Financial Conduct Authority

Retail Mediation Activities (RMA)

A high-level summary of why we collect the data and how it feeds into our supervisory approach

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A high-level summary of why we collect the data and how it feeds into our supervisory approach

Introduction

A number of firms have asked us why we collect RMA data and what we use it for through our 'FCA: Live & Local' regional events. In this publication we address these questions by explaining why we collect the data, why we need it in an electronic format, and how it feeds into the wider supervisory approach we adopt to regulate firms. We also draw attention to some common RMA misreporting errors that firms should avoid.

Why do we need information on retail mediation activities?

Collecting data through the Retail Mediation Activities (RMA) data items is an important part of our supervisory approach because it helps us to reduce the risk of poor consumer outcomes in the retail investment market. We are able to use the data to assess firms' compliance with threshold conditions and other requirements (e.g. our rules on adviser and consultancy charging, conduct of business and prudential requirements). In addition, the data allows us to:

- spot trends in individual firms and in the market as a whole
- identify the firms to which we should allocate supervisory attention, and
- better understand the activities undertaken by firms, and whether such activities pose any risks to consumers

Why do we collect RMA data?

The following table summarises our reporting requirements for firms that have permission to carry on regulated retail activities and explains why we collect this information:

Information captured and reported	Information required	Why we collect this information
Financial information RMA-A: Balance sheet RMA-B: Profit and Loss RMA-C: Client money and assets RMA-D1: Regulatory capital RMA-E: Professional indemnity insurance (PII) RMA-J: Data required for collection of fees	Summary data showing the financial position of firms and a breakdown of their revenues, expenses and capital adequacy. Information on the operation of any client money accounts. Confirmation that there is adequate PII cover in place and a summary of the cover (or, where the data has not changed since the last set of requirements was completed, confirmation that there has been no change).	Threshold Condition 4 requires a firm's resources to be adequate in relation to the regulated activities it carries out. Collecting financial information helps us to monitor whether firms and the market as a whole: • have adequate financial resources • follow client money rules, and • have adequate PII cover In addition, the information helps us to calculate the periodic fees that firms are required to pay to the FCA, the Financial Ombudsman Service and to the Financial Services Compensation Scheme (FSCS).
RMA-F: Threshold conditions	Verification that obligations have been met on a number of issues related to the threshold conditions for close links and controllers.	This information helps us to identify whether firms are continuing to meet their obligations under the threshold conditions associated with close links and controllers and whether they have met the ongoing notification requirements through self-certification.

RMA-G: Training & Competence	Staff information, including the number of advisers and their qualifications.	This data: • provides information about compliance with a number of our rules, particularly regarding advice provided by firms and the suitability of products for customers • helps us identify potential 'bad' practice and perform analysis, e.g. where a firm may have a relatively large number of complaints compared to its peers, and • can be used with product sales data to help us to target thematic work
RMA-H: Conduct of business information	Information on various aspects of how a firm carries out its business. This includes information on monitoring any appointed representatives, clawed back commission and an indication of sources of business.	
RMA-I: Supplementary product sales data (PSD)	Non-investment insurance product information and details of non-investment insurance chains, broken down by product type.	Supplementary product sales data complements the data we get from providers. This gives us a clearer and more complete picture of the general insurance and pure protection markets to help us target thematic work.
RMA-K: Adviser Charges	Data on adviser charging revenue, payment methods, client numbers and charging structures.	This data plays an important role in our supervisory work. In particular it helps us to monitor a number of risks, both across the whole market and within individual firms. It also enables us to target our supervisory resources effectively and informs our ongoing policy work.

Why do we need the data electronically?

Firms are required to report their RMA data via Gabriel, our online system for collecting and storing regulatory data. From the Gabriel homepage firms have access to:

- help text and FAQs, including the RMA data items
- guidance on managing Gabriel accounts, for example, adding additional users and password administration
- a summary of the available submission methods
- individual data reference guides, including data definitions and sample data

To be able to supervise effectively, we need to ensure we have a good understanding of the business being undertaken by each firm. If we did not collect information on these firms, we would be both less efficient (for example, we would have little or no basis for targeting our resources and would therefore need to employ significantly more supervisory staff) and less effective. At the same time, our arrangements for collecting and analysing information must be cost-effective, and the costs we impose on firms in collating and submitting information must be proportionate to the benefits. For flexible portfolio firms, the information we receive represents one of the main regular contacts we have with them. This information informs our baseline monitoring, enables us to build simple risk profiles of firms and helps us to identify the firms on which we should target supervisory attention.

Electronic reporting via Gabriel supports baseline monitoring as it requires firms to submit data in a format which allows us to build in certain automatic verification checks against a number of criteria. These include rule requirements, for example, whether a firm has adequate capital resources. It also allows us to compile and analyse information more easily and quickly.

Collecting data in a standardised format enables us to load it into our data warehouse where we can analyse industry trends, perform scenario analysis and select firms for thematic work. For example, if we are aware of an issue surrounding sales of a particular product, we can use the data to identify which firms are selling that product. It also allows us to combine information collected from firms with other demographic or socio-economic data feeds to build sector and firm based customer profiles.

RMA data and our supervision of firms

For fixed portfolio firms, we use RMA data alongside other Gabriel returns to build a picture of a firm. It is a supervisory reference point and a very useful source of information that is used to support supervisory concerns or market-wide issues. It can be used to spot trends, identify potential risks and flag unexpected behaviour or activities which we can raise directly with firms.

For the flexible portfolio population of firms, regular baseline monitoring of regulatory returns forms a key part of our conduct and prudential supervisory work. Through alerts defined against RMA data we can spot potential breaches of threshold conditions that can then be investigated further by our supervision teams. The RMA data, alongside a firm's regulatory history, is also used to evaluate a range of conduct and prudential concerns that we receive from other sources, and helps us to better understand the firm and informs our actions.

Further information on our approach to supervision for fixed and flexible portfolio firms can be found here:

The FCA's Approach to Supervision for fixed portfolio firms

The FCA's Approach to Supervision for flexible portfolio firms

We evaluate the data we collect for supervisory purposes to ensure it is current and relevant, and make changes informed by firm feedback. For example, we simplified the RMA-K Adviser Charges data item and changed it from a six monthly to an annual return in order to reduce the burden on firms in response to industry feedback. In addition, we revised the RMA-C Client

Money and Client Assets data item following a review by the Client Assets Department. This resulted in our collecting improved data from firms, enhancing our supervisory capabilities.

Data collections in line with our strategic and operational objectives

Our strategic objective is to ensure that the relevant markets function well. In addition we have operational objectives which are to:

- protect consumers – secure an appropriate degree of protection for consumers
- protect financial markets – protect and enhance the integrity of the UK financial system
- promote competition – promote effective competition in the interests of consumers

Collecting RMA data helps us to meet two of our three operational objectives - protecting consumers and protecting financial markets.

Consumer protection

Regularly collecting information from authorised firms helps us to proactively identify and address risks within individual firms and in markets that may lead to consumer harm. Through our data collection we can also monitor firms' compliance with regulatory rules efficiently and allocate our resources accordingly. This all supports us in achieving our consumer protection objective.

When considering what degree of protection for consumers is appropriate, we must have regard to four things:

a. The differing degrees of risk involved in different kinds of investment or other transactions.

Our data collection applies across all of the markets within scope of the FCA's regulatory remit, as set out in legislation. However, there are some differences in the reporting requirements of firms in different markets, which reflect the different degrees of complexity and risk involved in the products sold within those markets. For example, we collect product sales data (PSD) on mortgage products and, for the more complex mortgage types, we require providers to submit extra information to help us to monitor sales of these products effectively and to reflect the products' different risk profiles.

PSD and conduct of business data enables us to monitor levels of business activity across a wide variety of product types. Analysis of this data can identify sales trends and highlight products where there have been shifts in sales patterns. This information helps us to initiate informed thematic work to address the differing risks posed by new products and changes in the financial markets.

b. The differing degrees of expertise that different consumers may have in relation to different kinds of regulated activity.

While our data collection does not directly address matters relating to the different degrees of expertise that consumers may have, we do collect supplementary PSD relating to retail customers for general insurance and pure protection contracts. This is because we consider retail customers to be generally less experienced buyers when compared to commercial customers and this justifies more active monitoring through the reporting requirements.

c. The need consumers may have for advice and accurate information.

We ask product providers to inform us whether or not they give advice in relation to each sale. With this information we gain a better understanding of consumer purchasing patterns. For example, we are able to see whether consumers generally, or within a particular region, are buying products with complex structures without financial advice. While this may not mean that consumers will necessarily be harmed, it may indicate a potential problem and allows us to be proactive and investigate the issue further.

d. The general principle that consumers should take responsibility for their decisions.
Collection of RMA data has been designed to monitor firms' compliance with regulatory rules and identify potential problems in the market. It does not detract from the general principle that consumers have responsibility for their decisions.

Protect financial markets
Collecting RMA data supports our objective to enhance the integrity of the UK financial system in the following ways:

- The information we collect helps us to check that firms' follow the standards we have established and therefore enables us to respond effectively to potential risks that could undermine market confidence.

- Our reporting requirements promote awareness in the industry of regulatory rules and increases the likelihood that they will be followed.

- Having to prepare regular financial statements imposes discipline on firms, which helps to maintain confidence in the professionalism and financial security of firms within the industry.

Common RMA misreporting errors

Some of the common misreporting in RMA submissions are highlighted below.

RMA-B: Profit and Loss
Some firms have been completing their Profit and Loss (P&L) (RMA-B) with information for the given reporting period only, but it should be reported on a cumulative basis throughout the firm's financial year. This means that the P&L for the year-end return must include the full 12-months profit and loss information for the firm for that year.

In the General Insurance & Protection sector it is fairly common for firms to be part of a distribution chain where income is shared. However, we have seen examples of such firms not reporting their Gross / Net income figures correctly.

A firm's statement that it has not generated any income from regulated activities suggests to us that the firm holds permissions which it is not using. If a firm reports '0' we may contact it to find out why and discuss its future plans. If we feel the firm will not use its permissions in the future, then FSMA gives us the power to remove those permissions.

We pay particular attention to investment firms reporting that they have not used their permissions during a period of at least 12 months. We will write to firms requesting them to remove their permissions and we will continue to monitor the alerts generated by mortgage and general insurance firms.

RMA-G: Training and Competence

We have noticed some firms submit the wrong data on the number of advisors qualified during a given period. These firms entered the total number of advisors with the qualifications, rather than the number that had passed during that period.

RMA-J: Data required for collection of fees

A number of General Insurance & Protection firms have reported £NIL in the RMA-J columns for Financial Ombudsman Service/Financial Services Compensation Scheme (FSCS) income, despite reporting income in the FCA column and having retail customer permissions. We have found that some firms have entered £NIL in order to submit the data item as it is no longer possible to leave these fields blank. Firms are reminded that all fields are mandatory and need to be completed with the relevant information. For example, if all regulated income is eligible for the FSCS and the Financial Ombudsman Service, the full regulated income should be entered in each field respectively.

If, having read and assessed the relevant guidance provided, a firm considers itself ineligible to report the Financial Ombudsman Service/FSCS income, it can apply for exemption using the published process.

Please note: if firms discover they have made errors in previous submissions, they should take the necessary steps required to correct them by following the resubmission process within Gabriel.

Please see our website for further common RMAR misreporting errors, as well as help text and FAQs.

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