they relate to an investment of a description, specified in any order made by the Treasury under section 327(6) of the Act;
- (c) provided that the practice unit must not receive from a person other than its client any pecuniary reward or other advantage, for which it does not account to its client, arising out of its carrying on any regulated activity;
- (d) provided that the manner of the provision by the practice unit of any service in the course of carrying on a regulated activity must be incidental to the provision by it of professional services;

- (e) provided that the practice unit carries on only regulated activities which arise out of, or are complementary to, the provision by it of a particular professional service to a particular client; ~~and~~
- (f) provided that the insurance distribution carried out by the practice unit is not in relation to the sale of insurance –based investment products; and
- ~~(g)~~ provided that the practice unit is controlled or managed by officers who are regulated persons.

Part III—Licences

Application for licence

- 2.5.1 An application for an incidental financial business licence may be made by a practice unit by submitting to the Secretary at the same time:
 - (a) a completed form of application in such form as the Council may from time to time prescribe; and
 - (b) the fee to be prescribed from time to time by the Council in connection with such application~~;~~.
- 2.5.2 At any time after receiving an application and before determining it, the Council may require the applicant to furnish additional information and such additional information shall be in such form or verified in such manner as the Council may specify.
- 2.5.3 The Council may notify the FCA of any details disclosed to it in the application form under rule 2.5.1 or pursuant to rule 2.5.2.

Grant and refusal

- 2.6.1 Subject to rule 2.6.2, the Council may, on an application duly made in accordance with rule 2.5.1, grant or refuse to grant an incidental financial business licence or may grant such licence subject to such conditions or restrictions as it considers appropriate.
- 2.6.2 The Council shall refuse to grant an incidental financial business licence unless it is satisfied that:
 - (a) the applicant is a practice unit; and
 - (b) the main business of the applicant is the practice of professional services which are subject to supervision and regulation by the Society.
- 2.6.3 The Council shall advise an applicant for an incidental financial business licence, in writing, whether it has been granted an incidental financial business licence, in which case the date of grant shall be specified, as shall any conditions or restrictions which the Council considers appropriate in respect of that licence, or whether it has been refused an incidental financial business licence, in which case the reasons for refusal shall be given.
- 2.6.4 In the event that the Council shall have granted an incidental financial business licence to an applicant, it shall, at the same time as so advising the applicant in terms of rule 2.6.3, issue to the applicant a certificate confirming that the applicant is licensed to carry on incidental financial business.
- 2.6.5 The Council shall cause to be kept in respect of each practice year a register of applications for incidental financial business licences and of licences granted. The register shall be in such form as the Council may determine.

Duration, renewal and annual fee

- 2.7.1 An incidental financial business licence shall expire at the end of each practice year and shall require to be renewed annually. The fee for the renewal of an incidental financial business licence shall be payable annually on or before 1st November. For the avoidance of doubt, the certificate referred to in rule 2.6.4 shall not require to be reissued upon the renewal of an incidental financial business licence.
- 2.7.2 The amount of the fee referred to in rule 2.7.1 shall be such as the Council may from time to time prescribe.

Withdrawal, suspension and lapse

- 2.8.1 An incidental financial business licence shall lapse automatically upon the licensed person ceasing to practise as a regulated person or ceasing to be a practice unit.
- 2.8.2 An incidental financial business licence shall lapse automatically upon the licensed person becoming authorised by the FCA to carry on regulated activities.
- 2.8.3 An incidental financial business licence shall lapse automatically upon a direction under section 328(1) or an order under section 329(1) of the Act being made in relation to the licensed person, such lapse to be to the extent necessary to secure compliance with the direction or order.
- 2.8.4 An incidental financial business licence granted to an incorporated practice shall lapse automatically on the revocation of the recognition of that incorporated practice.
- 2.8.5 An incidental financial business licence granted to a practice unit which is a sole practitioner shall be suspended automatically on the suspension of the practising certificate of that sole practitioner and an incidental financial business licence granted to a practice unit which has two or more managers (but is not an incorporated practice) shall be suspended automatically on the suspension of the practising certificates of the managers of that practice unit.
- 2.8.6 Any suspension of an incidental financial business licence pursuant to rule 2.8.5 shall continue to have effect only while the practising certificates of the relevant managers remain suspended.
- 2.8.7 An incidental financial business licence may be suspended by the Council if, within 30 days of the due date for payment of any fee required under rule 2.7.1, payment has not been made, provided that such suspension shall cease to have effect on payment being made.
- 2.8.8 An incidental financial business licence may be suspended by the Council if the licensed person has not, within one month (or within such extended period as the Council may have authorised in terms of rule ~~2.19~~[2.21](#)) of the completion of its accounting period, delivered to the Council an Incidental Financial Business Compliance Certificate in accordance with Part V of this rule 2, provided that such suspension shall cease to have effect on the date of the production to the Council of an Incidental Financial Business Compliance Certificate.
- 2.8.9 An incidental financial business licence may be suspended or withdrawn by the Council if the licensed person has failed to comply with any provision of this rule 2 other than those provisions failure to comply with which may result in suspension pursuant to rules 2.8.7 or 2.8.8, provided that an incidental financial business licence may be withdrawn by the Council if the licensed person has had its incidental financial business licence suspended pursuant to rule 2.8.7 or rule 2.8.8 on two or more occasions. In exercising its discretion to suspend or withdraw in such circumstances, the Council shall have regard to the materiality of any such failure to comply and to any previous failures to comply.

- 2.8.10 The Council shall advise the licensed person of any suspension or withdrawal pursuant to rules 2.8.7, 2.8.8 or 2.8.9 by notice, which notice shall specify the date upon which the suspension or withdrawal shall take effect. In the case of a suspension, the licensed person may represent either orally or in writing to the Council that such suspension should be terminated and, in considering any such representation, the Council shall have regard to the efforts made by the licensed person to remedy the failure to comply which gave rise to the suspension.
- 2.8.11 Where an incidental financial business licence has lapsed or has been or is to be withdrawn or suspended, whether automatically or otherwise, the Council may direct the licensed person whose incidental financial business licence has lapsed or has been or is to be withdrawn or suspended, to take such action and make such arrangements as are necessary, in the view of the Council, to ensure the speedy and satisfactory completion and/or transfer to another licensed person of clients' outstanding incidental financial business.
- 2.8.12 Any licensed person whose incidental financial business licence has lapsed or is withdrawn or suspended in terms of this rule 2.8 may, in a case of automatic lapse or suspension, within 21 days of the occurrence of the event which has given rise to such lapse or suspension and, in a case of withdrawal or suspension by the Council, within 21 days of being notified by the Council of such withdrawal or suspension, appeal to the Court of Session.
- 2.8.13 Where an incidental financial business licence has lapsed or has been or is to be withdrawn or suspended, whether automatically or otherwise, the Council may direct the licensed person whose incidental financial business licence has lapsed or has been or is to be withdrawn or suspended, to take such action and make such arrangements as are necessary, in the view of the Council, to ensure the speedy and satisfactory completion and/or transfer to another licensed person of clients' outstanding incidental financial business.
- 2.8.14 Any licensed person whose incidental financial business licence has lapsed or is withdrawn or suspended in terms of this rule 2.8 may, in a case of automatic lapse or suspension, within 21 days of the occurrence of the event which has given rise to such lapse or suspension and, in a case of withdrawal or suspension by the Council, within 21 days of being notified by the Council of such withdrawal or suspension, appeal to the Court of Session.

Notification of changes to information, section 328 directions and section 329 orders

- 2.9.1 A licensed person shall notify the Secretary in writing of any change to the information provided to the Society on the form of application submitted in terms of rule 2.5.1 or to the additional information (if any) provided in terms of rule 2.5.2.
- 2.9.2 The notification referred to in rule 2.9.1 shall be given by the licensed person within one month of any change referred to in rule 2.9.1.
- 2.9.3 A licensed person shall notify the Secretary in writing in the event that a direction of the ~~FCA~~under FCA under section 328(1) or an order under section 329(1) of the Act is made in relation to the licensed person.
- 2.9.4 The notification referred to in rule 2.9.3 shall be given by the licensed person within one month of the direction or order referred to in rule 2.9.3 being made, and shall be accompanied by a copy of the direction or order.
- 2.9.5 A licensed person shall notify the Secretary in writing in the event that the licensed person becomes authorised by the FCA to carry on regulated activities.

- 2.9.6 The notification referred to in rule 2.9.5 shall be given by the licensed person within one month of the authorisation referred to in rule 2.9.5 coming into effect, and shall be accompanied by a copy of the certificate of authorisation.

Part IV - Insurance ~~Mediation Activity~~ distribution activity

Registration for the purposes of insurance ~~mediation~~ distribution activity

- 2.10.1 Every practice unit which carries on incidental financial business which is insurance ~~mediation~~ distribution activity shall give the Council the details required by the Council of the officer responsible for the conduct of that business.
- 2.10.2 The Council shall notify the ~~FCA of~~ FCA of any details disclosed to it pursuant to paragraph 2.10.1.
- 2.10.3 Every practice unit which carries on any incidental financial business which is insurance ~~mediation~~ distribution activity shall give the Council the details required by the Council of those persons involved in that business, which may include details of any criminal record and of any bankruptcy proceedings in relation to those persons.
- 2.10.4 The details required to be given to the Council in terms of this rule may form part of the information required by the form of application referred to in rule 2.5.1, and changes in those details shall be notified to the Council in terms of rule 2.9.1.
- 2.10.5 As required by the Directive, no practice unit may carry on insurance ~~mediation~~ distribution activity until it appears on the FCA exempt professional firm (EPF) register.

Requirement of good repute

- 2.11.1 No person having a criminal record disclosing a serious criminal offence involving any crime against property or related to financial activities shall be involved in insurance ~~mediation~~ distribution activity on behalf of any practice unit, whether as an officer, employee, consultant or otherwise.
- 2.11.2 No person who is subject to bankruptcy proceedings shall be involved in insurance ~~mediation~~ distribution activity on behalf of any practice unit, whether as an officer, employee, consultant or otherwise.

Prohibition on carrying on business

- 2.12 No licensed person shall carry on incidental financial business which is insurance ~~mediation~~ distribution activity if it is not registered with the FCA for that purpose.

Provision of information

- 2.13.1 ~~Subject to rule 2.13.2, where~~ In good time before the conclusion of a contract of insurance ~~is to be concluded with a client in relation to which a licensed person has conducted insurance mediation activity~~, the information set out in Schedule A to this rule 2 must be provided to the client:.

2.13.2 In addition to the information required under rule 2.13.1, a licensed person must ensure that the client is given objective and relevant information about a contract of insurance in good time prior to the conclusion of the contract, so that the client can make an informed decision. A licensed person must provide this information to the client:

(a) whether or not it gives a personal recommendation; and

(b) irrespective of the fact that the contract of insurance is offered as part of a package with:

(i) a non-insurance product or service; or

(ii) another contract of insurance.

2.13.3 A licensed person must ensure that the level of information provided takes into account the complexity of the contract of insurance and the individual circumstances of the client.

2.13.4 When dealing with a client who is an individual and who is acting for purposes which are outside his trade or profession the information provided under rule 2.13.2 must include an Insurance Product Information Document.

2.13.5 A licensed person must provide the information required in rule 2.13.4 by way of an Insurance Product Information Document for each contract of insurance (other than a pure protection contract).

~~(a) on paper or other durable medium available and accessible to the client;~~

~~(b) in a clear and accurate manner, comprehensible to the client; and~~

~~(c) in an official language of the member state of the commitment or in any other language agreed by the licensed person and the client.~~

~~2.13.2 The information to be provided pursuant to rule 2.13.1:~~

~~(a) may be provided orally if:~~

~~(i) the client requests this; or~~

~~(i) the client requires immediate cover; and~~

~~(b) need not be provided before the conclusion of the contract if the contract is concluded by telephone at the client's request and the client gives his explicit consent to receiving limited information after the conclusion of the contract.~~

~~2.13.3 Where rule 2.13.2 applies, the client must be provided with the information set out in Schedule A to this rule 2, in a manner which complies with paragraphs (a) to (c) of rule 2.13.1, immediately after the conclusion of the contract.~~

~~2.13.4 If the contract is concluded by a licensed person acting as an insurance intermediary by telephone with a retail client, the retail client must be informed on initial contact of:~~

~~(a) the name of the licensed person and, if the call is initiated by the insurance intermediary, the commercial purpose of the call; and~~

~~(b) where relevant, the identity of the person in contact with the retail client and his link with the licensed person.~~

~~2.13.5~~ 2.13.6 Where the contact of a licensed person with a client is limited to introducing that client to another insurance intermediary, the client must be given the information specified in paragraph 1 to 5, 8 and 9 of Schedule A to this rule 2 on initial contact. The information may be provided orally or in writing.

~~2.13.6 Where the information required to be supplied pursuant to rule 2.13.5 is given orally, the information must also be provided by the licensed person, in a manner which complies with sub-paragraphs (a) to (c) of rule 2.13.1 immediately after the initial contact with the client.~~

2.13.7 Where a licensed person distributes contracts of insurance, it must have in place adequate arrangements to:

(a) obtain from the manufacturer of the contract of insurance:

(i) all appropriate information on the contract of insurance and the product approval process; and

- (ii) the identified target market of the contract of insurance; and
- (b) understand the characteristics and the identified target market of each contract of insurance.

2.13.72.13.8 Where a licensed person acts as an insurance intermediary in relation to a contract of insurance, and selects contracts from a limited number of insurance undertakings or from a single insurance undertaking then it must maintain, and keep up to date, for each type of contract of insurance that it deals with, a list of insurance undertakings that it selects from or deals with and the relevant list must be made available to any client, in writing, on request.

2.13.9 In good time before the conclusion of the initial contract of insurance and if necessary, on its amendment or renewal, a licensed person must provide the client with information:

- (a) on the nature of the remuneration received in relation to the insurance contract;
- (b) about whether in relation to the contract the licensed person works on the basis of:
 - (i) a fee, that is remuneration paid directly by the client;
 - (ii) a commission of any kind, that is remuneration included in the premium;
 - (iii) any other type of remuneration, including an economic benefit of any kind offered or given in connection with the contract; or
 - (iv) a combination of any type of remuneration set out above in (i), (ii) and (iii).

2.13.11 Where a fee is payable, a licensed person must inform the client of the amount of the fee before the client incurs liability to pay the fee, or before conclusion of the contract of insurance, whichever is earlier and to the extent that it is not possible for that amount to be given, a licensed person must give the client the basis for its calculation. This rule 2.13.11 applies to all such fees that may be charged during the life of the contract of insurance.

Information conditions - means of communication

2.14.1 Rules 2.14.2 to 2.14.5 apply to all information required to be provided to a client in this Part IV of these Rules.

2.14.2 A licensed person must communicate information to the client on paper or using any of the following means:

- (a) a durable medium other than paper where the following conditions are satisfied:
 - (i) the use of a durable medium other than paper is appropriate in the context of the business conducted between the licensed person and the client; and
 - (ii) the client has been given the choice between information on paper and on a durable medium other than paper and has chosen a durable medium other than paper; or
- (b) on a website (where it does not constitute a durable medium) where the following conditions are satisfied:

- (i) the provision of that information by means of a website is appropriate in the context of the business conducted between the licensed person and the client;
- (ii) the client has consented to the provision of that information by means of a website;
- (iii) the client has been notified electronically of the address of the website, and the place on the website where that information can be accessed; and
- (iv) the licensed person ensures that the information remains accessible on the website for such period of time as the client may reasonably need to consult it.

2.14.3 A licensed person must communicate the information:

- (a) in a clear and accurate manner, comprehensible to the client;
- (b) in an official language of the Member State in which the insured risk, or proposed insured risk, is situated or in any other language agreed upon by the parties; and
- (c) free of charge.

2.14.4 Where a licensed person communicates the information using a durable medium other than paper or by means of a website, the licensed person must, upon request and free of charge, send the client a paper copy of the information.

2.14.5 A licensed person must ensure that a client's choice or consent to receive the information by means of a website (whether a durable medium or where the conditions under rule 2.14.2(b) are satisfied) is an active and informed choice or consent.

Scope of services

~~2.14.2.15~~ Where a licensed person acts as an insurance intermediary and holds itself out as providing advice to clients on particular types of contracts of insurance on the basis of a fair analysis of the market, it must not provide such advice unless it has analysed a sufficiently large number of contracts available in the relevant sector or sectors of the market to be able to give advice on a contract of insurance which is adequate to meet the client's needs.

Statement of demands and needs

~~2.15.1~~2.16.1 Where a licensed person makes a personal recommendation to a client of a specific contract of insurance, or arranges for a client to enter into a specific contract of insurance, it must, before the conclusion of that contract, provide the client with a statement of his demands and needs in respect of that insurance contract. In addition to stating the demands and needs of the client, the statement must:

- (a) confirm whether the licensed person has personally recommended that contract; and
- (b) explain the reasons for personally recommending that contract.

~~2.15.2~~2.16.2 The statement referred to in rule ~~2.15.1~~2.16.1 must reflect the complexity of the contract of insurance proposed.

~~2.15.3~~Unless rule 2.15.4 applies, the 2.16.3 The statement referred to in rule ~~2.15.1~~2.16.1 must be provided in writing.

~~2.15.4~~ ~~A licensed person may provide the statement referred to in rule 2.15.1 orally if:~~

- ~~(a) — the client requests it; or~~

~~(b) — immediate cover is necessary;~~

~~but in both cases the licensed person must provide that statement in writing immediately after the conclusion of the contract.~~

Cross Selling Requirements

2.17.1 When a licensed person offers an insurance product ancillary to and part of a package or in the same agreement with a non-insurance product or service, it must offer the client the option of buying the non-insurance goods or services separately.

Notification of establishment and services in other Member States

~~2.16.1~~2.18.1 Any licensed person intending to exercise its right under article ~~6(14)~~(1) of the Directive to carry on business for the first time in or into a Member State (other than the United Kingdom) shall notify the FCA of that intention and whether such business will be conducted through a branch or on a services basis— together with the following information:

(a) the name, address and, where applicable, the registration number of the licensed person;

(b) the Member State or Member States of the European Union in which the licensed person intends to operate; and

(c) the category of the licensed person by reference to the Directive and, where applicable, the name of any insurance or reinsurance undertaking represented.

~~2.16.2~~2.18.2 A licensed person who has complied with rule ~~2.16.1~~2.18.1 may commence business one month after the date on which it is notified by the FCA that the ~~FCA~~has FCA has informed the competent authorities of the Member State in or into which that licensed person intends to carry on business of that licensed person's intention. If those competent authorities do not wish to be informed of that licensed person's intention, that licensed person may commence business immediately upon notification by the ~~FCA~~of FCA of that fact to that licensed person.

Part V – Compliance and Monitoring Obligation to deliver Incidental Financial Business Compliance Certificate

~~2.17.1~~2.19.1 Every licensed person shall deliver to the Secretary, within one calendar month of the completion of each accounting period, an Incidental Financial Business Compliance Certificate in respect of that period.

~~2.17.2~~2.19.2 An Incidental Financial Business Compliance Certificate shall be signed by an officer of the licensed person.

Where a licensed person practises in two or more places

~~2.18~~2.20 In the case of a licensed person which has two or more places of business and where separate financial business records are maintained by the licensed person for each place of business, a separate Incidental Financial Business Compliance Certificate shall be delivered in respect of each place of business.

Power of Council to extend period of time referred to in rule ~~2.17.1~~2.19.1

~~2.19~~2.21 The Council may, in any case on satisfactory cause shown, extend the period of one calendar month within which an Incidental Financial Business Compliance Certificate requires to be delivered provided that such extension shall in no case exceed three months from the date of completion of the relevant accounting period.

Inspections by Council

~~2.20.1~~2.22.1 To enable the Council to ascertain whether or not a licensed person is complying with this rule 2, the Council may, by notice, require that licensed person to produce at a time to be fixed by the Council and at a place to be fixed by the Council documents, records and other information concerning the conduct of its practice in relation to this rule 2 including, without prejudice to the foregoing generality, files and relative correspondence (in this rule 2 referred to as “documents, records and other information”), for inspection by a person or persons appointed by the Council. If the place fixed by the Council for the inspection requires the transfer to that place of documents, records and other information in physical form, the Council shall, on such conditions as to the cost and distance of such transfer as it may from time to time prescribe, pay the reasonable expenses incurred by the licensed person in respect of such transfer.

~~2.20.2~~2.22.2 If at any time there is a reasonable apprehension on the part of the Council that a practice unit has not complied with, is not complying with or may not comply with this rule 2, including, but without prejudice to the foregoing generality, by carrying on incidental financial business in contravention of rule 2.3 or 2.12 the Council may, by notice, require that practice unit to produce at a time to be fixed by the Council and at a place to be fixed by the Council , documents, records and other information for inspection by a person or persons appointed by the Council.

~~2.20.3~~2.22.3 It shall be the duty of a licensed person or a practice unit or solicitor to provide a person or persons appointed by the Council under rules ~~2.20.1 or 2.20.2~~ 2.22.1 or 2.22.2 reasonable co-operation in the conduct of that person’s or persons’ inspection including, without prejudice to the foregoing generality, the production of documents, records and other information as such person or persons may reasonably require.

~~2.20.4~~2.22.4 Any person or persons appointed by the Council under rules ~~2.20.1 or 2.20.2~~ 2.22.1 or 2.22.2 shall report to the Council upon the result of his inspection.

~~2.20.5~~2.22.5 Where, following an inspection of the documents, records and other information of a licensed person or practice unit in terms of rules ~~2.20.1 or 2.20.2~~ 2.22.1 or 2.22.2, it appears to the Council that the licensed person or practice unit has not complied with this rule 2, the Council may instruct a further inspection of the documents, records and other information of the licensed person or practice unit and, if it so instructs, the Council may by notice require the licensed person or practice unit to pay to the Council the reasonable costs of such further inspection, provided always that such notice is given to the licensed person or practice unit not more than one year after the date of the inspection first referred to in this rule ~~2.20.5~~2.22.5. The amount of such sum shall be fixed by the Council and intimated to the licensed person or practice unit following such further inspection.

~~2.20.6~~2.22.6 It shall be the duty of a licensed person or practice unit upon whom a notice in terms of rule ~~2.20.5~~ 2.22.5 has been served to make payment forthwith of the amount so intimated.

~~2.20.7~~2.22.7 Where a licensed person carries out a consumer credit activity it must comply with any relevant FCA conduct of business rules to that activity as if it were authorised by the FCA.

Part VI—Misconduct, Disclosure, Training and Records

Terms of business

2.242.23 Whenever it intends or expects to carry out incidental financial business for a client, a licensed person shall so advise its client by sending to that client terms of business which contain, in a manner that is clear, fair and not misleading, the statements and the information specified in Schedule B to this rule 2 and/or such other statements or information as the Council may from time to time prescribe.

Disclosure

2.22-12.24.1 For the avoidance of doubt, but with the exception of the terms of business referred to in rule 2.242.23, a practice unit shall not be required to make any disclosure to the effect that it is a licensed person or otherwise on its stationery or any other material which it may publish.

2.22-22.24.2 A licensed person shall display at each of its places of business its certificate (or a copy thereof) issued pursuant to rule 2.6.4, confirming that the licensed person is licensed to carry on incidental financial business.

Training

2.232.25 In respect of the carrying on of incidental financial business by it, a licensed person shall:

- (a) advance and maintain the competence of all officers and employees carrying on incidental financial business;
- (b) ensure that all officers and employees carrying on incidental financial business remain competent for the functions they carry out;
- (c) ensure that all officers and employees carrying on incidental financial business are adequately supervised in relation to the attainment and maintenance of competence;
- (d) ensure that the training for and the competence of all officers and employees carrying on incidental financial business are regularly reviewed;
- (e) in dealing with the commitments set out in paragraphs (a) to (d), take account of the level of competence that is necessary having regard to the nature of its business and the role of all officers and employees carrying on incidental financial business; and
- (f) ensure that a reasonable proportion of the officers of the practice unit who are responsible for insurance ~~mediation~~-distribution activity and all other persons directly involved in insurance ~~mediation~~-distribution activity demonstrate the knowledge and ability necessary for the performance of their duties, having regard to the nature of the business and the roles of those persons.

Record keeping requirements

2.242.26 In respect of the carrying on of incidental financial business by it, a licensed person shall:

- (a) ensure that all instructions from clients to carry out specific incidental financial business are performed as soon as possible unless it would be contrary to the best interests of the client to do so;
- (b) retain records of all statements of demands and needs made in accordance with rule 2.15-2.16 in connection with personal recommendations made to clients in the course of insurance ~~mediation~~-distribution activity for at least three years from the date on which the personal recommendation was made;
- (c) retain records of all instructions from clients to carry out specific incidental financial business on their behalf and all instructions from the licensed person

to any third party to effect such incidental financial business for at least a period equal to the remainder of the financial year of the licensed person and a further six financial years of that person from the date of the instruction;

- (d) retain records of any pecuniary award or other advantage received by the licensed person as a result of carrying on incidental financial business on behalf of a client and records of the accounting by the licensed person to its client in respect of such pecuniary award or other advantage for at least a period equal to the remainder of the financial year of the licensed person and a further six financial years of that person from the date of the accounting;
- (e) take appropriate technical and organisational measures to ensure the safe keeping of assets held by the licensed person on behalf of its clients or third parties; and
- (f) ensure that, where the licensed person takes the advice of a third party authorised by the FCA to carry on regulated activities, that such third party provides independent advice.

Distance marketing of financial services

~~2.25~~[2.27](#) Licensed persons shall comply with the terms of the Financial Services (Distance Marketing) Regulations 2004 (SI 2004 No. 2095) so far as applicable to them.

Schedule A to Rule 2

Rule 2.13.1

Information to be Disclosed Before ~~or Immediately after~~ Conclusion of a Contract of Insurance

1. The name and address of the licensed person.
2. The licensed person's statutory status as a person licensed by the Society to conduct incidental financial business, including insurance ~~mediation~~-distribution activity. This must be done by using the standard statement contained in PROF 4.1.3 R (2) of the FCA's Professional Firms Sourcebook relating to insurance mediation and mortgage activities.
3. The fact that items 1 and 2 may be checked on the FCA's register by visiting the FCA's website <http://www.fca.gov.uk> or by contacting the FCA on 0846 606 9966.
4. Whether the licensed person has any holding, direct or indirect, representing more than 10 per cent of the voting rights of or the capital in an insurance undertaking.
5. Whether an insurance undertaking or parent of an insurance undertaking has a holding, direct or indirect, representing more than 10 per cent of the voting rights of or capital in the licensed person.
6. In relation to the contract of insurance provided, whether the licensed person has selected or dealt with the contract;
 - (a) on the basis of a fair analysis of the market; or
 - (b) from a limited number of insurance undertakings; or
 - (c) from a single insurance undertaking.If sub-paragraph (b) or (c) applies, the licensed person must also disclose whether it is contractually obliged to conduct insurance ~~mediation~~-distribution activity in this way.
7. If the contract of insurance provided has not been selected on the basis of a fair analysis of the market, the client can request a copy of the list of the insurance undertakings the licensed person selects from or deals with in relation to that contract.
8. The details referred to in paragraph (d) of Schedule B.
9. ~~9.~~The details referred to in paragraph (e) of Schedule B.

Schedule B to Rule 2

Rule ~~2.21~~2.23

Terms of Business

The terms of business referred to in rule ~~2.21~~2.23 shall contain the following statements and disclosures:

- (a) a statement as to the nature of the specific incidental financial business activities carried on by the licensed person for the client~~-~~ and the fact that these are limited in scope;
- (b) a statement that the licensed person is licensed by the Law Society of Scotland to carry on incidental financial business;
- (c) a statement that the licensed person is not authorised by the Financial Conduct Authority under the Financial Conduct and Markets Act 2000;
- (d) disclosure of the compensation arrangements in respect of the carrying on of incidental financial business by that licensed person, making reference to the licensed person's professional indemnity insurance under the Law Society of Scotland's Master Policy (or the equivalent cover in respect of a registered European lawyer or registered foreign lawyer, as appropriate) and to the Scottish Solicitors Guarantee Fund (or the equivalent cover in respect of a registered European lawyer or registered foreign lawyer, as appropriate); and
- (e) disclosure of the complaints procedure which is operated by the licensed person, which shall include details of the licensed person's internal complaints procedure and details of the right of a client to complain to [Scottish Legal Complaints Commission](#), The Stamp Office, 10 -14 Waterloo Place, Edinburgh. EH1 3EG. Tel: 0131201 2130~~-~~.