

10/10

Financial Services Authority

Delivering the Retail Distribution Review

Corporate pensions – feedback to
CP09/31 and final rules

June 2010

Contents

1	Overview	5
2	Feedback on consultation questions	7
	Annex 1: Summary of previous and forthcoming RDR papers	
	Annex 2: List of respondents to the corporate pensions questions in CP09/31	
	Appendix 1: Made Handbook text	

This Policy Statement reports on the main issues arising from Consultation Paper 09/31 *Delivering the Retail Distribution Review: Professionalism; Corporate pensions; and Applicability of RDR proposals to pure protection advice* and publishes final rules for corporate pensions.

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Copies of this Policy Statement are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

List of acronyms used in this paper

Association of British Insurers	(ABI)
Association of Independent Financial Advisers	(AIFA)
Consultation Paper	(CP)
Cost Benefit Analysis	(CBA)
Continuing professional development	(CPD)
Expenditure-based requirement	(EBR)
Group personal pensions, group stakeholder pensions and group self-invested personal pension	(GPPs)
National Employment Savings Trust	(NEST)
Retail Distribution Review	(RDR)
Policy Statement	(PS)

1 Overview

- 1.1 In Consultation Paper CP09/31¹ we consulted on applying the principles of ‘Adviser Charging’ to the market for group personal pensions, group stakeholder pensions and group self-invested personal pension. These are referred to in this paper as GPPs.
- 1.2 Adviser Charging is a new system of remuneration involving firms that give investment advice to retail clients setting their own charges. It also bans firms from receiving commission set by product providers in return for recommending their products.
- 1.3 This Policy Statement (PS) reports on the feedback received to CP09/31 and includes final rules. These new rules and guidance come into effect with other Retail Distribution Review (RDR) requirements at the end of 2012.
- 1.4 CP09/31 also covered professionalism and pure protection advice. Feedback on these will be published in a separate paper.²
- 1.5 This paper includes final rules for the GPP corporate pensions market in the Appendix. There are no major changes from those proposed in CP09/31, and we have gone ahead with our main proposal to introduce ‘consultancy charging’. Some minor changes have been made to the rules originally proposed, to mirror, where appropriate, similar minor amendments to the final rules for Adviser Charging published in PS10/6.³ This paper should be read alongside that earlier policy statement.
- 1.6 The next chapter in this paper analyses the responses we received to the four pensions questions in CP09/31, gives our responses to the points raised and includes comments made on the cost-benefit analysis (CBA) together with our response. The Annexes contain a summary of previous and forthcoming RDR papers and a list of the non-confidential respondents to the CP.

1 CP09/31, *Delivering the Retail Distribution Review: Professionalism; Corporate pensions; and applicability of RDR proposals to pure protection advice*, December 2009.

2 CP10/14, *Delivering the RDR: Professionalism, including its applicability to pure protection advice, with feedback to CP09/18 and CP09/31*, June 2010.

3 PS10/6, *Distribution of retail investments: Delivering the RDR – feedback to CP09/18 and final rules*, March 2010.

Who should read this paper?

- 1.7 This paper will be of interest to pension consumers and their representative bodies; to pension scheme operators, adviser firms and pensions consultancy firms, their trade associations and professional bodies. It will also be of interest to employers considering pension provision for their employees now and during the period in the run up to the new national pension scheme⁴ being phased in from 2012.

⁴ The National Employment Savings Trust (NEST), previously known as 'Personal Accounts'.

2 Feedback on consultation questions

Introduction

- 2.1 In CP09/31 we outlined a number of potential rule changes and new rules aimed at implementing the principles of Adviser Charging in the GPP market. In these new and amended rules, summarised below, we proposed to:
- extend the ban on commission to GPP products and sales, irrespective of whether advice is given to individuals or the sales are made without advice, but by direct marketing information;⁵
 - allow commission to continue on existing GPPs set up before the ban on commission is implemented, including new members and increases in existing members' contributions;
 - extend the ban on commission to prevent product providers paying commission on investment products linked to occupational pension schemes sold as alternatives to GPPs;
 - allow 'consultancy charging' from GPP contributions and/or members' accounts on a £-for-£ basis, as agreed between employers and their advisers;
 - require full disclosure by advisers to employers of the potential adviser remuneration, including the likely total; and
 - confirm that the ban on factoring proposed for individual investments – including personal pensions – should extend to adviser remuneration under GPPs.
- 2.2 We are grateful to the 62 firms, bodies and individuals who responded to one or more of the four pensions questions in CP09/31. The following sections set out a summary of the feedback we received, analysis of that feedback, and our conclusions.

⁵ The practice for the GPP market will differ from that for individual pensions. Under the latter, providers will be allowed to set and pay commission for sales made without advice. For GPPs, providers will not be allowed to set or pay commission whether or not advice is given to individual employees.

Analysis of responses to consultation paper

The current GPP market

2.3 We asked:

Q8: Do you have any comments on our analysis of the current GPP market?

2.4 There was broad agreement with our analysis of the GPP market across all types of firms, including the extent of scheme churning and the degree of commission bias in the choice of provider. Some respondents felt strongly that the abuses of the current market must be dealt with.

2.5 But not all agreed, and a few respondents said that the current commission-based business model worked well and has led to pension provision for millions of employees. There could also be valid reasons for switching schemes and that a lack of persistency in the GPP market could be due to loss of jobs in the recession (something we acknowledged ourselves in CP09/31).

Our response: We are pleased to note that a significant majority of respondents agreed with our analysis of the current GPP market. Our view is that the lack of real new schemes has been evident for several years, rather longer than any recessionary effects. In CP09/31 we quoted Association of British Insurers (ABI) market statistics that demonstrate that the numbers of in-force GPP contracts has not grown materially over many years, despite the reported amounts of new business. The ABI has indicated to us that they share this view.

As we said in CP09/31, we acknowledge that some lack of persistency is down to job movements by employees, and there can be valid reasons for switching a scheme between providers. But we have seen nothing in the responses to the CP that might lead us to change our overriding conclusion that much of the reported new business is really recycling of existing schemes, driven by commission.

The introduction of 'consultancy charging'

2.6 We asked:

Q9: Do you agree with our proposals for applying the principles of adviser charging to the GPP market? If not, please say why.

2.7 Most respondents broadly agreed with our proposal to introduce consultancy charging as the means of applying the principles of Adviser Charging to the GPP market.

2.8 However, not all agreed, with the main criticism being that our proposals would lead to reduced advice to employers and employees, reducing overall pension provision. The argument is that the GPP market is different to individual pensions, as an adviser has to conduct more work up-front to advise employers and to help them establish

and promote their GPP schemes. We are told that up-front costs can be high,⁶ and, if no longer financed by providers through initial commission, could deter employers from taking advice and could persuade employees to opt out.

- 2.9 Some respondents also argued that small employers may default into NEST⁷ and employers with existing GPPs may ‘level-down’ to NEST minimum contribution levels.
- 2.10 The solution to these perceived risks put forward by a minority of respondents – notably by some existing major providers – is that we should allow factoring of consultancy charges by providers. This would allow up-front costs to be spread out and any deterrent impact of high initial charges would be avoided. It would also solve the problem that some advisers may have of significantly reduced income in the short term. A few respondents suggested factoring on standard terms, which would avoid providers creating a new source of provider bias.
- 2.11 Our proposal to ban commission on investment products linked to occupational pension schemes met with good support. We also received support for proposals to continue allowing commission on existing GPPs, although this was often coupled with the warning that we need to guard against GPP ‘fire sales’ until 2013, made to secure commission before the ban takes effect.
- 2.12 A small number of respondents mentioned ‘basic advice’ and stakeholder pensions. They suggested an anomaly would exist where individual stakeholder pensions could be sold by basic advice (with commission allowed). However, commission would not be allowed on any group stakeholder pension, whether sold with or without advice. Respondents also suggested that the cap on stakeholder charges may not work with consultancy charging.
- 2.13 Respondents asked for the effect of the proposed rules to be clarified on a few points. We have given details and our response below.

Our response: We are pleased to note that a significant majority of respondents agreed with our proposals to ban commission and replace it in the GPP market with consultancy charging. We have decided to go ahead as proposed.

We have considered the call by a small number of respondents for factoring of consultancy charges, but recognise that the responses to the CP were made before we published PS10/6 and confirmed that factoring would not be allowed in the individual pensions market. We need to ensure consistency between the individual and group pensions markets; otherwise we run the risk of regulatory arbitrage and firms using GPP contracts in place of individual ones. If we did not have a ban on factoring under GPPs, it would be possible to circumvent the rules banning factoring of Adviser Charging under individual personal pensions by creating and selling GPPs in their place.

6 No figures for these initial costs were supplied in responses to the CP. In CP 09/31 we offered an example of initial commission amounting to 30% of the first year’s contributions. This may be on the high side, but if taken as a proxy for an adviser’s initial costs, an employee contributing £200 a month could be charged £720 in the first year, totalling £36,000 for an employer’s 50-member scheme.

7 ‘NEST’ is the government’s new national pension scheme, which is being phased in from 2012 and involves compulsory employer contributions and auto-enrolment of employees. It was previously known as ‘Personal Accounts’.

We see no reason why employers with existing GPPs should reduce their contributions. Some may well take the opportunity to review their pension arrangements, but any that reduce their contributions are likely to be influenced by commercial considerations (such as a comparison of employer contributions), rather than our proposed rules. And we propose to allow commission on existing GPPs to continue, enabling advisers to advise their existing employer clients about maintaining current provision.

Nor do we accept the argument that employers without current pension provision will be deterred from setting up new GPPs. First, the evidence points to very few truly new schemes in the GPP market. Rather, the new business reported by providers is the result of existing schemes being switched to replacement providers. Secondly, the GPP industry has failed to convert the large number of (mostly) small employers without any pension provision into setting up schemes. These employers are not generally commercially attractive to providers and advisers alike.

We have also considered allowing factoring of consultancy charges but with some form of standard system, in order to avoid the potential for bias between different providers' approaches. However, this approach is not viable, bearing in mind the view expressed by the Office of Fair Trading and outlined in paragraph 4.29 of PS10/6 that any standardised system could raise competition concerns.

We also note that there was a clear majority of respondents in favour of allowing commission to continue on existing GPP schemes, both in the run-up to the new rules coming into effect and beyond. We confirm that this will be allowed. We agree with those respondents who suggested that there was a risk of inappropriate sales of new schemes or switches of existing schemes before the new rules come into effect. It is clear we will need to ensure that sufficient supervision and thematic resources are committed to mitigate this risk, and we intend to monitor the situation closely and take action if necessary.

On Basic Advice for stakeholder pensions, we recognise that responses to CP09/31 were made before PS10/6 was published. In PS10/6, paragraph 1.11 we said we will discuss these points with the Department for Work and Pensions. These discussions are continuing.

Clarifications

We confirm that, where an employer pays fees to an adviser for his services and these fees are not funded from the pension contributions or pension fund, the fees are not subject to the consultancy charge rules and need not be disclosed to employees.

On pensions and annuity taxation, the current position remains as stated in paragraph 4.35 of PS10/6. We engaged with Her Majesty's Revenue and Customs (HMRC) on the tax aspects of Adviser Charging on individual pensions, and these discussions have been extended to cover consultancy charging. In working together with Treasury and HMRC, we will seek to ensure that taxation issues in this area are clear to firms.

We confirm that the ban on commission paid in respect of investments linked to occupational pension schemes applies to all investment products, not just to life assurance contracts. We also confirm that there was a typographical error in the relevant rules, and the ban extends to all types of occupational pension scheme arranged as alternatives to GPPs (not, as stated in the draft rules, to defined benefit schemes alone). The ban does not extend to the purchase by scheme trustees of buy-out Section 32 contracts.

We were asked to clarify the position where advice is given on annuity purchase when a scheme member comes to retire and draw benefits. It seems appropriate that the rules on Adviser Charging are followed, whether advice is given to GPP members or occupational scheme members. We have no objection to consultancy charging being used, but find it difficult to envisage a situation where this type of advice might be pre-arranged in advance.

Finally, we confirm that advice to employers about types of pension scheme remains outside the scope of the Financial Services and Markets Act 2000, but payments by GPP providers out of GPP contributions or member accounts to fund services to the relevant employers are subject to our new consultancy charging rules.

Allocating consultancy charges

2.14 We asked:

Q10: Do you have any suggestions for the fairest way of allocating consultancy charges among different members of a GPP, allowing for different ages, different contribution levels, whether an initial member or a subsequent new entrant and any other relevant factors?

2.15 There was no clear answer to this question from respondents, with the most common messages being that it was difficult, that we should not dictate charges, shapes or levels, and that an industry working group should be established.

Our response: We accept and agree with these comments, and propose to take forward the variety of suggestions received on consultancy charge bases into discussions with industry bodies such as the ABI and the Association of Independent Financial Advisers (AIFA). We intend to form a working group as suggested, and will involve a wide range of bodies and firms.

Cost benefit analysis

2.16 We asked:

Q11: Do you have any comments on the CBA outlined in Annex 2 to Section 3?

2.17 There were few comments on the CBA, with the main criticism (from only a handful of firms) being that it was too high level and did not drill down to a level of detail sufficient to base conclusions. In particular, a small number of scheme providers argued that the CBA did not fully address the cost to consumers and the industry of potentially reduced access to advice. They suggested that advisers may not provide advice to some employers unless there is a sufficient up-front payment. The same firms suggested that NEST will compete with GPPs for employers' business, and that the latter might lose out if NEST is cheaper for employers.

2.18 A small number of providers argued that employers 'demand' a commission-based approach to paying for advisers' services. We are told by product providers that some

employers appreciate not having to pay for the services they receive. If they did have to pay, these firms said, the employers would be unlikely to proceed with GPP schemes and would default to NEST.

Our response: We set out our views about comments made by a minority of respondents to Question 9 earlier in this paper. The same views about access to advice are valid here, in that advisers and scheme providers are unlikely to pursue uneconomic GPP business that might be available from smaller employers. And it seems equally unlikely that small employers without pension provision will actively seek to change that situation. These employers and their employees are the market that NEST was designed for. So we do not believe that demand from small employers for pensions will be unfulfilled.

Furthermore, even if there were employers without pension provision who demanded advice on GPPs, we believe that the cost of advice could be met without up-front commission payments. We have consulted extensively and given two formal opportunities to the pensions industry to provide detailed costs estimates, through CP09/18 and CP09/31. We have not been provided with any substantiated cost figures concerning the true cost of advice services on GPPs to employers (as opposed to the remuneration secured through commission).⁸ Respondents quoted commission rates in the range of 10% to 35% of the first year's GPP contributions.

We see no reason why consultancy charges at these levels cannot be deducted from the first year's contributions to a GPP. Consultancy charges will be transparent and enable employers to negotiate them, if they wish, including spreading them over time.

A few respondents were concerned that NEST could become a competitor for GPPs. We see this issue as unrelated to regulating advice on GPPs and see no reason, as discussed earlier, why the new consultancy charging rules should cause employers with existing GPP schemes to close them, or to reduce contributions; this is a commercial decision about ongoing pension provision. Even if we were not to change the rules about charging for advice, employers may compare the cost of pension provision for the different types of scheme. In any case NEST has been designed to target low to moderate earners that existing providers find it unprofitable to serve. Our view is that the market for GPPs will remain.

Employers will have to have a scheme in place that meets the qualifying criteria, including meeting the minimum contribution levels.

We acknowledge that a Department for Work and Pensions report⁹ says that smaller employers are more likely to opt for commission-based schemes. The report also found that typical charges for commission-based schemes were higher than for schemes where advice is paid for by fees. Our view is that there is anecdotal evidence to show that employers, especially the smaller ones, do not necessarily engage with the cost of the services they are receiving and they may not recognise the charges that their employees' pension contracts will bear. This is backed up by a trade press article in which Towry Law (a leading pensions consultancy firm) says that many employers do not think about how

8 Deloitte's research quotes fees of £600 per member (contributing £200 a month). Whereas a press article quotes Towry Law as saying that commission on a sample scheme might be £55,000, but the actual cost of advice and services to the employer on a fee basis might be around £10,000.

9 DWP Research Report 591: *Current practices in the workplace personal pension market*, July 2009.

their adviser is paid, and simply let commission take care of the cost of advice. To illustrate this point, two respondents to CP09/31 mentioned an example, hopefully extreme, of a 1,000-member GPP generating their first year's commission of £500,000, despite the adviser only providing limited services to the employer and no advice to individual employees.

We acknowledge that advisers ask product providers for quotes that include commission levels, and therefore commission levels may not vary by provider. Advisers may, however, limit the range of providers from which they ask for quotes to those that offer initial commission. Although we do not have evidence of this, the information presented in CP09/31 showed that providers who offer initial commission have been able to increase their market share.

Our current rules (i.e. before the introduction of consultancy charging) do not require disclosure to an employer. Consequently, we believe that market failure is present in that some employers do not take into account in their decision making that a commission is payable. If they had considered this, some would have asked the adviser for quotes from a range of providers with differing options to pay for advice. Depending on how the employer determines its contribution to the pension scheme, commission payments could lead to both the employer and the employees paying higher costs than if a fee had been paid.

Based on the above, the original CBA did not materially underestimate or overestimate the effects of our proposals. We consider it provided sufficient detail on the implications of the proposals. Gathering further information may have improved precision but would not have materially changed understanding of the impact of the proposals.

Summary of previous and forthcoming RDR papers

I – Previous RDR policy papers

Date	Paper	Section of the RDR	Comments
June 2007	DP07/1 – A Review of Retail Distribution	All	This paper set out for discussion the proposals put forward by the five industry groups we convened to help us address the range of issues identified by the RDR.
July 2007	DP07/4 – Review of the Prudential Rules for Personal Investment Firms	Prudential requirements	In this paper, we discussed potential changes to the prudential rules for personal investment firms, updating the requirements in order to better mitigate the market failures in this sector.
April 2008	FS08/2 – Review of the Prudential Rules for Personal Investment Firms	Prudential requirements	This Feedback Statement summarised and commented on the responses we received to DP07/04 and indicated how we would take forward the issues raised.
April 2008	Retail Distribution Review – Interim Report	All	This report set out the main areas of feedback we had received to DP07/1 and identified some possible changes to the regulatory landscape suggested by that feedback.
November 2008	FS08/6 – Retail Distribution Review	All	This Feedback Statement set out our proposals for the retail market for the distribution of investment products and represented the beginning of formal consultation.
November 2008	CP08/20 – Review of the Prudential Rules for Personal Investment Firms (PIFs)	Prudential requirements	This paper set out our proposed changes to the prudential rules for personal investment firms, following on from FS08/2.
June 2009	CP09/18 – Distribution of retail investments: Delivering the RDR	Services, charges, professionalism	This paper described the changes we were proposing as a result of the RDR and included draft Handbook text to deliver these changes.

Date	Paper	Section of the RDR	Comments
November 2009	PS09/19 – Review of the Prudential Rules for Personal Investment Firms (PIFs)	Prudential requirements	This paper set out final rule changes to prudential requirements arising from CP08/20. Following feedback from the industry, we extended the transition to the new regime by a year to 31 December 2013. While this allows firms more time to adapt to the new requirements, we expect firms to start considering now what additional resources they will need to have in place.
December 2009	CP09/31 – Delivering the Retail Distribution Review	Professional standards, corporate pensions and pure protection business	This paper addresses the commitments made in CP09/18 to consult further with market practitioners on the governance of professional standards, corporate pensions, and pure protection.
March 2010	PS10/6 – Distribution of retail investments: Delivering the RDR – feedback to CP09/18 and final rules	Services, charges, professionalism	This paper contained final rules on describing and disclosing advice services and Adviser Charging. It also set out our position on Simplified Advice.
March 2010	CP10/8 – Pure protection sales by retail investment firms: remuneration transparency and the COBS/ICOBS election	Pure protection	This paper set out proposals concerning pure protection sales by investment advisers, covering remuneration and disclosure. It also set out our approach to the COBS/ICOBS election with reference to Adviser Charging.
March 2010	DP10/2 – Platforms: delivering the RDR and other issues for discussion	Platforms	This discussion paper sought views on changes to our regulation of platforms, to support the RDR remuneration objectives and to address issues identified through thematic work and wider experience.
May 2010	CP10/12	Training and competence	This paper included proposals on ethical standards which apply to investment advisers within scope of the RDR.

II – RDR timetable

Date	Section of the RDR	Actions		
		FSA	Firms and practitioners	
2010	Professionalism	Consultation and feedback on the professionalism aspects of CP09/31 and CP09/18. Publish Policy Statement (Q4 2010).	Consultation closes on 24 September 2010. Interested parties should respond to the consultation.	
		New Level 4 qualifications achieve OfQual approval and are put on the list of appropriate examinations (Q3 2010) and study material made available from Q4 2010.	Trainee advisers can start studying the new qualifications from Q3 2010.	
	Pure protection	Consultation on labelling of adviser services (Q3 2010).	Interested parties should respond to the consultation.	
	Service and charges	Consultation on changes to transactional sales reporting (Q3 2010).	Interested parties should respond to the consultation.	
End 2011	Prudential Rules for Personal Investment Firms (PIFs)	Platforms	Publish Consultation Paper (Q3 2010). Publish Policy Statement (Q4 2010).	Interested parties should respond to the consultation.
				PIFs subject to new prudential rules from 31 December 2011 on a transitional basis. For further details see PS09/19 – Review of the Prudential Rules for Personal Investment Firms (PIFs).

Date	Section of the RDR	Actions	
		FSA	Firms and practitioners
End-2012	Professionalism	FSA will carry out thematic work and monitoring.	Advisers who do not possess a qualification on the transitional list need to qualify at the new level. Advisers who do possess a qualification on the transitional list need to complete any additional CPD top up.
	Remuneration	FSA will carry out thematic work and monitoring.	All advisers and product providers must prepare and be ready to operate Adviser Charging and consultancy charging and meet the associated requirements from January 2013.
	Description of services	FSA will carry out thematic work and monitoring.	All advisers must prepare to describe their services as independent advice or restricted advice from January 2013. All advisers must prepare and start complying with the new independence and product requirements from January 2013.
End of 2013	Prudential Rules for Personal Investment Firms (PIFs)		PIFs must comply fully with the new prudential rules from 31 December 2013. For further details see PS09/19 – Review of the Prudential Rules for Personal Investment Firms (PIFs).

List of non-confidential respondents to the corporate pensions questions in CP09/31

Adam Samuel
Adviser Alliance
Argentis Financial Management Ltd
Aspira Corporate Solutions
Association of British Insurers
Association of Independent Financial Advisers
AXA Life
Barclays Wealth Compliance
Black Swan Financial Management
British Bankers' Association
Bruce Stevenson Financial Services Ltd
Cairn Independent Ltd
The Capita Group Plc
Chadney Bulgin LLP
Compos Mentis (Training) Ltd
David Severn
ea Consulting Group
Edgar Financial Advice Ltd
Eldon Financial Planning Limited
Ethos Financial Management Ltd
financial futures ifa limited
Financial Services Consumer Panel
Fiona Tait
Formula Ltd
Foster Denovo
Friends Provident

GDC Associates
Global Life Zurich Financial Services
Highclere Financial Services
HSBC Bank plc
ICAEW
Institute of Financial Planning
Investment & Life Assurance Group
Investment Management Association
Jelf Employee Benefits
John Dyer(Life & Pensions) Ltd
Legal and General
Lloyds Banking Group
Matrix Capital Limited
McLaughlin Financial Planning Limited
Mouchel Group plc
Oval Financial Services Ltd
Pensions Management Institute
The Personal Finance Society
Prudential
Richard Witcombe Financial Advisory Services
The Royal Bank of Scotland Group
Royal London Group
Sesame Bankhall
SG Wealth Management Ltd
The Society of Pension Consultants
Spence & Spence Ltd
Tenet Group Limited
threesixty services llp
Towers Watson
UBS Wealth Management
Wills & Trusts IFP Ltd
Wishart Wealth Management Limited
Wynford Davies & Co

In addition we received three responses where the respondents requested confidentiality for part or all of their response.

Made handbook text

Retail Distribution Review
(Corporate Pensions) Instrument 2010

**RETAIL DISTRIBUTION REVIEW (CORPORATE PENSIONS) INSTRUMENT
2010**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 145 (Financial promotion rules);
 - (c) section 149 (Evidential provisions);
 - (d) section 156 (General supplementary powers); and
 - (e) section 157(1) (Guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 December 2012.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Retail Distribution Review (Corporate Pensions) Instrument 2010.

By order of the Board
24 June 2010

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>consultancy charge</i>	any charge payable by or on behalf of an employee to a <i>firm</i> or other intermediary (whether or not that intermediary is an <i>employee benefit consultant</i>) in respect of advice given, or services provided, by the <i>firm</i> or intermediary to the employer or employee in connection with a <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> , where those charges have been agreed between the <i>firm</i> or intermediary and the employer in accordance with the <i>rules</i> on consultancy charging and remuneration (<i>COBS 6.1C</i>).
<i>employee benefit consultant</i>	a <i>person</i> that gives advice, or provides services to, an employer in connection with a <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> provided, or to be provided, by the employer for the benefit of its employees.
<i>group stakeholder pension scheme</i>	a <i>stakeholder pension scheme</i> which is available to employees of the same employer or of employers within a <i>group</i> .

Amend the following definitions as shown.

<i>adviser charge</i>	any form of charge payable by or on behalf of a <i>retail client</i> to a <i>firm</i> in relation to the provision of a <i>personal recommendation</i> by the <i>firm</i> in respect of a <i>retail investment product</i> (or any related service provided by the <i>firm</i>) which: <ul style="list-style-type: none"> (a) is agreed between that <i>firm</i> and the <i>retail client</i> in accordance with the <i>rules</i> on adviser charging and remuneration (<i>COBS 6.1A</i>); <u>and</u> (b) <u>is not a <i>consultancy charge</i>.</u>
<i>combined initial disclosure document</i>	information about the breadth of <i>advice</i> , <i>scope of advice</i> or <i>scope of basic advice</i> and the nature and costs of the services offered by a <i>firm</i> in relation to two or more of the following: <ul style="list-style-type: none"> (a) <u><i>packaged products</i> or, for <i>basic advice</i>, <i>stakeholder products</i> <u>that are not a <i>group personal pension scheme</i> or a <i>group stakeholder pension scheme</i> (but only if a <i>consultancy charge</i> will be made);</u></u>

...

which contains the keyfacts logo, headings and text in the order shown in, and in accordance with the notes in, *COBS 6 Annex 2*.

*group
personal
pension
scheme*

a *personal pension scheme* (including a group *SIPP*) which is available to employees of the same employer or of employers within a *group*.

*retail
investment
product*

...

(c) a *stakeholder pension scheme* (including a group *stakeholder pension scheme*); or

(d) a *personal pension scheme* (including a group *personal pension scheme*); or

...

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

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text unless otherwise stated.

Interpretation

- 2.3.-1 R In this section ‘giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*’ includes:
- (1) giving advice or assistance to an employer on the operation of such a scheme;
 - (2) taking, or helping the employer to take, the steps that must be taken to enable an employee to become a member of such a *scheme*; and
 - (3) giving advice to an employee, pursuant to an agreement between the employer and the adviser, about the benefits that are, or might be, available to the employee as an actual or potential member of such a scheme.

Rule on inducements

- 2.3.1 R A *firm* must not pay or accept any fee or commission, or provide or receive any non-monetary benefit, in relation to *designated investment business* or, in the case of its *MiFID or equivalent third country business*, another *ancillary service*, carried on for a *client* other than:
- (1) ...
 - (2) a fee, commission or non-monetary benefit paid or provided to or by a third party or a *person* acting on behalf of a third party, if:
 - (a) ...
 - (b) the existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, is clearly disclosed to the *client*, in a manner that is comprehensive, accurate and understandable, before the provision of the service;
 - (i) this requirement only applies to business other than *MiFID or equivalent third country business* if it includes giving a *personal recommendation* in relation to a *retail investment product*, or giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*;

- ...
- ...
- ...
- ...
- 2.3.6A G *COBS* 6.1A (Adviser charging and remuneration) ~~and~~ *COBS* 6.1B (Retail investment product provider requirements relating to adviser charging and remuneration), *COBS* 6.1C (Consultancy charging and remuneration) and *COBS* 6.1D (Product provider requirements relating to consultancy charging and remuneration) set out specific requirements as to when it is acceptable for a *firm* to pay or receive commissions, fees or other benefits:
- (1) relating to the provision of a *personal recommendation on retail investment products*; or
 - (2) for giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*.
- ...
- 2.3.12 E (1) ...
- (2) A *retail investment product* provider should not take any step which would result in it:
- (a) ...
 - (b) providing *credit* to a *firm* in (1) (other than continuing to facilitate the payment of an *adviser charge* or *consultancy charge* where it is no longer payable by the *retail client*, as described in *COBS* 6.1A.5G or *COBS* 6.1C.6G);
- unless all the conditions in (4) are satisfied. A *retail investment product* provider should also take reasonable steps to ensure that its *associates* do not take any step which would result in it having a holding as in (a) or providing *credit* as in (b).
- (3)
- (4) The conditions referred to in (2) and (3) are that:
- ...
- (d) the *retail investment product* provider is not able, and none of its *associates* is able, because of the holding or *credit*, to exercise any influence over the *personal recommendations* made in relation to *retail investment products* given by the *firm* or the advice given, or services provided to, an employer

in connection with a group personal pension scheme or group stakeholder pension scheme.

...

- 2.3.12A G Where a *retail investment product* provider, or its *associate*, provides *credit* to a *retail client* of a *firm* making *personal recommendations* in relation to *retail investment products* or giving advice, or providing services, to an employer in connection with a group personal pension scheme or group stakeholder pension scheme, this may create an indirect benefit for the *firm* and, to the extent that this is relevant, the provider of *retail investment products* may need to consider the examples in COBS 2.3.12E as if it had provided the *credit* to the *firm*.

...

- 2.3.14 G (1)
- (2) The *guidance* in the table on reasonable non-monetary benefits is not relevant to non-monetary benefits which may be given by a *retail investment product* provider or its *associate* to its own *representatives*. The *guidance* in this provision does not apply directly to non-monetary benefits provided by a *firm* to another *firm* that is in the same *immediate group*. In this situation, the *rules* on *commission equivalent* (COBS 6.4.3R) ~~or~~ the requirements on a *retail investment product* provider making a *personal recommendation* in respect of its own *retail investment products* (COBS 6.1A.9R) or the requirements on a firm giving advice, or providing services, to an employer in connection with a group personal pension scheme or group stakeholder pension scheme produced by the *firm* (COBS 6.1C.8R) will apply.

...

- 2.3.16 G In interpreting the table of reasonable non-monetary benefits, *retail investment product* providers should be aware that where a benefit is made available to one *firm* and not another, this is more likely to impair compliance with the *client's best interests rule* and that, where any benefits of substantial size or value (such as adviser training programmes or significant software) are made available to *firms* that are subject to the *rules* on adviser charging and remuneration (COBS 6.1A) or consultancy charging and remuneration (COBS 6.1C), these benefits should be made available equally across those *firms* if they are provided at all.

- 2.3.16A G In interpreting the table of reasonable non-monetary benefits, a *firm* that provides a *personal recommendation* in relation to a *retail investment product* to a *retail client* or gives advice, or provides a service, to an employer in connection with a group personal pension scheme or a group stakeholder pension scheme should be aware that acceptance of benefits on which the *firm* will have to rely for a period of time is more likely to impair compliance with the *client's best interests rule*. For example, accepting

services which provide access to another *firm*'s systems or software on which the *firm* will need to rely to gain access to the *firm*'s *client* data in the future, would be likely to conflict with the *rule* on inducements (COBS 2.3.1R).

...

6.1A Adviser charging and remuneration

Application – Who? What?

6.1A.1 R (1) This section applies to a *firm* which makes a *personal recommendation* to a *retail client* in relation to a *retail investment product*.

(2) This section does not apply to a *firm* giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*.

...

6.1B Retail investment product provider requirements relating to adviser charging and remuneration

Application – Who? What?

6.1B.1 R (1) This section applies to a *firm* which is a *retail investment product* provider in circumstances where a *retail client* receives a *personal recommendation* in relation to the *firm*'s *retail investment product*.

(2) This section does not apply to a *retail investment product* provider in circumstances where a *firm* gives advice or provides services to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*.

After COBS 6.1A and COBS 6.1B insert the following new sections. The text is not underlined.

6.1C Consultancy charging and remuneration

Application – Who? What?

6.1C.1 R (1) This section applies to a *firm* that gives advice, or provides services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*.

(2) Without prejudice to (1), this section does not apply to a *firm* that makes a *personal recommendation* to a *retail client* in relation to a *retail investment product*.

Application – Where?

- 6.1C.2 R This section does not apply if the employer is outside the *United Kingdom*.

Interpretation

- 6.1C.3 R In this section ‘giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*’ includes:
- (1) giving advice or assistance to an employer on the operation of such a scheme;
 - (2) taking, or helping the employer to take, the steps that must be taken to enable an employee of the employer to become a member of such a *scheme*; and
 - (3) giving advice to an employee, pursuant to an agreement between the employer and the adviser, about the benefits that are, or might be, available to the employee if he is, or if he becomes, a member of such a scheme.

Requirement to be paid through consultancy charges

- 6.1C.4 G *COBS* 6.1C.1R (Application – Who? What?) and *COBS* 6.1C.3R (Interpretation) mean (for example) that the cost of any advice given to an employee pursuant to an agreement between the employer and the adviser about the benefits that are, or might be, available to the employee if he is, or if he becomes, a member of a *group personal pension scheme* or *group stakeholder pension scheme* are subject to the *rules* in this section, not the *rules* on *adviser charging* (*COBS* 6.1A).

- 6.1C.5 R A *firm* must:
- (1) only be remunerated for giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme* by *consultancy charges* or by a fee payable by the employer;
 - (2) not solicit or accept (and ensure that none of its *associates* solicits or accepts) any other commissions, remuneration or benefit of any kind in relation to that advice, or those services, regardless of whether it intends to refund the payments or pass the benefits on to the *group personal pension scheme* or *group stakeholder pension scheme*; and
 - (3) not solicit or accept (and ensure that none of its *associates* solicits or accepts) *consultancy charges* which are paid out or advanced by another party over a materially different time period, or on a materially different basis, from that in or on which the *consultancy charges* are recovered from the relevant *group personal pension scheme* or *group stakeholder pension scheme*.

- 6.1C.6 G A *firm* may receive a *consultancy charge* that is no longer payable (for example, after the service it is received in payment for has been amended or terminated) provided the *firm* passes any such payments to the relevant *group personal pension scheme* or *group stakeholder pension scheme*.
- 6.1C.7 G The requirement to be paid through *consultancy charges* does not prevent a *firm* from making use of any facility for the payment of *consultancy charges* provided by another *firm* or other third parties provided that the facility complies with the requirements of COBS 6.1D.9R
- 6.1C.8 G Examples of payments and benefits that should not be accepted under the requirement only to be paid through *consultancy charges* include:
- (1) a share of the charges applied to a *group personal pension scheme*, *group stakeholder pension scheme* or the scheme provider's revenues or profits (except if the *firm* providing the advice to an employer in relation to such a scheme is the scheme provider); and
 - (2) a commission set and payable by a *retail investment product* provider in any jurisdiction.

Requirements on a product provider giving advice to an employer in respect of the product provider's own group personal pension scheme or group stakeholder pension scheme products

- 6.1C.9 R If the *firm* or its *associate* is the *group personal pension scheme* or *group stakeholder pension scheme* provider, the *firm* must ensure that the level of its *consultancy charges* is at least reasonably representative of the cost associated with giving the advice to the employer in relation to the relevant scheme.
- 6.1C.10 G A *consultancy charge* is likely to be reasonably representative of the services associated with giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme* if:
- (1) the expected long term costs associated with advising the employer in relation to the *group personal pension scheme* or *group stakeholder pension scheme* do not include the costs associated with establishing and operating that scheme;
 - (2) the allocation of costs and profits to *consultancy charges* and product charges is such that any cross-subsidisation between the different activities is not significant in the long term; and
 - (3) (were the services to be provided by an unconnected *firm*), the level of *consultancy charges* would be appropriate in the context of the service being provided by the *firm*.

Requirement to use a charging structure

- 6.1C.11 R A *firm* must determine and use an appropriate charging structure for calculating its *consultancy charge* for each employer.
- 6.1C.12 G A *firm* can use a standard charging structure.
- 6.1C.13 G (1) In determining its charging structure and *consultancy charges* a *firm* should have regard to the best interests of the employer and the employer's employees.
- (2) A *firm* may not be acting in the best interests of the employer and the employer's employees if it:
- (a) varies its *consultancy charges* inappropriately according to product provider; or
- (b) allows the availability or limitation of services offered by third parties to facilitate the payment of *consultancy charges* to influence inappropriately its charging structure or *consultancy charges*.
- (3) *Firms* are reminded that the *client's best interests rule* may also apply.
- 6.1C.14 R A *firm* must not use a charging structure which conceals the amount or purpose of any of its *consultancy charges* from an employer or an employee.
- 6.1C.15 G A *firm* is likely to be viewed as operating a charging structure that conceals the amount or purpose of its *consultancy charges* if, for example, it makes arrangements for amounts in excess of its *consultancy charges* to be deducted from an employee's investments from the outset, in order to be able to provide a cash payment to the employer or employee later.

Initial information for clients on the cost of consultancy services

- 6.1C.16 R A *firm* must disclose its charging structure to an employer in writing, in good time before giving advice, or providing services, to the employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme*.
- 6.1C.17 G A *firm* should ensure that the disclosure of its charging structure is in clear and plain language and, as far as is practicable, uses cash terms. If a *firm's* charging structure is in non-cash terms, examples in cash terms should be used to illustrate how the charging structure will be applied in practice.

Disclosure of total consultancy charges payable

- 6.1C.18 R (1) A *firm* must agree with and disclose to an employer the total *consultancy charge* payable to it or any of its *associates*.

- (2) A disclosure under (1) must:
- (a) be in cash terms (or convert non-cash terms into illustrative cash equivalents);
 - (b) be made as early as practicable and, in any event, before the employer:
 - (i) selects a particular *group personal pension scheme* or *group stakeholder pension scheme* for the benefit of its employees; or
 - (ii) if applicable, reviews its *group personal pension scheme* or *group stakeholder pension scheme* arrangements;
 - (c) be in a *durable medium* or through a website (if it does not constitute a *durable medium*) if the *website conditions* are satisfied;
 - (d) if there are payments over a period of time, include:
 - (i) the amount and frequency of each payment due; and
 - (ii) the period over which the *consultancy charge* is payable;
 - (iii) an explanation of the implications for the employer and its employees if an employee leaves the employer's service; and
 - (iv) an explanation of the implications for the employer and its employees if contributions to the *group personal pension scheme* or *group stakeholder pension scheme* are cancelled before the *consultancy charge* is fully paid.

6.1C.19 G To comply with the *rule* on disclosure of total *consultancy charges* payable (COBS 6.1C.18R) and the *fair, clear and not misleading rule*, a *firm's* disclosure of the total *consultancy charge* should:

- (1) provide information to the employer as to which particular service a *consultancy charge* applies;
- (2) include information as to when payment of the *consultancy charge* is due;
- (3) if an ongoing *consultancy charge* is expressed as a percentage of funds under management, clearly reflect in the disclosure how that *consultancy charge* may increase as the fund grows, for example by illustrating the *consultancy charge* assuming a fund growth rate

which is consistent with an *intermediate rate of return*.

Requirement not to make a consultancy charge in certain circumstances

- 6.1C.20 R When an employer asks a *firm* to provide advice to the employer's employees, the *firm*:
- (1) may make a *consultancy charge* for the cost of preparing and giving advice to each employee who chooses to accept his employer's offer of advice;
 - (2) must not make a *consultancy charge* for the cost of preparing or giving advice to an employee who chooses not to accept the offer of advice;
 - (3) (if the *firm* prepares generic advice to be given to more than one employee) must not make more than one *consultancy charge* for preparing that advice.

Record-keeping

- 6.1C.21 R A *firm* must keep a record of:
- (1) its charging structure;
 - (2) the *consultancy charges* payable by each employer and each of the employer's employees; and
 - (3) if the *consultancy charge* for a particular service has varied materially from that indicated in the *firm's* charging structure, the reasons for that difference.

6.1D Product provider requirements relating to consultancy charging and remuneration

Application – Who? What?

- 6.1D.1 R This section applies to a *firm* that is a *group personal pension scheme* or *group stakeholder pension scheme* provider, but only if the *firm* providing the relevant scheme (or another *firm*) gives advice, or provides services, to an employer in connection with that scheme.

Application – Where?

- 6.1D.2 R This section does not apply if the employer is outside the *United Kingdom*.

Interpretation

- 6.1D.3 R In this section 'giving advice, or providing services, to an employer in connection with a *group personal pension scheme* or *group stakeholder*

pension scheme includes:

- (1) giving advice or assistance to an employer on the operation of such a scheme;
- (2) taking, or helping the employer to take, the steps that must be taken to enable an employee of the employer to become a member of such a *scheme*; and
- (3) giving advice to an employee, pursuant to an agreement between the employer and the advisor, about the benefits that are, or might be, available to the employee if he is, or if he becomes, a member of such a scheme.

Requirement not to offer commission, provide factoring or offer credit to a third party

- 6.1D.4 R (1) A *firm* must not offer or pay (and must ensure that none of its *associates* offers or pays) any commissions, remuneration or benefit of any kind to another *firm*, an *employee benefit consultant* or to any other third party for the benefit of that *firm*, *employee benefit consultant* or third party in relation to the sale or purchase of:
- (a) a *group personal pension scheme* or *group stakeholder pension scheme*, whether or not that sale or purchase is accompanied or facilitated by advice given to the purchasing employer or the employer's employees; or
 - (b) an *investment*, if that sale or purchase is, or was, for the benefit of an *occupational pension scheme* established as an alternative to a *group personal pension scheme* or *group stakeholder pension scheme*.
- (2) Paragraph (1)(a) does not prevent a *firm* from making a payment to a third party that has facilitated the payment of a *consultancy charge* from a *group personal pension scheme* or *group stakeholder pension scheme*, provided that that payment is only in respect of that facilitation.
- (3) For the purposes of (1)(b) only, an *occupational pension scheme* will be established as an alternative to a *group personal pension scheme* or *group stakeholder pension scheme* if, in order to meet the most material of its objectives, an employer could reasonably have chosen to establish an *occupational pension scheme* on the one hand, or a *group personal pension scheme* or *group stakeholder pension scheme* on the other, and it chose to establish an *occupational pension scheme*.
- 6.1D.5 G The requirement not to offer or pay commission does not prevent a *firm* from making a payment to a third party in respect of administration or other charges incurred, for example a payment to a fund supermarket or a third

party administrator.

- 6.1D.6 R A *firm* that produces a *group personal pension scheme* or *group stakeholder pension scheme* must not offer or make any credit available out of its own funds, and to or for the benefit of another *firm*, an *employee benefit consultant* or another third party.

Distinguishing product charges from consultancy charges

- 6.1D.7 R A *firm* must:
- (1) take reasonable steps to ensure that its *group personal pension scheme* and *group stakeholder pension scheme* charges are not structured so that they could mislead or conceal from an employer the distinction between those charges and any *consultancy charges* payable in respect of the scheme; and
 - (2) not include in any marketing materials in respect of its *group personal pension schemes* or *group stakeholder pension schemes* any statements about the appropriateness of levels of *consultancy charges* that a *firm* could charge in giving advice to an employer in relation to a such a scheme.
- 6.1D.8 G A *firm* should not offer to invest more than 100% of the *retail client's* contribution to a *group personal pension scheme* or *group stakeholder pension scheme*.

Requirements on firms facilitating the payment of consultancy charges

- 6.1D.9 R A *firm* that offers to facilitate, directly or through a third party, the payment of *consultancy charges* from an employee's investment in a *group personal pension scheme* or *group stakeholder pension scheme* must:
- (1) obtain and validate instructions from the relevant employer in relation to the *consultancy charge*;
 - (2) offer sufficient flexibility in terms of the *consultancy charges* it facilitates;
 - (3) not pay out or advance *consultancy charges* to the *firm* to which the *consultancy charge* is owed over a materially different time period, or on a materially different basis to that in which it recovers the *consultancy charges* from the employee (including paying any *consultancy charges* to the *firm* that it cannot recover from the employee); and
 - (4) ensure that the *consultancy charges* levied do not exceed those agreed between the employee's employer and the relevant adviser (unless the prior written consent of the employee is obtained).
- 6.1D.10 G A *firm* should consider whether the flexibility in levels of *consultancy charges* it offers to facilitate is sufficient so as not to unduly influence or

restrict the charging structure and *consultancy charges* that the *firm* providing advice to an employer in relation to a *group personal pension scheme* or *group stakeholder pension scheme* can use.

Disclosure of total consultancy charges payable

- 6.1D.11 R A *firm* must, in good time, provide an employee with sufficient information on the total *consultancy charge* payable by the employee.
- 6.1D.12 G To comply with COBS 6.1A11R, a *firm*'s disclosure should be in cash terms (or convert non-cash terms into illustrative cash equivalents) and should:
- (1) include information as to the period over which the *consultancy charge* is payable;
 - (2) provide information on the implications for the employee if the employee leaves the employer's service or their contributions to the *group personal pension scheme* or *group stakeholder pension scheme* are cancelled before the *consultancy charge* is fully paid.
- 6.1D.13 G A *firm* may provide the disclosure in COBS 6.1D.11R at the same time as it provides a *key features document*.

Amend the following as shown.

- 6.2A.1 R (1) This section applies to a *firm* that either:
- ~~(1)(a)~~ makes a *personal recommendation* to a *retail client* in relation to a *retail investment product*; or
 - ~~(2)(b)~~ provides *basic advice* to a *retail client*.
- (2) This section does not apply to a *firm* when it makes a *personal recommendation* or provides *basic advice* to an employee, if that recommendation or advice is provided under the terms of an agreement between the *firm* and that employee's employer which is subject to the rules on *consultancy charges* (COBS 6.1C).

...

- 6.3.21 R A *firm* must take reasonable steps to ensure that its *representatives*, when making contact with an employee with a view to giving a *personal recommendation* on his employer's *group personal pension scheme* or *group stakeholder pension scheme*, inform the ~~employer~~ employee:
- (1) that the *firm* will be providing a *personal recommendation* on a ~~group personal pension schemes~~ scheme and/or a ~~group stakeholder pension schemes~~ scheme provided by the employer;
 - (2) whether the employee will be provided with a *personal*

recommendation that is restricted to the *group person pension scheme* or *group stakeholder pension scheme* provided by the employer or the recommendation will also cover other products;

- (3) [deleted]
- (4) that the employee will have to pay an *adviser charge* (if applicable) unless the *representative* is making contact pursuant to an agreement made between the *firm* and the employer which is subject to *consultancy charging* (COBS 6.1C (Consultancy charging and remuneration)).

TP 2 Other Transitional provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
	...				
<u>2.2B-1</u>	<u>COBS 6.1C (Consultancy charging and remuneration) and COBS 6.1D (Product provider requirements relating to consultancy charging and remuneration)</u>	<u>R</u>	<u>COBS 6.1C (Consultancy charging and remuneration) and COBS 6.1D (Product provider requirements relating to consultancy charging and remuneration) do not prohibit a <i>firm</i> or its <i>associates</i> from offering or paying a commission, remuneration or benefit to another <i>firm</i>, an <i>employee benefit consultant</i> or another third party for the benefit of that <i>firm</i>, <i>employee benefit consultant</i> or third party in relation to a <i>group personal pension</i></u>	<u>From 31 December 2012</u>	<u>31 December 2012</u>

			<p><u>scheme or group stakeholder pension scheme if:</u></p> <p>(1) <u>the employer's part of the relevant scheme was established on or before;</u> <u>and</u></p> <p>(2) <u>the relevant offer or payment was permitted by the rules in force on;</u> <u>30 December 2012.</u></p>		
2.2B	...				

Sch 1 Record keeping requirements

...

1.3G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
<u>COBS 6.1C.21R</u>	<u>Consultancy charging and remuneration</u>	<p>(1) <u>the firm's charging structure;</u></p> <p>(2) <u>the total consultancy charge payable by each employer.</u></p> <p>(3) <u>if the total consultancy charge for a particular service has varied materially from that indicated in the firm's charging structure, the reasons for that difference.</u></p>	<p>(1) <u>when the charging structure is first used;</u></p> <p>(2) <u>from the date of disclosure;</u></p>	<u>See COBS 6.1C.21R</u>
...				

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