

Modification

To: Morley Fund Management Ltd (“the firm”)

REF: **102247**

Of: No1 Poultry, London EC2R 8EJ

Date: **29 NOVEMBER 2002**

**HANDBOOK VER NO: CONDUCT OF BUSINESS SOURCEBOOK, RELEASE 008,
OCTOBER 2002**

Power

1. This modification is given by the *FSA* under section 148 of the Financial Services and Markets Act 2000.

Duration

2. This modification takes effect from 1 December 2002, and remains in force until otherwise advised.

Rules waived

3. The *FSA* directs that the *rule* listed below applies to the firm with the modification shown. Striking through indicates deletion.

Rule	Modification
COB 7.7.9R	Requirement for fair allocation COB 7.7.9R Requirement for fair allocation When a <i>firm executes</i> an aggregated order that combines: (1) a <i>customer order</i> and an <i>own account order</i>, or (2) a <i>customer order</i> and an order from a <i>market counterparty</i> (other than an <i>associate</i> of the <i>firm</i>); or (3) a <i>customer order</i> and another <i>customer order</i>; in the subsequent allocation it must: (4) not give unfair preference to the <i>firm</i> or to any of those for whom it dealt; (5) where (1) applies, subject to (6), give priority to satisfying <i>customer orders</i>, if the aggregate total of all orders cannot be satisfied, unless it can demonstrate on reasonable grounds that without its own participation it would not have been able to <i>execute</i> those orders on such favourable terms, or at all; and (6) where (1) applies and the aggregated order combines an <i>own account order</i> for the account of the group's general insurance funds and an order for one or more <i>intermediate customers</i> of the firm (which may also include group life funds), allocate on a pro-rata basis where the order cannot be met in full.

Conditions

4. This direction is conditional upon:

- i. The firm being a member of a group which includes a general insurance company;
- ii. The order in question being an aggregated order for the account of the group's general insurance funds and one or more intermediate customers of the firm (which may also include group life funds);
- iii. The firm recording the basis of allocation before the order is executed and allocating subsequently on that basis;
- iv. The firm disclosing its dealing and allocation policies to its external customers. Including the fact that it may place aggregated orders for its external customers and the general insurance funds of the group and that, where such an order is unfilled it may be

pro-rated across both external customers' funds and the general insurance funds of the group;

- v. The firm's allocation policies not otherwise conflicting with its contractual or fiduciary duties to its external customers, or any other duty owed to them under the regulatory system; and
- vi. The arrangements for managing the general insurance funds of the group alongside external customers' funds not giving rise to any financial or other incentive for the firm to prefer the interests of the general insurance funds above those of its external customers.

Interpretation

- 5 Interpretative provisions (including definitions) of the *Handbook* apply to this *waiver* in the same way they apply to the *Handbook*.

Signed for and on behalf of The Financial Services Authority

Name

Position