"regulated insurance company or friendly society" means an insurance company to which Part II of the Insurance Companies Act 1982 applies or which is an authorised person by virtue of section 31 of the 1986 Act or a friendly society which is an authorised person by virtue of section 23 of that Act or a body which is registered under provisions of the law of the country in which it is established corresponding to the Friendly Societies Act 1974, and in relation to a regulated insurance company or friendly society any reference in these Rules to the appropriate regulatory authority means the Secretary of State, the Chief Registrar of Friendly Societies, the Registrar of Friendly Societies for Northern Ireland or any comparable authority in the country in which the body in question is established or carrying on business;

"relevant investment business", in relation to any person, means any business carried on by that person relating to the marketing of units in a collective investment scheme which is an authorised unit trust scheme or is a recognised scheme by virtue of section 86, 87 or 88 of the 1986 Act or of investments falling within paragraph 10 of Part I of Schedule 1 to that Act or of business which is investment business by virtue of paragraph 14 of Part II of that Schedule in so far as it relates to pension fund management falling within Class VII of Schedule 1 to the Insurance Companies Act 1982, but does not include any business -

(a) which consists wholly in the marketing of credit insurance (within the meaning of paragraph 3 of part I of Schedule 3 of these Rules), or

(b) in so far as it comprises the marketing of personal equity plans (that is to say, schemes of investment constituting plans satisfying the conditions prescribed in the Personal Equity Plan Regulations 1986) under which investments may only be made in units in authorised unit trusts, or

(c) which does not involve that person's having a permanent place of business in the United Kingdom or engaging in any activity in the United Kingdom, or

(d) in so far as it comprises portfolio management.

(2) For the purposes of these Rules, Schedule 1 to the 1986 Act shall have effect with the omission of Note (1) to paragraph 10.

(3) Subject to paragraph (5) below, bodies corporate which are members of a group of which at least one is a Member of Lautro (but excluding any body corporate which is not eligible for membership of Lautro) shall be treated as a marketing group for the purposes of the Lautro Rules.

(3A) In the case of a collective investment scheme which is a recognised scheme by virtue of section 86, 87 or 88 of the 1986 Act and under which the property in question is managed by a person ("the manager") on behalf of the operator of the scheme-

(a) if the manager is a member of a marketing group by virtue of any provision of those Rules (apart from this paragraph), the operator shall be treated as a member of the same marketing group for the purposes of the Lautro Rules;

(b) if paragraph (a) does not apply, the operator and the manager shall be treated as a marketing group for the purposes of the Lautro Rules.

(4) Two or more Members which are not all members of the same group may jointly apply in writing for recognition as a marketing group and if the Board is satisfied that, in relation to the relevant investment business of each applicant, the applicants share a common management and sales force, market their investment contracts in conjunction with each other and present themselves to the public as a single marketing unit, the Board may recognise them as a marketing group.

(5) The Board may rule, on an application made jointly in writing in that behalf by the members of a marketing group (other than a body corporate which is not eligible for membership of Lautro), that for the purposes of the Lautro Rules, either -

(a) they should not be treated as constituting a marketing group; or

(b) they should be treated as constituting such marketing groups as the Board may specify in its ruling on the application; or

(c) some of them should not be treated as constituting a marketing group but that others of them should be treated as constituting one or more marketing groups;

and, where such a ruling is given, references in the Lautro Rules to a marketing group shall be construed accordingly.

(6) In determining whether any applicant should or should not be treated as a member of a marketing group, the Board shall have regard to the following considerations -

(a) where the applicants are all members of a group, those applicants who, as respects their relevant investment business, fulfil all the following criteria shall be treated as not constituting a marketing group -

(i) that the operational management, strategic planning and investment management of an applicant is separate from that of the other applicants;

(ii) that an applicant is in competition with the other applicants and that competition is not restricted in any way by its membership of the group; and

(iii) that an applicant does not present itself to the public together with any other member of the group as a single marketing group;

(b) where the applicants are not all members of a group, those applicants who, as respects their relevant investment business, do not share a common management and sales force, market their investment contracts in conjunction with each other and present themselves to the public as a single marketing group, shall be treated as not constituting a marketing group.

(7) The Board may revoke any recognition granted or ruling given under paragraph (4) or (5) above after giving the Members concerned an opportunity to make representations to the Board.

(8) The Board shall give notice to the Members concerned of the Board's decision under paragraph (4) or (5) above or of any revocation under paragraph (7); and those Members may appeal to the Appeal Tribunal against the Board's decision to refuse their application or, as the case may be, to revoke any recognition or ruling.

(9) In relation to a Member which is a marketing associate, paragraphs (4) to (6) above shall have effect with the omission of any reference to investment management and as if any reference to a Member's investment contracts were a reference to the investment contracts of each body which is also an applicant to be treated as a member of the same marketing group or (as the case may be) is a member of the same marketing group.

Confidentiality of information

1.3. Information relating to any person or business which is obtained in pursuance of any of the Lautro Rules or for the purposes of any proceedings under Part VII of these Rules shall be treated by the person obtaining it as confidential; but this Rule shall not prohibit the disclosure of information, other than a medical report -

(a) for the purposes of any proceedings under those Rules;

(6) Paragraphs (1) and (2) above shall not apply where the cancellation notice is given in respect of a contract which constitutes a variation of an investment contract.

Disclosure of commission in cancellation notice

5.14. (1) A Member shall include under the heading "COMMISSIONS" in any appropriate cancellation notice given to an investor in respect of any of the Member's investment contracts, the commission in respect of which is payable to an independent intermediary, a statement relating to the commission payable in respect of the contract-

(a) if the contract is made before 1 January 1990 and the commission payable in respect of it will be a (or a series of) scheduled commission payment(s), in the form (appropriate to that contract) set out in paragraph 1 of Schedule 7 to these Rules;

(b) if sub-paragraph (a) above does not apply, in the form (appropriate to that contract) set out in paragraph 2 of Schedule 7 to these Rules.

(2) If the appropriate form (set out in Schedule 7) is not in the opinion of the Member appropriate to the contract, the Member may include in the notice a different statement relating to the commission payable to the independent intermediary but only with the written consent of the Board, which must be obtained in advance, to the wording and content of that different statement.

(3) For the purposes of this Rule references in Schedule 7 to a unit trust include references to a unit trust savings scheme but not to a unit trust which constitutes a personal pension scheme.

Contracts to which the Financial Services (Cancellation) Rules do not apply

5.15. (1) Subject to the following provisions of this paragraph, where an investment contract is made as respects which the Financial Services (Cancellation) Rules do not apply, the Member which issued the contract shall give the investor, at the time the contract is made or as soon as is reasonably practicable thereafter, a notice containing the information which would have been required to be given in or with a cancellation notice if those Rules had applied, by Rules 5.6(2), 5.10, and 5.14 of these Rules.

(2) In the case of a contract to which Rule 5.2(1) or (3) applies, paragraph (1) above shall have effect with the omission of the reference to Rules 5.6(2) and 5.10.

(3) Paragraph (1) above shall not apply in any case where the contract is made in consequence of the investor's response to a Category C advertisement (within the meaning of Chapter IV of Part VI of these Rules) unless commission is payable in respect of the contract to an independent intermediary, and, in such a case, paragraph (1) shall apply with the omission of the reference to Rules 5.6(2) and 5.10.

(4) Paragraph (1) above shall not apply in any case where the investor concerned is a professional investor.

(5) The references above to Rule 5.10 are references to that Rule as it applies by virtue of Rule 5.13(1).

Directions of the Board etc.

5.16. (1) The Board may give directions to a Member as to the issuing of a projection of any future benefit payable under an investment contract in any case where it appears to the Board that the requirements of this Part relating to any such projection are inappropriate; and the Member shall comply with any such direction instead of such requirements of this Part as are specified in the direction.

(2) A Member shall not issue a projection of any benefit under an investment contract to any person otherwise than in pursuance of this Part if it is a projection which if issued to a person who in relation to that contract was an investor would be subject to any requirement of this Part, unless the Board have given their written consent to the Member to the issuing of that projection to that person or to the issuing of projections of that class to such persons.

Share exchange transactions

5.17. (1) The provisions of this Rule apply where-

(a) an investor agrees to enter into an investment contract with a Member, and

(b) the first premium or other payment under that contract is to be found wholly or in part from the proceeds of the sale of any shares owned by the investor, and

(c) the Member agrees to sell those shares on behalf of the investor.

(2) The Member shall disclose to the investor, before the contract referred to in paragraph (l)(a) above is made-

(a) whether the investor will be charged for the Member's services in connection with the sale of the shares, and, if so, the basis on which the amount of the charge will be determined,

(b) if any fees will be payable to a stockbroker in connection with the sale (whether by the buyer or the seller), who will pay those fees;

(c) who will be liable for any duties or levies payable in connection with the sale;

(d) the fact that capital gains tax may be payable in respect of the sale of the shares and that, if all the proceeds of the sale will be applied in paying amounts due under the contract referred to in paragraph (l)(a) above, the investor will have to satisfy any capital gains tax liability from other sources; and

(e) the date on which the proceeds of the sale of the shares are to be applied as mentioned in sub-paragraph (d) above.

(3) The Member shall account to the investor, at the time the contract referred to in paragraph (l)(a) above is made, or as soon as is reasonably practicable thereafter, for the proceeds of the sale of the shares, giving details in particular of any deductions made on account of stockbrokers' fees, duties or levies and fees payable to the Member.