Financial Conduct Authority

Policy Statement PS14/13**

Changes to regulatory reporting: Adviser charging and product sales data (PSD), including feedback to CP14/5 and final rules

September 2014

Contents

In this Policy Statement we report on the main issues arising from Consultation Paper 14/5** *Changes to regulatory reporting: Adviser and consultancy charging, Authorised Professional Firms (APFs) and Product Sales Data (PSD)* and publish the final rules.

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You can download this Policy Statement from our website: www.fca.org.uk. Or contact our order line for paper copies: 0845 608 2372.

Abbreviations used in this paper

APF	Authorised Professional Firm
COBS	Conduct of Business Sourcebook
CP	Consultation Paper
FCA	Financial Conduct Authority
GABRIEL	Gathering Better Regulatory Information Electronically
MMR	Mortgage Market Review
PS	Policy Statement
PSD	Product Sales Data
RDR	Retail Distribution Review
RMAR	Retail Mediation Activities Return
SUP	Supervision Manual

1. Overview

Introduction

1.1 In CP14/5, we consulted on changes to data we collect from regulated firms through the Retail Mediation Activities Return (RMAR) and the annual questionnaire for authorised professional firms (APFs). We also consulted on minor changes to the submission of product sales data (PSD).

1.2 This Policy Statement (PS) summarises the feedback we received on the proposed changes to Section K of the RMAR and the PSD reporting requirements. Based on the feedback received, we have made some small amendments to the final rules and guidance but we have decided to proceed with the main elements of the original proposals.

Who does this affect?

1.3 The changes to Section K of the RMAR will be of interest to firms that provide personal recommendations to retail clients in relation to retail investment products.

1.4 The change to our PSD will be of interest to any firm which is, or will be, subject to the PSD requirements in Chapter 16.11 of the Supervision manual (SUP) of the FCA Handbook.

Is this of interest to consumers?

1.5 The final rules and guidance set out in this PS are unlikely to be of direct interest to consumers.

Context

1.6 We collect data from regulated firms to help ensure that financial markets function well. It plays an important role in how we supervise firms, helping identify potential and emerging risks and allowing our supervisory resources to be targeted effectively. It also informs our policy development and allows us to monitor the market.

1.7 In September 2013, we published our Data Strategy.[1] This sets out our vision for the data we collect and hold, which is to ensure that all data we collect is actionable, integrated and fully accessible across the FCA to help us meet our objectives.

1 http://www.fca.org.uk/static/documents/corporate/fca-data-strategy.pdf

1.8 CP14/5 and this PS form part of our ongoing commitment to ensure the data we require firms to provide is collected appropriately.

Summary of feedback and our response

Changes to adviser charging reporting

1.9 Following the introduction of the Retail Distribution Review (RDR), we started collecting adviser charging data from investment advice firms. In 2013, as firms started reporting this data for the first time, we received feedback and a number of technical queries from both firms and trade associations.

1.10 Based on this feedback, in CP14/5 we consulted to introduce a number of changes to the adviser charging data we collect through Section K of the RMAR. In line with our Data Strategy, these changes were designed to provide greater clarity around what firms should report and ease the reporting obligation placed on firms. These proposals included:

- incorporating the contents of an interim technical note that we published in November 2013 into our Handbook
- simplifying the field labels used on the data collection form and streamlining the form to make it easier for firms to complete
- reducing the reporting obligation for firms by requiring Section K of the RMAR to be completed annually rather than every six months, and
- allowing firms to complete Section K on either a cash or accruals accounting basis.

1.11 Responses to CP14/5 were mostly supportive of these proposals. Therefore, we have decided to implement these proposals. These will take effect for data reported from 31 December 2014.

1.12 A number of respondents also raised technical queries about how to complete Section K of the RMAR and which were not covered in our interim technical note. Where appropriate, we have updated the Handbook guidance to answer the queries raised.

1.13 We also received some suggestions around how the data collection could be further simplified. This included removing the requirement for firms to separately report whether adviser charges were facilitated by a product provider or platform service provider. A number of respondents said this breakdown was particularly onerous to report. Having considered our use of this data, we concluded that the marginal benefits of collecting this breakdown were outweighed by the time and money that firms would save if we stopped collecting this information. As such, we have adopted this suggestion so that firms will only be required to report a breakdown of adviser charges by those paid (a) directly by client and (b) those facilitated by a product or platform service provider.

Changes to product sales data

1.14 Since October 2012, firms have been required to complete their PSD returns through GABRIEL. SUP 16.11.3R(3) states that firms do not need to submit a data report if no relevant sales have been made in the reporting period. In CP14/5, we proposed to introduce a change to this rule so that firms would be required to submit a nil return in these circumstances.

1.15 All respondents to the consultation supported this proposal. Reflecting this, we have decided to implement this proposed change.

Changes to consultancy charging reporting and the annual questionnaire for authorised professional firms

1.16 In CP14/5, we also consulted on introducing changes to the consultancy charging data collected through Section L of the RMAR and the annual questionnaire for APFs. In summary, these changes involved removing the requirement for firms to report detailed consultancy charging data through Section L of the RMAR and modify the content of the annual questionnaire for APFs.

1.17 Having considered the responses to the consultation on these points, we decided to proceed to implement these proposals. These were made by agreement of the FCA Board and feedback provided through Handbook Notice 13 published in July 2014.[2]

Next steps

1.18 The changes to Section K of the RMAR will take effect from 31 December 2014. The changes to PSD reporting will take effect in two stages: the first from 1 October 2014 reflects the policy changes pre-MMR implementation and the second from 1 January 2015 the changes post-MMR implementation.

2 http://www.fca.org.uk/static/documents/handbook-notices/fca-handbook-notice-013.pdf

2.
Changes to adviser charging reporting

2.1 Following the introduction of the Retail Distribution Review (RDR) on 31 December 2012, we started collecting data on adviser charging through Section K of the RMAR. In CP14/5 we consulted on introducing a number of changes to this data collection, including:

- providing greater clarity around the adviser charging data firms should report through Section K, and
- amending the data collection form and the frequency with which we collect this data, with the aim of reducing the reporting obligation for firms.

2.2 We received 12 responses to the consultation questions relating to these proposed changes.[3] This chapter provides a detailed summary of the main points raised in the submissions received and, after careful consideration, our responses to them.

Updating the Handbook guidance to help firms report adviser charging data through Section K of the RMAR

2.3 In November 2013, we published an interim technical note to help firms complete Section K of the RMAR. The feedback we received suggested that the note had helped firms complete this return. In CP14/5 we therefore proposed to incorporate the contents of this note into our existing Handbook guidance so that all guidance designed to help firms report adviser charging data to us was in one easily accessible place.

> ***Q1: Do you agree that we should incorporate the contents of the interim technical note to help firms complete Section K of the RMAR into our Handbook?***

2.4 The majority of respondents agreed that the contents of the interim technical note should be incorporated in our existing Handbook guidance. A number of respondents also raised further technical queries about how to complete Section K of the RMAR which were not covered in the note.

3 See Annex 1 for a list of the names of non-confidential respondents

2.5

Our response

We are pleased that firms have found the interim technical note has helped them to complete Section K of the RMAR. We have therefore incorporated the contents of this note into our Handbook guidance at SUP 16 Annex 18BG.

We have also updated this Handbook guidance to answer a number of technical queries raised by respondents. This includes clarifying that data reported through Section K of the RMAR should relate to adviser charges where a firm provides a personal recommendation to a retail client in relation to a retail investment product.

- Where an advisory firm provides a client with an ongoing administrative service which is not subject to an adviser charging agreement, perhaps because it was agreed before the Retail Distribution Review (RDR) rules came into force and is fully funded by trail commission, no data should be reported through Section K of the RMAR in respect of that client. Section K collects data on adviser charges in respect of personal recommendations on retail investment products only. The conditions under which an advisory firm may receive trail commission are set out in provisions 6.1A.4AR and 6.1A.4AAG of the Conduct of Business sourcebook (COBS).

- 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.

- Where a firm charges different hourly rates dependent on which individual in the firm undertakes work on behalf of the client, firms should ensure their typical charging structure reported through Section K of the RMAR reflects, as closely as practicable, the total adviser charge the client will pay. For example, where it is unlikely that a 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 guidance for completing rows 5 and 10 of the revised data collection form, which previously made reference to summing 'fractions', should more accurately be read to mean summing the 'proportions' of the instalment due within the reporting period.

- When completing rows 20 and 21 of the revised data collection form to report the minimum and maximum ongoing adviser charges levied within the reporting period, where the ongoing adviser charge is paid monthly, quarterly or six-monthly, firms should report the annualised amount of adviser charge that is payable. We have included an example in our Handbook guidance (Example 10) to clarify this.

Finally, in relation to Example 8, we provide an example of how to complete Section K which spans two reporting periods, to avoid confusion we have amended this example so the first reporting period is denoted by rp1 and the second by rp2.

These changes to the Handbook guidance are designed to clarify how the data should be reported in response to technical queries raised during the consultation. They do not represent a change in the data firms should be reporting through Section K of the RMAR.

Clarifying the field labels used on the Section K data collection form and streamlining the form

2.6 In CP14/5, we proposed to make a number of changes to the field labels used on the Section K data collection form and streamline the form with the aim of making it easier for firms to complete. This included:

- improving the field labels to set out more clearly what information firms should report in each field
- redesigning the form to make it is easier to complete, and
- adding two fields where firms can indicate the accounting basis on which they have completed the return and the type of advice their firm provides.

> ***Q2:*** ***Do you agree with our proposal to improve the labelling of the fields used on the Section K data collection form? Do you have any comments on our proposed changes to these labels?***

2.7 All respondents to the consultation agreed with our proposal to improve the field labels used on the Section K data collection form. In particular, clearly stating whether firms should report a monetary amount or number in each field was welcomed by a number of respondents.

2.8 One respondent suggested that the revised labels for rows 4, 5, 9 and 10 of the data collection form could cause confusion. These rows require data on adviser charges due from retail clients within the reporting period to be reported. This respondent felt that the addition of '*due from*' could be misunderstood to mean the number of unpaid adviser charges.

Our response

Based on the feedback received, we have decided to proceed with our plans to improve the field labels used on the Section K data collection form.

We have noted the concerns expressed by one respondent that the updated labels for rows 4, 5, 9 and 10 could be misunderstood. However, we feel these labels are clear that firms should be reporting the adviser charging revenue which clients are due to pay, or have paid, to the advisory firm within the reporting period. This is also supported by the Handbook guidance, which sets out how firms should complete this return.

> **Q3:** ***Do you agree with our proposal to streamline the Section K data collection form? Do you have any suggestions for how the form could be further streamlined to make it easier for firms to complete?***

2.9 There was broad support among the majority of respondents for our proposals to streamline the Section K data collection form. However, one firm raised concerns that, even in its streamlined form, completing Section K of the RMAR was resource intensive, as the information was not captured in the natural management of the firm's business. This respondent also queried whether the data was of use to the FCA.

2.10 We did receive a number of additional suggested improvements which would further reduce the reporting obligation placed on firms. A number of respondents suggested that we should remove the requirement on firms to separately report whether adviser charges were facilitated by a product provider or platform service provider. These respondents commented that providing this breakdown was onerous and questioned whether it added much to our understanding of the market or consumer outcomes.

2.11 In relation to the aggregate sum of the proportion of initial adviser charges payable through regular instalments that is reported in rows 5 and 10, one respondent noted that this could be difficult to report where multiple clients were paying their initial adviser charge over an extended period of time.

2.12 Two respondents expressed concern that data relating to a firm's typical charging structure was difficult to provide. In particular, the data firms should report in rows 18 and 22, where they operate a charging structure which combines different types of charges; for example, a fixed amount plus a percentage of assets under advice, was cited as particularly difficult to calculate.

Our response

As we set out in CP14/5, the adviser charging data we collect through Section K of the RMAR plays an important role in our supervisory work. In particular, it helps monitor a number of risks, both across the whole market and within individual firms. It also enables our supervisory resources to be targeted effectively and informs our ongoing policy work. Therefore, it remains important for us to capture data on adviser charging.

Under our Data Strategy we have committed to ensuring all data we collect is actionable, integrated and fully accessible across the FCA to help us meet our objectives. As part of this, by proposing to streamline the Section K data collection form, we sought to ensure the reporting obligation we were placing on firms was more proportionate. We are therefore pleased that the majority of respondents support our proposals to streamline the data collection form.

We have considered in detail the feedback received around how we could further streamline the form. In particular, we have considered the comments made by a number of respondents that requiring firms to separately report whether adviser charges were facilitated by a product provider or platform service provider was costly and time consuming to provide.

Having considered our use of this data, we agree it would be proportionate to further streamline the data collection form by removing the requirement for firms to report this breakdown. Going forward, firms will only need to provide a breakdown of the adviser charging data reported in rows 2 to 5 and 7 to 10 by whether the charge was (a) paid directly by clients or (b) facilitated by a product provider or platform service provider. This is shown in the table below:

Current breakdown of adviser charging data	Amended breakdown of adviser charging data
Adviser charges paid directly by clients	Adviser charges paid directly by clients
Adviser charges invoiced via product providers	Adviser charges facilitated by product providers or platform service providers
Adviser charges invoiced via platform service providers	

We have considered the feedback provided by one respondent that it can be difficult to complete rows 5 and 10 where multiple clients are paying an initial adviser charge over an extended period of time. This information remains important to our supervisory work and to enable us to monitor potential risks to consumers. We also feel firms should reasonably be expected to be able to report this data given that, if they allow initial adviser charges to be paid over time for advice on retail investment products where regular contributions are being made, they should have the appropriate systems in place to stop taking monies from the client once the full value of the initial adviser charge has been repaid.

We have also considered the comments made by two respondents that the data we require firms to report in relation to their typical charging structure is difficult to provide. In our guidance we set out how the majority of the data reported in this section can be based on the advisory firm's published tariff or price lists for disclosing the costs of adviser services. This should minimise the burden associated with reporting data in rows 15 – 17 and 19 – 21 of the return.

However, as outlined in the current Handbook guidance, firms operating a combined charging structure cannot rely on their tariff for the purposes of completing rows 18 and 22. While we recognise firms need to undertake some work to complete these rows, this information remains important to our supervisory work.

In CP14/5, we proposed to add a question to Section K of the RMAR whereby firms would indicate whether they provided independent, restricted or both types of advice in the reporting period. We have decided to proceed to collect this information from firms. This will be used to help firms complete the data collection by, for example, identifying which sections of the return firms should complete. The appropriate functionality to achieve this is currently being considered for a future GABRIEL release in 2015, after which we hope it will be easier for firms providing solely independent or solely restricted advice to identify which sections of the data collection form they should be completing.

We have set out a table of the final changes to the field labels, field references and data collection form in Annex 2. This also shows how the existing field references map across to the revised form.

The changes to the Section K data collection form will take effect from 31 December 2014 and so will apply to reporting periods after those ending 31 December 2014.

Moving to annual reporting for Section K of the RMAR

2.13 Our current rules require investment advice firms to complete Section K of the RMAR on a six-monthly basis. In CP14/5, we proposed to only collect this data on an annual basis, with the aim of reducing the reporting requirement we place on firms.

> *Q4:* ***Do you agree that we should only collect adviser charging data through Section K of the RMAR on an annual basis?***

2.14 All respondents agreed with our proposal to move to collecting adviser charging data on an annual basis. One respondent queried whether, by only collecting this data annually, the FCA would look to capture adviser charging data from firms through an increase in ad hoc data requests.

Our response

We have proceeded to amend the reporting schedule for firms completing Section K of the RMAR so that they only need to report adviser charging data to us annually. This will take effect for reporting periods ending on or after 31 December 2014.

We do not currently have any plans to collect additional adviser charging data from firms beyond that which is captured through the RMAR. However, we may request additional ad hoc data from time to time where this is needed to pursue our objectives.

Completing Section K of the RMAR on a cash or accruals accounting basis

2.15 In CP14/5, we proposed to allow firms to complete Section K on either a cash or accruals accounting basis. Allowing this adviser charging data to be reported on a cash basis would lower the reporting costs associated with this data, particularly for some smaller advisory firms, without disadvantaging those firms which prefer to continue reporting on an accruals basis.

> *Q5:* ***Do you agree that firms should be able to report adviser charging data through Section K of the RMAR on either a cash received or accruals accounting basis? If not, please explain why.***

2.16 The majority of respondents agreed that we should allow firms to complete Section K on either a cash or accruals accounting basis. Indeed, a number of respondents helpfully set out the time and money their firm would save by switching to reporting on a cash basis.

Our response

We have proceeded with our proposal to allow firms to complete Section K of the RMAR on either a cash or accruals accounting basis. This option will be available for firms with reporting periods ending on or after 31 December 2014.

While firms will have the flexibility to change the accounting basis on which they report data from one year to the next, all data reported within a single reporting period must be calculated on a single accounting basis. This means that, for example, a firm could not complete one half of the Section K on an accruals basis and the other half on a cash basis within a single reporting year.

Analysis of the costs and benefits

> ***Q6:*** ***Do you have any comments on our cost benefit analysis in respect of the changes to the adviser charging data collected through Section K of the RMAR?***

2.17 In CP14/5 we set out our analysis of the costs and benefits of our proposed changes to Section K of the RMAR. This analysis concluded that, as we were not seeking to change the data we collect from firms or collect new data, the proposals should not result in any new one-off or annual reporting costs for firms.

2.18 In relation to the benefits of our proposals, our analysis found that all 5,000 firms required to complete Section K of the RMAR would benefit if we moved to annual reporting. Reflecting that we also proposed other changes to the data collection designed to reduce firms' reporting obligation, we estimated that the industry's £2.6m annual reporting cost could be halved.

2.19 Those respondents that commented on our cost benefit analysis agreed that the proposals would reduce the costs firms incurred in reporting adviser charging data to us. In particular, the move from six-monthly to annual reporting and allowing firms to report on either a cash or accruals basis were cited as leading to a reduction in staff time and accounting fees.

2.20 One respondent felt the proposals would not halve the costs its firm incurred in reporting adviser charging data, although they agreed the proposals would reduce the costs associated with completing Section K of the RMAR.

Our response

We recognise that the proposals may not halve the costs every firm incurs to complete Section K of the RMAR, although we estimate that the costs associated with providing adviser charging data across the industry could reduce by 50%.

Based on the responses we have received, we are confident that most firms will see some reduction in their adviser charging reporting costs, which may further reduce now we are removing the need for firms to separately report whether adviser charges were facilitated by a product provider or a platform service provider.

3. Change to product sales data reporting

3.1 Since October 2012, product sales data (PSD) has been submitted through the FCA's central reporting system, GABRIEL. The requirement in SUP 16.11.3R(3) states that a firm does not need to submit a data report if no relevant sales have been made in the reporting period. We proposed to introduce a change to this rule requiring firms to provide a nil return in these circumstances.

3.2 Policy developments, including consumer credit and our Mortgage Market Review (MMR), all make changes to PSD requirements and increase the volume of PSD reporting markedly.

3.3 With the increase in PSD volume this change is designed to remove uncertainty around submission requirements for firms and for us to reduce the resources we require to follow up on whether the non-submission of a data report was intentional.

Q7: ***Do you agree with our proposals to require a nil return from relevant firms who have no PSD data to report? If not, please explain why.***

3.4 We received seven responses to our proposal to require nil returns of PSD submitters with no data to submit, all of which supported the proposed change.

Our response

Reflecting the supportive nature of these responses, we have proceeded to implement the proposed change.

Q8: ***Do you have any comments on our cost benefit analysis in respect of the changes to PSD reporting?***

3.5 We received four responses, all of which agreed that the proposed change would help the FCA use our resources in the most efficient way.

Annex 1
List of non-confidential respondents

Association of Professional Compliance Consultants

Association of Professional Financial Advisers

Baker Tilly

Compos Mentis

Informed Choice

Openwork

Page Russell

Plum Software

Prudential

RBS

Scottish Widows

Wealth Management Association

Annex 2
Revised field labels used on Section K of the RMAR

3.6 The table below sets out the revised field labels and field references of the updated Section K data collection form. It also sets out how the fields of the current Section K data collection form map across to the revised form.

<table>
<tr><th>Existing field reference(s)</th><th>Revised field reference(s)</th><th>Revised field labels</th></tr>
<tr><td colspan="3">Column labels</td></tr>
<tr><td>Column A for rows 1-6</td><td>Column A – rows 2-5</td><td>Independent advice: adviser charges paid direct by retail clients</td></tr>
<tr><td>Columns B for rows 1-6</td><td rowspan="2">Column B – rows 2-5</td><td rowspan="2">Independent advice: adviser charges facilitated by product providers or platform service providers</td></tr>
<tr><td>Columns C for rows 1-6</td></tr>
<tr><td>Column D for rows 1-6</td><td>Column A – rows 7-10</td><td>Restricted advice: adviser charges paid direct by retail clients</td></tr>
<tr><td>Column E for rows 1-6</td><td rowspan="2">Column B – rows 7-10</td><td rowspan="2">Restricted advice: adviser charges facilitated by product providers or platform service providers</td></tr>
<tr><td>Column F for rows 1-6</td></tr>
<tr><td>Column G for rows 1-6</td><td colspan="2">None – all total fields removed</td></tr>
<tr><td colspan="3">Row labels</td></tr>
<tr><td>Row 1</td><td>Row 2 for independent advice
Row 7 for restricted advice</td><td>Revenue from all initial adviser charges, including initial, one-off and ad hoc adviser charges</td></tr>
<tr><td>Row 2</td><td>Row 3 for independent advice
Row 8 for restricted advice</td><td>Revenue from ongoing adviser charges</td></tr>
<tr><td>Row 3</td><td colspan="2">None – all total fields removed</td></tr>
</table>

Row 4	Row 4 for independent advice Row 9 for restricted advice	Aggregate number of initial adviser charges payable as lump-sum payments due from retail clients within the reporting period
Row 5	Row 5 for independent advice Row 10 for restricted advice	Aggregate sum of the proportion of initial adviser charges, payable through regular instalments, due from retail clients within the reporting period
Row 6	None – all total fields removed	
Row 7	Row 6 for independent advice Row 11 for restricted advice	Total number of initial advice services, including distinct initial, one-off and ad hoc advice services, provided within the reporting period
Row 8	Row 12	Number of retail clients paying for ongoing advice services at the end of the reporting period
Row 9	Row 13	Number of retail clients who started paying for ongoing advice services during the reporting period
Row 10	Row 14	Number of retail clients who stopped paying for ongoing advice services during the reporting period
Rows 11	Row 15	Initial adviser charge per hour (monetary amount)
Rows 12	Row 16	Initial adviser charge as percentage of investment (%)
Rows 13	Row 17	Initial adviser charge as a fixed fee (monetary amount)
Rows 14	Row 18	Initial adviser charge as a combined charging structure (monetary amount)
Rows 15	Row 19	Ongoing adviser charge per hour (monetary amount)
Rows 16	Row 20	Ongoing adviser charge as percentage of investment (%)
Rows 17	Row 21	Ongoing adviser charge as a fixed fee (monetary amount)
Rows 18	Row 22	Ongoing adviser charge as a combined charging structure (monetary amount)
–	Row 1	Indicate the type(s) of advice provided by your firm [independent/restricted/both]
–	–	Has this section been completed on an accruals or cash accounting basis?

Appendix 1
Made rules (legal instrument)

SUPERVISION MANUAL (AMENDMENT NO 19) INSTRUMENT 2014

Powers exercised

A. The Financial Conduct Authority makes this instrument in the exercise of the powers and related provisions in or under:

(1) the following sections of the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137A (The FCA's general rules);
(b) section 139A (Power of the FCA to give guidance); and

(2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force as follows:

(1) Part 1 of the Annex to this instrument comes into force on 1 October 2014;
(2) Part 3 of the Annex to this instrument comes into force on 1 January 2015; and
(3) the remainder of this instrument comes into force on 31 December 2014.

Amendments to the FCA Handbook

D. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Supervision Manual (Amendment No 19) Instrument 2014.

By order of the Board of the Financial Conduct Authority
25 September 2014

Annex

Amendments to the Supervision manual (SUP)

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

Part 1: Comes into force on 1 October 2014

16 Reporting requirements

…

16.11 Product Sales Data Reporting

…

Reporting requirement

16.11.3 R …

(3) ~~A *firm* need not submit a data report if no relevant sales have occurred in the quarter.~~ [deleted]

(3A) A *firm* must submit a nil return if no relevant sales have occurred in the quarter.

…

Part 2: Comes into force on 31 December 2014

16.12 Integrated Regulatory Reporting

…

Regulated Activity Group 7

…

16.12.23 A R The applicable reporting frequencies for *data items* referred to in *SUP* 16.12.22AR are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date,* unless indicated otherwise.

Data item	Frequency				
	Unconsolidated *BIPRU investment firm* and *IFPRU*	Solo consolidated *BIPRU investment firm*	*UK Consolidation Group* or *defined liquidity*	Annual regulated business revenue up to	Annual regulated business revenue over £5 million

	investment firm	and *IFPRU investment firm*	*group*	and including £5 million	
COREP/ FINREP	Refer to *EU CRR* and applicable technical standards				
...					
Section K RMAR	~~Half yearly~~ Annually	~~Half yearly~~ Annually	~~Half yearly~~ Annually	~~Half yearly~~ Annually	~~Half yearly~~ Annually
Note 1	…				
…					

…

16 Annex 18AR Retail Mediation Activities Return ('RMAR')

…

~~**SECTION K: Adviser charges**~~

~~***Retail investment product* revenue from *adviser charges***~~

		~~A~~	~~B~~	~~C~~	~~D~~	~~E~~	~~F~~	~~G~~
		~~*Independent advice*~~			~~*Restricted advice*~~			
		~~*Adviser charges* invoiced directly to *retail clients*~~	~~*Adviser charges* invoiced via *product providers*~~	~~*Adviser charges* invoiced via *platform service providers*~~	~~*Adviser charges* invoiced directly to *retail clients*~~	~~*Adviser charges* invoiced via *product providers*~~	~~*Adviser charges* invoiced via *platform service providers*~~	~~Total~~
~~1~~	~~Revenue from initial *adviser charges*~~							
~~2~~	~~Revenue from ongoing *adviser charges*~~							
~~3~~	~~TOTAL~~							

~~**Payments of initial *adviser charges***~~

		~~*Independent advice*~~			~~*Restricted advice*~~			
		~~*Adviser charges* invoiced directly to *retail clients*~~	~~*Adviser charges* invoiced via *product providers*~~	~~*Adviser charges* invoiced via *platform service providers*~~	~~*Adviser charges* invoiced directly to *retail clients*~~	~~*Adviser charges* invoiced via *product providers*~~	~~*Adviser charges* invoiced via *platform service providers*~~	~~Total~~
4	~~Aggregate of initial *adviser charges* invoiced as lump-sum payments~~							

~~5~~	~~Aggregate of initial *adviser charges* invoiced as regular payments~~							
~~6~~	~~Aggregate of initial *adviser* charges (invoiced as either a lump sum or regular payments)~~							

~~**Number of one-off advice services**~~

		~~*Independent advice*~~	~~*Restricted advice*~~	~~Total~~
~~7~~	~~Number of one-off advice services~~			

~~***Retail clients* paying for ongoing advice services**~~

~~**8**~~	~~*Retail clients* paying for ongoing advice services at the end of the reporting period~~	
~~**9**~~	~~*Retail clients* who started paying for ongoing advice services during the reporting period~~	
~~**10**~~	~~*Retail clients* who stopped paying for ongoing advice services during the reporting period~~	

~~**What types of adviser charging structures are offered?**~~

		~~*Independent Advice*~~		~~*Restricted Advice*~~		~~Typical charging structure (tick all that apply)~~
		~~Minimum~~	~~Maximum~~	~~Minimum~~	~~Maximum~~	
~~**11**~~	~~Initial *adviser charge* per hour (£)~~					~~Yes / No~~
~~**12**~~	~~Initial *adviser charge* as percentage of investment (%)~~					~~Yes / No~~
~~**13**~~	~~Initial adviser charge as a fixed fee (£)~~					~~Yes / No~~
~~**14**~~	~~Initial adviser charge as a combined charging structure (£)~~					~~Yes / No~~
~~**15**~~	~~Ongoing *adviser charges* per hour (£)~~					~~Yes / No~~
~~**16**~~	~~Ongoing *adviser charge* as percentage of investment (%)~~					~~Yes / No~~
~~**17**~~	~~Ongoing adviser charge as a fixed fee (£)~~					~~Yes / No~~
~~**18**~~	~~Ongoing adviser charge as a combined charging structure (£)~~					~~Yes / No~~

SECTION K: Adviser charges

Types of advice provided

		A
1	Indicate the type(s) of advice provided by the *firm*	Independent / Restricted / Both

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 *adviser charges* including initial, one-off and ad hoc *adviser charges*		
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		
5	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period		

		A
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	

Section 2 - Restricted 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)			
7	Revenue from all initial *adviser charges* including initial, one-off and ad hoc *adviser charges*		
8	Revenue from ongoing *adviser charges*		
Payments of initial adviser charges (number)			
9	Aggregate number of initial *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period		
10	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period		

		A
Number of one-off advice services (number)		
11	Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period	

Section 3 - Number of ongoing services provided including both independent and restricted advice

Retail clients paying for ongoing advice services (number)		**A**
12	Number of *retail clients* paying for ongoing advice services at the end of the reporting period	
13	Number of *retail clients* who started paying for ongoing advice services during the reporting period	
14	Number of *retail clients* who stopped paying for ongoing advice services during the reporting period	

Section 4 - Typical charging for both independent and restricted advice

What types of adviser charging structures are offered?		**A**	**B**	**C**	**D**	**E**
		Independent advice		Restricted advice		Typical charging structure
		Minimum	Maximum	Minimum	Maximum	
15	Initial *adviser charge* per hour (monetary amount)					Yes / No
16	Initial *adviser charge* as percentage of investment (%)					Yes / No
17	Initial *adviser charge* as a fixed fee (monetary amount)					Yes / No
18	Initial *adviser charge* as a combined charging structure (monetary amount)					Yes / No
19	Ongoing *adviser charge* per hour (monetary amount)					Yes / No
20	Ongoing *adviser charge* as percentage of investment (%)					Yes / No
21	Ongoing *adviser charge* as a fixed fee (monetary amount)					Yes / No
22	Ongoing *adviser charge* as a combined charging structure (monetary amount)					Yes / No

Has this section been completed on an accruals or cash accounting basis?

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…

Accounting principles

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

…

<u>15A.</u> <u>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.</u>

…

Section K: Adviser charges

~~In this section we are seeking data from *firms* in relation to *adviser charges* (*COBS* 6.1A and *COBS* 6.1B). We will use the data we collect to monitor and analyse the way *retail investment firms* implement the rules on *adviser charges*.~~

~~Data in this section should be reported on a cumulative basis throughout the *firm's* financial year, with the exception of the minimum and maximum *adviser charges*, which are the costs of advice services that a *firm* discloses to a *retail client* in writing, in good time before making the *personal recommendation* (or providing any related service) (*COBS* 6.1A.17R). The *firm's* charging structure can be based on published tariffs or price lists and only needs to be updated as and when the tariffs or prices lists are updated.~~

~~All the data in this section should only be in relation to the provision of a *personal recommendation* by the *firm* in respect of a *retail investment product* (or any related service provided by the *firm*). Firms that have *appointed representatives* should include their *appointed representatives* as well as the *firm* itself in the information submitted in this section.~~

~~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 *firms* 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 in section K.~~

~~In most cases, *firms* are asked to split the data based on whether the advice was *independent* or *restricted*. *Independent advice* is a *personal recommendation* to a *retail client* in relation to a *retail investment product* which is based on a comprehensive and fair analysis of the relevant market, and is unbiased and unrestricted (*COBS* 6.2A.3R). *Restricted advice* is advice which is not *independent advice*. *Restricted advice* includes *basic advice*, but the *rules* on *adviser charges* do not apply to a *firm* when it gives *basic advice*, so revenue from *basic advice* should not be captured here.~~

~~For revenue from *adviser charges* and payments of initial *adviser charges*, *firms* are also asked to split the data based on the payment mechanism, i.e. whether the *adviser charges* have been received directly from *retail clients*, via *product providers*, or via *platform service providers*. *COBS* 6.1B.9R allows for *firms* to facilitate the payment of *adviser charges* from a *retail investment product* or otherwise by means of a *platform service*.~~

~~Data elements are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.~~

~~Section K: guide for completion of individual fields~~

~~Adviser charge revenue~~	
~~Initial *adviser charges* (row 1)~~	~~These are all *adviser charges* invoiced to *retail clients* during the reporting period for services that are not ongoing.~~ ~~These charges may be paid as a one-off lump sum, or as regular contributions over a period of time if the *adviser charge* relates to a *retail investment product* for which an instruction from the *retail client* for regular payments is in place and the *firm* has disclosed that no ongoing *personal recommendations* or service will be provided (*COBS* 6.1A.22R (2)).~~
~~Ongoing *adviser charges* (row 2)~~	~~These are all *adviser charges*, which are not initial charges, invoiced to *retail clients* during the reporting period for an ongoing service (*COBS* 6.1A.22R (1)).~~
~~*Adviser charges* invoiced directly to *retail clients* (column A, data elements 1A to 6A)~~	~~These are all *adviser charges* invoiced directly to *retail clients*.~~
~~*Adviser charges* invoiced via *product providers* (column A, data elements 1B to 6B)~~	~~These are all *adviser charges* invoiced via *retail investment product providers* who facilitate, directly or through a third party, the payment of *adviser charges* from a *retail client's retail investment product*.~~
~~*Adviser charges* invoiced via *platform service providers* (column C, data elements 1C to 6C)~~	~~These are all *adviser charges* invoiced via *platform service providers* who facilitate, directly or through a third party, the payment of *adviser charges* by means of a *platform service*.~~
~~TOTAL (row 3)~~	~~Row 3 equals row 1 plus row 2~~
~~Payments of initial adviser charges~~ ~~(See above three rows for an explanation of the different payment mechanisms.)~~	
~~Aggregate of initial adviser charges invoiced as lump sum payments (row 4)~~	~~This is the number of initial *adviser charge* payments invoiced as a lump sum during the reporting period, i.e. the *client* pays the entire initial *adviser charge* in one payment.~~

	~~If an initial charge is not paid in full, we expect it to be recorded under row 5 of Section K as 'Regular instalments as proportion of the total due.~~
~~Aggregate of initial adviser charges invoiced as regular payments (row 5)~~	~~An initial *adviser charge* may be structured to be payable over a period of time when it relates to a *retail investment product* for which an instruction from the *retail client* for regular payments is in place and the *firm* has disclosed that no ongoing *personal recommendations* or service will be provided (*COBS* 6.1A.22R(2)). Each instalment should be captured by the *firm* as a fraction, to two decimal places, representing the amount paid off as a proportion of the amount owed. The sum of these fractions should be reported in the appropriate data field in row 5 to two decimal places.~~ ~~This could 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).~~ ~~(1) For each *retail client* calculate the number of *months* in the reporting period in which equal instalments are made divided by the total number of *months* in which payments are due to be made. Sum up fractions based on payment mechanism and type of advice and report in the appropriate field.~~ ~~(2) For each instalment calculate the amount paid divided by the total amount due. Sum up fractions based on payment mechanism and type of advice and report in the appropriate field.~~
~~Aggregate of initial adviser charges (invoiced as either a lump sum or regular payment) (row 6)~~	~~Row 6 equals row 4 plus row 5.~~
~~Number of one-off advice services (row 7)~~	~~This should be the number of one-off advice services provided during the reporting period, to which there is a corresponding initial *adviser charge*.~~
~~**Retail clients paying for ongoing advice services**~~	
~~*Retail clients* paying for ongoing advice services (row 8)~~	~~This should be the number of *retail clients* paying for ongoing advice services (i.e. paying ongoing *adviser charges*) at the end of the reporting period.~~
~~*Retail clients* who start paying for ongoing advice services (row 9)~~	~~This should be the number of *retail clients* who began paying for an ongoing advice service (i.e. paying ongoing *adviser charges*) during the reporting period.~~
~~*Retail clients* who stop paying for ongoing advice services (row 10)~~	~~This should be the number of *retail clients* who stopped paying for ongoing advice service (i.e. paying ongoing *adviser charges*) during the reporting period.~~

~~**Charging structure**~~	
~~What types of adviser charging structures are offered?~~	~~Only those fields relevant to the *firm's* charging structure should be completed.~~
~~Combined charging structure (£)~~	~~When a *firm* operates charging structures which are a combination of per hour, percentage of investment and/or fixed fee, *firms* should record the actual minimum and maximum charges charged in the reporting period and not the published tariff or price list for that combined charging structure. 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 in UK Sterling (£).~~
~~Minimum and maximum *adviser charges*~~	~~Where a *firm* has no range in their charging structure, the minimum and maximum *adviser charges* should be recorded as the same.~~
~~Typical charging structure (tick all that apply)~~	~~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. 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, tick the charging structures that are relevant.~~

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* should include data from their *appointed representatives* in the information submitted in this section.

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 *adviser charges* (rows 2 and 7)	*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 include, for example, revenue from initial, one-off and ad hoc *adviser charges*, irrespective of whether the charge is paid as a

	single payment or through regular instalments. Where an initial *adviser charge* is paid through regular instalments, which is only permitted in limited cases (as set out in *COBS* 6.1A.22R), only the amounts due within the reporting period should be reported. This is illustrated in example 2. **Example 2 - Reporting revenue from initial adviser charges payable in instalments** A *firm* giving *independent advice* provides advice to a *retail client* about a *retail investment product* where regular contributions are being made and there is a £600 initial *adviser charge* 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 *retail client* within the reporting period. The remaining £300 of the total *adviser charge* payable would be reported for a future reporting period when it is due from the *retail client*.
Revenue from ongoing *adviser charges* (rows 3 and 8)	*Firms* should report the total revenue due within the reporting period for *adviser charges* 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 An *firm* giving *independent advice* charges a *retail client* £1,000 for initial advice in relation to both a *retail investment product* and *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

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

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 *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	*Firms* should report the total number of initial adviser services provided where the

number of initial *adviser charges* payable as lump sum payments due from *retail clients* within the reporting period (rows 4 and 9)	*adviser charge* is payable as a single payment and due from *retail clients* in the reporting period, i.e. the *retail client* 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 *retail client* pays the initial *adviser charge* through more than one source, the proportion of the total payment made by that individual *retail client* should be identified and reported as a fraction to two decimal places in the applicable columns, as in Example 4 above. If an initial *adviser charge* is not paid in full, it should be recorded under row 5 where *independent advice* is provided or row 10 where *restricted advice* is given.
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)	An initial *adviser charge* may be structured to be payable over a period of time when it relates to a *retail investment product* for which an instruction from the *retail client* for regular payments is in place and the *firm* has disclosed that no ongoing *personal recommendations* or service will be provided (*COBS* 6.1A.22R(2)). *Firms* should calculate the proportion of initial *adviser charges*, payable through regular instalments, that were due from each *retail client* within the reporting period. Each instalment due within the reporting period should be captured by the *firm* 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 *independent advice* and row 10 for *restricted advice*) to two decimal places. Data reported in this section should be broken down by the way the *adviser charge* is paid. Where the *retail client* 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. 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). (1) For each *retail client* calculate the number of *months* in the reporting period in which equal instalments are made divided by the total number of *months* 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. (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. This is illustrated in examples 6 and 7. **Example 6 – Reporting the number of initial adviser charges invoiced as regular payments** An *firm* giving *independent advice* provides advice to *retail client* A about an investment where regular contributions are being made and a £600 initial *adviser 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 *adviser charges* including initial, one-off and ad hoc *adviser charges*	£600	
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		
5	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* 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 *adviser charge* to be paid	Total initial *adviser charge* due in the reporting period	Proportion of initial *adviser charge* 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	(reported in row 5 – or

		row 7 if *restricted advice* was provided)	row 10 if *restricted advice* was provided)

In this example, £100 would be reported in row 2, as this is the amount due from *retail clients* in the reporting period. In row 5, the *firm* should report 1.00 as this is the sum of the proportion of initial *adviser charges*, payable through regular instalments, that are due from these *retail clients* in the reporting period.

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

Total number of initial advice services, including initial, one-off and ad hoc advice services, provided within the reporting period (rows 6 and 11)	*Firms* should report the total number of distinct, chargeable one-off advice services provided to *retail clients* during the reporting period. This includes any advice given that was not funded through an ongoing *adviser charge*, which could include, for example, initial, one-off and ad hoc advice services for which there is a corresponding initial *adviser charge*. Rows 6 and 11 measure the number of one-off advice services provided to *retail clients* in the reporting period. Where the same *retail client* 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 *adviser charge*, this should be reported as two one-off advice services. Any advice agreements that were cancelled, with no initial *adviser charge* being paid, or where any initial charge paid was returned to the *retail client*, should not be reported. However, any initial advice services where the *retail client* paid an *adviser charge* to the adviser, even if the *retail client* did not act on the recommendations of that adviser, should be reported.

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 *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period	6.00	-
5	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period	0.50	-

	Number of one-off advice services (number)	A
6	Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period	7

Field A4 includes the 4 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 5 initial advice services and the 2 ad hoc services provided in the reporting period.

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

		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 *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period	4.00	-
5	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period	0.50	-

		A
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

Field A4 includes the 4 initial advice services provided during the reporting period rp2 where the *adviser charge* is paid as a single payment.

Field A5 includes the initial advice service provided in the previous reporting period (rp1) where the *adviser charge* is paid in instalments. The proportion of the *adviser charge* due as at the end of the reporting period rp2 is 0.5.

Field A6 includes the 4 initial advice services provided within the reporting period rp2.

A *firm* providing *restricted advice* would complete section 2 of the form in the same way.

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

Number of *retail clients* paying for ongoing advice services at the end of the reporting period (row 12)	*Firms* should report the number of *retail clients* paying for ongoing advice services (i.e. paying ongoing *adviser charges*) at the end of the reporting period. This would include any *retail clients* who have an ongoing adviser charging agreement, even if the *adviser charges* due are, fully or partially, offset with trail commission received from a *retail investment product* provider in respective of an investment held by that *retail client* before 31 December 2012. Any *retail clients* on a contract entered into before 31 December 2012, whereby the *retail client* 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 *COBS* 6.1A.4AR and *COBS* 6.1A.4AAG.
Number of *retail clients* who start paying for ongoing advice services during the reporting period (row 13)	*Firms* should report the number of *retail clients* that started paying for an ongoing advice service (i.e. paying ongoing *adviser charges*) within the reporting period. This could include: • new *retail clients* to the *firm* that agreed to start paying for an

	ongoing advice service; • existing *retail clients* of the *firm* that may, for example, have previously received an initial advice service but had started paying for ongoing advice in the reporting period; • existing *retail clients* of the *firm* that were previously on a commission-based agreement established before 31 December 2012, but moved to an adviser charging agreement and started paying ongoing *adviser charges* in the reporting period.
Number of retail clients who stop paying for ongoing advice services during the reporting period (row 14)	*Firms* should report the number of *retail clients* that were paying an *adviser charge* 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.

Part 3: Comes into force on 1 January 2015

[*Editor's Note:* The changes shown below are to the text of SUP 16.11.3R as amended by the Supervision Manual (Product Sales Data and Mortgage Lenders and Administrators Return) (Amendment) Instrument 2013 (FCA 2013/83) which comes into force on 1 January 2015, and by Part 1 of this Annex which comes into force on 1 October 2014.]

16 Reporting requirements

…

16.11 Product Sales Data Reporting

…

Reporting requirement

16.11.3 R (1) A *firm* must submit a report (a 'data report') containing the information required by:

(a) *SUP* 16.11.5R (a 'sales data report') within 20 *business days* of the end of the reporting period; and

(b) for *regulated mortgage contracts, SUP* 16.11.5AR (a 'performance data report'), within 30 *business days* of the end of the reporting period;

unless ~~(3),~~ (3A) or (4) applies.

…

(3) [deleted]

(3A) A *firm* must submit a nil return:

(a) in the case of a sales data report, if no relevant sales ~~of *regulated mortgage contracts*~~ have occurred in the quarter; and

…

…

Financial Conduct Authority

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