Summary of feedback received

May 2014

Consultation title	Changing customers to post-RDR unit classes
Date of consultation	23 October 2013 – 23 November 2013
Summary of feedback received	We received 33 responses to the guidance consultation, from a range of respondents. These included trade bodies, life insurers, banks, wealth managers, platforms, adviser firms and networks. The main comments received related to: • The difficulty of assessing whether conversion is in the best interests of individual clients. Respondents made the point that, in addition to the reduced Annual Management Charge (AMC), firms needed to take into account new platform charges and charges other than the AMC. • The need to limit assessment of whether conversions are in the best interests of clients to cases where the firm initiates the conversion, and not the client or the adviser. • Whether clients under nominee arrangements should always be notified of proposed conversions and be given the opportunity to object where conversion would be in their best interests. • Whether deemed consent should be possible for direct unitholders as well as nominee arrangements. • The need to cover cases where the continued operation of bundled classes will no longer be cost-effective because of the small number of clients, so the bundled classes may be wound up.

Response to feedback received	Our response to the points summarised above is as follows: *Conversion procedure for nominee arrangements* We accept that firms may not be able to assess whether conversion is in the best interests of each individual client. However, the firm still needs to consider whether conversion will generally be in clients' best interests, where it initiates the conversion, taking into account: • whether the reduced AMC, combined with the new platform charge, will be higher than the previous AMC • whether other new or increased charges could affect the assessment. In principle, there should not be any change to charges other than the AMC as a result of the conversion to a clean share class, but if the firm is aware of increases in other charges, it should take these into account Respondents took differing views on whether it should be necessary to notify clients in advance of proposed conversions. Some took the view that this should not be necessary if the conversion was in clients' best interests, while others agreed with our approach that clients should always be informed in advance. In view of the amendments we have made to the guidance on this point, to reflect respondents' comment that assessment of best interests is not always possible for individual clients, we consider that prior notification is essential. This needs to be made in sufficient time, and with sufficient information on the proposed conversion, for a client to consider whether to obtain advice or make an informed decision to transfer their investments to another platform. Where the platform does not intend to offer unit rebates, the information provided to the client should include information that the bundled class(es) will no longer be available from 6 April 2016, so remaining in bundled classes indefinitely is not an option open to the client. *Conversion procedures for direct unitholders* Our view remains that the express consent of a direct unitholder is required for a conversion to take place, as the client is the unitholder and has the right under COLL to convert their holdings. It should be noted that even if the clean share class would be cheaper for a particular client, conversion to a nominee arrangement will mean that the client loses automatic voting rights and the right to post-sale information.

Changes made to the guidance as a result of feedback received

The changes we have made to the guidance:

- set out in more detail the position under the platform rules published in April 2013 with PS13/1, and the guidance published in February 2014 on how these rules apply to legacy business in relation to cash rebates to consumers.[1] Both the rules and the guidance came into force on 6 April 2014
- reflect the comments made by some respondents that it may not be possible to assess the best interests of individual clients, and set out in more detail what advance notifications to clients of proposed conversions should cover
- make minor changes to the section on advisers and their role in the conversion process, and also minor changes to the section on providing Key Investor Information Documents (KIIDs) to reflect the changes made to the section on nominee arrangements

You can access the full text of the guidance consulted on here: http://www.fca.org.uk/news/guidance-consultations/gc13-7-changing-customers-to-post-rdr-unit-classes

[1] PS13/1: *Payments to platform service providers and cash rebates from providers to consumers*: http://www.fca.org.uk/static/documents/policy-statements/ps13-1.pdf (April 2013) and Instrument 2014/16 - http://media.fshandbook.info/latestNews/FCA_2014_16.pdf. Feedback on the replies to the consultation in CP13/9 is contained in Handbook Notice 9 - www.fca.org.uk/static/documents/handbook-notices/fca-handbook-notice-09.pdf