

Code of Conduct (COCON)

Chapter 2

Individual conduct rules

2.1 Individual conduct rules

- 2.1.1 **R** *Rule 1: You must act with integrity.*
- 2.1.2 **R** *Rule 2: You must act with due skill, care and diligence.*
- 2.1.3 **R** *Rule 3: You must be open and cooperative with the FCA, the PRA and other regulators.*
- 2.1.4 **R** *Rule 4: You must pay due regard to the interests of customers and treat them fairly.*
- 2.1.5 **R** *Rule 5: You must observe proper standards of market conduct.*
- 2.1.6 **R** *Rule 6: You must act to deliver good outcomes for retail customers.*
[Note: See ■ COCON 2.4 for what this means]



2.2 Senior manager conduct rules

- 2.2.1 **R** SC1: You must take reasonable steps to ensure that the business of the *firm* for which you are responsible is controlled effectively.
- 2.2.2 **R** SC2: You must take reasonable steps to ensure that the business of the *firm* for which you are responsible complies with the relevant requirements and standards of the *regulatory system*.
- 2.2.3 **R** SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
- 2.2.4 **R** SC4: You must disclose appropriately any information of which the *FCA* or *PRA* would reasonably expect notice.

2.3 Firms: training and breaches

- 2.3.1** **G** Under section 64B of the *Act*, an *SMCR firm* must:
- (1) ensure that all *persons* subject to the *rules* in *COCON* are notified of the *rules* that apply to them; and
 - (2) take all reasonable steps to ensure that those *persons* understand how the *rules* in *COCON* apply to them.
- 2.3.2** **G**
- (1) The steps that an *SMCR firm* must take to ensure that its *conduct rules staff* understand how the *rules* in *COCON* apply to them include the provision of suitable training.
 - (2) Suitable training should always ensure that those who are subject to the *rules* in *COCON* have an awareness and broad understanding of all of the *rules* in *COCON*, and that they also have a deeper understanding of the practical application of the specific *rules* which are relevant to their work.
 - (3) For example:
 - (a) for individuals who trade in the markets, *rule 5* in **■ COCON 2.1.5R** may apply in various circumstances arising in the individual's day-to-day activities and additional training may be appropriate to ensure that the individual knows how that *rule* applies to those activities in those various circumstances; or
 - (b) for individuals who deal directly with *customers*, *rule 4* in **■ COCON 2.1.4R** may apply in various circumstances which makes additional training appropriate for such individuals.
- 2.3.3** **G** There are *rules* and *guidance* in **■ SUP 15.3** (General notification requirements) and **■ SUP 15.11** (Notification of *COCON* breaches and disciplinary action) that deal with reporting by an *SMCR firm* of *COCON* breaches to the *FCA*.

2.4 The Consumer Duty

Application

2.4.1 **R** This section applies to *Rule 6* in ■ COCON 2.1 (You must act to deliver good outcomes for retail customers).

2.4.2 **R** In this section, the term “you” means a member of a *firm’s conduct rules staff*.

Meaning of retail customer

2.4.3 **R** (1) This *rule* describes how the definition of *retail customer* applies for the purposes of *Rule 6*.

(2) A *retail customer* means, in relation to a member of the *conduct rules staff* of a *firm*, a *retail customer* of that *firm* for the purposes of *PRIN*.

2.4.4 **G** A *person* may be a *retail customer* of a *firm* for the purposes of *Rule 6* even though that *person* is not a direct client of that *firm* and there is no direct relationship between them. This is in particular the effect of paragraphs (2)(f) and (2)(g) of the definition of *retail customer*.

Obligations: Introduction

2.4.5 **R** (1) ■ COCON 2.4.6R to ■ COCON 2.4.8R exhaust what is required by *Rule 6*.

(2) Any reference in the *Handbook* to the obligations on a member of a *firm’s conduct rules staff* under *Rule 6* is a reference to the requirements imposed by ■ COCON 2.4.6R to ■ COCON 2.4.8R.

Obligations: Rules

2.4.6 **R** (1) You must act in good faith towards *retail customers*.

(2) Acting in good faith is a standard of conduct characterised by honesty, fair and open dealing and acting consistently with the reasonable expectations of *retail customers*.

2.4.7 **R** You must avoid causing foreseeable harm to *retail customers*.

2.4.8 **R** You must enable and support *retail customers* to pursue their financial objectives.

Reasonable application of Individual Conduct Rule 6

2.4.9 **R** The obligations in *Rule 6* must be interpreted in accordance with the standard that could reasonably be expected of a prudent *person* subject to *COCON* (as set out in **■ COCON 1 (Application)**):

- (1) carrying on the same activity in relation to the same *product*; and
- (2) taking appropriate account of the needs and characteristics of *retail customers* based on the needs and characteristics of *retail customers* in the relevant target market or of individual *retail customers* as the context requires.

References to Principle 12

2.4.10 **R** Any reference in *COCON* to *Principle 12* must be read in accordance with **■ PRIN 2A.1.1R** and **■ PRIN 2A.1.2R (Application)** and **■ PRIN 2A.2.26R (Interaction between Principle 12 and cross-cutting obligations)**.