



No.38

Handbook Notice

November 2016

Financial Conduct Authority



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This Handbook Notice introduces the Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative powers on 3 November 2016. It also contains information about other publications relating to the Handbook.

Contact names for the individual modules are listed in the relevant Consultation Papers and Policy Statements referred to in this Notice.

General comments and queries on the Handbook can be addressed to:

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However, queries on specific requirements in the Handbook should be addressed first to your normal supervisory contact in the FCA. For most firms this will be the FCA's Contact Centre:

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Fax: 020 7066 0991

Email: firm.queries@fca.org.uk

Post: Contact Centre
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

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1.

Overview

Legislative changes

- 1.1** On 3 November 2016, the Financial Conduct Authority made changes to the Handbook in the instruments listed below.

CP	Title of instrument	Instrument No.	Changes effective
N/A	Handbook Administration (No 43) Instrument 2016	2016/67	4.11.16; 5.11.16; 1.1.17; 13.1.17; 7.3.17
16/17	Supervision Manual (Amendment No 22) Instrument 2016	2016/69	4.11.16
16/17	Disclosure Guidance and Transparency Rules Sourcebook (Miscellaneous Amendments) Instrument 2016	2016/70	4.11.16
15/23	Banking: Conduct of Business Sourcebook (Disclosure by Non Ring-fenced Bodies) (Amendment) Instrument 2016	2016/71	1.12.16

Summary of changes

- 1.3** The legislative changes referred to above are listed and briefly described in Chapter 2 of this Notice.

Feedback on responses to consultations

- 1.4** Consultation feedback is published in Chapter 3 of this Notice.

FCA Board dates for 2016 and 2017

- 1.5** The table below contains a list of forthcoming FCA board meetings. These dates are subject to change without prior notice.

December	8
January	25
February	23
March	30
April	27
May	25
June	22
July	20
September	21
October	19
November	8 & 9
December	14

2. Summary of changes

- 2.1** This chapter briefly describes FCA Handbook changes made by the Board on 3 November 2016. Where relevant, it also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish. For information on changes made by the Prudential Regulation Authority (PRA) please see <http://www.bankofengland.co.uk/pr/Pages/publications/default.aspx>

Handbook Administration (No 43) Instrument 2016 (FCA 2016/67)

- 2.2** The Board has made minor administrative changes to various modules of the FCA Handbook, as listed below. These correct or clarify existing provisions. They were not consulted on because they are regarded either as falling within the scope of previous consultations or as being so minor that they do not warrant consultation. None of these changes represents any alteration in FCA policy.

Glossary
SYSC 4, 13 and Sch 1
APER 4
GEN 1, 2, 4, TPs and Sch 6
GENPRU 2
BIPRU 13
IPRU (INV) 5, 9 and TPs
COBS 1. 2 and 18
MAR 7
SUP 13A, 15 and 16
COMP 7
COLL 4
CONC 8
FUND 3
RCB 2 and 3
LR App 1
PR App 3

- 2.3** In summary, the amendments made this month are as follows:
- correction to the definition of 'contingency funding plan' to bring it into line with deletions made by 2009/68 and remove defunct cross references
 - consequential updating to the definition of 'material insurance holding' in line with the re-numbering of IPRU(INV) chapter 5 in this instrument
 - updating of the definition of the 'Market Abuse Regulation' as a consequence of the earlier deletion of 'Market Abuse Directive'
 - typographic changes to the definition of 'marketing group' to remove a circular reference

- an updated definition of 'statutory money purchase illustration' to refer to the latest law
- updates to SYSC 4.1.19R to change 'appropriate regulator' to 'FCA'
- correction of drafting errors in 2015/43 at SYSC 13.9 to insert the correct cross reference
- correction of drafting errors in 2016/57 at SYSC Sch 1.2 to insert the correct cross reference
- correction of historic typographic errors at APER 4.5.4G and APER 4.7.4G, the latter made formal by 2015/43
- updating of GEN from 'appropriate regulator' to 'FCA' where appropriate; updating of cross references throughout; updating of TP 2 with 'PRA Rulebook' instead 'of Handbook' and minor typographic updating; and deletion of the outdated TP 3 in relation to the Alternative Investment Fund Managers Directive Instrument 2013
- consequential amendments to remove defunct cross references at GENPRU 2.2.6G and GENPRU 2.2.64R following the removal of the PRA provision at GENPRU 2.2.76R in 2015
- correction of an historic typographic error at BIPRU 13.7.7R
- streamlining of Appendix I of IPRU(INV) 5 to remove defunct local Glossary definitions or those appearing verbatim in the main Handbook Glossary
- correction of IPRU(INV) TP numbering to align insertions made by FCA 2015/57 and FCA 2016/4
- re-numbering of IPRU(INV) 5 in its entirety to convert the chapter into HTML and link defined terms to the Handbook Glossary, as well as consequential updating of Handbook cross-references
- removal of unnecessary designations of entries in the table at COBS 1 Annex 1
- removal of an additional sub-heading above COBS 2.3.15G from FSA 2007/44 which had never been intended to be displayed as such
- correction at COBS 18.5.1BR to align the text with the intended glossary definition following a drafting oversight in FCA 2015/66
- correction of a broken link to the ESMA MiFID register at MAR 7.2.13G
- amendments at SUP 13A Annex 1G to fully align the Handbook with the EU regulation on liquidity (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0061&qid=1476711957935&from=EN>)
- a consequential deletion at SUP 15.2.4G to remove the reference to the deleted SUP Schedule 2
- correction of a drafting error in FCA 2016/54 to update the cross reference at SUP 16.6.10G(2)
- SUP 16 Annex 18BG (Notes for the completion of the Retail Mediation Activities Return (RMAR)) is restated and converted to HTML (see section below for more information)

- removal of defunct editor's notes at COMP 7.2.3AR; COMP 7.2.3BR; COMP 7.2.3CG and COMP 7.2.3DG
- the re-insertion of COLL 4.5.8-AG to clarify its deleted status, following the deletion of this provision brought about by FCA 2016/65
- correction of an historic typographic error at CONC 8.5.5G
- consequential amendment to update a cross-reference at FUND 3.11.15G in line with the renumbering and revision of IPRU(INV) 5
- updating of the addresses for the Regulated Covered Bonds team at RCB 2 Annex 1D; RCB 3 Annex 2D; RCB 3 Annex 4D; RCB 3 Annex 5D; RCB 3 Annex 6D and RCB 3 Annex 7AD
- updating of the local definitions in LR App 1 to bring them into line with the main Handbook Glossary
- corrections to historic typographical errors at PR App 3.1EU

SUP 16 Annex 18BG Notes for Completion of the Retail Mediation Activities Return (RMAR)

Background

- 2.4** Amendments to the Handbook that are made via a Handbook Administration Instrument are minor administrative changes that involve no change in policy. This means they are not consulted on.
- 2.5** The Handbook Administration Instrument made by the Board this month restates the guidance notes at SUP 16 Annex 18BG 'Notes for Completion of the Retail Mediation Activities Return (RMAR)' to correct a publishing error. Although this restatement involves no change in policy and was not consulted on, in this section we describe the error and provide a mark-up showing the differences to aid users of the guidance notes.

SUP 16 Annex 18BG

- 2.6** SUP 16 Annex 18BG sets out guidance notes on the Retail Mediation Activities Return required by SUP 16 Annex 18AR. FSA 2010/70¹ was to have made various amendments to SUP 16 Annex 18BG but the date on which that instrument was due to come into force was deferred a number of times, and instrument FSA 2010/70 was revoked by instrument FCA 2015/57 before the amendments to SUP 16 Annex 18BG took effect. However due to a publishing error certain amendments to SUP 16 Annex 18BG made by instrument FSA 2010/70 were included in the consolidated version of this Annex published in the Handbook online from 2014 onwards, although those amendments had not actually come into effect. Consequently, certain other changes to SUP 16 Annex 18BG that were made, after consultation, by instruments FCA

¹ The Supervision Manual (Retail Mediation Activities Return) (Amendment No 3) Instrument 2010

2015/18², FCA 2015/57³, FCA 2015/62⁴, FCA 2016/14⁵, FCA 2016/22⁶ and FCA 2016/25⁷ were based on the assumption that the amendments made by FSA 2010/70 were going to come into force or had already done so.

- 2.7** The version of SUP 16 Annex 18BG restated by the Handbook Administration Instrument FCA 2016/67 corrects the publishing error and incorporates the relevant amendments made by the instruments listed above. Where those amendments relied on text that was to have been inserted by instrument FSA 2010/70, the amendments have instead been inserted at appropriate alternative places in the restated text. The restated guidance notes also incorporate changes made by FCA 2016/62⁸ that came into force on 31 October 2016. The restated guidance notes do not involve any change in policy. The restated guidance notes also make a small number of typographical corrections.
- 2.8** The amendments to SUP 16 Annex 18BG made by FCA 2016/14 which are due to come into force on 31 December 2016 are not affected by the publishing error, or the restatement of SUP 16 Annex 18BG, and will come into force as expected.
- 2.9** The form of the Retail Mediation Activities Return (RMAR) set out at SUP 16 Annex 18AR is not affected by the publishing error described above or the restatement of the guidance notes at SUP 16 Annex 18BG in the Administration Instrument.

SUP 16 Annex 18BG – mark-up

- 2.10** For firms' information, we include with this Handbook Notice a marked up version of SUP 16 Annex 18BG showing the differences between the online version as of 2 November 2016 and the restated Annex. The typographical corrections mentioned in paragraph 2.7 above are shown in highlight, to distinguish them from the changes which correct the publishing error and the amendments made by the instruments listed in 2.6 above.
- 2.11** The Appendix containing this mark-up can be found at page 18 of this Notice.
- 2.12** This changes come into force on **4 November 2016** except as follows:
- the changes to re-number IPRU(INV) 5 come into force on **5 November 2016**
 - the changes to SUP 13A, 15 and 16 in Part 1 of Annex J to the instrument come into force on **5 November 2016**
 - the change to FUND 3.11.15G comes into force on **5 November 2016**
 - the change to SUP 16.6.10G comes into force on **1 January 2017**
 - the change to COLL 4.5.8-AG comes into force on **13 January 2017**
 - the change to SYSC Sch 1 comes into force on **7 March 2017**

2 PS15/9 'Implementation of the Mortgage Credit Directive and the new regime for second charge mortgages, feedback to CP14/20' (March 2015)

3 PS15/28 'Capital resources requirements for Personal Investment Firms (PIFs): Feedback on CP15/17 and final rules' (December 2015)

4 'Handbook Notice 28' (December 2015)

5 'Handbook Notice 30' (February 2016)

6 PS16/7 'Future regulatory treatment of CCA regulated first charge mortgages' (March 2016)

7 PS16/8 'FCA Handbook changes regarding the segregation of client money on loan-based crowdfunding platforms, the Innovative Finance ISA, and the regulated activity of advising on peer-to-peer agreements Including feedback to CP16/4 and CP16/5, and final rules' (March 2016)

8 'Handbook Notice 37' (September 2016)

Supervision Manual (Amendment No 22) Instrument 2016 (FCA 2016/69)

- 2.13** Following consultation in CP16/17⁹, the FCA Board has made changes to the FCA Handbook sections listed below:

SUP 3.1

- 2.14** In summary, this instrument amends the Handbook to remove an audit requirement on some debt management firms that is not relevant to them.
- 2.15** This instrument comes into force on **4 November 2016**.
- 2.16** Feedback to this consultation is published in Chapter 3 of this Notice.

Disclosure Guidance and Transparency Rules Sourcebook (Miscellaneous Amendments) Instrument 2016 (FCA 2016/70)

- 2.17** Following consultation in CP16/17¹⁰, the FCA Board has made changes to the FCA Handbook sections listed below:

Glossary

DTR 1B, 7.2 and TP 1

- 2.18** In summary, this instrument makes minor updates to the Handbook following the repeal of the Prescribed Markets and Qualifying Investments Order and to implement the new EU Non-Financial Reporting Directive (2014/95/EU).
- 2.19** This instrument comes into force on **4 November 2016**.
- 2.20** Feedback to this consultation is published in Chapter 3 of this Notice.

Banking: Conduct of Business Sourcebook (Disclosure by Non Ring-fenced Bodies) (Amendment) Instrument 2016 (FCA 2016/71)

- 2.21** Following consultation in CP15/23¹¹, the FCA Board has made changes to the FCA Handbook sections listed below:

Glossary

BCOBS 1.1

- 2.22** This instrument also inserts a new BCOBS 4.3 after BCOBS 4.2 (Statements of account).
- 2.23** In summary, this instrument creates rules in the Handbook that will require non ring-fenced bodies to provide consumers with information to help them understand the implications of banking with these bodies and make an informed decision about whether or not to do so.
- 2.24** This instrument comes into force on **1 December 2016**.
- 2.25** Feedback to this consultation is published in Chapter 3 of this Notice.

⁹ CP16/17 'Quarterly Consultation No. 13' (July 2016)

¹⁰ CP16/17 'Quarterly Consultation Paper No. 13' (July 2016)

¹¹ CP15/23 'Ring fencing: Disclosures to consumers by non-ring-fenced bodies' (July 2015)

3.

Consultation feedback

- 3.1** This chapter provides feedback on consultations that will not have a separate Policy Statement published by the FCA.

CP16/17 Quarterly Consultation Paper No. 13 - Disapplication of CASS audit requirements to certain debt management firms

Supervision Manual (Amendment No 22) Instrument 2016

Background

- 3.2** In CP13/10¹², we consulted on our requirements for consumer credit firms including debt management firms. Among the rules we consulted on was a requirement on all CASS debt management firms to have an annual audit, carried out by an independent external auditor, assessing their compliance with Chapter 11 of the Client Assets sourcebook (CASS 11). This requirement was finalised in PS14/3¹³ and is set out in Chapter 3 of the Supervision manual (SUP 3).
- 3.3** We understand that our rules were interpreted as making all debt management firms subject to the requirement to have a CASS audit whether or not they are permitted to hold client money. The definition of 'CASS debt management firm' captures firms that are not permitted to hold client money.
- 3.4** In CP16/17¹⁴, we consulted on a minor rule change to make it clear that CASS debt management firms that are not permitted to hold client money are not required to have a CASS audit.

Feedback

- 3.5** We received one response to this proposal in CP16/17. The respondent was supportive of the proposed amendment, but suggested two drafting changes. The respondent also requested clarification in the rule change on whether a CASS debt management firm is required to have a CASS audit when it is permitted to hold client money but does not actually do so.

Our response

- 3.6** We have amended the proposed rule to take into account the suggested drafting changes to the extent appropriate. We consider that it is clear from the rules¹⁵ (after the amendment we are making) that where a CASS debt management firm is permitted to hold client money, but

¹² CP13/10 'Detailed proposals for the FCA regime for consumer credit' (October 2013)

¹³ PS14/3 'Detailed proposals for the FCA regime for consumer credit' (February 2014)

¹⁴ CP16/17 'Quarterly Consultation Paper No. 13' (July 2016)

¹⁵ SUP 3.10.4R(2) and SUP 3.10.4AR(2)

claims not to hold client money, the firm's auditor is required to state in this report whether anything has come to the auditor's attention that causes him to believe that the firm held client money during the period covered by the report.

Cost benefit analysis and compatibility statement

- 3.7** We received no comments during the consultation period on the cost benefit analysis or compatibility statement relating to this proposal. As the amended rule that we are making does not differ significantly from the draft on which we consulted, we believe the cost benefit analysis and compatibility statement set out in Chapter 6 of CP16/17 remain valid.

Equality and diversity issues

- 3.8** We received no comments during the consultation period on any equality and diversity issues. As stated in Chapter 6 of CP16/17, we do not foresee any negative equality and diversity impacts resulting from the rule change.

- 3.9** The change made by this instrument is listed in Chapter 2 of this Notice.

CP16/17 Quarterly Consultation Paper No. 13

Disclosure Guidance and Transparency Rules Sourcebook (Miscellaneous Amendments) Instrument 2016

Background

- 3.10** In Chapter 4 of the July 2016 'Quarterly Consultation Paper' (QCP)¹⁶, we proposed a number of changes to our Handbook. We consulted on amendments to the:

- Glossary of definitions to amend the definition of a prescribed market for the purpose of Chapter 5 of the Disclosure Guidance and Transparency Rules sourcebook (DTR) following repeal of the Prescribed Markets and Qualifying Investments Order on 3 July 2016,
- DTR to introduce a new rule in DTR 7.2 to implement the new Non-Financial Reporting Directive (2014/95/EU) (EU NFR Directive) requirement for issuers to disclose their diversity policy in the corporate governance statement.

Feedback

- 3.11** We received four responses to our consultation.

Definition of prescribed market

- 3.12** In question 4.1 respondents were asked if they agreed with our proposal to introduce a revised Glossary definition of 'prescribed market' for the purpose of Chapter 5 of the DTR. We received two responses; both agreed with the proposal. However, one respondent suggested that, given that the DTR apply to the listed community rather than to regulated firms, it would be helpful to include a reference to the register which contains the list of UK Recognised Investment Exchanges (RIEs). The respondent suggested this be made possible either by providing a hyperlink for the relevant search or by signposting the register in a note.

¹⁶ CP16/17 'Quarterly Consultation Paper No. 13' (July 2016)

Non-financial reporting (DTR)

- 3.13** Questions 4.2 – 4.6 covered our proposals relating to the implementation of the EU NFR Directive requirement for issuers to disclose their diversity policy in the corporate governance statement. We received three responses covering some or all of these questions.
- 3.14** In question 4.2 respondents were asked if they agreed with our proposal to include a new DTR 7.2.8AR which sets out the new corporate governance statement requirement. We received two responses to this question. One respondent agreed with our proposal. The second respondent stated that, while they agreed in principle with the proposals outlined in the chapter, they suggested that we should amend the wording in proposed new rule DTR 7.2.8AR(1)(a) to ensure that the requirement is not unnecessarily super-equivalent. The respondent commented that the proposed wording makes the disclosure of the specified aspects mandatory as opposed to suggested. Instead, the wording in the provision should copy out the requirements of the EU NFR Directive.
- 3.15** In question 4.3, we asked respondents if they agreed with our proposal to exempt small and medium sized issuers from the new DTR requirement. We received one response and that respondent agreed that our proposed implementation of the rule is proportionate.
- 3.16** Question 4.4 asked respondents if they agreed with our proposal to apply the new reporting requirement to those listed companies which are required by the Listing Rules to comply with DTR 7.2 as if they were an issuer to which DTR 7.2 applies. We received two responses to this question. One respondent agreed with our proposal, noting that the rule will ensure that there is a level playing field and will avoid confusion as to why the disclosures apply to some issuers, but not to others. However, one respondent disagreed with our proposal, stating that it applies the requirements of the EU NFR Directive more broadly than is required. The respondent considered that the diversity policy disclosures should not be applied to non-EU incorporated companies in the standard listing segment.
- 3.17** In question 4.5, we asked respondents if they agreed with our proposal to include new guidance provisions in DTR 1B.1.8G and DTR 7.2.8BG. We received one response and that respondent agreed with our proposal. The same respondent also agreed with our proposal to introduce transitional provisions in DTR TP 1, which was covered by question 4.6.

Our response

Definition of prescribed market (DTR)

- 3.18** We are proceeding with the proposal as outlined in question 4.1 of the QCP. Regarding the request to include a hyperlink or note directing readers to the register, we have decided not to do so because we consider it would be inconsistent with our approach to other definitions in the Glossary. The list of RIEs can be found by navigating from the FCA website to the Financial Services Register (<https://register.fca.org.uk/>) and following the drop-down menu titled Exchanges, markets and prohibited individuals.

Non-financial reporting (DTR)

- 3.19** Regarding the proposals set out in question 4.2, we have taken into account the response suggesting we should amend the wording of the requirement in DTR 7.2.8AR(1)(a) to copy out the Directive. It was not our intention to propose wording that appeared super-equivalent. We have amended DTR 7.2.8AR(1)(a) to make clear that the specified aspects outlined are suggested disclosures. We recognise that our original proposed wording may inadvertently have made them appear mandatory.

- 3.20** The proposal set out in question 4.3 to exempt small and medium sized issuers from the new DTR requirement will be implemented as set out in the consultation.
- 3.21** We have carefully considered both responses to question 4.4. Although our proposed approach goes further than the EU NFR Directive requires, it does not impose an obligation on non-EU listed companies to have a diversity policy. In line with the Directive itself, the new rule DTR 7.2.8AR(2) makes clear that if no diversity policy is applied, there is no obligation to put one in place, but the corporate governance statement should include an explanation as to why this is the case.
- 3.22** Moreover, the scope of the entities which are already required by the Listing Rules to comply with DTR 7.2 is not changing. In CP09/24¹⁷, we took a policy position to extend DTR 7.2 to all listed companies with a listing of equity securities or global depositary receipts (GDRs). Our proposal amends the disclosures that those listed companies which are already required to comply with DTR 7.2 must make. It does not extend DTR 7.2 to listed companies that do not currently have to comply with the requirements in DTR 7.2. Non-EU incorporated listed companies with a listing of equity securities or GDRs should already be complying with DTR 7.2. We will proceed to implement the new requirements as set out in question 4.4.
- 3.23** We also intend to proceed with the proposals as set out in questions 4.5 and 4.6 of the QCP.
- Cost benefit analysis and compatibility statement***
- 3.24** In Chapter 4 of the QCP we explained that we did not anticipate these proposals having any significant cost or competition implications. Additionally, we stated that we considered our proposals to be compatible with our strategic objective, advance one or more of our operational objectives, and have regard to the regulatory principles in section 3B of FSMA. These statements remain valid.
- Equality and diversity issues***
- 3.25** In the consultation, we explained that we did not consider that the proposals adversely impacted any of the groups with protected characteristics i.e. age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. We also stated that we would continue to consider the equality and diversity implications of the proposals during the consultation period, and would revisit them when publishing the final rules.
- 3.26** Having reflected further on the implications of the proposals, we maintain our position that the rules do not adversely impact any of the groups with protected characteristics.
- 3.27** The changes made by this instrument are listed in Chapter 2 of this Notice.

CP15/23 and PS16/9 Ring-fencing: Disclosures to consumers by non-ring-fenced bodies

Banking: Conduct of Business Sourcebook (Disclosure by Non Ring-fenced Bodies) (Amendment) Instrument 2016

¹⁷ CP09/24 'Listing regime review' (October 2009)

Background

3.28 The Financial Services (Banking Reform) Act 2013 created a framework for a ring-fencing regime which will apply to the largest UK banking groups. The Government has announced an intended start date for the regime of 1 January 2019. Its legislation aims to isolate retail banking activities from investment banking activities within those groups. The core objective of the regime is to reduce the likelihood of disruption of key retail services by protecting ring-fenced bodies (RFBs) from risks arising elsewhere in their own groups or in the wider financial system.

3.29 As part of the ring-fencing regime we, the FCA, have¹⁸ to make rules specifying the information that a non ring-fenced body (NRFB) must provide to individuals that are account holders or that have applied to open an account with the NRFB. A NRFB is a deposit-taker that is not a RFB but is part of a corporate group that contains a RFB.

3.30 In CP15/23¹⁹ we consulted on draft disclosure rules. We then published PS16/9²⁰ alongside our near-final rules. The rules were published as near-final because we were waiting for Her Majesty's Treasury (HMT) to make amendments to the Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 which would change its scope and the scope of our rules too. The amending Order comes into force on 1 December 2016. This Order makes changes so that:

- UK banks do not have to provide information on ring-fencing to account holders outside the European Economic Area (EEA) or to holders of non-deposit taking accounts, and
- non-EEA banks do not have to provide information to account holders because they are not impacted by ring-fencing.

3.31 Our final rules will also come into force on 1 December 2016, with minor changes to the near-final version to reflect the change in scope.

Feedback

3.32 We received seven responses to CP15/23, mainly from banking groups that will be impacted by the changes. The feedback and our response are detailed in PS16/9.

3.33 The changes outlined in this Handbook Notice relate to responses received to the following question.

3.34 We asked:

Q: Do you agree that there should be no requirement to provide information to other categories of depositors that are entitled to hold an account with a NRFB?

3.35 A number of points were raised in the responses received which question the underlying definition of an 'eligible individual', including whether the legislation applies in certain circumstances to deposit-takers outside the EEA.

Our response

¹⁸ The Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014

¹⁹ CP15/23 'Ring-fencing: Disclosures to consumers by non-ring-fenced bodies' (July 2015)

²⁰ PS16/9 'Ring-fencing: Disclosures to consumers by non-ring-fenced bodies' (March 2016)

- 3.36** HMT was made aware of these issues and has made amendments to the underlying Order. We have updated our final rules to reflect these changes.

Cost benefit analysis and compatibility statement

- 3.37** The cost benefit analysis and compatibility statement published in Annexes 2 and 3 of CP15/23 remain valid.

Equality and diversity issues

- 3.38** We continue to believe these changes do not give rise to any equality and diversity issues nor do they give rise to unfair discrimination against protected groups as set out in Chapter 1 of CP15/23.

- 3.39** The changes made by this instrument are listed in Chapter 2 of this Notice.

4. Additional information

Making corrections

- 4.1** The FCA reserves the right to make amendments to the instruments made at the Board meeting without further consultation should this prove necessary or desirable.

Publication of Handbook material

- 4.2** This Notice is published on the FCA's website.
- 4.3** The formal legal instruments (which contain details of the changes) can be found on the FCA's Handbook website listed by date, reference number or module at <https://www.handbook.fca.org.uk/>. The definitive version of the Handbook at any time is the version contained in the legal instruments.
- 4.4** The changes to the Handbook are incorporated in the consolidated Handbook text on the website as soon as practicable after the legal instruments are published.
- 4.5** The consolidated text of the Handbook can be found on the FCA's website at <https://www.handbook.fca.org.uk>. A print version of the Handbook is available from The Stationery Office's shop at <https://www.tsoshop.co.uk/Financial-Conduct-Authority-FCA/>.
- 4.6** Copies of the FCA's consultation papers are available on the FCA's website.

Obligation to publish feedback

- 4.7** This Notice, and the feedback to which paragraph 1.4 refers, fulfil the FCA Board's obligations under sections 138I(4) and (5) and similar sections of the Financial Services and Markets Act 2000 ('the Act'). These obligations are to publish an account of representations received in response to consultation and the FCA's response to them, and to publish details of any significant differences between the provisions consulted on and the provisions made by the Board, with a cost benefit analysis and a statement under section 138K(4) of the Act if a proposed rule applies to authorised persons, including mutual societies.

Comments

- 4.8** We always welcome feedback on the way we present information in the Handbook Notice. If you have any suggestions, please use the contact details at the front of this Notice.

5.

Appendix – SUP 16 Annex 18BG Mark-up

**NOTES FOR COMPLETION OF
THE RETAIL MEDIATION ACTIVITIES RETURN ('RMAR')**

Contents

Introduction General notes on the RMAR

Section A: Balance Sheet

Section B: Profit & Loss Account

Section C: Client Money

Section D: ~~Regulatory~~ Capital

Deleted: Resources

Section E: Professional Indemnity Insurance

Section F: Threshold Conditions

Section G: Training ~~and~~ Competence

Deleted: &

Section H: Conduct of Business

Section I: Supplementary product sales data

Section J: Data required for calculation of fees

Section K: Adviser charges

Introduction: general notes on the RMAR

1. These notes aim to assist *firms* in completing and submitting the relevant sections of the **Retail Mediation Activities Return** ('RMAR').
2. The purpose of the RMAR is to provide a framework for the collection of information required by the *FCA* as a basis for its supervision activities. It also has the purpose set out in paragraph 16.12.2G of the Supervision Manual, i.e. to help the *FCA* to monitor *firms'* capital adequacy and financial soundness.

Defined terms

3. *Handbook* terms are italicised in these notes.
4. Terms referred to in the RMAR and these notes, where defined by the Companies Acts 1985 or 2006, as appropriate, or other relevant accounting provisions, bear that meaning for these purposes. The descriptions indicated in these notes are designed simply to repeat, summarise or amplify the relevant statutory or other definitions and terminology without departing from their full meaning or effect.

Key abbreviations

5. The following table summarises the key abbreviations that are used in these notes:

APF	<i>Authorised professional firm</i>
AR	<i>Appointed representative</i>
CAD	<i>The Capital Adequacy Directive</i>
CASS	The Client Assets sourcebook, part of the Handbook
COBS	The Conduct of Business sourcebook, part of the Handbook
CREDS	The Credit unions sourcebook, part of the Handbook
DISP	Dispute resolution: Complaints sourcebook, part of the Handbook
EEA	The <i>European Economic Area</i>
ICOB	The Insurance: Conduct of Business sourcebook, part of the Handbook
IMD	The <i>Insurance Mediation Directive</i>
IPRU(INV)	The Interim Prudential sourcebook for investment businesses, part of the Handbook
ISD	The <i>Investment Services Directive</i>
LTCI	Long term care insurance
MCOB	The Mortgages and Home Finance: Conduct of Business sourcebook, part of the Handbook
PII	Professional indemnity insurance
MIPRU	The Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries
RMAR	Retail Mediation Activities Return, i.e. the information requirements to which these notes refer.
SUP	The Supervision Manual, part of the Handbook

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Scope

6. The following *firms* are required to complete the sections of the *RMAR* applicable to the activities they undertake as set out in *SUP* 16.12:

(a) *firms* with *permission* to carry on *insurance mediation activity* in relation to *noninvestment insurance contracts*.

By way of example, this would include a broker advising on private motor insurance, household insurance or critical illness cover. It would not though include *advice* on a *life policy*;

(b) *firms* with *permission* to carry on *home finance mediation activity*;

(c) *personal investment firms*;

(d) *firms* (defined as *retail investment firms*) *that have retail clients*, and have *permission* to carry on the following activities in relation to *retail investment products*:

- *advising on investments*;
- *arranging (bringing about) deals in investments*;
- *making arrangements with a view to transactions in investments*;

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Retail investment products are defined as:(a)

- a *life policy*; or
- (b) a *unit*; or
- (c) a *stakeholder pension scheme*; or
- (d) a *personal pension scheme*; or
- (e) an interest in an *investment trust savings scheme*; or
- (f) a *security* in an *investment trust*; or
- (g) any other *designated investment* which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in the financial asset; or
- (h) a *structured capital-at-risk product*;

whether or not any of (a) to (h) are held within an *ISA* or a *CTF*; and

(e) other investment *firms* that have *permission* to *advise on P2P agreements* and do not carry on that activity exclusively with or for *professional clients*.

For the purposes of completing the *RMAR* in relation to the activity of *advising on P2P agreements* only, ‘retail investments’ and ‘retail investment products’ should be understood as including *P2P agreements*, and references to retail investment advising and retail investment activity should be understood as including *advice on P2P agreements*.

The practical effect of the *retail client* limitation in the definition of *retail*

investment firms is to exclude from the requirements *firms* that carry on *retail investment activities* exclusively with or for *professional clients* or *eligible counterparties*.

Note also that all *long-term care insurance contracts* are defined as *life policies*, and as such are included as *retail investment products*.

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8. [deleted]

EEA Firms

9. In accordance with the relevant directives, *incoming EEA firms* are not subject to all reporting requirements. In broad terms, this means that *incoming EEA firms* carrying on *regulated activities* by way of *cross border services* only are not required to complete the RMAR.

10. In broad terms, *incoming EEA firms* carrying on *regulated activities* through a branch in the *United Kingdom* are not required to complete the sections of the RMAR in the following table.

Prudential reporting requirements	Section A (balance sheet)
	Section B (profit & loss)
	Section C (<i>client money</i>)
	Section D (capital requirements)
	Section E (professional indemnity insurance)
Threshold conditions	Section F (save in relation to questions about <i>approved persons</i>)
Training and Competence	Section G
Adviser charges	Section K

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11. *Firms* that only carry on *reinsurance mediation* are not required to complete sections C or K.

Authorised professional firms

12. Authorised professional firms ('APFs') that are subject to *IPRU (INV)* 2.1.3R (for their *investment activity*) or *MIPRU* 4.1.10R (for *insurance mediation activity* or *home finance mediation activity*) are not required to complete sections A, B2 or D. APFs that are members of the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland are also not required to complete section C (see below).

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13. The application of the capital requirements to APFs is set out in *IPRU(INV)* 2.1.2R (for *retail investment activity*) and *MIPRU* 4.1.10R (for *home finance mediation activity* and *insurance mediation activity*).

14. Where APFs are required to submit financial information (i.e. sections A to E), they should do so in relation to all of their *regulated activities*. Sections F and K should also be completed in relation to all *regulated activities*. Other sections (G to I) need not

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include information in relation to *non-mainstream regulated activities*. However, APFs may complete all sections on the basis of all of their *regulated activities* if this approach is more cost effective.

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Accounting Principles

15. Subject to paragraph 15A below, which is in respect of section K only, the following principles should be adhered to by *firms* in the submission of financial information (sections A to E and section K).

(a) Unless a rule requires otherwise, amounts to be reported within the *firm's* balance sheet and profit and loss account should be determined in accordance with:

- (i) the requirements of all relevant statutory provisions (e.g. Companies Act 2006, and secondary legislation made under this Act) as appropriate;
- (ii) UK generally accepted accounting practice (UK GAAP) or, where applicable, *international accounting standards*;
- (iii) the provisions of (c) and (d) below.

(b) If the *firm* is a *body corporate* with one or more *subsidiaries*, its financial statements should be unconsolidated.

(c) (i) With the exception of section J, and sections K and L from 31 December 2012, all amounts should be shown in one of the reporting currencies accepted by the GABRIEL system, unless otherwise specified in the *Handbook* (e.g. in MIPRU 3.2.7R). Section J, and sections K and L from 31 December 2012, must be completed in pounds sterling.

(ii) A *firm* should translate assets and liabilities denominated in other currencies into the chosen reporting currency using the closing mid-market rate of exchange.

(iii) Taxation, when reported at a quarter or half year end, should be based on an estimate of the likely effective tax rate for the year applied to the interim profit or loss arising.

(iv) Balances on *client bank accounts* and related client accounts must not form part of the *firm's* own balance sheet.

(d) No netting is permitted (that is, amounts in respect of items representing assets or income may not be offset against amounts in respect of items representing liabilities or expenditure, as the case may be, or vice versa).

15A. For the completion of section K, all figures should be provided on an accruals basis in line with UK Generally Accepted Accounting Practice (UK GAAP) or International Accounting Standards (IAS), unless a *firm* elects to complete section K on a cash basis. A *firm* may elect to complete section K, and only section K, on a cash basis by selecting this as the accounting basis for section K on GABRIEL.

Other

16. You will note that some questions in the RMAR refer to the “last reporting date”. If the RMAR is being completed for the first time, you should treat the date the *firm* became authorised to carry on any of the relevant *regulated activities* as the “last reporting date”, except where otherwise indicated (e.g. in sections E & H).

Where questions in the RMAR refer to “as at the end of the reporting period”, you should treat the last day of the reporting period specified on GABRIEL as “as at the end of the reporting period”.

17. Unless otherwise indicated, the information submitted should cover all of the *firm’s* transactions in the relevant products, and all of its *customers* and *market counterparties* (where relevant).

NOTES FOR COMPLETION OF THE RMAR

Section A: Balance sheet

The balance sheet data should be compiled in accordance with generally accepted accounting practice. Incorporated *firms* will already be submitting this information to Companies House under Companies Act requirements, and it would normally be expected that non-incorporated *firms* would compile this data for management purposes.

Insurance intermediaries subject to *MIPRU* should, where debtors include amounts owed by their directors, *group undertakings* or *undertakings* in which the *firm* has a participating interest, enter the total amount falling due to the *firm* within one year in the data entry field entitled:

“Memo (1):

Total amount falling due within one year from directors, fellow group undertakings or undertakings in which the firm has a participating interest where included in Debtors.”

Insurance intermediaries subject to *MIPRU* should, where they include *shares* in *group undertakings* as part of their investments, where such investments are held as current assets, enter the total value to the *firm* in the data entry field entitled:

“Memo (2):

Value of shares in group undertakings where such investments are held as current assets.”

If further assistance is required in completing the balance sheet, professional guidance should be sought.

This information will be used by the *FCA* to monitor the *firm’s* financial position and satisfy itself as to the *firm’s* ongoing solvency. Aggregated data may also be used to inform our supervision activities.

The frequency of reporting for this section is determined by *SUP* 16.12.

Firms that have *appointed representatives* ('ARs') should note that balance sheet data should be submitted for the *firm* only, not its ARs.

Section B: Profit & Loss Account

Profit & loss ('P&L') should be reported on a cumulative basis throughout the *firm's* financial year.

B1 – regulated business revenue: covers the data required on the *firm's* revenue from its *regulated activities* within the scope of the RMAR.

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B2 – other P&L: incorporates the remainder of the profit & loss data requirements.

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Firms that receive combined income in relation to both regulated and non-regulated activities may have difficulties in separately identifying their regulated income from their non-regulated income. If this is the case, *firms* should, (a) in the first instance, ask the provider of the income for an indication of the regulated/non-regulated split; and (b) if this is not available, make an estimate of the income derived from each activity.

In Sub-section B1, a *firm* that has *appointed representatives* ('ARs'), including a *network*, should ensure that the figures submitted for income are calculated before deducting any commissions shared with its ARs in respect of the *regulated activities* for which the *firm* has accepted responsibility as *principal*.

Note: *Home purchase*, *reversion* and regulated sale and rent back activity should be included under the existing mortgage headings in this section of the RMAR.

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Section B: guide for completion of individual fields

Commissions (gross)	<p>This should include all commission income in respect of the relevant regulated business:</p> <ul style="list-style-type: none"> • for <i>home finance transactions</i>, this includes commissions received for <i>advising on home finance transactions</i> and <i>arranging</i>, but not, providing and administration; • for <i>non-investment insurance contracts</i>, it should include commissions received for <i>advising, arranging</i> and <i>dealing</i> activities; • for <i>retail investments</i>, only commission received in relation to the relevant activities should be recorded here. <p>Gross commissions will include commission that is received and passed on to another <i>person</i>.</p> <p>Where commission is shared between two or more <i>firms</i>, the gross commission should not be double counted, i.e. each <i>firm</i> should report only the commission it has received.</p>
Commissions (net)	<p>This should be the amount of the gross commission figure that is retained by the <i>firm</i> and, where applicable, its <i>appointed representatives</i>, (i.e. not passed on to another <i>person</i>) in respect of each type of business.</p>
Fees/ Adviser charges / Consultancy charges	<p>You should record here <i>adviser charges</i> and <i>consultancy charges</i>, and net income received from <i>customers</i> or other sources on a fixed fee rather than commission basis, but only in respect of the relevant <i>regulated activities</i>.</p>
Other income from regulated activities	<p>You should record here any income that has derived from the relevant <i>regulated activities</i> during the reporting period, which has not been recorded under commissions or fees, <i>adviser charges</i> or <i>consultancy charges</i>.</p> <p>Such income may include interest on <i>client money</i>, where the <i>firm</i> is permitted to retain this, or payments made by product providers on a basis other than fees or commissions.</p>
Regulated business revenue	<p>This is the total of the <i>firm's</i> income during the reporting period in relation to its relevant <i>regulated activities</i>.</p> <p>For an <i>insurance intermediary</i> or a <i>home finance intermediary</i>, this should be calculated in the same way as 'annual income', as specified in MIPRU 4.3.3R (although in this context the period is not generally annual).</p> <p>This <i>rule</i> states: "For a firm which carries on <i>insurance mediation activity</i> or <i>home finance mediation activity</i>, annual income... is the amount of all brokerage, fees, <i>commissions</i> and other related income (for example, administration charges, overrides, profit shares) due to the <i>firm</i> in respect of or in relation to those activities".</p>
Income from other regulated activities	<p>You should record here any income from other <i>regulated activities</i> outside the scope of the <i>RMAR</i>.</p>
Other Revenue (income from Non-regulated activities)	<p>Gross revenue arising from the <i>firm's</i> non-<i>regulated activities</i>, if any, should be entered here.</p>

Section C: Client Money and assets

‘Client money’ is defined in the *Glossary*. In broad terms, *client money* includes money that belongs to a *client*, and is held by a *firm* in the course of carrying on *regulated activities*, for which the *firm* has responsibility for its protection. It does not include *deposits* (where the *firm* acts as deposit-taker).

The *client money rules* define further what is and is not *client money*, and set out requirements on *firms* for the proper handling of and accounting for *client money*. If a *firm* holding *client money* fails there is a greater direct risk to consumers and a greater adverse impact on market confidence compared (for example) to a *firm* that only holds money under risk transfer arrangements.

Note 1: a *firm* should complete section C of the RMAR for the money it receives or holds in the course of, or in connection with, its *insurance mediation activity* (see CASS 5).

Note 2: *firms* that only carry on *insurance mediation activity* in respect of *reinsurance contracts* are exempt from the *client money rules*, and are not therefore required to complete section C of the RMAR. However, a *firm* may make an election under CASS 5.1.1R(3) to comply with CASS 5.1 to CASS 5.6 in respect of *client money* it receives in the course of carrying on *insurance mediation activity* in relation to *reinsurance contracts*. Where a *firm* has made such an election it should also complete section C of the RMAR.

Note 3: a *firm* that receives or holds money for its *MiFID business* or *designated investment business* that is not *MiFID business* and holds money to which CASS 5 applies, may make an election under CASS 7.10.3R(1) or (2) to comply with CASS 7 for money it receives in the course of, or in connection with, its *insurance mediation activity*. Where a *firm* has made such an election, it should not complete section C of the RMAR, except to confirm that it holds money in connection with *insurance mediation activities* and has elected to comply with CASS 7.

Note 4: a *firm* (e.g., a property management *firm*) that complies with the Royal Institute of Chartered Surveyors (RICS) Members’ Accounts rules or, in relation to a service charge, the requirement to segregate such money in accordance with section 42 of the Landlord and Tenant Act (LTA) 1987 is deemed to comply with CASS 5.3 to CASS 5.6, provided that it satisfies the requirements of CASS 5.5.49R to the extent that the *firm* will hold money as trustee or otherwise on behalf of its clients. Such a *firm* should only complete the questions in section C of the RMAR indicated in the guide for completion of individual fields below.

Deleted: Note 3A: this data item does not apply to *firms* who only carry on *home finance mediation activities* exclusively in relation to *second charge regulated mortgage contracts* or *legacy CCA mortgage contracts* (or both) and who are not otherwise expected to complete it by virtue of carrying out other *regulated activities*: see SUP 16.12.28AR, Note 3).¶

Note 5: an *authorised professional firm* regulated by The Law Society (of England and Wales), The Law Society of Scotland or The Law Society of Northern Ireland must comply with the rules of its *designated professional body* as specified in CASS 5.1.4R, and if it does so, it will be deemed to comply with CASS 5.2 to CASS 5.6. These *firms* are not therefore required to complete section C of the RMAR.

Note 6: this data item does not apply to *firms* who only carry on *home finance mediation activities* exclusively in relation to *second charge regulated mortgage contracts* or *legacy CCA mortgage contracts* (or both) and who are not otherwise expected to

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complete it by virtue of carrying out other regulated activities: see SUP 16.12.28AR, Note 3).

Note 7: *firms* should complete all applicable fields.

Section C: guide for completion of individual fields

Question	Guidance notes
Does your <i>firm</i> receive or hold <i>money</i> in the course of, or in connection with, its <i>insurance mediation activity</i> ?	<i>Firms</i> should answer ‘yes’ here if they hold <i>money</i> such that CASS 5.1 to CASS 5.6 applies (see CASS 5.1.1R). <i>Firms</i> to which note 4 applies should also answer ‘yes’.
Has your <i>firm</i> elected under CASS 7.10.3R(1) or (2) to comply with CASS 7?	See note 3.
How does your <i>firm</i> hold <i>money</i> received in the course of, or in connection with, its <i>insurance mediation activity</i> ?	You should answer ‘yes’ or ‘no’ under each of the headings, as appropriate. <i>CASS 5 Client money:</i> see CASS 5.1 As agent of insurer: see CASS 5.1.5R and CASS 5.2 – holding money as agent of insurance undertaking under a written risk transfer agreement and not as <i>client money</i> . <i>Firms</i> to which note 4 applies should select ‘no’ under each heading, unless they hold <i>money</i> when acting both in the capacity of an insurance broker and of a property management company. A <i>firm</i> may answer ‘yes’ under both headings.
Is your <i>firm's</i> CASS 5 <i>client money</i> held under the CASS 5.3 statutory trust or under one or more CASS 5.4 non-statutory trusts?	You should indicate here the type of trust under which <i>client money</i> is held: Statutory trust – see CASS 5.3 Non-statutory trust – see CASS 5.4 A <i>firm</i> may answer ‘yes’ under both headings.
If non-statutory, has an auditor’s confirmation of systems and controls been obtained?	This refers to the requirement in CASS 5.4.4R(2) that the <i>firm</i> must obtain and keep current, written confirmation from its auditor that the <i>firm</i> has adequate systems and controls in place to meet the requirements under CASS

	<p>5.4.4R(1).</p> <p>This requirement is separate to the annual audit requirement in <i>SUP</i> 3.10.</p>
<p>Is <i>client money</i> invested or placed in anything other than a <i>client bank account</i>?</p>	<p>You should indicate 'yes' here if the <i>firm</i> has invested any <i>client money</i> other than in a <i>client bank account</i>.</p> <p>See CASS 5.5.14R which states that a <i>firm</i> may satisfy the requirement to segregate <i>client money</i> by segregating or arranging for the segregation of <i>designated investments</i> with a value at least equivalent to such <i>money</i> as would otherwise be segregated.</p> <p>This means of segregation is only permitted for <i>client money</i> held under a non-statutory trust.</p>
<p>Highest <i>client money</i> requirement (for money held as <i>client money</i>, taken from the <i>firm's client money</i> calculations)</p>	<p>See CASS 5.5.63R and CASS 5.5.66R to CASS 5.5.67R</p> <p>A <i>firm</i> should enter the highest <i>client money</i> requirement calculated during the period. This would be taken from the <i>firm's client money</i> calculations performed during the period.</p> <p>Only the single highest <i>client money</i> requirement figure should be entered, not the aggregate of the <i>client money</i> requirements calculated during the period.</p>
<p>Highest account balance (for money held as <i>client money</i>, taken from the <i>firm's</i> records)</p>	<p>This refers to <i>money</i> held as CASS 5 <i>client money</i> under a statutory trust or non-statutory trust(s). The amount should be taken from the <i>firm's</i> own records and should include <i>client money</i> held as agent of insurer which is co-mingled with other <i>client money</i> in a <i>client money</i> account (see CASS 5.1.5AR).</p> <p>If your <i>firm</i> segregates <i>designated investments</i> under a non-statutory trust (see CASS 5.5.14R), you should also include the value of these investments.</p> <p>If your <i>firm</i> operates both statutory and non-statutory trust accounts, you should enter two balances: one for the highest balance in statutory trust accounts and one for the highest balance in non-statutory trust accounts.</p>
<p>Highest account balance for money held purely as agent of insurer (and not co-mingled with <i>client money</i>)</p>	<p>This refers to money held purely as agent of insurer under risk transfer agreements (see CASS 5.2) and held separate to any CASS 5 <i>client money</i>. The amount should be taken from the <i>firm's</i> own records.</p> <p>If <i>money</i> held as agent of insurer is co-mingled with CASS 5 <i>client money</i> in a <i>client bank account</i> (see CASS 5.1.5AR), it should be reported in the previous field and</p>

	<p>therefore should not be reported in this field.</p> <p>The data reported in questions 20 to 23 should be taken from the <i>firm's client money</i> calculation performed closest, and prior, to the end of the reporting period.</p>
<i>Client money</i> requirement as at end of the reporting period	See CASS 5.5.63R and CASS 5.5.66R to CASS 5.5.68R
<i>Client money</i> resource as at end of the reporting period	See CASS 5.5.63R and CASS 5.5.65R
Surplus (+) or deficit (-) of <i>client money</i> resource against <i>client money</i> requirement	<p>See CASS 5.5.63R</p> <p>This should be the difference between the <i>client money</i> requirement and the <i>client money</i> resource.</p>
Adjustments made to withdraw an excess or rectify a deficit	<p>See CASS 5.5.63R</p> <p>This should be the amount of money paid into or withdrawn from the <i>client bank account</i> following the <i>client money</i> calculation performed closest, and prior, to the end of the reporting period.</p>
Is your <i>firm</i> exempt from the client asset audit requirement?	<p>See SUP 3.1.2R Note 4</p> <p>If the <i>firm</i> does not hold <i>client money</i> or other client assets in relation to <i>insurance intermediation activities</i> or only holds up to, but not exceeding, £30,000 of <i>client money</i> under a statutory trust arising under CASS 5.3 state 'yes' here.</p> <p><i>Firms</i> to which note 4 applies should answer this question.</p>
If not exempt, have you obtained a client assets audit in the last 12 months?	<p>See SUP 3.1 to SUP 3.7 and SUP 3.11.</p> <p>If the <i>firm</i> has obtained a client assets audit in the last 12 months enter 'yes'. If it has not, enter 'no'.</p> <p><i>Firms</i> to which note 4 applies should answer this question.</p>
What is the name of your <i>firm's</i> client assets auditor?	<p>Enter the name of the <i>firm's</i> auditor as it appears on the Financial Reporting Council's register of statutory auditors.</p> <p><i>Firms</i> to which note 4 applies should answer this question.</p>
According to your last client assets audit report, what was the auditor's opinion on your <i>firm's</i> compliance with the <i>client money rules</i> as at the period end date?	<p>This refers to the opinion at the end of the audit period.</p> <p>The <i>firm</i> should select from 'clean', 'qualified' or 'adverse', as appropriate.</p> <p>In this question, the period end date refers to the period covered by the audit report and will therefore refer to a</p>

	<p>different period to the reporting period for this return.</p> <p><i>Firms</i> to which note 4 applies should answer this question.</p>
<p>Have any notifiable <i>client money</i> issues been raised, either in the <i>firm's</i> last client assets audit report or elsewhere, that have not been notified to the <i>FCA</i> since the last reporting period for this return?</p>	<p>Answer yes if the <i>firm</i> has not, since the last reporting period for this return, notified the <i>FCA</i> of any breaches in relation to the following notification requirements:</p> <p>CASS 5.5.61R: failure of a bank, broker or <i>settlement agent</i>.</p> <p>CASS 5.5.76R: failure to perform calculations or reconciliation.</p> <p>CASS 5.5.77R: failure to make good a <i>shortfall</i> by the close of business on the day the calculation is performed.</p>
<p>Does your <i>firm</i> hold any client documents or other assets (other than <i>client money</i>) in accordance with CASS 5.8?</p>	<p>If the <i>firm</i> is subject to the requirements of CASS 5.8, state 'yes' here.</p>

Section D: Regulatory Capital

Note: *Home purchase, reversion and regulated sale and rent back activity* should be included under the heading of home finance in this section of the RMAR.

'Higher of' requirements

In this section there are separate calculations of regulatory capital and capital resources requirements for the different types of business covered by the data requirements. The calculations are the same, however, for both *home finance mediation activity* and *insurance mediation activity* relating to *non-investment insurance contracts*.

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(i) The left column of the form covers the appropriate capital resources and connected requirements in *MIPRU* 4 for firms carrying on *home finance mediation activity* (save for firms carrying on *home finance mediation activities* exclusively in relation to *second charge regulated mortgage contracts* or *legacy CCA mortgage contracts*, or both) or *insurance mediation activity* relating to *non-investment insurance contracts* (the requirements have to be completed for all applicable categories), or both.

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(ii) For such a *firm* that is also subject to *IFPRU* or *GENPRU* and *BIPRU*, the requirement is the higher of the two capital resources requirements that apply (see *MIPRU* 4.2.5R) and is compared with the higher of the two capital resources calculations (see *MIPRU* 4.4.1R).

(iii) For such a *firm* that is also subject to *IPRU(INV)*, the requirement is as computed in *IPRU(INV)* 13.13.3R and is compared with the higher of the two capital resources calculations (see *MIPRU* 4.4.1R).

(iv) *Firms* that carry on *designated investment business* and are subject to the RMAR, but do not meet the definition of *personal investment firm* are not subject to the requirements of *IPRU(INV)* 13. Such *firms*, e.g., stockbrokers that advise on *retail investments* as an incidental part of their business, remain subject to the financial resources requirements associated with their principal *regulated activities*.

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Section D: guide for completion of individual fields

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Is the firm exempt from these capital resources requirements in relation to any of its retail mediation activities?	<p>The <i>firm</i> should indicate here if any <i>Handbook</i> exemptions apply in relation to the capital resources requirements in <i>MIPRU</i> or <i>IPRU(INV)</i> 13. Examples of <i>firms</i> that may be subject to exemptions include:</p> <ul style="list-style-type: none">• Lloyd's <i>managing agents</i> (<i>MIPRU</i> 4.1.11R);• solo consolidated <i>subsidiaries of banks</i> or <i>building societies</i>;• small <i>credit unions</i> (as defined in <i>MIPRU</i> 4.1.8R); and• <i>investment firms</i> not subject to <i>IPRU(INV)</i> 13 (unless they additionally carry on <i>home finance mediation activity</i> or <i>insurance mediation activity</i> relating to <i>non-investment insurance contracts</i>).
Home finance and non-investment insurance mediation	
Base requirement	The minimum capital <u>requirements</u> for <i>firms</i> carrying on <i>home finance mediation activity</i> and <u>for insurance mediation activity</u> relating to <i>non-investment insurance contracts</i> <u>are</u> set out in <i>MIPRU</i> 4.2.11R.
5% of annual income (firms holding client money)	For <i>firms</i> that hold <i>client money</i> or other <i>client assets</i> in relation to <i>insurance mediation activity</i> or <i>home finance mediation activity</i> , <u>this should be</u> calculated as 5% of the annual income (see <i>MIPRU</i> 4.2.11R(2)) from the <i>firm's insurance mediation activity</i> , <i>home finance mediation activity</i> , or both.
2.5% of annual income (firms not holding client money)	For <i>firms</i> that do not hold <i>client money</i> or other <i>client assets</i> in relation to <i>insurance mediation activity</i> or <i>home finance mediation activity</i> , <u>this should be</u> calculated as 2.5% of the annual income (see <i>MIPRU</i> 4.2.11R(1)) from the <i>firm's insurance mediation activity</i> , <i>home finance mediation activity</i> , or both.
Capital <u>requirements</u> (higher of above)	The higher of the base requirement and 5% of annual income (<i>firms</i> that hold <i>client money</i> or other <i>client assets</i>), or the higher of the base requirement and 2.5% of annual income (<i>firms</i> that do not hold <i>client money</i> or other <i>client assets</i>)

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Other <i>FCA</i> capital resources requirements (if applicable)	<p>The <i>FCA</i> may from time to time impose additional requirements on individual <i>firms</i>. If this is the case for your <i>firm</i>, you should enter the relevant amount here. This excludes capital resources requirements in relation to PII, which are recorded <u>below</u>.</p> <p>If the <i>firm</i> carries on <i>designated investment business</i> as well as <i>home finance mediation activity</i>, <i>insurance mediation activity</i> or both, requirements under <i>IPRU(INV)</i>, <i>IFPRU</i>, <i>GENPRU</i> or <i>BIPRU</i> and <i>MIPRU</i> must be considered to determine the appropriate requirement (see general notes (i) to (iii) above). If the resulting requirement for a <i>firm</i> is higher than the base <i>MIPRU</i> requirement then you should include the difference here.</p>	<p>Deleted: above</p> <p>Deleted: There may be additional capital resources requirements imposed on <i>firms</i> that carry on a number of different <i>regulated activities</i>. For example, <i>firms</i> that carry on the activities of <i>home finance providing activity</i> or <i>administering a home finance transaction</i> in addition to <i>home finance mediation activity</i> and/or <i>insurance mediation activity</i>, and are not exempted under <i>MIPRU</i> 4.1.4R, may have an additional requirement under <i>MIPRU</i> 4.2.21R(2).¶</p>
Additional capital resources requirements for PII (if applicable)	If the <i>firm</i> has any increased excesses on its PII policies, the total of the additional capital requirements required by the tables in <i>MIPRU</i> 3.2.13R or <i>MIPRU</i> 3.2.14R should be recorded here. See also section E of the RMAR.	Deleted: resources
Total capital resources requirement	Totals of lines 5, 6 and 7.	<p>Deleted: TOTAL CAPITAL RESOURCES REQUIREMENT</p> <p>Deleted: Total</p>
Capital resources	<p>This should be the capital resources calculated in accordance with <i>MIPRU</i> 4 for incorporated or unincorporated <i>firms</i> as applicable.</p> <p>For <i>firms</i> that are additionally subject to <i>IPRU(INV)</i>, <i>IFPRU</i>, <i>GENPRU</i> or <i>CREDS</i>, this should be the higher of the capital resources per <i>MIPRU</i> 4 and the financial resources determined by <i>IPRU(INV)</i>, <i>IFPRU</i>, <i>GENPRU</i> or <i>CREDS</i>. See <i>MIPRU</i> 4.4.1R.</p>	Deleted: CAPITAL RESOURCES
Capital resources excess/deficit	This should show the difference between the capital resources that the <i>firm</i> has and its capital resources requirement.	Deleted: CAPITAL RESOURCES EXCESS/DEFICIT

Personal investment firm (retail investment activities only) – IPRU(INV) 13

Note: *Firms* that carry on *retail investment activities*, but no other *designated investment business*, are subject to this section.

Category of *personal investment firm* If the *firm* is subject to *IPRU(INV)* 13, it should enter here its category as defined in the *Glossary*, ie, *category B1 firm* etc.

Capital resources requirement The capital resources requirement should be calculated in accordance with *IPRU(INV)* 13.13.2R to *IPRU(INV)* 13.3.4G.

Additional capital resources requirement for PII (if applicable)

If the *firm* has increased excesses or exclusions on its PII policies, the total of the additional capital resources requirements required by *IPRU(INV)* 13.1 should be recorded here. See also Section E of the RMAR.

Other *FCA* capital resources requirements (if applicable)

The *FCA* may from time to time impose additional requirements on individual *firms*. If this is the case for your *firm*, you should enter the relevant amount here. This excludes capital resources requirements in relation to PII, which are recorded above.

A *firm* that has a permission to operate a personal pension will be subject to an additional capital requirement under *IPRU(INV)* 5; this should be included here.

Total capital resources requirement

The total of lines 12, 13 and 14.

Capital resources

Capital resources should be calculated in accordance with *IPRU(INV)* 13.15.3R.

Surplus/deficit of capital resources

This is the difference between the capital resources (line 16) and the total capital resources requirement (line 15).

Capital resources per MIPRU 4 (home finance and non-investment insurance intermediation)	
Incorporated firms	
Share capital	Share capital <u>in section A</u> which is eligible for inclusion as <u>regulatory capital</u> .
Reserves	These are the audited accumulated profits retained by the <i>firm</i> (after deduction of tax and dividends) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a <i>parent undertaking</i> . Any reserves that have not been audited should not be included in this field unless the <i>firm</i> is eligible to do so under <u>MIPRU 4.4.2R(3)</u> .
Interim net profits	Interim net profits should be verified by the <i>firm's</i> external auditor, net of tax or anticipated dividends and other appropriations. Any interim net profits that have not been verified should not be included in this field unless the <i>firm</i> is eligible to do so under <u>MIPRU 4.4.2R(3)</u> .
Revaluation reserves	Revaluation reserves <u>(unrealised reserves arising from revaluation of fixed assets)</u> can only be included here if audited.
Eligible subordinated loans	Subordinated loans should be included in capital resources on the basis of the provisions in MIPRU 4.4.7R and MIPRU 4.4.8R.
Less investments in own shares	Amounts recorded in the balance sheet as investments which are invested in the <i>firm's</i> own shares should be entered here for deduction.
Less intangible assets	Any amounts recorded as intangible assets in section A <u>above</u> should be entered here for deduction.

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Less interim net losses	Interim net losses should be reported where they have not already been incorporated into reserves or interim net profits. The figures do not have to be audited to be included.
Unincorporated firms and limited liability partnerships	
Capital of a sole trader or partnership or LLP members' capital	See <i>MIPRU</i> 4.4.2R
Eligible subordinated loans	Subordinated loans should be included in capital resources on the basis of the provisions in <i>MIPRU</i> 4.4.7R and <i>MIPRU</i> 4.4.8R.
Personal assets not needed to meet non-business liabilities	<p><i>MIPRU</i> 4.4.5R and 4.4.6G allow a <i>sole trader</i> or <i>partner</i> to use personal assets to cover liabilities incurred in the <i>firm's</i> business unless:</p> <p>(1) those assets are needed to meet other liabilities arising from: (a) personal activities; or (b) another business activity not regulated by the FCA; or (2) the <i>firm</i> holds <i>client money</i> or other <i>client</i> assets.</p> <p>This field may be left blank if the <i>firm</i> satisfies the capital resources requirements without relying on personal assets.</p>
Less intangible assets	Any amounts recorded as intangible assets in Section A above should be entered here for deduction.
Less interim net losses	Interim net losses should be reported where they have not already been incorporated. The figures do not have to be audited to be included.
Less excess of drawings over profits for a sole trader or partnership or LLP	Any excess of drawings over profits should be calculated in relation to the period following the date as at which the capital resources are being calculated. The figures do not have to be audited to be included.
Capital resources per IPRU(INV) 13.15.3R	
<p><i>IPRU(INV)</i> requires that all <i>personal investment firms</i> have financial resources of at least £20,000 at all times. This section is designed to evaluate <i>firms'</i> adherence to this requirement.</p> <p>The amounts entered here should be in accordance with <i>IPRU(INV)</i> 13.15.3R.</p>	

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↓ [Note: Section D6 is deleted in its entirety]

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Section E: Professional Indemnity Insurance

Note: Home purchase, reversion and sale and rent back activity should be included under the existing mortgage headings in this section of the RMAR.

This section requires *firms* to confirm that they are in compliance with the prudential requirements in relation to professional indemnity insurance (PII).

Data is required in relation to all PII policies that a *firm* has in place, up to a limit of ten (the system will prompt you to submit data on all applicable policies). If a *firm* has more than ten policies, it should report only on the ten largest policies by premium.

Note on the scope of Section E: *retail investment firms* that fall within the scope of

these data requirements, but do not meet the definition of *personal investment firm*, i.e. are not subject to *IPRU(INV)* 13, will **not** be subject to this section.

Deleted: unless they undertake *insurance mediation* or *home finance mediation* activities. *Insurance mediation* activity includes any mediation performed in relation to a *contract of insurance* and this, for example, will include a *life policy*

The PII requirements for *authorised professional firms* ('APFs') that carry on *retail investment activities* are set out in *IPRU(INV)* 2.3. APFs that carry on *home finance mediation activity* or *insurance mediation activity* are subject to the full requirements of *MIPRU* 3.

Firms which are subject to the requirements in both *IPRU(INV)* and *MIPRU* must apply the PII rules outlined in *IPRU(INV)* 13, not *MIPRU* 3.

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Section E: guide for completion of individual fields

Part 1

<p>Does your firm hold a comparable guarantee or equivalent cover in lieu of PII, or is it otherwise exempt from holding PII in respect of any regulated activities (tick as appropriate)?</p>	<p>This question will establish whether a <i>firm</i> is exempt from the requirements and so is not required to hold PII.</p> <p>The conditions for comparable guarantees and exemptions from the PII requirements for <i>firms</i> carrying on <i>insurance</i> or <i>home finance mediation</i>, are set out in <i>MIPRU</i> 3.1.1R paragraphs (3) to (6).</p> <p><i>Personal investment firms</i> can only be exempted by <u>individual waiver granted by the FCA (unless <i>IPRU(INV)</i> 13.1.7R applies in respect of comparable guarantees).</u></p> <p>If the <i>firm</i> is required to hold PII – i.e. is not exempt from holding PII – you should enter 'no' in the data field.</p> <p>A <i>firm</i> is NOT exempt from holding PII if:</p> <ul style="list-style-type: none"> the <i>firm</i> has a group policy with an insurer; or the <i>firm</i> has permission for the regulated business that requires PII, but does not currently carry it out; or it is a <i>personal investment firm</i> meeting the exemption requirements for <i>mortgage intermediaries</i> and <i>insurance intermediaries</i> in <i>MIPRU</i> 3. <p><i>Retail investment firms</i> that do not meet the definition of <i>personal investment firm</i> are not required to complete this section of the RMAR.</p>
<p>If the firm does not hold a comparable guarantee or equivalent cover and is not exempt, does the firm currently hold PII?</p>	<p><i>Firms</i> are required to take out and maintain PII at all times.</p> <p>You should only enter 'n/a' if the <i>firm</i> is exempt from the PII requirements for all the <i>regulated activities</i> forming part of the RMAR.</p>

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Deleted: unless they have permission for *non-investment insurance* or *home finance mediation activities*.

Has the firm renewed its PII cover since the last reporting date?	<p>This question will ensure that a <i>firm</i> does not fill in Part 2 of the PII section of the RMAR each time it reports, if the information only changes annually.</p> <p>If the <i>firm</i> is reporting for the first time, you should enter 'yes' here and complete the data fields.</p> <p>You should only enter 'n/a' if the <i>firm</i> is exempt from the PII requirements for all the <i>regulated activities</i> forming part of the RMAR.</p>
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Part 2

What activities are covered by the policy(ies)?	You should indicate which <i>regulated activities</i> are covered by the <i>firm's</i> PII policy or policies.
If your policy excludes all business activities carried on prior to a particular date (i.e. a retroactive start date), then insert the date here, if not please insert 'n/a'	<p>Required terms of PII are set out for <i>personal investment firms</i> in IPRU(INV) 13.1.5R and for <i>home finance intermediaries</i> and <i>insurance intermediaries</i> in MIPRU 3.2.4R.</p> <p>Examples of a retroactive start date: (1) A <i>firm</i> has a retroactive start date of 01/01/2005 on its policy if:</p> <ul style="list-style-type: none"> • A client is advised by the <i>firm</i> to purchase an XYZ policy on 01/03/2004 (i.e. before the retroactive start date). • The client makes a formal complaint about the sale of XYZ policy to the <i>firm</i> on 01/04/2006 (i.e. while this PII cover is still in place). • The complaint is upheld, but the <i>firm's</i> current PII Insurer will not pay out any redress for this claim as the transaction took place before 01/01/2005, the retroactive start date in the policy. <p>Insert '01/01/05' for this question on the RMAR. (2)</p> <p>A <i>firm</i> does not have a retroactive start date if:</p> <ul style="list-style-type: none"> • A client is advised by the <i>firm</i> to purchase an XYZ policy on 01/03/2006. • The client makes a formal complaint about the sale of XYZ policy to the <i>firm</i> on 01/04/2006 (i.e. while this PII cover is still in place). • The complaint is upheld, but the <i>firm's</i> current PII Insurer will pay out any redress owed by the firm to the client over any prescribed excess, and to the limit of indemnity provided for. There is no date in the policy before which any business transacted may not give rise to a valid claim. <p>Insert 'n/a' for this question on the RMAR.</p>
Annual premium	This should be the annual premium that is paid by the <i>firm</i> , net of tax and any other add-ons.

Limit of Indemnity	<p>You should record here the indemnity limits on the <i>firm's</i> PII policy or policies, both in relation to single claims and in aggregate.</p> <p>Those firms subject to the <i>Mortgage Credit Directive (MCD)</i> (see <i>MIPRU</i> 3.2.9AR) <u>or the</u> <i>Insurance Mediation Directive (IMD)</i> requirements should state their limit in Euros; those that are not subject to the <i>MCD</i> or <i>IMD</i> should select 'Sterling' from the drop-down list.</p> <p><i>Insurance intermediaries</i>, see <i>MIPRU</i> 3.2.7R and select either 'Euros' or 'Sterling' as applicable. <i>Home finance intermediaries</i> that are not <i>MCD credit intermediaries</i> should state their limit in Sterling (see <i>MIPRU</i> 3.2.9R).</p> <p>For <i>personal investment firms</i>, see <i>IPRU(INV)</i> 13.1.9R and 13.1.13R and select either 'Euros' or 'Sterling' as applicable.</p> <p>If the <i>firm</i> is subject to more than one of the above limits (because of the scope of its <i>regulated activities</i>) and has one PII policy for all of its <i>regulated activities</i>, the different limits should be reflected in the policy documentation. If there is more than one limit, only the highest needs to be recorded in this field.</p>
Policy excess	<p>For <i>insurance intermediaries</i> and <i>home finance intermediaries</i>, see <i>MIPRU</i> 3.2.10-14R</p> <p>For <i>personal investment firms</i>, see <i>IPRU(INV)</i> 13.1.25R.</p>
Increased excess(es) for specific business types (only in relation to business you have undertaken in the past or will undertake during the period covered by the policy)	<p>If the prescribed excess limit is exceeded for a type or types of business, the type(s) of business to which the increased excess applies and the amount(s) of the increased excess should be stated here.</p> <p>(Some typical business types include pensions, endowments, FCAVCs, splits/zeros, precipice bonds, income drawdown, <i>lifetime mortgages</i>, discretionary management.)</p>
Policy exclusion(s) (only in relation to exclusions you have had in the or will have during the period covered by the policy)	<p>If there are any exclusions in the <i>firm's</i> PII policy which relate to any types of businesses or activities that the <i>firm</i> has carried out either in the past or during the lifetime of the policy, enter the business type(s) to which the exclusions relate here.</p> <p>(Some typical business types include pensions, endowments, FCAVCs, splits/zeros, precipice bonds, income drawdown, <i>lifetime mortgages</i>, discretionary management.)</p>
Start Date	The date the current cover began.
End Date	The date the current cover expires.

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<u>Insurer</u> name (please select from the drop-down list)	The <i>firm</i> should select the name of the <i>insurance undertaking</i> or Lloyd's syndicate providing cover. If the PII provider is not listed you should select 'other' and enter the name of the <i>insurance undertaking</i> or Lloyd's syndicate providing cover in the free-text box. If a policy is underwritten by more than one <i>insurance undertaking</i> or Lloyd's syndicate, you should select 'multiple' and state the names of all the <i>insurance undertakings</i> or Lloyd's syndicates in the free-text box.
Annual income as stated on the most recent proposal form	This should be the income as stated on the <i>firm's</i> most recent PII proposal form. For a <i>personal investment firm</i> , this is relevant income arising from all of the <i>firm's</i> activities for the last accounting year before the policy began or was renewed (<i>IPRU(INV)</i> 13.1.8R). For <i>insurance intermediaries</i> and <u>home finance intermediaries</u> this is the annual income given in the <i>firm's</i> most recent annual financial statement from the relevant <i>regulated activity</i> or activities (<i>MIPRU</i> 4.3.1R to 4.3.3R).
Amount of additional capital required for increased excess(es) (where applicable, total amount for all PII policies)	This should be calculated using the tables in <i>IPRU(INV)</i> 13.1.19R or <i>MIPRU</i> 3.2.14 to 3.2.16R as applicable. The total of additional capital (i.e. in relation to all of the <i>firm's</i> PII policies) should <u>have been</u> reported under 'additional capital requirements for PII' and/or 'additional own funds for PII' in Section <u>D</u> .
Amount of additional <u>own funds</u> required for policy exclusion(s)	<i>Personal investment firms</i> only – this should be calculated in line with <i>IPRU(INV)</i> 13.1.23R. The total of additional capital resources (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional capital resources for PII' in section <u>D</u> .
Total of additional <u>own funds</u> required	<i>Personal investment firms</i> only – this is the same figure as in section <u>D</u> , representing the total of additional capital resources required under <i>IPRU(INV)</i> 13.1.23R to 13.1.27R for all of the <i>firm's</i> PII policies.

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Section F: **Threshold** conditions

Sub-heading: close links

This section relates to *threshold condition 3*. Firms should consult *COND 2.3*, as well as Chapter 11 of the Supervision Manual ('SUP').

Sole traders, firms which have *permission* to carry on *retail investment activities* only, *firms* with *permission* only to *advise on P2P agreements* (unless that activity is carried on exclusively with or for *professional clients*) or *firms* which have *permission* to carry on only one, or only both of:

- *insurance mediation activity*; or
- *home finance activity*;

and are not subject to the requirements of *SUP 16.4* or *SUP 16.5* (requirement to submit annual controllers report; or annual close links reports), will submit these reports in RMAR section F instead.

Sub-heading: controllers

In very broad terms, so far as those required to fill in this part of the return are concerned, the *Handbook* requires notification of changes in a *firm's controllers* as follows:

A *UK domestic firm* other than a *UK insurance intermediary* must notify the *FCA* of any of the following events concerning the *firm*:

- (1) a *person* acquiring *control* or ceasing to have *control*;
- (2) an existing *controller* acquiring an additional *kind of control* or ceasing to have a *kind of control*;
- (3) an existing *controller* increasing or decreasing a *kind of control* which he already has so that the percentage of shares or *voting power* concerned becomes or ceases to be equal to or greater than 20%, 30% or 50%;
- (4) an existing *controller* becoming or ceasing to be a *parent undertaking*.

An *overseas firm* must notify the *FCA* of any of the following events concerning the *firm*:

- (1) a *person* acquiring *control* or ceasing to have *control*;
- (2) an existing *controller* becoming or ceasing to be a *parent undertaking*.

A *UK insurance intermediary* must notify the *FCA* of any of the following events concerning the *firm*:

- (1) a *person* acquiring *control*;
- (2) a *controller*:
 - (a) decreasing the percentage of shares held in the *firm* from 20% or more to less than 20%; or
 - (b) decreasing the percentage of shares held in a *parent undertaking* of the *firm* from 20% or more to less than 20%; or
 - (c) decreasing the percentage of voting power which it is entitled to exercise, or

Deleted: Sub-heading: approved persons¶

¶ The approved persons regime is one of the ways in which the *FCA* satisfies itself that *firms* are operating in accordance with *threshold conditions 4* (adequate resources) and 5 (suitability).¶

¶ An "approved person" is a *person* in relation to whom the *FCA* has given its approval under the *Act* for the performance of a *controlled function*. In broad terms, the individuals the *FCA* approves fall into the following categories:¶

<#>individuals exerting significant influence over the *firm's regulated activities*;¶
<#>individuals dealing directly with *customers*; and ¶
<#>individuals dealing with the property of *customers*.¶

¶ For *retail investment firms*, all individuals undertaking *controlled functions* in relation to the above categories are subject to the *approved persons* regime.¶

¶ For *firms* carrying on *home finance mediation activity* and/or *insurance mediation activity* relating to *non-investment insurance contracts*, the 'significant influence' category is subject to the *approved persons* regime, but not the 'customer functions'.¶

¶ See, generally, *SUP 10.4* for specification of *significant influence functions* and *customer functions*.¶

control the exercise of, in the *firm* from 20% or more to less than 20%; or
 (d) decreasing the percentage of voting power which it is entitled to exercise, or control the exercise of, in a *parent undertaking* of the *firm* from 20% or more to less than 20%;

(3) an existing *controller* becoming or ceasing to be a *parent undertaking*.

A summary of these notification requirements is provided in Annex 1G of SUP 11.

This section of the return replaces the annual *controllers* reporting requirement in SUP 16.4.5R, which does not now apply to those *firms* subject only to the RMAR for the purposes of regulatory reporting. Moreover, the exemptions for certain other *firms* from the existing reporting requirement in SUP 16.4.1G are retained.

Section F: guide for completion of individual fields

Close Links	
Has there been a notifiable change to the firm's close links?	See SUP 11.9. All <i>firms</i> should have notified the FCA immediately if they have become aware that they have become or ceased to be closely linked with <i>another person</i> . If there have been any changes in <i>close links</i> that have not been notified to the FCA, you should do this now. For detailed guidance on what constitutes a <i>close link</i> , see COND 2.3.
If yes, has the FCA been notified of it?	See SUP 11.9. All <i>firms</i> should have notified the FCA immediately if they have become aware that they have become or ceased to be closely linked with <i>another person</i> . If there have been any changes in <i>close links</i> that have not been notified to the FCA, you should do this now. For detailed guidance on what constitutes a <i>close link</i> , see COND 2.3.
Controllers	
Has there been a notifiable change to the firm's controllers including changes to the percentage of shares or voting power they hold in your firm?	See SUP 11.4. If there have been any changes in <i>controllers</i> that have not been notified to the FCA, you should do this by means of your usual supervisory channels.
If yes, has the FCA been notified of it?	See SUP 11.4. If there have been any changes in <i>controllers</i> that have not been notified to the FCA, you should do this by means of your usual supervisory channels.

Section G: Training and Competence

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Note: *Home purchase, reversion and regulated sale and rent back* activity should be included under the existing mortgage headings in this section of the RMAR.

Principle 3 of the *Principles for Businesses* requires *firms* to take reasonable care to organise and control their affairs responsibly and effectively, with adequate risk management systems. This includes making proper arrangements for individuals associated with a *regulated activity* carried on by a *firm* to achieve and maintain competence.

We will use the data we collect in this section to assess the nature of *firms'* compliance with training and competence requirements. It will also establish the extent and nature of *firms'* business, and thereby assess the potential risks posed by *firms'* business activities.

Firms that have *appointed representatives* ('ARs') should note that the information submitted in this section should include its ARs as well as the *firm* itself.

Section G: guide for completion of individual fields

Total number of all staff	This should be the total number of staff that worked for the <i>firm</i> as at the end of the reporting period. Therefore, employees that may have advised during the period but were not employed as at the end date should not be included.
Of which:	
Number of staff that give advice	'Advice' is given where the sale of a product is based on a recommendation given to the <i>customer</i> on the merits of a particular product. If staff advise in relation to more than one business type (i.e. <i>home finance transaction</i> advising, advising on <i>non-investment insurance contracts</i> or retail investment products), they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns. Note: in relation to advising on <i>non-investment insurance contracts</i> , this total should not include employees that do not advise <i>retail customers</i> .
Number of staff that give advice (Full time equivalent)	This should be the same data as above, but expressed in 'full time equivalent' terms, e.g. if the firm has 20 part time staff that work 50% of normal hours, the figure would be 10.

Number of staff that supervise others to give advice	<p>Note the requirements in the Training and Competence Sourcebook (<i>TC 2.1.2R, TC 2.1.3G, TC 2.1.4G and TC 2.1.5R</i>) for employees to be appropriately supervised, and also the competencies that are required for those who supervise others.</p> <p>If any of these staff carries out supervisory activities in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
Number of advisers that have been assessed as competent	<p>This is a subset of the total of 'number of staff that give advice' above.</p> <p>See <i>TC Appendix 1.1R</i> for the detailed training & competence requirements relating to individual activities.</p> <p>If staff are competent in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
Number of advisers that have passed appropriate examinations	<p>This is a subset of the total in 'number of staff that give advice' above.</p> <p>In the case of certain activities, <i>TC 2</i> imposes requirements on <i>firms</i> in relation to their <i>employees</i> and passing examinations.</p> <p>The relevant activities to which <i>TC</i> applies and require <i>employees</i> to obtain appropriate qualifications can be found in <i>TC Appendix 1</i>. Then appropriate qualifications for these activities can be found in <i>TC Appendix 4E</i>.</p> <p>If staff have qualifications in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
Number of advisers that have left since the last reporting date	<p>This is the total number of advisory staff that have left the <i>firm</i> during the current reporting period.</p> <p>If any of these staff used to carry out advisory activities in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
What types of advice were provided?	<p>For each type of advice, the <i>firm</i> should indicate whether or not staff have provided advice on that basis / business type.</p> <p>In relation to their <i>home finance mediation activities</i>, <i>firms</i> are not required by <i>MCOB 4.4A</i> to use a label to describe the service they provide to <i>customers</i>. In filling out this section they should simply answer 'no' for each category relating to their <i>home finance mediation activities</i>.</p>

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Independent	For a <i>retail investment firm</i> to provide <i>independent advice</i> its <i>personal recommendations</i> must be based on a comprehensive and fair analysis of the relevant market, and be unbiased and unrestricted (COBS 6.2A.3R).
Independent (whole of market plus option of fee-only)	To hold itself out as acting independently, a <i>firm</i> carrying on <i>home finance mediation activity</i> must consider products from across the whole of the market, and offer its clients the opportunity to pay by fee.
Whole of market (without fee-only option)	A <i>firm</i> carrying on <i>home finance mediation activity</i> provides whole of market recommendations when it has considered a large number of products that are generally available from the market as a whole.
On the basis of a fair analysis of the market	If an <i>insurance intermediary</i> informs a <i>customer</i> that it gives advice on the basis of a fair analysis of the market, it must give that advice on the basis of an analysis of a sufficiently large number of <i>contracts of insurance</i> available on the market to enable it to make a recommendation, in accordance with professional criteria, regarding which <i>contract of insurance</i> would be adequate to meet the <i>customer's</i> needs. (See ICOBS 5.3.3R, see also ICOBS 4.1.6R and ICOBS 4.1.8G).
Restricted /Multi-tie (the products of a limited number of providers)	A <i>firm</i> provides advice on products selected from a limited number of provider firms. <i>Restricted advice</i> applies to advice on <i>retail investment products</i> . Multi-tie applies to <i>insurance mediation activity</i> and <i>home finance mediation activity</i> .
Restricted /Single-tie (the products of one provider)	A <i>firm</i> provides advice on products selected from one provider firm only. <i>Restricted advice</i> applies to advice on <i>retail investment products</i> . Single-tie applies to <i>insurance mediation activity</i> and <i>home finance mediation activity</i> .
Restricted (limited types of products)	A <i>firm</i> provides advice on limited types of products.

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Clawed back commission (retail investment firms only)

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Commission is typically paid to advisers in two main ways:

- non-indemnity commission – this is where payments from providers/lenders to advisers are non-refundable should the policy lapse, cancel or be surrendered.
- indemnity commission – this is colloquially known as 'up-front' commission and describes the situation where a provider would pay an adviser an amount of money based on a percentage of the first year's premiums for a regular premium contract. This sum is paid immediately on commencement, on the assumption that the policy will stay in force for a number of months/years ('the earnings period'). Should the customer stop paying premiums within the 'earnings period' (generally between 24 and 48 months), then the provider would ask the adviser to repay the 'unearned' commission. This is known as '**clawback**'.

Clawed back commission (retail investment firms only)	
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Number	Number of policies where cancellations have led to commissions being clawed back during the reporting period.
Value	Total value of clawed back commission during the period.

Section H: Conduct of Business ('COBS') Data

In this section we are seeking data from *firms* in relation to general conduct of business and monitoring of appointed representatives.

We will use the data collected in this section to establish the extent and nature of *firms'* business, and thereby assess the potential risks posed by *firms'* business activities.

Firms that have *appointed representatives* ('ARs') should note that the information submitted in this section should take account of the business generated by its ARs as well as the *firm* itself.

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Note: *Home purchase* and *reversion activity* should be included under the existing mortgage headings in this section of the RMAR. ¶

General COBS data

In this sub-section we are requesting general information on the *firm's* conduct of business.

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Monitoring of *appointed representatives*

An appointed representative ('AR') is a *person* (other than an *authorised person*) who:

- (a) is a party to a contract with an *authorised person* (his *principal*) which:
 - (i) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations*; and
 - (ii) complies with such requirements as are prescribed in those Regulations; and
- (b) is someone for whose activities in carrying on the whole or part of that business his *principal* has accepted responsibility in writing; and who is therefore an *exempt person* in relation to any *regulated activity* comprised in the carrying on of that business for which his *principal* has accepted responsibility.

A *firm* has significant responsibilities in relation to an AR that it has appointed, which are set out in detail in SUP 12. In summary, the *firm* is responsible, to the same extent as if it had expressly permitted it, for anything the *appointed representative* does or omits to do, in carrying on the business for which the *firm* has accepted responsibility.

Before a *firm* appoints a *person* as an *appointed representative*, and afterwards **on a continuing basis**, it should take reasonable care to ensure that:

(1) the appointment does not prevent the *firm* from satisfying and continuing to satisfy the *threshold conditions*;

(2) the *person*:

- (a) is solvent;
- (b) is suitable to act for the *firm* in that capacity; and
- (c) has no *close links* which would be likely to prevent the effective supervision of the *person* by the *firm*; and

(3) the *firm* has adequate:

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- (a) controls over the *person's regulated activities* for which the *firm* has responsibility (see SYSC 3.1); and
- (b) resources to monitor and enforce compliance by the *person* with the relevant requirements applying to the *regulated activities* for which the *firm* is responsible and with which the *person* is required to comply under its contract with the *firm*. Accordingly, *firms* are required to monitor and oversee the activities of their ARs. It is the *firm's* responsibility to be able to demonstrate that it has adequate procedures and resources in place to monitor these activities.

By collecting the high level data required in this sub-section, we will be able to gain an understanding of the methods that *firms* are employing to remain in compliance with the monitoring requirements. This will be used to inform thematic and/or *firm*- specific work in this area.

Section H: guide for completion of individual fields

General COBS data	
Do regulated activities form the core business of the firm?	<p>'Core business' for these purposes is the activity from which the largest percentage of the <i>firm's</i> gross income is derived.</p> <p>Note for an <i>authorised professional firm</i> ('APF') specifying that its core business is 'professional services': if the <i>firm's</i> income from <i>regulated activities</i> is 50% or more of its total income (disregarding a temporary variation of not more than 5% over the preceding year's figure), then it should have regard to IPRU(INV) 2.1.2R (4) and give notification to the FCA.</p>
If not, specify type of core business	<p>The <i>firm</i> should specify its core business from the drop-down list.</p> <p>You should select Other if none of the categories is applicable to the <i>firm's</i> business, e.g. loss assessor, professional services provided by an APF.</p>
Monitoring of Appointed Representatives ('ARs')	
Number of ARs registered with the firm as at the end of the reporting period	Total number of ARs for which the <i>firm</i> has regulatory responsibility, as at the end of the reporting period.
Of which, number of 'secondary' ARs as at the end of the reporting period	<p>An AR is a secondary AR if:</p> <ul style="list-style-type: none"> the activities for which it is exempt are limited to <i>insurance mediation activities</i> only; and its principal purpose is to carry on activities other than <i>insurance mediation activities</i>.
Of which, number of introducer ARs as at the end of the reporting period	See <i>Glossary</i> definition
Number of advisers within ARs as at the end of the reporting period	<p>This should be the total of advisory staff across all of the <i>firm's appointed representatives</i>. Advisory staff are those that advise <i>customers</i> on the merits of purchasing a particular product.</p> <p>By definition this total will not include staff at introducer ARs.</p>

Deleted: authorised professional firm.

Does the firm have appropriate systems and procedures in place to ensure that the activities of its ARs are effectively monitored and controlled?	A summary of the <i>firm's</i> responsibilities under SUP 12 is set out under the sub-heading "monitoring of appointed representatives" above. The <i>firm</i> should be able to demonstrate that it has been in compliance with the requirements in SUP 12 throughout the reporting period.
Number of ARs that have been subject to monitoring visits by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12.
Number of ARs that have been subject to file reviews by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12.
Number of ARs that have been subject to financial checks by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12.
Has any other monitoring of ARs by the <i>firm</i> taken place?	If the <i>firm</i> uses other methods to fulfil its monitoring responsibilities under SUP 12, you should state 'yes' here.

Section I: supplementary product sales data

Most of the product sales data ('PSD') required by the FCA is collected quarterly from product providers. However, this process does not include all types of *non-investment insurance contract*, and also leaves other gaps in data on sales, which we aim to fill by means of the data collected in this section.

We use this data in conjunction with PSD to identify market trends and thus inform our thematic supervision work. In addition to this, we may use the combined sales data to form a view about the state of affairs of individual *firms*, which may inform supervisory or other action.

Firms that have *appointed representatives* ('ARs') should note that the information submitted in this section should also take account of the business of its ARs as well as the *firm* itself.

(i) non-investment insurance product information

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In this section *firms* are asked for aggregate data on their advising and arranging activities (for *non-investment insurance contracts* with *retail customers*). The information required is an indication of the product types in which the *firm* has been active during the reporting period, and a further indication of how significant this activity is (i.e. whether it forms more than 40% by premium of all of the *firm's* retail non-investment insurance activities).

This information enables us to ascertain the importance of each product type to the *firm* and to target thematic work in this area.

Total non-investment insurance premium derived from retail customers (annualised)

Regular policy premiums received for a policy should be reported only once as an annualised figure in the return for the period that covers the date of the sale. There is then no need to report in subsequent returns. An annualised figure is also required if a policy premium is paid in one single payment.

(ii) non-investment insurance chains

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It is common practice in the non-investment insurance market for some *firms* to pass their business to another intermediary rather than directly to the product provider, forming a 'chain'. Product Sales Data only identifies the *firm* that has submitted the business to the product provider, although this may not necessarily be the intermediary that originated the sale. This section captures data on sales that form part of chains. Collecting information on gross and net brokerage (as outlined in Sub-section B1 above) gives us some information about the extent to which a *firm* is part of a chain, and to supplement this, we are requesting the following data in this section:

- (1) whether transactions in the listed product types have been passed up a chain;
- (2) whether this business is significant. 'Significant', in this context, is where the premium collected in relation to business forming part of a chain amounts to (a) more than 40% of premium collected for all non-investment insurance business, or (b) more than 40% of premium collected for all retail business in a particular product; and
- (3) whether, in relation to this business, the *firm* has dealt directly with the *customer* during the reporting period (i.e. has been the first intermediary in the chain).

Note: Lloyd's brokers are exempt from the reporting requirement in this section.

Section I: guide for completion of individual fields

(i) non-investment insurance contracts - product information	
Please indicate in column A each product type where the firm has advised or arranged transactions for retail customers during the reporting period	You should indicate in column A for each relevant product.
Please indicate in column B where the firm's business for retail customers in the product type formed more than 40% by premium of all of its non-investment insurance activities.	You should indicate in column B for each relevant product, based on an estimate of the percentage of business. If you think the product might account for more than 40% of business but are not sure, you should indicate that it does.
(ii) non-investment insurance chains	
Total non-investment insurance premium derived from retail customers	You should state here the total of premiums payable by <u>Retail</u> customers during the reporting period in relation to non-investment insurance products.
Of this business, please indicate in column D where this business is significant (see notes above)	If this business is significant (see definition above) for one or more product types, this should be indicated in column D.
Product types:	The product types in this table are defined in the Interim Prudential sourcebook for insurers ('IPRU(INS)')

Section J: data required for calculation of fees

Note: *Home purchase*, *reversion* and *regulated sale and rent back* activity should be included under the home finance headings in this section of the RMAR.

This information is required so that we can calculate the fees payable by *firms* in respect of the *FCA*, *FOS* and the *FSCS*.

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Deleted: Sub-heading: (iii) Dealing as agent for non-investment insurance contracts¶

This section captures transactions with retail customers by firms with delegated authority (e.g. where the firm can bind risks on behalf of the insurance undertaking without further reference to the insurance undertaking). Firms are required to submit aggregate volumes and value of this business, and to indicate which products they have dealt in.¶ Firms are also required to indicate whether this business is significant. 'Significant', in this context, is where the premium collected in relation to business where the firm dealt as agent amounts to (a) more than 40% of premium collected for all non-investment insurance business, or (b) more than 40% of premium collected for all business in a particular product).¶ Again, this enables us to ascertain the importance of this business to the firm and to target thematic work in this area.¶

Sub-heading: (iv) claims handling¶

The activity of 'assisting in the administration and performance of a contract of insurance' encompasses claims handling on behalf of customers, and this section aims to capture information on claims handling that is not collected from product providers as part of PSD.¶

This enables us to ascertain the importance of this activity to the firm and to target thematic work in this area. Firms should note that where claims are handled on behalf of an insurer only, this does not constitute a regulated activity.¶

Sub-heading: (v) Lloyd's brokers – product sales data¶

This information is required because data on business placed through Lloyd's is not collected as part of product sales data. To fill the gap, this section requires Lloyd's brokers to submit data on the percentage of revenue earned through their regulated activities that is derived from retail, commercial and reinsurance business. This information is used alongside the product sales data to inform our thematic supervision work.¶

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Data for fees calculations	<i>Firms</i> will need to report data for the purpose of calculating <i>FCA</i> , <i>FOS</i> and <i>FSCS</i> levies.
FCA	The relevant information required is the tariff data set out in <i>FEES</i> 4 Annex 1AR Part 3 under fee-blocks A.13, A.18 and A.19. Note that <i>firms</i> are required to report tariff data information relating to all business falling within fee blocks A.13/A.18/A.19 and not simply that relating to retail investments.
FOS	The relevant information required is the tariff data set out in <i>FEES</i> 5 Annex 1R industry blocks 8, 9, 16 and 17. Note that <i>firms</i> are required to report tariff data information relating to all business falling within industry blocks 8/9, 16 and 17.
FSCS	The relevant information required is the tariff data set out in classes B2, C2, D2, and E2, <i>FEES</i> 6 Annex 3R. Note that <i>firms</i> are required to report tariff data information relating to all business falling within classes B2, C2, D2 and E2, <i>FEES</i> 6 Annex 3R.

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Personal investment firms and *firms* whose regulated activities are limited to one or more of: *insurance mediation activity*, *home finance mediation activity*, or *retail investment activity*, are required to complete section J of the *RMAR*.

Firms which do not yet have data for a full 12 months ending on their *accounting reference date* (for example if they have not traded for a complete financial year by the time of the *accounting reference date*) should complete Section J with an 'annualised' figure based on the actual income up to their *accounting reference date*. That is, such *firms* should pro-rate the actual figure as if the *firm* had been trading for 12 months up to the *accounting reference date*. So for a *firm* with 2 months of actual income of £5000 as at its *accounting reference date*, the 'annualised' figure that the *firm* should report is £30,000.

The *guidance* in the following table sets out the *rules* which related to the data required in Section J of *SUP* 16 Annex 18AR.

	FCA Annual Regulated Income (£s)	FOS Relevant Annual Income (£s)	FSCS Annual Eligible Income (£s)
Home finance Mediation	<i>FEES</i> 4 Annex 11AR, 13G	<i>FEES</i> 5 Annex 1R industry block 16	<i>FEES</i> 6 Annex 3R sub-class E2
Non-investment insurance mediation	<i>FEES</i> 4 Annex 11AR, 13G	<i>FEES</i> 5 Annex 1R industry block 17	<i>FEES</i> 6 Annex 3R sub-class B2
Life and pensions mediation	<i>FEES</i> 4 Annex 11AR, 13G	<i>FEES</i> 5 Annex 1R industry block 8, 9	<i>FEES</i> 6 Annex 3R sub-class C2
Investment mediation	<i>FEES</i> 4 Annex 11AR, 13G	<i>FEES</i> 5 Annex 1R industry block 8, 9	<i>FEES</i> 6 Annex 3AR sub-class D2

Section K: Adviser charges

In this section we are seeking data from *firms* about *adviser charges* in respect of a *firm* providing a *personal recommendation* to a *retail client* on a *retail investment product* (COBS 6.1A and COBS 6.1B). We will use the data we collect to monitor and analyse the way these *firms* comply with the *rules* on *adviser charges*.

For the purposes of this *guidance* on section K and the field labels used on the data collection form, it has been assumed that the form will be completed on the default accruals basis set out in paragraph 15 in the accounting principles section of this Annex. Where a *firm* elects to report on a cash basis, in accordance with paragraph 15A in the accounting principles section of this Annex, references to the amount due within the reporting period should be read to mean the amount received within the reporting period.

The data in this section should only relate to the provision of a *personal recommendation* by the *firm* to a *retail client* for a *retail investment product* (or any related service provided by the *firm*).

Firms that have *appointed representatives* ('ARs') should include data from their ARs in the information submitted in this section.

Deleted: appointed representatives

Where *firms* are required to report data to two decimal places, *firms* should round the data to two decimal places (using a 5 in the third decimal place to round up) rather than report the data on a truncated basis. For example, two-thirds (2/3) should be reported as 0.67.

If a *firm* exclusively provides *independent advice* or *restricted advice*, the sections of the form not relevant to the *firm* should be left blank. This is illustrated in example 1.

Example 1 – Completing the form where the firm only provides either independent advice or restricted advice

A *firm* that exclusively provides *independent advice* would need to complete sections 1, 3 and 4 (columns A, B and E), leaving section 2 and columns C and D of section 4 blank.

A *firm* that exclusively provides *restricted advice* would need to complete sections 2, 3 and 4 (columns C, D and E), leaving section 1 and columns A and B of section 4 blank.

A *firm* providing both *independent* and *restricted advice* would need to complete sections 1 to 4 as appropriate.

Any revenue reported should be exclusive of VAT levied on the *retail client* (if applicable).

The way retail clients pay an adviser charge (columns A and B for rows 2 to 5 and 7 to 10)

Firms are required to provide a breakdown of the data provided in rows 2 to 5 and 7 to 10 based on the way in which a *retail client* pays their *adviser charge*.

Column A should include data on the *adviser charges* that are paid directly by the *retail client*. This would include, for example, where the *retail client* paid the *firm* directly through a cheque or bank transfer or where a payment was made on behalf of the *retail client* by the *retail client's* lawyer.

Where the *adviser charge* is facilitated by a *retail investment product* provider or *platform service provider*, this should be reported in column B.

Guide for completion of individual fields

In row 1, *firms* should select one of 'Independent/Restricted/Both' to indicate the type(s) of advice provided by the *firm*. *Firms* providing *independent advice* only should then complete sections 1, 3 and 4. *Firms* providing *restricted advice* only should then complete sections 2, 3 and 4. *Firms* providing both *independent advice* and *restricted advice* should complete all four sections.

Retail investment product revenue from adviser charges (rows 2, 3, 7 and 8)

Revenue from all initial *adviser charges* including initial, one-off and ad hoc

Firms should report the total revenue from distinct one-off advice services, being those services that are not covered by an ongoing *adviser charge*, as at the end of the reporting period. This would

<i>adviser charges</i> (rows 2 and 7)	<p>include, for example, revenue from initial, one-off and ad hoc <i>adviser charges</i>, irrespective of whether the charge is paid as a single payment or through regular instalments.</p> <p>Where an initial <i>adviser charge</i> is paid through regular instalments, which is only permitted in limited cases (as set out in <i>COBS</i> 6.1A.22R), only the amounts due within the reporting period should be reported. This is illustrated in example 2.</p> <div data-bbox="517 555 1222 819" style="border: 1px solid black; padding: 5px;"> <p>Example 2 - Reporting revenue from initial adviser charges payable in instalments</p> <p>A firm giving <i>independent advice</i> provides advice to a <i>retail client</i> about a <i>retail investment product</i> where regular contributions are being made and there is a £600 initial <i>adviser charge</i> payable in two equal amounts – now and in 12 months' time. Firms should report £300 in row 2, as this is the amount due from that <i>retail client</i> within the reporting period. The remaining £300 of the total <i>adviser charge</i> payable would be reported for a future reporting period when it is due from the <i>retail client</i>.</p> </div>
Revenue from ongoing <i>adviser charges</i> (rows 3 and 8)	Firms should report the total revenue due within the reporting period for <i>adviser charges</i> for ongoing services which are not initial charges.

Where a firm has an agreement to provide both initial and ongoing advice, the revenue for the initial and ongoing advice services should be reported separately in rows 2 and 3 respectively for *independent advice*, and 7 and 8 for *restricted advice*.

Where a firm charges a retail client a fee for advice on a retail investment product and a pure protection contract or mortgage, firms should only report the adviser charge that relates to the retail investment product. This is illustrated in example 3.

Example 3 – Advice in relation to a retail investment product and non-investment product

A firm giving *independent advice* charges a retail client £1,000 for initial advice in relation to both a retail investment product and a pure protection contract. Firms should only report the adviser charge for the investment advice. In this case, the firm's charging structure quotes the cost of this investment advice as £600; therefore, £600 should be reported in row 2.

If a firm makes a management charge which covers adviser charges and charges for services that do not relate to a personal recommendation on retail investment products, then it should report the full amount of the management charge received. Firms should not differentiate between the amounts relevant to the different services. For example, if a firm makes a management charge for a non-discretionary management service that predominantly relates to advice on stocks and shares, but provides personal recommendations on retail investment products as part of this service, then it should report the whole of this charge.

If the adviser charge is partially paid directly by the retail client and partially facilitated by a retail investment product provider, the proportion of the adviser charge paid through each method should be reported separately on the form in the relevant columns. This is illustrated in example 4.

Example 4 – Reporting adviser charges that are paid by retail clients from more than one source

A *retail client* agrees to pay £1,000 for initial advice provided by a *firm* giving *independent advice* for a single contribution investment. The *retail client* pays £600 directly from their bank account, with £400 facilitated by a *platform service provider*. The form would be completed as follows:

Types of advice provided

1 Indicate the type(s) of advice provided by the *firm*

A

Independent

Section 1 - Independent advice

A

B

Adviser charges paid direct by <i>retail clients</i>	Adviser charges facilitated by product providers or <i>platform service providers</i>
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Retail investment products revenue from adviser charges (monetary amount)

2 Revenue from all initial *adviser charges* including initial, one-off and ad hoc *adviser charges*

£600

£400

3 Revenue from ongoing *adviser charges*

Payments of initial adviser charges (number)

4 Aggregate number of initial *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period

0.60

0.40

5 Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period

Please note: for the purpose of this example, rows 4 to 5 are also completed.

If a *firm* offsets the *adviser charge* due from the *retail client* with trail commission received from an investment *product provider* for investments held by that *retail client* before 31 December 2012, *firms* should report the total *adviser charge* that is agreed with the *retail client*. This is illustrated in example 5. The conditions under which a *firm* may receive such commission are set out in COBS 6.1A.4AR and there is further guidance at COBS 6.1A.4AAG.

Example 5 – Commission offset against an adviser charge

A *firm* giving *independent advice* enters into an agreement to provide a *retail client* with ongoing advice. The *firm* charges the *retail client* £500 for this ongoing advice, but receives £200 in trail commission for existing investments held by the *retail client*. This trail commission is used to reduce the actual amount due from the *retail client* to £300. *Firms* should report the full £500 *adviser charge* in row 3, as this is the total *adviser charge* agreed with the *retail client*.

Payments of initial adviser charges (rows 4, 5, 9 and 10)

The data reported in this section of the form relates to the number of initial advice services provided within the reporting period, as at the end of the reporting period. This would include the number of services for which there are initial, one-off and ad hoc *adviser charges*. The data provided should be reported to two decimal places.

Aggregate number of	<i>Firms</i> should report the total number of initial adviser services provided where the <i>adviser charge</i> is payable as a single payment and due from <i>retail clients</i> in the reporting
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<p>initial adviser charges payable as lump sum payments due from retail clients within the reporting period (rows 4 and 9)</p>	<p>period, i.e. the <i>retail client</i> pays the entire initial adviser charge in one payment. Data reported in this section should be broken down by the way the adviser charge is paid. Where an individual <i>retail client</i> pays the initial adviser charge through more than one source, the proportion of the total payment made by that individual <i>retail client</i> should be identified and reported as a fraction to two decimal places in the applicable columns, as in Example 4 above.</p> <p>If an initial adviser charge is not paid in full, it should be recorded under row 5 where <i>independent advice</i> is provided or row 10 where <i>restricted advice</i> is given.</p>
<p>Aggregate sum of the proportion of initial adviser charges, payable through regular instalments, due from retail clients within the reporting period (rows 5 and 10)</p>	<p>An initial adviser charge may be structured to be payable over a period of time when it relates to a <i>retail investment product</i> for which an instruction from the <i>retail client</i> for regular payments is in place and the <i>firm</i> has disclosed that no ongoing <i>personal recommendations</i> or service will be provided (COBS 6.1A.22R(2)).</p> <p><i>Firms</i> should calculate the proportion of initial adviser charges, payable through regular instalments, that were due from each <i>retail client</i> within the reporting period. Each instalment due within the reporting period should be captured by the <i>firm</i> as a fraction expressed as a decimal, to two decimal places, representing the amount paid off as a proportion of the amount owed. The sum of these proportions should be reported in the appropriate data field (row 5 for <i>independent advice</i> and row 10 for <i>restricted advice</i>) to two decimal places.</p> <p>Data reported in this section should be broken down by the way the adviser charge is paid. Where the <i>retail client</i> pays an initial adviser charge through more than one source, the proportion of the charge paid through each source should be identified and reported in the applicable column.</p> <p>Data for rows 5 and 10 can be calculated either using (1) the length of the repayment period, if these instalments are of equal value or (2) the amount paid. These two methods are outlined below (both methods should arrive at the same answer).</p> <p>(1) For each <i>retail client</i> calculate the number of <i>months</i> in the reporting period in which equal instalments are made divided by the total number of <i>months</i> in which payments are due to be made. Report the sum of the proportions based on payment mechanism and type of advice in the appropriate field.</p> <p>(2) For each instalment calculate the amount paid divided by the total amount due. Report the sum of the proportions based on payment mechanism and type of advice in the appropriate field.</p> <p>This is illustrated in examples 6 and 7.</p> <div data-bbox="325 1742 1227 1865" style="border: 1px solid black; padding: 5px;"> <p>Example 6 – Reporting the number of initial adviser charges invoiced as regular payments</p> <p>An <i>firm</i> giving <i>independent advice</i> provides advice to <i>retail client A</i> about an investment where regular contributions are being made and a £600 initial adviser</p> </div>

charge is payable in two equal amounts – now and in 12 months’ time. *Firms* should report 0.50 in row 5 for *retail client A*, as half the total initial *adviser charge* was payable within the reporting period. 0.50 would also be reported in a future reporting period, when the remaining *adviser charge* is due from *retail client A*.

The same *firm* provides advice to another *retail client B* about an investment where regular contributions are being made. A £900 initial *adviser charge*, payable in three equal instalments over the next three reporting periods, is agreed. 0.33 would be reported in row 5 for *retail client B*, as one-third of the total initial *adviser charge* is payable as at the end of the reporting period.

Reflecting the agreements with *retail clients A* and *B*, the form would be completed as follows:

Section 1 - Independent advice

	A	B
	Adviser charges paid direct by retail clients	Adviser charges facilitated by product providers or platform service providers
Retail investment products revenue from adviser charges (monetary amount)		
2 Revenue from all initial <i>adviser charges</i> including initial, one-off and ad hoc <i>adviser charges</i>	£600	
3 Revenue from ongoing <i>adviser charges</i>		
Payments of initial adviser charges (number)		
4 Aggregate number of initial <i>adviser charges</i> payable as lump-sum payments due from <i>retail clients</i> within the reporting period		
5 Aggregate sum of the proportion of initial <i>adviser charges</i> , payable through regular instalments, due from <i>retail clients</i> within the reporting period	0.83	

This example assumes *retail clients A* and *B* both paid the *adviser charge* directly from their bank account.
Field A2 includes the total due from *retail clients A* and *B* as at the end of the reporting period.
For *retail client A*, £300 is due in the reporting period (half the £600 total *adviser charge* due from *retail client A*).
For *retail client B*, £300 is due in the reporting period (one-third of the £900 total *adviser charge* due from *retail client B*).
Field A5 includes 0.50 in respect of *retail client A* and 0.33 in respect of *retail client B*.

Example 7 – Further example of reporting the number of initial adviser charges invoiced as regular payments

A *firm* giving *independent advice* provides advice to five *retail clients* about *retail investment products* where regular contributions are being made. In each case the initial *adviser charge* agreed is £100 and payable in instalments, although in each case the period over which these instalments are made differs. This is shown in the table below.

	Total initial <i>adviser charge</i> to be paid	Total initial <i>adviser charge</i> due in the reporting period	Proportion of initial <i>adviser charge</i> due in the reporting period
Client A	£100	£10	0.10
Client B	£100	£20	0.20
Client C	£100	£10	0.10

	Client D	£100	£40	0.40
	Client E	£100	£20	0.20
	Total	£500	£100	1.00
			(reported in row 2 – or row 7 if <i>restricted advice</i> was provided)	(reported in row 5 – or row 10 if <i>restricted advice</i> was provided)
<p>In this example, £100 would be reported in row 2, as this is the amount due from <i>retail clients</i> in the reporting period. In row 5, the <i>firm</i> should report 1.00 as this is the sum of the proportion of initial <i>adviser charges</i>, payable through regular instalments, that are due from these <i>retail clients</i> in the reporting period.</p>				

Number of one-off advice services (rows 6 and 11)

<p>Total number of initial advice services, including initial, one-off and ad hoc advice services, provided within the reporting period (rows 6 and 11)</p>	<p><i>Firms</i> should report the total number of distinct, chargeable one-off advice services provided to <i>retail clients</i> during the reporting period. This includes any advice given that was not funded through an ongoing <i>adviser charge</i>, which could include, for example, initial, one-off and ad hoc advice services for which there is a corresponding initial <i>adviser charge</i>.</p> <p>Rows 6 and 11 measure the number of one-off advice services provided to <i>retail clients</i> in the reporting period. Where the same <i>retail client</i> received more than one such advice service, such as an initial advice service and a separate ad hoc advice service that was funded through a separate <i>adviser charge</i>, this should be reported as two one-off advice services.</p> <p>Any advice agreements that were cancelled, with no initial <i>adviser charge</i> being paid, or where any initial charge paid was returned to the <i>retail client</i>, should not be reported. However, any initial advice services where the <i>retail client</i> paid an <i>adviser charge</i> to the adviser, even if the <i>retail client</i> did not act on the recommendations of that adviser, should be reported.</p>
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To illustrate the difference between data reported by an *independent advice firm* in row 6 and that previously provided in rows 4 and 5 (or where *restricted advice* has been provided, the difference between the data reported in row 11 and that previously provided in rows 9 and 10) please see example 8.

Example 8 – Information reported in row 6 compared to that previously reported in rows 4 and 5 where the advice provided is independent, or row 11 compared to rows 9 and 10 for restricted advice

A *firm* provides an initial advice service to five *retail clients* in the reporting period and an ad hoc advice service to a further two *retail clients* that was not covered by an ongoing *adviser charge*.

Of the five *retail clients* that received an initial advice service, one of these services related to advice on an investment where regular contributions were being made, with the *adviser charge* payable in equal instalments split across two reporting periods.

In all cases, the *retail client* paid the *adviser charge* directly from their bank account and *independent advice* was given by the *firm*.

The table below and supplementary commentary illustrates how the form should be completed:

A	B
Adviser charges paid direct by retail clients	Adviser charges facilitated by product providers or platform service providers

Payments of initial adviser charges (number)

4	Aggregate number of initial <i>adviser charges</i> payable as lump-sum payments due from <i>retail clients</i> within the reporting period	6.00	
5	Aggregate sum of the proportion of initial <i>adviser charges</i> , payable through regular instalments, due from <i>retail clients</i> within the reporting period	0.50	

Number of one-off advice services (number)

6	Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period	7
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Field A4 includes the **four** initial advice services where the *adviser charge* is paid as a single payment and the two ad hoc services are also paid as a single payment.

Field A5 includes the initial advice service where the *adviser charge* is paid in instalments. The proportion of the *adviser charge* due as at the end of the reporting period is 0.5.

Field A6 includes the **five** initial advice services and the **two** ad hoc services provided in the reporting period.

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To extend this example into the next reporting period (rp2):

- Assume the same *firm* provided an initial advice service to four *retail clients* in the reporting period rp2 but did not provide any ad hoc services to any other *retail clients*.
- Each *retail client* paid the *adviser charges* for the initial advice services by a lump sum within the reporting period.
- The *retail client* that received an initial advice service on an investment where regular contributions were being made in the previous reporting period (rp1), and was paying their *adviser charge* in two equal instalments across two reporting periods, was due to pay the final instalment within the reporting period rp2.

Again assuming all *retail clients* paid the *adviser charge* directly from their bank account and *independent advice* was given by the *firm*, the form for reporting period rp2 would be completed as follows:

		A	B
		<i>Adviser charges paid direct by retail clients</i>	<i>Adviser charges facilitated by product providers or platform service providers</i>
Payments of initial adviser charges (number)			
4	Aggregate number of initial <i>adviser charges</i> payable as lump-sum payments due from <i>retail clients</i> within the reporting period	4.00	
5	Aggregate sum of the proportion of initial <i>adviser charges</i> , payable through regular instalments, due from <i>retail clients</i> within the reporting period	0.50	
Number of one-off advice services (number)			
6	Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period	4	
<p>Field A4 includes the four initial advice services provided during the reporting period rp2 where the <i>adviser charge</i> is paid as a single payment.</p> <p>Field A5 includes the initial advice service provided in the previous reporting period (rp1) where the <i>adviser charge</i> is paid in instalments. The proportion of the <i>adviser charge</i> due as at the end of the reporting period rp2 is 0.5.</p> <p>Field A6 includes the four initial advice services provided within the reporting period rp2.</p> <p>A <i>firm</i> providing <i>restricted advice</i> would complete section 2 of the form in the same way.</p>			

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Retail clients paying for ongoing advice services (rows 12 – 14)

<p>Number of <i>retail clients</i> paying for ongoing advice services at the end of the reporting period (row 12)</p>	<p><i>Firms</i> should report the number of <i>retail clients</i> paying for ongoing advice services (i.e. paying ongoing <i>adviser charges</i>) at the end of the reporting period.</p> <p>This would include any <i>retail clients</i> who have an ongoing adviser charging agreement, even if the <i>adviser charges</i> due are, fully or partially, offset with trail commission received from a <i>retail investment product</i> provider in respect of an investment held by that <i>retail client</i> before 31 December 2012. Any <i>retail clients</i> on a contract entered into before 31 December 2012, whereby the <i>retail client</i> has not entered into an ongoing adviser charging agreement and any ongoing advice received is fully funded through provider commission, should be excluded. Any such commission payments would need to meet the rules in <i>COBS</i> 6.1A.4AR and <i>COBS</i> 6.1A.4AAG.</p>
<p>Number of <i>retail clients</i> who start paying for ongoing advice services during the</p>	<p><i>Firms</i> should report the number of <i>retail clients</i> that started paying for an ongoing advice service (i.e. paying ongoing <i>adviser</i></p>

reporting period (row 13)	<p><i>charges</i>) within the reporting period. This could include:</p> <ul style="list-style-type: none"> • new <i>retail clients</i> to the <i>firm</i> that agreed to start paying for an ongoing advice service; • existing <i>retail clients</i> of the <i>firm</i> that may, for example, have previously received an initial advice service but had started paying for ongoing advice in the reporting period; • existing <i>retail clients</i> of the <i>firm</i> that were previously on a commission-based agreement established before 31 December 2012, but moved to an adviser charging agreement and started paying ongoing <i>adviser charges</i> in the reporting period.
Number of retail clients who stop paying for ongoing advice services during the reporting period (row 14)	<i>Firms</i> should report the number of <i>retail clients</i> that were paying an <i>adviser charge</i> for ongoing advice during the reporting period, but stopped paying for ongoing advice by the end of the reporting period.

In completing rows 12 to 14, some *firms* may find it easier to report the number of ongoing advice agreements with *retail clients* rather than the number of *retail clients* receiving ongoing advice. For example, if a *firm* has a single advice agreement with a couple, this agreement can be reported as ‘1’ on the return even though, in effect, two *retail clients* are receiving advice. In contrast, if a *firm* has separate advice agreements for each individual member of the couple, this should be reported as ‘2’ on the return.

Types of adviser charging structures (rows 15 – 22)

Firms should provide data for all charging structures which are relevant to their *firm*, with those that are not relevant left blank. The minimum and maximum *adviser charge* reported should be reported to two decimal places.

If a *firm* has more than one charging structure, it should report all charging structures and indicate what the typical charging structure is for initial and ongoing services. A *firm* should therefore indicate, as appropriate, at least one initial and one ongoing adviser charging structure that is representative of that most commonly used by the *firm*. If the adviser charging structures typically offered are split evenly between the different charging types (per hour, percentage of investment, fixed fee or combined) for initial and/or ongoing advice services, answer ‘yes’ for the charging structures that are relevant.

Some *firms* may operate a range of different *adviser charges* relating to different advice services they offer or the amount invested by a *retail client*, such as 0.25% for a basic ongoing advice service and 0.75% for a premium ongoing service. In this example, 0.25% should be reported as the minimum *adviser charge* in row 20 and 0.75% as the maximum. Likewise, if 0.75% was charged for the first £50,000 under advice and 0.50% for amounts exceeding £50,000 – 0.50% should be reported as the minimum and 0.75% as the maximum.

Where a *firm* charges different hourly rates dependent on which individual in the *firm* undertakes work on behalf of the *retail client*, *firms* should ensure that their typical charging structure reflects, as closely as practicable, the total *adviser charge* the *retail client* will pay. So, for example, where it is unlikely that a *retail client* could simply pay for one hour of a paraplanner’s time, as an adviser would always need to be involved to provide a *personal recommendation*, it would be misleading

to quote the paraplanner's hourly rate as the minimum hourly *adviser charge* levied by the *firm*. Instead the minimum charge should be based on the total *adviser charge* payable for the service as a whole.

The data provided in this section can be based on the *firm's* published tariff or price lists for disclosing the costs of adviser services to *retail clients* and will only require updating as and when the tariff is updated (although *firms* are required to resubmit this data in every reporting period). The only exception to this will be when the *firm* offers a combined charging structure (reported in rows 18 and 22), such as where there is a fixed fee and also a percentage of investment charge. Under these types of combined charging structure arrangements, *firms* should record the actual minimum and maximum charges charged in the reporting period. For example, where the *firm's* charging structure is a combination of a fixed fee element and a percentage basis, the *firm* will need to work out what the actual maximum and minimum *adviser charges* charged in the reporting period were in order to report values as a monetary amount.

Where a *firm* has no range in their charging structure, the minimum and maximum *adviser charges* should be recorded as the same.

Where a *retail client* agrees an initial *adviser charge* for a *retail investment product* for which an instruction for regular contributions is in place and the *adviser charge* is payable in instalments, to complete rows 15 to 22 *firms* should report the total *adviser charge*, even if that advice is paid over different reporting periods. This is illustrated in example 9.

Example 9 – Reporting the adviser charging structures invoiced as regular payments

A *firm* provides advice on a *retail investment product* where regular contributions are being made, with a 2% *adviser charge* payable in three equal instalments over different reporting periods. For the purpose of completing row 16, the *adviser charge* would be 2.00%.

Likewise, if the *adviser charge* was £600 as a fixed fee payable in three equal instalments over different reporting periods, for the purpose of completing row 17, the *adviser charge* would be £600.00.

Where an ongoing *adviser charge* is payable more frequently than once a year (e.g. the ongoing *adviser charge* is payable monthly, quarterly or six-monthly), the annualised amount due from the *retail clients* should be reported in rows 20 and 21. This is illustrated in example 10.

Example 10 – Reporting ongoing adviser charging structures where retail clients pay the ongoing adviser charge on a monthly, quarterly or six-monthly basis

A *firm* charges its *retail clients* between £20 and £50 per month for ongoing advice. For the purpose of completing row 21, the annual amount due from the *firm's retail clients* should be reported. So, in this example, the minimum ongoing *adviser charge* would be £240 and the maximum £600.

Another *firm* charges its *retail clients* a flat 0.5% of assets under advice for providing an ongoing advice service during the year. Even where this charge is levied monthly, quarterly or six-monthly, 0.50% should be reported in row 20.

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