

**UK CORPORATE GOVERNANCE CODE (HANDBOOK AMENDMENTS)  
INSTRUMENT 2010**

**Powers exercised**

A. The Financial Services Authority 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 73A (Part 6 Rules);
- (2) section 96 (Obligations of listed issuers);
- (3) section 89O (Corporate governance rules);
- (4) section 101 (Part 6 rules: general provisions);
- (5) section 138 (General rule-making power);
- (6) section 156 (General supplementary powers);
- (7) section 157(1) (Guidance);
- (8) Schedule 7 (The authority as competent authority for Part VI).

B. The rule-making powers listed above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

**Commencement**

C. This instrument comes into force on 6 August 2010.

**Amendments to the Handbook**

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

(1)	(2)
Glossary of definitions	Annex A
Senior Management Systems and Controls sourcebook (SYSC)	Annex B
Statements of Principle and Code of Practice for Approved Persons (APER)	Annex C
Listing Rules sourcebook (LR)	Annex D
Disclosure Rules and Transparency Rules sourcebook (DTR)	Annex E

**Amendments to material outside the Handbook**

E. The Building Societies Regulatory Guide (BSOG) is amended in accordance with Annex F to this instrument.

**Citation**

- F. This instrument may be cited as the UK Corporate Governance Code (Handbook Amendments) Instrument 2010.

By order of the Board  
22 July 2010

## Annex A

### Amendments to the Glossary of definitions

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

<i>Combined Code</i>	(in <i>LR</i> and <i>DTR</i> ), in relation to an <i>issuer</i> :
	<ul style="list-style-type: none"> <li>(1) <del>in respect of a reporting period commencing on or after 29 June 2008,</del> the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council;<del> or</del></li> <li>(2) <del>in respect of a reporting period commencing before 29 June 2008,</del> <del>the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council.</del></li> </ul>
...	
<u><i>UK Corporate Governance Code</i></u>	<u>(in <i>LR</i> and <i>DTR</i>) the UK Corporate Governance Code published in May 2010 by the Financial Reporting Council.</u>

## Annex B

### Amendments to the Senior Management Systems and Controls sourcebook (SYSC)

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

#### 2.1.6 G Frequently asked questions about allocation of functions in SYSC 2.1.3R

This table belongs to SYSC 2.1.5G

	Question	Answer
...		
14	What if generally accepted principles of good corporate governance recommend that the <i>chief executive</i> should not be involved in an aspect of corporate governance?	The Note to SYSC 2.1.4R provides that the <i>chief executive</i> or other executive director or <i>senior manager</i> need not be involved in such circumstances. For example, the <u>UK Corporate Governance Code</u> <del>Combined Code developed by the Committee on Corporate Governance</del> recommends that the board of a listed company should establish an audit committee of non-executive directors to be responsible for oversight of the audit. That aspect of the oversight function may therefore be allocated to the members of such a committee without involving the <i>chief executive</i> . Such individuals may require approval by the FSA in relation to that function (see Question 1).
...		

...

#### 3.1.3 G Where the ~~Combined Code developed by the Committee on Corporate Governance~~ UK Corporate Governance Code is relevant to a *firm*, the FSA, in considering whether the *firm*'s obligations under SYSC 3.1.1R have been met, will give it due credit for following corresponding provisions in the ~~Code~~ code and related guidance.

...

After SYSC TP 3 insert the following new transitional provision. The text is not underlined.

**Transitional Provision 4 Combined Code**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provisions: coming into force
1.	SYSC 2.1.6G and SYSC 3.1.3G	R	References to provisions in the <i>UK Corporate Governance Code</i> are to be read as references to the equivalent provisions in the <i>Combined Code</i> for accounting periods beginning before 29 June 2010.	From 29 June 2010 to 28 December 2011	6 August 2010

## Annex C

## Amendments to the Statements of Principle and Code of Practice for Approved Persons (APER)

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

- 3.1.9 G *UK domestic firms listed on the London Stock Exchange are subject to the ~~Combined Code developed by the Committee on Corporate Governance~~ UK Corporate Governance Code, whose *internal control* provisions are amplified in the publication entitled “Internal Control: Revised Guidance for Directors on the Combined Code (October 2005)” ~~Guidance for Directors~~ issued by the ~~Institute of Chartered Accountants in England and Wales Financial Reporting Council~~. *FSA-regulated firms* in this category will thus be subject to that code as well as to the requirements and standards of the *regulatory system*. In forming an opinion whether *approved persons* have complied with its requirements, the *FSA* will give due credit for their following corresponding provisions in the ~~Combined Code~~ UK Corporate Governance Code and related *guidance*.*

...

### TP 1 Transitional Provisions

#### TP 1.1

~~There are no transitional provisions in APER. However, In addition to the transitional provision below,~~ *GEN* contains some technical transitional provisions that apply throughout the ~~Handbook~~ Handbook and which are designed to ensure a smooth transition at commencement.

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision coming into force
1.	<u>APER 3.1.9G</u>	<u>R</u>	References to provisions in the <u>UK Corporate Governance Code</u> are to be read as references to the equivalent provisions in the <u>Combined Code</u> for accounting periods beginning before <u>29 June 2010</u> .	From <u>29 June 2010</u> to <u>28 December 2011</u>	<u>6 August 2010</u>

## Annex D

## Amendments to the Listing Rules sourcebook (LR)

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

- 9.8.6 R In the case of a *listed company* incorporated in the *United Kingdom*, the following additional items must be included in its annual financial report:
- ...
- (5) a statement of how the *listed company* has applied the Main Principles set out in ~~Section 1~~ of the ~~Combined Code~~ UK Corporate Governance Code, in a manner that would enable shareholders to evaluate how the principles have been applied;
- (6) a statement as to whether the listed company has:
- (a) complied throughout the accounting period with all relevant provisions set out in ~~Section 1~~ of the ~~Combined Code~~ UK Corporate Governance Code; or
- (b) not complied throughout the accounting period with all relevant provisions set out in ~~Section 1~~ of the ~~Combined Code~~ UK Corporate Governance Code and if so, setting out:
- ...
- ...
- 9.8.10 R A *listed company* must ensure that the auditors review each of the following before the annual report is published:
- ...
- (2) the parts of the statement required by LR 9.8.6R(6) (corporate governance) that relate to the following provisions of the ~~Combined Code~~ UK Corporate Governance Code:
- (a) C~~1~~.1.1;
- (b) C.2.~~4~~2; and
- (c) C~~2~~.3.1 to C~~2~~.3.7.
- ...
- 15.6.6 R (1) This *rule* applies to a *closed-ended investment fund* that has no

executive *directors*.

- (2) A *closed-ended investment fund's* statement required by LR 9.8.6R(6) need not include details about the following principles and provisions of the *Combined Code* except to the extent that those principles or provisions relate specifically to non-executive *directors*:
  - (a) Principle ~~BD~~.1 (including Code Provisions ~~BD~~.1.1 to ~~BD~~.1.5); and
  - (b) Principle ~~BD~~.2 (including Code Provisions ~~BD~~.2.1 to ~~BD~~.2.4).

...

### Appendix 1

1.1 Relevant definitions

*Combined Code* in relation to an *issuer*:

- ~~(1) in respect of a reporting period commencing on or after 29 June 2008, the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council;~~
- ~~(2) in respect of a reporting period commencing before 29 June 2008, the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council.~~

...

*UK Corporate Governance Code* in relation to an *issuer*, the UK Corporate Governance Code published in May 2010 by the Financial Reporting Council.

After LR TP 7 insert the following new transitional provision. The text is not underlined.

#### LR TR 8 Transitional Provisions for the Combined Code

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision coming into force
1.	LR 9.8.6R(5) and (6)	R	References to provisions in the <i>UK Corporate Governance Code</i> are to be	From 29 June 2010 to 28 December	6 August 2010



	<p><i>LR 9.8.10R(2)</i></p> <p><i>LR 15.6.6R(2)</i></p>	<p>read as references to the equivalent provisions in the <i>Combined Code</i> for accounting periods beginning before 29 June 2010. For the avoidance of doubt, in <i>LR 9.8.10R(2)(b)</i> <i>Combined Code</i> provision C.2.1 became <i>UK Corporate Governance Code</i> provision C.2.2; <i>Combined Code</i> Principles B.1 and B.2 became <i>UK Corporate Governance Code</i> Principles D.1 and D.2 respectively; and <i>Combined Code</i> provisions B.1.1 to B.1.5 and B.2.1 to B.2.4 became <i>UK Corporate Governance Code</i> provisions D.1.1 to D.1.5 and D.2.1 to D.2.4 respectively.</p>	2011	
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## Annex E

## Amendments to the Disclosure Rules and Transparency Rules sourcebook (DTR)

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

7.1.7 G In the *FSA's* view, compliance with provisions A.1.2, C.3.1, C.3.2 and C.3.3 of the ~~Combined Code~~ UK Corporate Governance Code will result in compliance with *DTR* 7.1.1R to *DTR* 7.1.5R.

...

7.2.4 G A *listed company* which complies with *LR* 9.8.6R(6) (the comply or explain rule in relation to the ~~Combined Code~~ UK Corporate Governance Code) will satisfy the requirements of *DTR* 7.2.2R and *DTR* 7.2.3R.

...

7.2.8 G In the *FSA's* view, the information specified in provisions A.1.1, A.1.2, ~~A.4.6~~, ~~B.2.4~~, ~~BD.2.1~~ and C.3.3 of the ~~Combined Code~~ UK Corporate Governance Code will satisfy the requirements of *DTR* 7.2.7R.

## TP 1 Disclosure and transparency rules

## DTR sourcebook – Transitional Provisions

(1)	(2) Material to which the Transitional provisions applies	(3)	(4) Transitional provision	(5) Transitional Provision: dates in force	(6) Handbook Provision coming into force
...					
18	<u><i>DTR</i> 7.1.7G</u> <u><i>DTR</i> 7.2.4G</u> <u><i>DTR</i> 7.2.8G</u>	<u>R</u>	<u>References to provisions in the <i>UK Corporate Governance Code</i> are to be read as references to the equivalent provisions in the <i>Combined Code</i> for accounting periods beginning before 29 June 2010. For the avoidance of doubt, in <i>DTR</i> 7.2.8G, <i>Combined Code</i> provision A.4.6 and B2.1 became <i>UK Corporate Governance Code</i> provisions B.2.4 and D.2.1 respectively.</u>	<u>From 29 June 2010 to 28 December 2011</u>	<u>6 August 2010</u>

## Annex F

## The Building Societies Regulatory Guide (BSOG)

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

1.1.3 G The following terms are used in this Guide and have the meaning described here:

“the Combined Code” the Combined Code on Corporate Governance, developed by the Corporate Governance Committee of the Financial Reporting Council for accounting periods beginning before 29 June 2010

...

“Trustee Account Holder” ...

“the UK Corporate Governance Code” the UK Corporate Governance Code, published by the Financial Reporting Council

1.3.2 G Although societies are not publicly quoted, they should have regard to the UK Corporate Governance Code or the Combined Code as appropriate when they establish and review their corporate governance arrangements.

...

1.4.4 G The Accounts Regulations and the 1986 Act require a building society to disclose to its members, by its annual report and accounts:

- (1) the interests of the society’s directors;
- (2) the interests of its chief executive (on the matter of service contracts) and other officers (on the matter of options to subscribe for shares or debentures);
- (3) individual directors’ remuneration;
- (4) particulars of service contracts for the directors and chief executive;
- (5) current and past directors’ additional retirement benefits; and
- (6) directors’ interests in the shares or debentures of a connected undertaking.

In the interests of transparency, a building society should also explain whether it adheres to some or all of the UK Corporate Governance Code or

the Combined Code as appropriate and, if so, in what respects.