

**SUPERVISION MANUAL (REPORTING AND AUDIT REQUIREMENTS)
INSTRUMENT 2004**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the “Act”):
- (1) section 138 (General rule-making power);
 - (2) section 150(2) (Actions for damages);
 - (3) section 156 (General supplementary powers); and
 - (4) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

- C. This instrument comes into force on 1 April 2005, except as indicated in the table below.

| Handbook Provision | Commencement date |
|--|--------------------------|
| <p>The provisions in Part 1 of Annex A that relate to mortgage lenders, mortgage intermediaries and mortgage administrators</p> <p>Transitional provision 10A in Part 2 of Annex A (in respect of mortgage mediation activities);</p> <p>Transitional provision 12F in Part 2 of Annex A.</p> | 31 October 2004 |
| <p>The provisions in Part 1 of Annex A that relate to insurance intermediaries and exempt insurance intermediaries</p> <p>Transitional provision 10A in Part 2 of Annex A (in respect of insurance mediation activities)</p> <p>The Glossary definition for ‘exempt insurance intermediary’ in Annex B</p> | 14 January 2005 |

Amendments to the Supervision manual (SUP)

D. SUP is amended in accordance with Annex A to this instrument.

Amendments to the Glossary

E. The Glossary is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Supervision Manual (Reporting and Audit Requirements) Instrument 2004.

By order of the Board
18 March 2004

Amended by Addendum
18 March 2005

Amended by Second Addendum
29 September 2005

Contents of annexes to this instrument

ANNEX A

Part 1 **Amendments to SUP Transitional Provisions**

Part 2 **Amendments to SUP 3**

Part 3 **Amendments to SUP 16 (excluding annexes)**

Part 4 **SUP 16 Ann 18AR**

Part 5 **SUP 16 Ann 18BG**

Part 6 **SUP 16 Ann 19AR**

Part 7 **SUP 16 Ann 19BG**

Part 8 **SUP 16 Ann 20G**

Part 9 **SUP 16 Ann 21R**

ANNEX B **Amendments to the Glossary**

ANNEX A

Amendments to the Supervision manual

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire new section of text is being inserted, the place where it goes is indicated and it is not underlined.

Part 1: Amendments to SUP Transitional Provisions

Insert the following new transitional provisions in the correct sequential order.

SUP 2 Table

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----|---|-----|--|---|--|
| 10A | SUP 16.4 SUP 16.5 | R | SUP 16.4 (Annual controllers report) and 16.5 (Annual close links report) do not apply to a <i>firm</i> with <i>permission</i> to carry on only <i>insurance mediation activity, mortgage mediation activity, or both</i> . | (1) in respect of <i>mortgage mediation activities</i> , 31 October 2004 - 31 March 2005; (2) in respect of <i>insurance mediation activities</i> , 14 January 2005 - 31 March 2005. | 1 April 2005 |
| 12B | SUP 16.7.7R; SUP 16.7.9R; SUP 16.7.11R; SUP 16.7.16R; SUP 16.7.20R; SUP 16.7.24R; SUP 16.7.26R; SUP 16.7.28R; SUP 16.7.35R; | R | (1) Where a <i>rule</i> in SUP 16.7 requires a <i>firm</i> to submit information using the <i>RMAR</i> on a half-yearly basis, and the <i>firm</i> has: (a) annual income of less than £5m but more than £60,000 in total from <i>insurance mediation activity, mortgage mediation activity and retail investment activity</i> , and (b) an <i>accounting reference date</i> which (i) falls between 31 December 2004 and 31 March 2005; or (ii) falls between 30 June 2005 and 30 September 2005 this must be read as a reference to providing the first return in accordance with SUP TR 12CR. (2) Where a <i>rule</i> in SUP 16.7 requires a <i>firm</i> to submit information using the <i>RMAR</i> on a half- | From 1 April 2005 | 1 April 2005 |

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----|--|-----|--|---|--|
| | <p>SUP 16.7.54R;</p> <p>SUP 16.7.57R;</p> <p>SUP 16.7.62R;</p> <p>SUP 16.7.65R;</p> <p>SUP 16.7.73R;</p> <p>SUP 16.7.76R</p> <p>SUP 16.7.79R</p> <p>SUP 16.7.80R</p> | | <p>yearly basis, and the <i>firm</i> has:</p> <p>(a) annual income of less than £5m but more than £60,000 in total from <i>insurance mediation activity, mortgage mediation activity and retail investment activity</i>, and</p> <p>(b) an <i>accounting reference date</i> which is not within (1)(b);</p> <p>the first return must cover the <i>firm's</i> first full financial half-year which starts on or after 1 April 2005 and be submitted 30 <i>business days</i> after period end.</p> <p>(3) Where a <i>firm</i> is carrying on <i>regulated activities</i> before 1 April 2005 and is required under a <i>rule</i> in SUP 16.7 to submit information using the <i>MLAR</i>, the first return must cover the <i>firm's</i> first full financial quarter which starts on or after this date and be submitted 20 <i>business days</i> after period end.</p> <p>(4) Where a <i>rule</i> in SUP 16.7 requires a <i>firm</i> to submit information using the <i>RMAR</i> on a half-yearly basis, and the <i>firm</i> has:</p> <p>(a) annual income of less than £60,000 in total from <i>insurance mediation activity, mortgage mediation activity and retail investment activity</i>, and</p> <p>(b) an <i>accounting reference date</i> which falls between 1 January 2005 and 31 December 2005 the relevant <i>rule</i> must be read as requiring the first return to be provided in accordance with SUP TR 12DR.</p> | | |

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | | | | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----|---|-----|--|---|---|---|---|--|
| 12C | | R | If SUP TR 12B R (1) - (3) applies, the <i>firm's</i> first return must be provided as follows: | | | | | |
| | | | <i>Accounting reference date</i> | Reporting period starts | Reporting period ends | Return to be provided | | |
| | | | Between 30 June 2005 and 30 September 2005 | 1 April 2005 | <i>Accounting reference date</i> within 2005 | 30 <i>business days</i> after period end. | | |
| | | | Between 31 December 2004 and 31 March 2005 | 1 April 2005 | 6 months after <i>accounting reference date</i> within 2005 | 30 <i>business days</i> after period end | | |
| 12D | | R | (1) If SUP TR 12BR (4) applies, the <i>firm's</i> first return must be provided as follows: | | | | | |
| | | | <i>Accounting reference date</i> | Reporting period starts | Reporting period ends | Return to be provided | | |
| | | | Between 31 December 2004 and 31 March 2005 | 1 April 2005 | 6 months after <i>Accounting reference date</i> within 2005 | 30 <i>business days</i> after period end (Note 1) | | |
| | | | Between 1 April 2005 and 29 June 2005 | the business day following <i>accounting reference date</i> within 2005 | 6 months after <i>Accounting reference date</i> within 2005 | 30 <i>business days</i> after period end. (Note 1) | | |
| | | | Between 30 June 2005 and 29 September 2005 | 1 April 2005 | <i>Accounting reference date</i> within 2005 | 30 <i>business days</i> after period end | | |
| | | | Between 30 September 2005 and 30 December 2005 | 6 months preceding <i>accounting reference date</i> within 2005 | <i>Accounting reference date</i> within 2005 | 30 <i>business days</i> after period end | | |

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | | | | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----|---|-----|---|--|--|---|---|--|
| 12E | | R | (2) If SUP TR 12BR (4) applies, the firm's second return must be provided as follows: | | | | | |
| | | | Between 30 June 2005 and 29 September 2005 | the business day following accounting reference date within 2005 | 6 months after Accounting reference date within 2005 | 30 business days after period end (Note 1) | | |
| 12F | SUP 16.7.77R | R | A mortgage administrator or mortgage lender must submit an annual report and audited accounts annually, 3 months after the firm's accounting reference date | | | | 31 October 2004 - 31 March 2005 | 1 April 2005 |
| 14A | SUP 16.11.7R | R | Until 1 July 2006, a firm will not contravene SUP 16.11.7R if it does not complete the data reporting field 'Advice at the point of sale' (see SUP 16 Ann 21R). | | | | 1 April 2005 – 30 June 2006 | 1 April 2005 |

Note 1 = The return need not provide data for sections A, B, C, D, E of the RMAR.

Part 2: Amendments to SUP 3

3.1.2 R Table Applicable sections (see SUP 3.1.1R)

| (1) Category of firm | (2) Sections applicable to the firm | (3) Sections applicable to its auditor |
|--|---|--|
| ... | | |
| (9) <u>Mortgage lender</u> | <u>SUP 3.1- SUP 3.7</u> | <u>SUP 3.1, SUP 3.2, SUP 3.8</u> |
| (10) <u>Insurance intermediary (other than an exempt insurance intermediary) to which CASS 5 (Client money and mandates) (except for CASS 5.2 (Holding money as agent)) applies (see Note 4)</u> | <u>SUP 3.1 - SUP 3.7</u> | <u>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</u> |
| (11) <u>Exempt insurance intermediary and insurance intermediary not subject to SUP 3.1.2R (10) which has an auditor appointed under or as a result of a statutory provision other than in the Act</u> | <u>SUP 3.1, SUP 3.2, SUP 3.7</u> | <u>SUP 3.1, SUP 3.2, SUP 3.8</u> |
| (12) <u>Mortgage intermediary or mortgage administrator which has an auditor appointed under or as a result of a statutory provision other than in the Act.</u> | <u>SUP 3.1, SUP 3.2, SUP 3.7</u> | <u>SUP 3.1, SUP 3.2, SUP 3.8</u> |
| Note 1 - ... | | |
| Note 4 | <p>The <u>client money</u> audit requirement in SUP 3.1.2R(10) therefore applies to all <u>insurance intermediaries</u> except:</p> <ul style="list-style-type: none"> • <u>those which do not hold client money or other client assets in relation to insurance mediation activities; or</u> • <u>those which only hold up to, but not exceeding, £30,000 of client money under a statutory trust arising under CASS 5.3.</u> <p><u>Insurance intermediaries</u> which, in relation to <u>insurance mediation activities</u>, hold no more than that amount of <u>client money</u> only on a statutory trust are <u>exempt insurance intermediaries</u>.</p> | |

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3.1.2A G If a firm falls within more than one row in column (1) of the table in SUP 3.1.2R, SUP 3.1.1R requires the firm and its external auditor to comply with

all the sections referred to in column (2) or (3). For example, a bank which carries on designated investment business which is also a mortgage lender, falls in rows (4) and (9). Therefore, the bank must comply with SUP 3.1 to SUP 3.7, and its external auditor must comply with SUP 3.1, SUP 3.2, SUP 3.8 and SUP 3.10.

3.2.4 G SUP 3.1.1R and SUP 3.1.2R limit the application of this chapter in relation to:

- (1) *authorised professional firms* to which COB 9.1 (Custody) and COB 9.3 (Client money) do not apply or which are not required by IPRU(INV) 2.1.2R to comply with chapter 3, 5, 10 or 13 of IPRU(INV);
- (2) *oil market participants, and energy market participants, to whom IPRU(INV) 3 does not apply;*
- (3) *small personal investment firms; and*
- (4) *service companies;*
- (5) *exempt insurance intermediaries;*
- (6) *insurance intermediaries not subject to SUP 3.1.2R (10);*
- (7) *mortgage intermediaries; and*
- (8) *mortgage administrators.*

~~Such a firm is~~ Such firms are not required, under this chapter, to appoint an auditor because SUP 3.3 (Appointment of auditors) does not apply. If such a firms appoints an auditor under or as a result of a statutory provision other than in the Act, for example, under the Companies Act 1985, SUP 3.7 (Notification of matters raised by auditor) and SUP 3.8 (Rights and duties of all auditors) nevertheless apply to help the FSA discharge its functions under the Act. See SUP 3.1.2R, Note 4, for further clarification concerning insurance intermediaries and those which qualify as exempt insurance intermediaries.

3.2.5 G It is the responsibility of an insurance intermediary's senior management to determine, on a continuing basis, whether the insurance intermediary is an exempt insurance intermediary for the purposes of this requirement and to appoint an auditor if management determines the firm is no longer exempt. SUP 3.7 (amplified by SUP 15) sets out what a firm should consider when deciding whether it should notify the FSA of matters raised by its auditor.

3.2.6 G The rights and duties of auditors are set out in SUP 3.8 (Rights and duties of all auditors) and SUP 3.10 (Duties of auditors: notification and report on client assets). SUP 3.8.10G includes the auditor's statutory duty to report certain matters to the FSA imposed by regulations made by the Treasury

under sections 342(5) and 343(5) of the Act (information given by auditor or actuary to the FSA). An auditor should bear these rights and duties in mind when carrying out *client* asset report work, including whether anything should be notified to the FSA immediately.

...

3.10.5 R Table Client assets report

| Whether in the auditor's opinion | |
|----------------------------------|--|
| (1) | the <i>firm</i> has maintained systems adequate to enable it to comply with the rules in <i>COB</i> 9.1 to <i>COB</i> 9.4 and <i>CASS</i> 5.1 to <i>CASS</i> 5.8 (except <i>CASS</i> 5.2) throughout the period since the last date as at which a report was made; |
| (2) | the <i>firm</i> was in compliance with the rules in <i>COB</i> 9.1 to <i>COB</i> 9.4 and <i>CASS</i> 5 (except <i>CASS</i> 5.2), at the date as at which the report has been made; |
| (3) | in the case of an <i>investment management firm</i> , <i>personal investment firm</i> a <i>UCITS management company</i> or <i>securities and futures firm</i> ...; and |
| (4) | if there has been a <i>secondary pooling event</i> during the period, the <i>firm</i> has complied with the rules in <i>COB</i> 9.5 and <i>CASS</i> 5.6 (Client money distribution) in relation to that pooling event. |

3.10.7 R An auditor must deliver a report under *SUP* 3.10.4R to the *FSA* so as to be received within four months of the end of each period covered, unless it is the auditor of a *firm* falling within category (10) of *SUP* 3.1.2R.

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3.10.8A R The auditor of a *firm* falling within category (10) of *SUP* 3.1.2R must deliver a report under *SUP* 3.10.4R:

(1) to the *firm* so as to be received within four months of the end of each period covered; and

(2) to the *FSA* upon request within six years of the end of the period covered.

3.10.8B G The rights and duties of auditors are set out in *SUP* 3.8 (Rights and duties of all auditors) and *SUP* 3.10 (Duties of auditors: notification and report on client assets). *SUP* 3.8.10G also refers to the auditor's statutory duty to report certain matters to the *FSA* imposed by regulations made by the

Treasury under sections 342(5) and 343(5) of the Act (information given by auditor or actuary to the FSA). An auditor should bear these rights and duties in mind when carrying out *client* asset report work, including whether anything should be notified to the FSA immediately.

3.10.8C G It is the responsibility of an *insurance intermediary's* senior management to determine, on a continuing basis, whether the *firm* is an *exempt insurance intermediary* for the purposes of this requirement and to appoint an auditor if management determines the *firm* is no longer exempt. SUP 3.7 (amplified by SUP 15) sets out what a *firm* should consider when deciding whether it should notify the FSA of matters raised by its auditor.

Part 3: Amendments to SUP 16

16.1.3 R

| (1) Section(s) | (2) Categories of firm to which section applies | (3) Applicable rules and guidance |
|-------------------------------------|---|--|
| ... | | |
| <i>SUP 16.4</i> and <i>SUP 16.5</i> | All categories of <i>firm</i> except: ... (h) a <i>UCITS qualifier</i> ; (i) <u>a firm with permission to carry on only retail investment activities</u> ; (j) <u>a firm with permission to carry on only insurance mediation activity, mortgage mediation activity, or both</u> ; (k) <u>a firm falling within both (i) and (j)</u> | Entire sections |
| ... | | |
| <i>SUP 16.7</i> | ... | |
| | <i>Personal investment firm</i> | <i>SUP 16.7.42R</i> to <i>SUP 16.7.53R</i> |
| ... | | |
| | <i>Insurer</i> <i>Friendly society</i> | <i>SUP 16.7.73R</i> to <i>SUP 16.7.75R</i> |
| | <u>A firm not subject to other reporting requirements in SUP 16.7:</u> <u>(1) with permission to carry on one or more of:</u> (a) <u>insurance mediation activity</u> ; or (b) <u>mortgage mediation activity</u> ; or (c) <u>mortgage lending</u> ; or | <i>SUP 16.7.76R</i> to <i>SUP 16.7.81G</i> |

| | | |
|------------------|--|-----------------------|
| | <p><u>(d) mortgage administration; or</u></p> <p><u>(2) which is a retail investment firm</u></p> | |
| ... | | |
| <u>SUP 16.11</u> | <p><u>A firm, other than a managing agent, which is:</u></p> <p><u>(1) a mortgage lender; or</u></p> <p><u>(2) an insurer; or</u></p> <p><u>(3) the operator of a regulated collective investment scheme or an investment trust savings scheme; or</u></p> <p><u>(4) a person who issues or manages the relevant assets of the issuer of a structured capital-at-risk product.</u></p> | <u>Entire section</u> |

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16.3.2 G This chapter has been split into ~~six~~ eight sections, covering:

...

- (5) persistency reports (*SUP 16.8*); ~~and~~
- (6) annual appointed representatives reports (*SUP 16.9*);
- (7) confirmation of standing data (*SUP 16.10*); and
- (8) product sales data reporting (*SUP 16.11*).

...

16.3.13R ...

- (4) If the due date for submission of a report required by this chapter is a set period of time after the end of a half-year, a quarter, or a month, the dates will be determined by (a) or (b) below except where otherwise indicated:

- (a) the firm's accounting reference date;
- (b) monthly, 3 monthly or 6 months after the firm's accounting reference date, as the case may be.

- 16.7.2G (1) Financial reporting requirements for insurers, excluding friendly societies are set out in IPRU(INS). For their other reporting requirements, see SUP 16.7.73R -16.7.75R.
- (2) Financial reporting requirements for friendly societies are set out in IPRU(FSOC). For their other reporting requirements, see SUP 16.7.73R -16.7.75R.

Purpose

16.7.3G
Principle 4 requires firms to maintain adequate financial resources, and the Interim Prudential sourcebooks (or, in the case of firms with permission to carry on insurance mediation activity, mortgage mediation activity, or both, PRU) set out the FSA's detailed capital adequacy requirements. By submitting regular financial reports, firms enable the FSA to monitor their compliance with *Principle 4* and with the detailed requirements of the Interim Prudential sourcebooks or PRU, as the case may be. These reports also help the FSA to analyse firms' financial condition and performance and to understand their business. By means of further collation and review of the data which those reports provide, the FSA also uses the reports to identify developments across the financial services industry and its constituent sectors.

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16.7.5G

Table Applicable rules and guidance on ~~financial~~ reports (see SUP 16.7.1G)

| Firm category | Applicable rules and guidance |
|--|---|
| ... | |
| <i>Personal investment firm</i> | SUP 16.7.42G – SUP 16.7.53G |
| <i>Authorised professional firm</i> (Note 2) | SUP 16.7.54R – SUP 16.7.54AR |
| ... | |
| <i>Insurer</i> <i>Friendly society</i> | <u>SUP 16.7.73R – SUP 16.7.75R</u> |

| | |
|---|---|
| <p><u>A firm, not subject to other reporting requirements in SUP 16.7:</u></p> <p>(a) <u>with permission to carry on one or more of:</u></p> <p>(1) <u>insurance mediation activity; or</u></p> <p>(2) <u>mortgage mediation activity; or</u></p> <p>(3) <u>mortgage lending; or</u></p> <p>(4) <u>mortgage administration; or</u></p> <p>(b) <u>which is a retail investment firm.</u></p> | <p><u>SUP 16.7.76R – SUP 16.7.81G</u></p> |
|---|---|

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Compulsory electronic submission of certain reports to the FSA

16.7.6AR A firm which is required by this section to submit an *RMAR* or an *MLAR* must provide the relevant data specified in SUP 16 Ann 18AR or 19AR respectively by electronic means made available by the *FSA*.

16.7.6BG The *RMAR* is relevant to the reporting requirements of firms carrying on insurance mediation activity, mortgage mediation activity or retail investment activity. The *MLAR* is relevant to firms carrying on mortgage lending or mortgage administration.

16.7.6CR Where reference is made in SUP 16.7 to adequate information relating to the following activities:

- (1) insurance mediation activity; or
- (2) mortgage mediation activity; or
- (3) retail investment activity;

this includes all sections of the *RMAR* in addition to those relating to financial reports, except where otherwise indicated.

16.7.6DG The *RMAR* comprises sections relating both to financial reporting and other sections (e.g. Training and Competence and *COB* data).

16.7.6EG Where SUP 16.7 requires a report containing adequate information on one or more of the following activities:

(1) insurance mediation activity;

(2) mortgage mediation activity;

(3) mortgage lending;

(4) mortgage administration;

(5) retail investment activity;

a firm should submit a report only if it carries on at least one of those activities.

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16.7.8R

Table ~~Financial r~~Reports from a UK bank (see SUP 16.7.7R)

| Content of report | Form or Return (Note 1) | Frequency | Due date |
|--|---|--------------------|---|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> (1) <u>insurance mediation activity;</u> (2) <u>mortgage mediation activity;</u> (3) <u>retail investment activity.</u> | <u>RMAR</u> (excluding sections A, B, C, D, E) | <u>Half yearly</u> | <u>30 business days after period end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR</u> (excluding A1, A2, B1 and C) | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

Note 1= When giving the report required, a *bank* must use the form or return indicated, if any. The content of the form has the status of *guidance* on the type of information that should be provided to meet the reporting obligation. A copy of the form is located at SUP 16 Ann 1R. The *RMAR* and *MLAR* are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of *rules*.

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16.7.10R

Table ~~Financial r~~Reports from an EEA Bank (see SUP 16.7.9R)

| Content of report | Form or Return (Note 1) | Frequency | Due date |
|--|--|--------------------|---|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> (1) <u>insurance mediation activity;</u> (2) <u>mortgage mediation activity;</u> (3) <u>retail investment activity.</u> | <u>RMAR</u> (excluding <u>A, B C, D, E</u>) | <u>Half yearly</u> | <u>30 business days after period end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration</u> | <u>MLAR</u> (excluding <u>A1, A2, B1, C</u>) | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

Note 1 = When giving the report required, a *bank* must use the form or return indicated, if any. The content of the form has the status of *guidance* on the type of information that should be provided to meet the reporting obligation. A copy of the form is located at SUP 16 Ann 1R. The *RMAR* and *MLAR* are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of *rules*.

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16.7.12R

Table ~~Financial~~ Reports from a bank established outside the EEA (see SUP16.7.11R)

| Content of report | Form or Return (Note 1) | Frequency | Due date |
|--|-------------------------|---|--|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> (1) <u>insurance mediation activity;</u> (2) <u>mortgage mediation activity;</u> (3) <u>retail investment activity.</u> | <u>RMAR</u> (Note 3) | <u>Half yearly (quarterly for sections A to E for larger firms, subject to Note 3 exemptions)</u> (Note 2) | <u>For half yearly report: 30 business days after period end.</u> <u>For quarterly report: 30 business days after quarter end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration</u> | <u>MLAR</u> | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

Note 1 = When giving the report required, a *bank* must use the form or return indicated, if any. The content of the form has the status of *guidance* on the type of information that should be provided to meet the reporting obligation. A copy of the form is located at SUP 16

Ann 1R. The RMAR and MLAR are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of rules.

Note 2 = For the purposes of RMAR reporting, a larger firm is a firm whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a firm's total revenue relating to insurance mediation activity, mortgage mediation activity and retail investment activity.

Note 3 = A firm which submits an MLAR is not required to submit sections A and B of the RMAR.

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16.7.17R

Table ~~Financial~~ Reports from a building society (see SUP 16.7.16R)

| Content of report | Form or Return (Note 1) | Frequency | Due date |
|--|---|--------------------|---|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> <u>(1) insurance mediation activity;</u> <u>(2) mortgage mediation activity;</u> <u>(3) retail investment activity.</u> | <u>RMAR</u> (excluding sections A, B, C, D, E) | <u>Half yearly</u> | <u>30 business days after period end.</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR</u> (excluding <u>A1, A2, B1 and C</u>) | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

Note 1 = When giving the report required, a *building society* must use the form or return indicated, if any. The content of the form has the status of *guidance* on the type of information that should be provided to meet the reporting obligation. A copy of the form is located at SUP 16 Ann 3R for all reports (except the “Analysis of interest rate gap” for which no form is provided). The RMAR and MLAR are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of rules.

...

16.7.21R

Table ~~Financial~~ Reports required from service companies (see SUP16.7.20R)

| Report | Frequency | Due date |
|-------------------------------------|-----------|--|
| Annual audited financial statements | Annually | 6 months after the <i>firm's accounting reference date</i> |

...

16.7.25R

Table ~~Financial~~ Reports required from a securities and futures firm which is a category A or B firm or a broad scope firm (see SUP 16.7.24R)

| Report | Return | Frequency | Due date |
|---|--|--|---|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> (1) <i>insurance mediation activity</i> ; (2) <i>mortgage mediation activity</i> ; (3) <i>retail investment activity</i> . | <u>RMAR</u> (excluding sections A, B, C, E) (Note 5) | <u>Half yearly</u> (quarterly for section D for larger firms) (Note 6) | <u>For half yearly report: 30 business days after period end</u> <u>For quarterly report: 30 business days after quarter end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration</u> | <u>MLAR</u> (excluding A1, A2 and B1) (Note 5) | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

...

Note 5 = When giving the report required, a *firm* must use the return indicated. The *RMAR* and *MLAR* are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of *rules*.

Note 6 = For the purposes of *RMAR* reporting, a larger *firm* is a *firm* whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a *firm's* total revenue relating to *insurance mediation activity*, *mortgage mediation activity* and *retail investment activity*.

...

16.7.27R

Table ~~Financial~~ Reports required from a securities and futures firm which is a category C or D firm or an arranger or venture capital firm (see SUP16.7.26R)

| Report | Return | Frequency | Due date |
|---|---------------------------|--------------------------------------|--|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> | <u>RMAR</u> (excluding | <u>Half yearly</u> (quarterly for | <u>For half yearly report: 30 business</u> |

| | | | |
|---|--|------------------------------------|---|
| <u>(1) insurance mediation activity;</u> | <u>sections A, B, C, E) (Note 5)</u> | <u>section D for larger firms)</u> | <u>days after period end</u> |
| <u>(2) mortgage mediation activity;</u> | | <u>(Note 6)</u> | <u>For quarterly report: 30 business days after quarter end</u> |
| <u>(3) retail investment activity.</u> | | | |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR (excluding A1, A2 and B1) (Note 5)</u> | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

...

Note 5 = When giving the report required, a *firm* must use the return indicated. The *RMAR* and *MLAR* are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of *rules*.

Note 6 = For the purposes of *RMAR* reporting, a larger *firm* is a *firm* whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a *firm's* total revenue relating to *insurance mediation activity, mortgage mediation activity and retail investment activity*.

...

16.7.29R

~~Financial~~ Reports from a securities or futures firm which is an adviser, local or a traded options market maker (see SUP 16.7.28R)

| Report | Return | Frequency | Due date |
|---|--|---|--|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> | <u>RMAR (excluding sections A, B, C, E) (Note 1)</u> | <u>Half yearly (quarterly for section D for larger firms)</u> | <u>For half yearly report: 30 business days after period end</u> |
| <u>(1) insurance mediation activity;</u> | | <u>(Note 2)</u> | <u>For quarterly report: 30 business days after quarter end</u> |
| <u>(2) mortgage mediation activity;</u> | | | |
| <u>(3) retail investment activity.</u> | | | |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR (excluding A1, A2 and B1) (Note 1)</u> | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

Note 1 = When giving the report required, a firm must use the return indicated. The RMAR and MLAR are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of rules.

Note 2 = For the purposes of RMAR reporting, a larger firm is a firm whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a firm's total revenue relating to insurance mediation activity, mortgage mediation activity and retail investment activity.

- 16.7.33R (1) Any report in SUP 16.7.23R to SUP 16.7.30R submitted to the FSA by a securities and futures firm must be signed by two authorised signatories satisfying the requirements of SUP 16.7.33R(2), except for:
- (a) the audited accounts of a subsidiary of the firm and the firm's audited annual; financial statements; and
 - (aa) reports in accordance with SUP 16 Ann 18AR or SUP 16 Ann 19AR; and
 - (b) other reports where the firm is a sole trader, when only one authorised signatory is required.

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16.7.36R

Table ~~Financial~~ Reports from an investment management firm (see SUP 16.7.35R)

| Report | Return | Frequency | Due date |
|--|--|--|---|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> (1) <u>insurance mediation activity;</u> (2) <u>mortgage mediation activity;</u> (3) <u>retail investment activity.</u> | <u>RMAR</u> (excluding sections A, B, C, E) (Note 6) | <u>Half yearly</u> (quarterly for section D for larger firms) (Note 7) | <u>For half yearly report: 30 business days after period end</u> <u>For quarterly report: 30 business days after quarter end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR</u> (excluding A1, A2 and B1) (Note 6) | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

...

Note 6 = When giving the report required, a firm must use the return indicated. The RMAR and MLAR are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of rules.

Note 7 = For the purposes of RMAR reporting, a larger firm is a firm whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a firm's total revenue relating to insurance mediation activity, mortgage mediation activity and retail investment activity.

...

SUP 16.7.42G to SUP 16.7.53G inclusive are deleted.]

16.7.54R (1) An authorised professional firm must submit an annual questionnaire to the FSA every year in accordance with, and in the same format as, the form contained in SUP 16 Ann 9R, unless its only regulated activities are one or more of: -

(a) insurance mediation;

(b) mortgage mediation;

(c) retail investment.

...

(3) An authorised professional firm must also, where applicable, submit a report to the FSA in accordance with SUP 16.7.54AR.

16.7.54AR

Table Reports from an authorised professional firm (see SUP16.7.54R)

| <u>Report</u> | <u>Return (Note 1)</u> | <u>Frequency</u> | <u>Due date</u> |
|--|----------------------------|---|---|
| <u>Adequate information relating to the following activities:</u> (1) <u>insurance mediation activity;</u> (2) <u>mortgage mediation activity;</u> (3) <u>retail investment activity.</u> | <u>RMAR (Note 3)</u> | <u>Half yearly (quarterly for sections A to E for larger firms, subject to Note 3 exemptions)</u> (Note 2) | <u>For half yearly report: 30 business days after period end</u> <u>For quarterly report: 30 business days after quarter end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR</u> | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

Note 1 = When giving the report required, a *firm* must use the return indicated. The *RMAR* and *MLAR* are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of *rules*.

Note 2 = For the purposes of *RMAR* reporting, a larger *firm* is a *firm* whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a *firm's* total revenue relating to *insurance mediation activity, mortgage mediation activity and retail investment activity*.

Note 3 = A *firm* which submits an *MLAR* is not required to submit sections A and B of the *RMAR*.

...

16.7.58R

Table Financial Reports from a members' adviser (see SUP16.7.57R)

| Report | Return (Note 1) | Frequency | Due date |
|---|-------------------------|--|---|
| ... | | | |
| Quarterly reporting statement | | Quarterly | 15 <i>business days</i> after quarter end |
| <u>Adequate information relating to the following activities:</u> (1) <i>insurance mediation activity</i> ; (2) <i>mortgage mediation activity</i> ; (3) <i>retail investment activity</i> . | <i>RMAR</i> (Note 3) | Half yearly (quarterly for sections A to E for larger firms, subject to Note 3 exemptions) (Note 2) | For half yearly report: 30 <i>business days</i> after period end For quarterly report: 30 <i>business days</i> after quarter end |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <i>MLAR</i> | Quarterly | 20 <i>business days</i> after quarter end |

Note 1 = When giving the report required, a *firm* must use the return indicated. The *RMAR* and *MLAR* are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of *rules*.

Note 2 = For the purposes of *RMAR* reporting, a larger *firm* is a *firm* whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a *firm's* total revenue relating to *insurance mediation activity, mortgage mediation activity and retail investment activity*.

Note 3 = A *firm* which submits an *MLAR* is not required to submit sections A and B of the *RMAR*.

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16.7.63R

Table Financial Reports required from a credit union (see SUP16.7.62R)

| Content of report | Form or Return | Frequency | Due date |
|---|---|---|---|
| Key financial data | CQ | Quarterly | One <i>month</i> after quarter end |
| Extended financial data | CY | Annually | Seven <i>months</i> after the financial year end |
| <u>Adequate information relating to the following activities:</u> (1) <i>insurance mediation activity</i> ; (2) <i>mortgage mediation activity</i> ; (3) <i>retail investment activity</i> . | <u>RMAR</u> (excluding sections A, B, C, E) (Note 1) | <u>Half yearly</u> (quarterly for section D for larger firms) (Note 2) | <u>For half yearly report: 30 business days</u> after period end <u>For quarterly report: 30 business days</u> after quarter end |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR</u> (excluding A1, A2, B1 and C) (Note 1) | <u>Quarterly</u> | <u>20 business days</u> after quarter end |

Note 1 = When giving the report required, a *firm* must use the return indicated. The *RMAR* and *MLAR* are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of *rules*.

Note 2 = For the purposes of *RMAR* reporting, a larger *firm* is a *firm* whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a *firm's* total revenue relating to *insurance mediation activity*, *mortgage mediation activity* and *retail investment activity*.

16.7.63A G Guidance Notes for the completion of the reports are contained in SUP 16 Ann 15 G, SUP 16 Ann 18BG and SUP 16 Ann 19BG.

...

16.7.66R

Table Financial Reports from an ELMI (see SUP16.7.65R)

| Content of report | Form or Return (Note 1) | Frequency | Due date |
|--|---|--------------------|---|
| ... | | | |
| <u>Adequate information relating to the following activities:</u> (1) <u>insurance mediation activity;</u> (2) <u>mortgage mediation activity;</u> (3) <u>retail investment activity.</u> | <u>RMAR</u> (excluding sections <u>A, B, C, D, E</u>) | <u>Half yearly</u> | <u>30 business days after period end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration</u> | <u>MLAR</u> (excluding <u>A1, A2, B1 and C</u>) | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

Note 1=When giving the report required, an *ELMI* must use the form or return indicated (if any).

A copy of forms BSD 3 and ELM-CA/LE are set out in SUP 16 Annex 1R. The RMAR and MLAR are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of rules.

...

Insurers and friendly societies

16.7.73R If an *insurer* or a *friendly society* is carrying on any of the activities set out in SUP 16.7.74R, it must submit a report to the *FSA* in accordance with SUP 16.7.75R.

16.7.74R The activities referred to in SUP 16.7.73R are:

- (1) insurance mediation activity;
- (2) mortgage mediation activity;
- (3) retail investment activity;
- (4) mortgage lending; and
- (5) mortgage administration.

16.7.75R

Table Reports from an insurer or friendly society (see SUP 16.7.73R)

| <u>Report</u> | <u>Return</u> (Note 1) | <u>Frequency</u> | <u>Due date</u> |
|--|---|--------------------|---|
| <u>Adequate information relating to the following activities:</u> (1) <u>insurance mediation activity;</u> (2) <u>mortgage mediation activity;</u> (3) <u>retail investment activity.</u> | <u>RMAR</u> (excluding sections A, B, C, D, E) | <u>Half yearly</u> | <u>30 business days after period end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR</u> (excluding A1, A2, B1 and C) | <u>Quarterly</u> | <u>20 business days after quarter end</u> |

Note 1 = When giving the report required, a *firm* must use the return indicated. The *RMAR* and *MLAR* are located at SUP 16 Ann 18AR and Ann 19AR respectively and have the status of rules.

A firm not subject to other reporting requirements in SUP 16.7

16.7.76R A firm not subject to other reporting requirements in SUP 16.7,

(a) with permission to carry on one or more of:

(1) insurance mediation activity;

(2) mortgage mediation activity;

(3) mortgage lending;

(4) mortgage administration; or

(b) which is a retail investment firm;

must submit reports to the FSA in accordance with SUP 16.7.77R.

16.7.77R

Table Reports from a firm not subject to other reporting requirements in SUP 16.7

| <u>Report</u> | <u>Return</u> | <u>Frequency</u> | <u>Due date</u> |
|---------------|---------------|------------------|-----------------|
|---------------|---------------|------------------|-----------------|

| | | | |
|--|--------------------------------|---|--|
| | <u>(Note 1)</u> | | |
| <u>Adequate information relating to the following activities:</u> <u>(1) insurance mediation activity;</u> <u>(2) mortgage mediation activity;</u> <u>(3) retail investment activity.</u> | <u>RMAR</u> <u>(Note 4)</u> | <u>Half yearly (quarterly for sections A to E for larger firms)</u> <u>(Note 2)</u> <u>(Note 3)</u> | <u>For half yearly report: 30 business days after period end.</u> <u>For quarterly report: 30 business days after quarter end</u> |
| <u>Adequate information relating to mortgage lending and mortgage administration.</u> | <u>MLAR</u> | <u>Quarterly</u> | <u>20 business days after quarter end</u> |
| <u>If the firm is a mortgage lender or mortgage administrator, annual report and audited accounts.</u> | <u>N/A</u> | <u>Annually</u> | <u>3 months after the firm's accounting reference date</u> |

Note 1 = When giving the report required, a *firm* must use the return indicated. The *RMAR* and *MLAR* are located at *SUP* 16 Ann 18AR and Ann 19AR respectively and have the status of *rules*.

Note 2 = For the purposes of *RMAR* reporting, a larger *firm* is a *firm* whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a *firm's* total revenue relating to *insurance mediation activity, mortgage mediation activity and retail investment activity*.

Note 3 = *Firms* categorised under *IPRU(INV)* 13 as A1, A2 or A3 should submit financial information (*RMAR* sections A, B, C, D and E) in accordance with *ISD* and *CAD* requirements, as follows:

| <u>Category of firm</u> | <u>Frequency</u> | <u>Due date</u> |
|-------------------------|--|--|
| <u>Category A1</u> | <u>Monthly</u> | <u>15 business days after month end</u> |
| <u>Category A2</u> | <u>Quarterly</u> | <u>30 business days from the end of the relevant period.</u> |
| <u>Category A3</u> | <u>half yearly (quarterly for larger firms – Note 2)</u> | <u>30 business days from the end of the relevant period.</u> |

Note 4 = A *firm* which submits an *MLAR* is not required to submit sections A and B of the *RMAR*.

16.7.78R Where a mortgage lender or mortgage intermediary establishes a special purpose vehicle, it must ensure that any report which the mortgage lender or mortgage intermediary makes in accordance with SUP 16.7.76R takes account of the activities of the special purpose vehicle as if those activities were the activities of the mortgage lender itself.

16.7.79R An incoming EEA firm which in the United Kingdom carries on only cross border services and is not subject to other reporting requirements in SUP 16.7 with permission to carry on:

- (1) insurance mediation activity; or
- (2) mortgage mediation activity; or
- (3) mortgage lending; or
- (4) mortgage administration; or
- (5) retail investment activity;

is subject to the requirements of SUP 16.10 only, and no requirements in respect of the RMAR or MLAR.

16.7.80R An incoming EEA firm with a branch in the United Kingdom, not subject to other reporting requirements in SUP 16.7, with permission to carry on:

- (1) insurance mediation activity; or
- (2) retail investment activity;

is required to provide such information relating to those activities as is specified in SUP 16 Ann 18BG and SUP 16 Ann 19BG.

16.7.81G SUP 16.7.80R is relevant, for example, to an insurance broker registered in another EEA State pursuant to the IMD, which exercises its EEA right to establish a branch in the United Kingdom and is not subject to other reporting requirements in SUP 16.7.

...

16.11 Product Sales Data Reporting

Application

- 16.11.1R This chapter applies to a firm which is a *mortgage lender*; or
in respect of sales to a *private customer* or a *retail customer*:
- (1) an *insurer*; or
 - (2) the *operator* of a *regulated collective investment scheme* or an *investment trust savings scheme*; or
 - (3) a *person* who issues or manages the relevant assets of the issuer of a *structured capital-at-risk product*,
- unless the *firm* is a *managing agent*.

Purpose

- 16.11.2G
- (1) The purpose of this chapter is to set out the requirements for *firms* in the retail mortgage, investment, and *pure protection contract* markets specified in SUP 16.11.1R to report individual product sales data to the *FSA*. This requirement applies whether the *regulated activity* has been carried out by the *firm*, or through an intermediary which has dealt directly with the *firm*.
 - (2) The purpose of collecting this data is to assist the *FSA* in the ongoing supervision of *firms* engaged in retail activities and to enable the *FSA* to gain a wider understanding of market trends in the interests of protecting *consumers*.

Reporting requirement

- 16.11.3R
- (1) A *firm* must submit a report (the ‘data report’) containing the information required by SUP 16.11.5R quarterly, within 20 *business days* of the end of the quarter, unless (3) applies.
 - (2) The reporting periods are the four calendar quarters of each year beginning on 1 January.
 - (3) A *firm* need not submit a data report if no relevant sales have occurred in the quarter.
- 16.11.4G
- (1) A *firm* may submit a data report more frequently than quarterly if it wishes.

- (2) If it is easier and more practical for a *firm* to submit additional data relating to products other than those specified in *SUP* 16.11.5R, it may submit that additional data to the *FSA* in a data report.

Content of the report

- 16.11.5R The data report must contain sales data in respect of the following products:
- (1) *retail investments*;
 - (2) *pure protection contracts*; and
 - (3) *regulated mortgage contracts* (but not further advances).
- 16.11.6G *Guidance* on the type of products covered by *SUP* 16.11.5R is contained in *SUP* 16 Ann 20G.
- 16.11.7R The data report must comply with the provisions of *SUP* 16 Ann 21R.
- 16.11.8R The data report must relate both to transactions undertaken by the *firm* and to transactions undertaken by an intermediary which has dealt directly with the *firm*.
- 16.11.9R A *firm* must provide the data report to the *FSA* electronically in a standard format provided by the *FSA*.
- 16.11.10G A data report will have been provided to the *FSA* in accordance with *SUP* 16.11.9R only if all mandatory data reporting fields (as set out in *SUP* 16 Ann 21R) have been completed correctly and the report has been accepted by the relevant *FSA* reporting system.

Use of reporting agents

- 16.11.11R
- (1) A *firm* may appoint another *person* to provide the data report on the *firm's* behalf if the *firm* has informed the *FSA* of that appointment in writing.
 - (2) Where (1) applies, the *firm* must ensure that the data report complies with the requirements of *SUP* 16.11 and identifies the originator of the transaction.

SUP 16 Ann 7R is deleted.

SUP 16 Ann 8G is deleted.

Retail Mediation Activities Return ('RMAR')

Illustration of reporting requirements for firms carrying on retail mediation activities

Sup 16 Ann 18AR

Retail Mediation Activities Return ('RMAR')

SECTION A: Balance sheet

Fixed assets

| | | |
|---------------------------|------------|-----------------|
| Intangible assets | BS1 | |
| Tangible assets | BS2 | |
| Investments | BS3 | |
| TOTAL FIXED ASSETS | BS4 | BS1 + BS2 + BS3 |

Current assets

| | | |
|------------------------------------|------------|-----------------------|
| Stocks | BS5 | |
| Debtors | BS6 | |
| Investments held as current assets | BS7 | |
| Cash at bank and in hand | BS8 | |
| TOTAL CURRENT ASSETS | BS9 | BS5 + BS6 + BS7 + BS8 |

Other assets

| |
|------|
| BS10 |
|------|

Liabilities: amounts falling due within one year

| | |
|---|------|
| Bank loans and overdrafts | BS11 |
| Other liabilities falling due within one year | BS12 |

| | | |
|--|-------------|-------------|
| TOTAL AMOUNTS FALLING DUE WITHIN ONE YEAR | BS13 | BS11 + BS12 |
|--|-------------|-------------|

Net current assets

| | |
|-------------|----------------|
| BS14 | BS10 less BS13 |
|-------------|----------------|

Total assets less current liabilities

| | |
|-------------|---------------------|
| BS15 | BS4 + BS10.1 + BS14 |
|-------------|---------------------|

Other liabilities falling due after more than one year

| |
|------|
| BS16 |
|------|

Provisions for liabilities and charges

| |
|------|
| BS17 |
|------|

Net assets

| | |
|-------------|----------------------------|
| BS18 | (BS15 less BS16) less BS17 |
|-------------|----------------------------|

Memo: guarantees provided by firm

| |
|------|
| BS19 |
|------|

Memo: personal net assets

| |
|------|
| BS20 |
|------|

Capital and reserves

Capital account (incorporated businesses)

| | | |
|-----------------------------------|-------------|--|
| Ordinary share capital | BS21 | |
| Preference share capital | BS22 | |
| Share premium account | BS23 | |
| Profit and Loss account | BS24 | |
| Other reserves | BS25 | |
| TOTAL CAPITAL AND RESERVES | BS26 | BS21 + BS22 + BS23 + BS24 + BS25 |

Yes / No

Was the firm's last annual accounts audit report qualified?

| |
|------|
| BS27 |
|------|

Capital account (unincorporated businesses)

| | | |
|---------------------------------------|-------------|-------------|
| Sole trader/Partners' capital account | BS28 | |
| Sole trader/Partners' current account | BS29 | |
| TOTAL CAPITAL AND RESERVES | BS30 | BS28 + BS29 |

SECTION B: Profit and Loss account

B1: Regulated Business Revenue

| | Commissions | | Fees | Other income (reg activities) | Regulated business revenue |
|------------------------------|-------------|-------------|-------------|----------------------------------|-------------------------------|
| | Gross | Net | | | |
| Regulated mortgage contracts | PL1 | PL2 | PL3 | PL4 | PL5 |
| Non-investment insurance | PL6 | PL7 | PL8 | PL9 | PL10 |
| Retail investments | PL11 | PL12 | PL13 | PL14 | PL15 |
| TOTAL | PL16 | PL17 | PL18 | PL19 | PL20 |

B2: Other P&L

| | | |
|---|-------------|----------------------|
| Other Revenue (income from non-regulated activities) | PL21 | |
| TOTAL REVENUE | PL22 | PL20 + PL21 |
| TOTAL EXPENDITURE | PL23 | |
| Profit/(Loss) on ordinary activities before taxation | PL24 | PL22 less PL23 |
| Profit/(Loss) on extraordinary activities before taxation | PL25 | |
| Taxation | PL26 | |
| Profit/(Loss) for the period before dividends and appropriations | PL27 | (PL24 + PL25) - PL26 |
| Dividends and other appropriations | PL28 | |
| Retained Profit | PL29 | PL27 less PL28 |

SECTION C: Client money and assets

Have any notifiable issues been raised in relation to client money or other assets, either in the firm's last client assets audit report or elsewhere, that have not previously been notified to the FSA?

Yes / No

| |
|-----|
| CM1 |
|-----|

How is your client account(s) set up (tick all that apply)?

Non-investment insurance

Retail investments

| Risk Transfer | Segregated Trusts | |
|---------------|-------------------|---------------|
| | Statutory | Non-statutory |
| CM2 | CM3 | CM4 |
| | CM5 | |

If not risk transfer:

Client money credit total as at reporting date

Client money debit total as at reporting date

Net client money balance as at reporting date

| Non-investment insurance | | Retail investments |
|--------------------------|---------------|--------------------|
| Statutory | Non-statutory | Statutory |
| CM6 | CM7 | CM8 |
| CM9 | CM10 | CM11 |
| CM12 | CM13 | CM14 |

Yes / No

If non-statutory, has auditor's confirmation of systems and controls been obtained?

| |
|------|
| CM15 |
|------|

Yes / No

Is any client money invested (other than on deposit)?

| |
|------|
| CM16 |
|------|

Yes / No

Do you hold client money for business undertaken by an AR?

| |
|------|
| CM17 |
|------|

Does the firm hold any client assets (other than client money)?

| Mortgage | Non-investment insurance | Retail investments |
|----------|--------------------------|--------------------|
| CM18 | CM19 | CM20 |

SECTION D1: Regulatory Capital

Is the firm exempt from these capital requirements in relation to any of its retail mediation activities?

| Mortgage | Non-investment insurance | Retail investments |
|----------|--------------------------|--------------------|
| RC1 | RC2 | RC3 |

Mortgage and non-investment insurance

Base requirement
5% of annual income (firms holding client money)
2.5% of annual income (firms not holding client money)

| Client money | Non-client money |
|--------------|------------------|
| RC4 (£10000) | RC5 (£5000) |
| RC6 | |
| | RC7 |

Capital requirement (higher of above)

Other FSA capital requirements (if applicable)
Additional capital requirements for PII (if applicable)

| | |
|------|-----|
| RC8 | RC9 |
| RC10 | |
| RC11 | |

TOTAL CAPITAL REQUIREMENT

TOTAL CAPITAL RESOURCES

TOTAL CAPITAL EXCESS/DEFICIT

| | |
|------|----------------------------|
| RC12 | (RC8 or RC9) + RC10 + RC11 |
| RC13 | See notes |
| RC14 | RC13 less RC12 |

Eligible capital (mortgage and non-investment insurance)

Incorporated firms

Share capital
Audited reserves
Interim net profits (audited)
Interim net profits (not audited)
Revaluation reserves
Eligible subordinated loans
less Investments in own shares
less Intangible assets
less interim net losses
TOTAL CAPITAL RESOURCES

| |
|-------------|
| RC27 |
| RC28 |
| RC29 |
| RC30 |
| RC31 |
| RC32 |
| RC33 |
| RC34 |
| RC35 |
| RC36 |

RC27 + RC28 + RC29 + RC31
+ RC32 less RC33 less RC34
less RC35

IPRU(INV) requirements for personal investment firms (retail investment activities only)

Category of personal investment firm under IPRU(INV)

| |
|------|
| RC15 |
|------|

Own funds requirement

Own funds

Surplus/deficit of own funds

Additional own funds requirement for PII (if applicable)
Other FSA capital requirements (if applicable)

| | |
|------|---|
| RC16 | A |
| RC17 | B |
| RC18 | C |
| RC19 | |
| RC20 | |

Adjusted net current assets requirement (if applicable)

Adjusted net current assets (if applicable)

Surplus/deficit (if applicable)

| | |
|-----------|---|
| RC21 (£1) | D |
| RC22 | E |
| RC23 | F |

Expenditure based requirement (if applicable)

Adjusted Capital/liquid capital (if applicable)

Surplus/deficit (if applicable)

| | |
|------|---|
| RC24 | G |
| RC25 | H |
| RC26 | I |

Unincorporated firms

Capital of a sole trader or partnership
Eligible subordinated loans
Personal assets not needed to meet non-business liabilities
less Intangible assets
less interim net losses
less excess of drawings over profits for a sole trader or p'ship
TOTAL CAPITAL RESOURCES

| |
|-------------|
| RC37 |
| RC38 |
| RC39 |
| RC40 |
| RC41 |
| RC42 |
| RC43 |

RC37 + RC38 + RC39 less
RC40 less RC41 less RC42

SECTION D2: FINANCIAL RESOURCES - NON-ISD PERSONAL INVESTMENT FIRMS

| OWN FUNDS (TEST 1) | | ADJUSTED NET CURRENT ASSETS (TEST 1A) | | EXPENDITURE-BASED REQUIREMENT (TEST 2) | |
|---|-------------|---|----------|---|----------|
| | £ | | £ | £ | £ |
| 1 Paid up share capital (excluding preference shares redeemable by shareholders within 2 years) | | 18 Net current assets (from balance sheet) | | 25 Total assets less total liabilities (from balance sheet) | |
| 2 Share premium account | | less | | 26 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part I adjustments required against assets | |
| 3 Audited retained profits | | 19 Long term assets adjustment | | 27 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part II adjustment for subordinated loans | |
| 4 Verified interim profits | | 20 Connected persons adjustment | | 28 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part II adjustment for indemnity commission | |
| 5 Revaluation reserves | | 21 Investments adjustments | | 29 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part II adjustment for deficiencies in subsidiaries | |
| 6 Short term subordinated loans | | | | 30 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part II adjustment for contingent liabilities | |
| 7 Debt capital | | | | 31 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part II adjustment for foreign exchange risk | |
| 8 Balances on proprietors' or partners' capital accounts | | | | 32 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part II adjustment for redeemable preference shares | |
| 9 Balances on proprietors' or partners' current accounts | | | | 33 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part II adjustment for derivatives | |
| 10 Personal assets | | | | 34 IPRU(INV) Table 13.12.3(1)/ 13.12.3(2) Part II other adjustments against liabilities | |
| 11 Less intangible assets | | | | | |
| 12 Less material current year losses | | | | | |
| 13 Less excess of current year drawings over current year losses | | | | | |
| 14 PASS Loan Adjustments | | | | | |
| 15 OWN FUNDS (1+2+3+4+5+6+7+8+9+10-11-12-13+14) | B | 22 ADJUSTED NET CURRENT ASSETS (18-19-20-21) | E | 35 ADJUSTED CAPITAL/ LIQUID CAPITAL [(25+27)-26-28-29-30-31-32-33-34] | H |
| 16 Own funds requirement | A - £10,000 | 23 Requirement | D - £1 | 36 Expenditure requirement per IPRU(INV) 13.12 | G |
| 17 SURPLUS/(DEFICIT) (15-16) | C | 24 SURPLUS/(DEFICIT) (22-23) | F | 37 SURPLUS/(DEFICIT) (35-36) | I |

SECTION D3: FINANCIAL RESOURCES - ISD PERSONAL INVESTMENT FIRMS

| OWN FUNDS (TEST 1) | | ADJUSTED NET CURRENT ASSETS (TEST 1A) | | EXPENDITURE-BASED REQUIREMENT (TEST 2) | |
|---|----------|---|--------------|---|----------|
| 1 Paid up ordinary share capital | | 23 Net current assets (from balance sheet) | | 30 Total assets less total liabilities (from balance sheet) | |
| 2 Share premium account | | 24 Less: long term assets adjustment | | 31 Illiquid asset adjustments | |
| 3 Audited reserves (excluding revaluation reserve) | | 25 Less: connected persons adjustment | | 32 Counterparty risk adjustments | |
| 4 Verified interim profits | | 26 Less: investments adjustments | | 33 Position risk adjustments | |
| 5 Non-cumulative preference shares (if not redeemable by shareholders within 5 years) | | | | 34 Foreign exchange risk adjustments | |
| 6 Balances on proprietors' or partners' capital accounts | | | | 35 Preference shares adjustments | |
| 7 Balances on proprietors' or partners' current accounts (audited or verified) | | | | 36 Large exposure risk adjustments | |
| 8 INITIAL CAPITAL (1+2+3+4+5+6+7) | | | | 37 Long term subordinated loans | |
| 9 Less: investment in own shares | | | | 38 Short term subordinated loans | |
| 10 Less: intangible assets | | | | 39 Sub total (30-31-32-33-34-35-36+37+38) | |
| 11 Less: material current year losses | | | | 40 Preference shares (5+16+18) | |
| 12 Less: material holdings in credit and financial institutions | | | | 41 Table 13.3.2(2) own funds restrictions | |
| 13 Less: excess of current year drawings over current year profits. | | | | 42 Balance A (38+40+41) | |
| 14 ORIGINAL OWN FUNDS (8-9-10-11-12-13) | | | | 43 Balance B (14-33) | |
| 15 Revaluation reserves | | | | 44 Balance C (43 x 250%) | |
| 16 Cumulative preference share capital (if not redeemable by shareholders within 5 years) | | | | 45 If Balance A is greater than Balance C , enter difference | |
| 17 Long-term subordinated loans | | | | | |
| 18 Preference share capital (if not redeemable by shareholders within 2 years) and debt capital | | | | | |
| 19 OWN FUNDS (14+15+16+17+18) | B | 27 ADJUSTED NET CURRENT ASSETS (23-24-25-26) | E | 46 LIQUID CAPITAL (39-45) | H |
| 20 Own funds requirement IPRU(INV)13.3R | A | 28 Requirement | D: £1 | 47 Expenditure based requirement per IPRU(INV)13.5R | G |
| 21 Enter exchange rate € : £ | | | | | |
| 22 OWN FUNDS SURPLUS/(DEFICIT) (19-20) | C | 29 SURPLUS/(DEFICIT) (27-28) | F | 48 SURPLUS/ (DEFICIT) (46-47) | I |

SECTION D4: QUARTERLY FINANCIAL RESOURCES - CAD13 - ISD PERSONAL INVESTMENT FIRMS

- 1. Liquid capital from last year-end return (based on audited accounts)
- 2. Less: current year losses
- 3. Subordinated loans introduced
- 4. Subordinated loans repaid
- 5. Share capital/ proprietors' capital/ partners' capital introduced since the date of the last audited figures
- 6. Share capital/ proprietors' capital/ partners' capital withdrawn since the date of the last audited figures
- 7. Total: 1 - 2 + 3 - 4 + 5 - 6**
- 8. Less: expenditure based requirement (46)
- 9. Financial resources surplus/(deficit): 7 - 8**

| |
|--|
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |

SECTION D5: ISD PERSONAL INVESTMENT FIRMS - REPORTABLE LARGE EXPOSURES & CALCULATION OF ADJUSTMENT

| Counterparty | (£) Exposure | % exempt | £ Net large exposure |
|-----------------------------|--------------|----------|-------------------------|
| LE1 | LE2 | LE3 | LE4 |
| TOTAL LARGE EXPOSURE | | | LE5 |

SECTION E: PII Self-Certification

Is the firm exempt from the PII requirements in respect of any regulated activities? (tick as appropriate)

| | | |
|-----------------------------|--|--------------------------------------|
| Mortgage advising/arranging | Non-inv insurance advising/arranging/dealing/assisting | Retail investment advising/arranging |
| PI1 | PI2 | PI3 |

If not exempt, has the firm renewed its PII cover since the last reporting date?

| | | |
|-----|-----|-----|
| PI4 | PI5 | PI6 |
|-----|-----|-----|

Have any of the data items below changed since the last reporting date (or since you last notified the FSA of any changes)?

| | | |
|-----|-----|-----|
| PI7 | PI8 | PI9 |
|-----|-----|-----|

If any of the data items have changed, please amend the following section as appropriate, in relation to each applicable PII policy:

What activities are covered by the policy?

| | |
|--|------|
| Mortgage advising/arranging | PI10 |
| Non-inv insurance advising/arranging/dealing/assisting | PI11 |
| Retail investment advising/arranging | PI12 |
| Is the cover compliant? | PI13 |
| Annual premium | PI14 |
| Limit of Indemnity - single claim/aggregate | PI15 |
| Policy excess | PI16 |
| Increased excess(es) for specific business types | PI17 |
| Policy exclusion(s) for specific business types | PI18 |
| Renewal date | PI19 |
| Insurer name | PI20 |

Amount of additional capital required for increased excess(es) (where applicable, total amount for all PII policies)

PI22

Personal investment firms only:

Total amount of additional own funds required for policy exclusion(s)

PI23

Total of additional own funds required

PI24

Total of readily realisable own funds

PI25

Excess/deficit of readily realisable own funds

PI26

Y/N

Does the firm have any other PII policies?

PI21

SECTION F: Threshold conditions

Adequate resources

Does the firm have adequate resources in relation to its regulated activities?

THR1

Close links

Are you exempt from close links reporting requirements?

THR2

If not, have there been changes to your close links since the FSA was last informed?

THR3

If yes, on what date did the changes take effect?
(if no notification has been made, please notify us separately of the changes)

THR4

Approved persons

Have there been changes to your approved persons' details since the FSA was last informed?

THR5

If yes, on what date did the changes take effect?
(if no notification has been made, please notify us separately of the changes)

THR6

Controllers

Are you exempt from the controllers reporting requirements?

THR7

If not, have there been changes to your controllers since the FSA was last informed?

THR8

If yes, on what date did the changes take effect?
(if no notification has been made, please notify us separately of the changes)

THR9

SECTION G: Training and Competence

Total number of all staff

Of which:

Number of staff that give advice

Number of staff that supervise others to give advice

Number of advisers that have been assessed as competent

Number of advisers that have passed approved examinations

Number of advisers that have left since the last reporting date

Number of staff that take private customers through stakeholder pension scheme decision trees

Number of staff that supervise non-advised sales of lifetime mortgages

Number of staff that design filtering questions for non-advised sales of lifetime mortgages

| Mortgages | | Advising on non- investment insurance (retail customers) | Retail investments | | Total |
|-----------|-----------|--|--------------------|-----------|-------|
| advising | arranging | | advising | arranging | |
| | | | | | TC1 |
| TC2 | | TC3 | TC4 | | TC5 |
| TC6 | | TC7 | TC8 | | TC9 |
| TC10 | | TC11 | TC12 | | TC13 |
| TC14 | | | TC15 | | TC16 |
| TC17 | | TC18 | TC19 | | TC20 |
| | | | | TC21 | TC22 |
| | TC23 | | | | TC24 |
| | TC25 | | | | TC26 |

SECTION H: COB Data

Sources of business: please tick all that apply, or confirm here that there have been no changes since the last reporting date no changes COB1

| | Mortgage | Non-inv insurance | Retail investments |
|---|-----------------|--------------------------|---------------------------|
| Marketing lists | COB2 | COB3 | COB4 |
| Referrals from non-authorised introducers | COB5 | COB6 | COB7 |
| Referrals from intermediaries | COB8 | COB9 | COB10 |
| Telephone sales | COB11 | COB12 | COB13 |
| Cold calling | COB14 | COB15 | COB16 |
| Sales visits | COB17 | COB18 | COB19 |
| Postal sales | COB20 | COB21 | COB22 |
| Direct offer financial promotions | COB23 | COB24 | COB25 |
| Repeat customers | COB26 | COB27 | COB28 |
| Internet Sales | COB29 | COB30 | COB31 |
| Other | COB32 | COB33 | COB34 |

Advertising
Does your firm approve financial promotions and/or qualifying credit promotions? COB35 COB36 COB37

Types of advertising: please tick all that apply, or confirm here that there have been no changes since the last reporting date no changes COB38

| | Mortgage | Non-inv insurance | Retail investments |
|-----------|-----------------|--------------------------|---------------------------|
| Newspaper | COB39 | COB40 | COB41 |
| Magazine | COB42 | COB43 | COB44 |
| T.V. | COB45 | COB46 | COB47 |
| Radio | COB48 | COB49 | COB50 |
| Internet | COB51 | COB52 | COB53 |
| Other | COB54 | COB55 | COB56 |

Do you use one or more lists or panels of preferred product providers? y/n COB57

If yes, indicate the applicable types of business

| | Mortgage | Non-inv insurance | Retail investments |
|--|-----------------|--------------------------|---------------------------|
| | COB58 | COB59 | COB60 |

What (if known) is the total number of providers on the panel(s)? COB61
How often (if known) are the panel(s) reviewed? COB62

General COB data

Do regulated activities form the core business of the firm? COB63
If not, specify type of core business: COB64

Do you give independent advice? COB65

Clawed back commission (retail investment firms only)

Clawed back commission by: Number COB66
Value COB67

Complaints

Does the firm have complaints handling procedures? y/n COB 68

Monitoring of Appointed Representatives ('ARs')

Number of ARs registered with the firm COB69
Of which, number of 'secondary' ARs COB70
Of which, number of introducer ARs COB71
Number of advisers within ARs COB72

(Only firms that have ARs)
Does the firm have appropriate systems and procedures to ensure that the activities of its ARs are effectively monitored and controlled? COB73

Number of ARs that have been subject to monitoring visits by the firm during the reporting period. COB74

Number of ARs that have been subject to file reviews by the firm during the reporting period. COB75

Number of ARs that have been subject to financial checks by the firm during the reporting period. COB76

Has any other monitoring of ARs by the firm taken place? COB77

SECTION I: supplementary product sales data

(i) non-investment insurance product information

- 1 Please indicate in column **A** each product type where the firm has advised or arranged transactions for retail customers during the reporting period
- 2 Please indicate in column **B** where the firm's retail business in the product type formed more than 40% by premium of all of its retail non-investment insurance activities.

(ii) non-investment insurance chains

- 3 Total non-investment insurance premium derived from retail customers SU85
- 4 Of this business, please indicate in column **C** the products where retail sales were passed up a chain and in column **D** where this business is significant*
- 5 *significant is where premium collected from being in a chain for this product amounts to
 - 1) more than 40% of the premium collected for all non-investment insurance activities with retail customers, or
 - 2) more than 40% of premium collected for all retail business in this product
- 6 Please also indicate in column **E** where the firm has dealt directly with the retail customer within the chain

| Product types: | A y/n | B y/n | C y/n | D y/n | E y/n | F y/n | G y/n |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| Private motor | SU1 | SU2 | SU3 | SU4 | SU5 | SU6 | SU7 |
| Household | SU8 | SU9 | SU10 | SU11 | SU12 | SU13 | SU14 |
| Creditor - Payment protection | SU15 | SU16 | SU17 | SU18 | SU19 | SU20 | SU21 |
| Travel | SU22 | SU23 | SU24 | SU25 | SU26 | SU27 | SU28 |
| Personal accident - sickness | SU29 | SU30 | SU31 | SU32 | SU33 | SU34 | SU35 |
| Legal expenses | SU36 | SU37 | SU38 | SU39 | SU40 | SU41 | SU42 |
| Private Medical Insurance (PMI) | SU43 | SU44 | SU45 | SU46 | SU47 | SU48 | SU49 |
| Critical illness | SU50 | SU51 | SU52 | SU53 | SU54 | SU55 | SU56 |
| Private Health Insurance (PHI) | SU57 | SU58 | SU59 | SU60 | SU61 | SU62 | SU63 |
| Life assurance (or term assurance) | SU64 | SU65 | SU66 | SU67 | SU68 | SU69 | SU70 |
| HealthCare cash plan | SU71 | SU72 | SU73 | SU74 | SU75 | SU76 | SU77 |
| Extended warranty (motor only) | SU78 | SU79 | SU80 | SU81 | SU82 | SU83 | SU84 |

(iii) dealing as agent

If you **deal as agent** for non-investment insurance contracts:
Please provide:

- 7 Number of sales to retail customers during the reporting period where the firm dealt as agent SU86
- 8 Premium paid by retail customers during the reporting period where the firm dealt as agent SU87
- 9 Of the total of these sales, please indicate in column **F** the products where the firm dealt as agent and in column **G** where this business is significant*.
- 10 *significant is where premium collected from dealing as agent in this product amounts to
 - 1) more than 40% of the premium collected for all non-investment insurance activities with retail customers, or
 - 2) more than 40% of premium collected for all retail business in this product

(iv) claims handling

If you **assist** in the administration and performance of contracts of insurance:
Please provide:

- 11 Number of claims handled on behalf of customers during the reporting period SU88

(v) Lloyd's brokers - product sales data

| | | | |
|------------------------------------|--|--|---|
| | Retail | Commercial Reinsurance | Total |
| 12 % of regulated business revenue | SU89 | SU90 | SU91 100% |

Round to nearest 20% and ensure figures add to 100%

SECTION J: data required for calculation of fees

Income for fees calculations

| | FSA | FOS | FSCS |
|------------------------------|------------|------------|-------------|
| Regulated mortgage contracts | F1 | F2 | F3 |
| Non-investment insurance | F4 | F5 | F6 |
| Retail investments | F7 | F8 | F9 |

Part 5: SUP 16 Ann 18BG

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

Contents

| | |
|--------------|---------------------------------------|
| Introduction | General notes on the RMAR |
| Section A: | Balance Sheet |
| Section B: | Profit & Loss Account |
| Section C: | Client Money |
| Section D: | Regulatory Capital |
| Section E: | Professional Indemnity Insurance |
| Section F: | Threshold Conditions |
| Section G: | Training & Competence |
| Section H: | Conduct of Business |
| Section I: | Supplementary product sales data |
| Section J: | Data required for calculation of fees |

Introduction: general notes on the RMAR

1. These notes aim to assist *firms* in completing and submitting the **Retail Mediation Activities Return** ('**RMAR**').
2. The purpose of the RMAR is to provide a framework for the collection of information required by the *FSA* as a basis for its supervision activities. It also has the purpose set out in paragraph 16.7.3G of the Supervision Manual, i.e. to help the *FSA* to monitor *firms*' capital adequacy and financial soundness.

Defined terms

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

Key abbreviations

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

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

Scope

6. The following *firms* are required to complete the RMAR:

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

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

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

(c) *firms* (defined as *retail investment firms*) that have *private customers*, and have *permission* to carry on the following activities in relation to *retail investments*:

- *Advising on investments*;
- *Arranging (bringing about) deals in investments*;
- *Making arrangements with a view to transactions in investments*;

Retail investments are defined as:

- (a) a *life policy*; or
- (b) a *unit*; or
- (c) a *stakeholder pension scheme*; or
- (d) an interest in an *investment trust savings scheme*; or
- (e) a *structured capital-at-risk product*.

The practical effect of the *private customer* limitation in the definition of *retail investment firms* is to exclude from the requirements *firms* that carry on *retail investment activities* exclusively with or for *intermediate customers* or *market counterparties*.

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

Application of RMAR sections

7. Many of the *firms* conducting the above *regulated activities* also have the *permission* to carry on other *regulated activities*, including for example mortgage lending and administration, *managing investments* or *dealing in investments as agent*. These *firms* are required to complete the RMAR in addition to other data requirements.

8. However, not all *firms* are required to complete all sections of the RMAR. Certain data requirements will be duplicated because of the separate reporting requirements imposed in relation to other *regulated activities*. Broadly, a *firm* that has the *permission* to carry on other *regulated activities* will not be subject to our proposed data requirements for financial reporting (RMAR sections A, B, C, D & E) or *threshold conditions* (section F), as we would expect to be collecting similar information as part of the data requirements for these other activities. For details, see SUP 16.7.

EEA Firms

9. In accordance with the relevant directives, *incoming EEA firms* are not subject to all reporting requirements. In broad terms, this means that *incoming EEA firms* carrying on

insurance mediation activity by way of *cross border services* only are not required to complete the RMAR. The same applies to *incoming EEA firms* providing *cross border services* only, pursuant to the *ISD*.

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

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

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

Authorised professional firms

12. APFs that are subject to *IPRU (INV) 2.1.3R* (for their *investment activity*) or *PRU 9.3.10R* (for *insurance mediation activity* or *mortgage mediation activity*) are not required to complete sections A, B2 or D. APFs that are members of the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland are also not required to complete section C (see below).
13. The application of the capital requirements to APFs is set out in *IPRU(INV) 2.1.2R* (for *retail investment activity*) and *PRU 9.3.10R* (for *mortgage mediation activity* and *insurance mediation activity*).
14. Where APFs are required to submit financial information (i.e. sections A to E), they should do so in relation to all of their *regulated activities*. Section F should also be completed in relation to all *regulated activities*. Other sections (G to I) need not include information in relation to *non-mainstream regulated activities*. However, APFs may complete all sections on the basis of all of their *regulated activities* if this approach is more cost effective.

Accounting Principles

15. The following principles should be adhered to by *firms* in the submission of financial information (sections A to E).
- (a) Unless a rule requires otherwise, amounts to be reported within the *firm's* balance sheet and profit and loss account should be determined in accordance with:
- (i) the requirements of all relevant statutory provisions (e.g. Companies Act 1985);
 - (ii) UK generally accepted accounting practice (UK GAAP). This is set out in the Financial Reporting Standards and Statements of Standard Accounting Practice issued or adopted by the Accounting Standards Board;

- (iii) the provisions of (c) and (d) below.
- (b) If the *firm* is a *body corporate* with one or more *subsidiaries*, its financial statements should be unconsolidated.
- (c)
 - (i) All amounts should be shown in pounds sterling, unless otherwise specified in the *Handbook* (e.g. in *PRU 9.2.13R*).
 - (ii) A *firm* should translate assets and liabilities denominated in other currencies into pounds sterling using the closing mid-market rate of exchange.
 - (iii) Taxation, when reported at a quarter or half year end, should be based on an estimate of the likely effective tax rate for the year applied to the interim profit or loss arising.
 - (iv) Balances on *client bank accounts* and related client accounts must not form part of the *firm's* own balance sheet.
- (d) No netting is permitted (that is, amounts in respect of items representing assets or income may not be offset against amounts in respect of items representing liabilities or expenditure, as the case may be, or vice versa).

Other

16. You will note that some questions in the RMAR refer to the “last reporting date”. If the RMAR is being completed for the first time, you should treat the date the *firm* became authorised to carry on any of the relevant *regulated activities* as the “last reporting date”, except where otherwise indicated (e.g. in sections E & H).
17. Unless otherwise indicated, the information submitted should cover all of the *firm's* transactions in the relevant products, and all of its *customers* and *market counterparties* (where relevant).

NOTES FOR COMPLETION OF THE RMAR

Section A: Balance sheet

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

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

The frequency of reporting for this section is determined by *SUP 16.7*.

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

Section B: Profit & Loss Account

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

Sub-section B1 – regulated business revenue: covers the data required on the *firm's* revenue from its *regulated activities*.

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

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

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

Section B: guide for completion of individual fields

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| Commissions (gross) | <p>This should include all commission income in respect of the relevant regulated business:</p> <ul style="list-style-type: none"> • for <i>regulated mortgage contracts</i>, this includes commissions received for <i>advising on regulated mortgage contracts</i> and <i>arranging</i>, but not lending and administration; • for <i>non-investment insurance contracts</i>, it should include commissions received for <i>advising</i>, <i>arranging</i> and <i>dealing</i> activities; • for <i>retail investments</i>, only commission received in relation to the relevant activities should be recorded here. <p>Gross commissions will include commission that is received and passed on to another <i>person</i>.</p> <p>Where commission is shared between two or more <i>firms</i>, the gross commission should not be double counted, i.e. each <i>firm</i> should report only the commission it has received.</p> |
| Commissions (net) | <p>This should be the amount of the gross commission figure that is retained by the <i>firm</i> and, where applicable, its <i>appointed representatives</i>, (i.e. not passed on to another <i>person</i>) in respect of each type of business.</p> |
| Fees | <p>You should record here net income received from <i>customers</i> or other sources on a fixed fee rather than commission basis, but only in respect of the relevant <i>regulated activities</i>.</p> |
| Other income from regulated activities | <p>You should record here any income that has derived from the relevant <i>regulated activities</i> during the reporting period, which has not been recorded under commissions or fees.</p> <p>Such income may include interest on <i>client money</i>, where the <i>firm</i> is permitted to retain this, or payments made by product providers on a basis other than fees or commissions.</p> |
| Regulated business revenue | <p>This is the total of the <i>firm's</i> income during the reporting period in relation to its relevant <i>regulated activities</i>.</p> <p>For an <i>insurance intermediary</i> or a <i>mortgage intermediary</i>, this should be calculated in the same way as 'annual income', as specified in PRU 9.3.44R (although in this context the period is not generally annual). This <i>rule</i> states: "For a firm which carries on <i>insurance mediation activity</i> or <i>mortgage mediation activity</i>, annual income... is the amount of all brokerage, fees, <i>commissions</i> and other related income (for example, administration charges, overrides, profit shares) due to the <i>firm</i> in respect of or in relation to those activities".</p> |
| Other Revenue (income from non-regulated activities) | <p>Gross revenue arising from the <i>firm's</i> non-regulated activities, if any, should be entered here.</p> |

Section C: Client Money and assets

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

The *client money rules* define further what is and is not *client money*, and set out requirements on *firms* for the proper handling of and accounting for *client money*. If a *firm* fails, there is a greater direct risk to consumers, and a greater adverse impact on market confidence, if it is a holder of *client money*.

Note 1: *firms* that only carry on *mortgage mediation activity* or *reinsurance mediation* are exempt from the *client money rules*, and are not therefore required to complete this section of the RMAR (unless, in the case of reinsurance mediation, the *firm* has made an election under CASS 5.1.1R(3)(a)).

Note 2: *authorised professional firms* regulated by The Law Society (England and Wales), The Law Society of Scotland or The Law Society of Northern Ireland must comply with the rules of their *designated professional body*, and if they do so, they will be deemed to comply with the relevant sections of CASS. These *firms* are not therefore required to complete this section of the RMAR.

Section C: guide for completion of individual fields

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| Have any notifiable issues been raised in relation to client money or other assets, either in the firm's last client assets audit report or elsewhere, that have not previously been notified to the FSA? | <i>SUP</i> 3.10 sets out the requirement for auditors to report annually on the <i>firm's</i> systems and controls in relation to <i>client money or custody assets</i> . Auditors and <i>firms</i> are required to report significant issues to the FSA (see <i>SUP</i> 3.8.10G and <i>SUP</i> 15.3). Therefore, if you answer 'yes' here, you should ensure that the relevant issues are notified to us. |
| Risk transfer | See CASS 5.2 – holding money as agent of <i>insurance undertaking</i> |
| Statutory Trust | See CASS 4.2 and 5.3 |
| Non-statutory Trust | See CASS 5.4 |
| Client money credit total as at reporting date | This should be the total of credits on the <i>firm's client money</i> account(s) as at the current date of return. |
| Client money debit total as at reporting date | This should be the total of any debits on the <i>firm's client money</i> account(s) as at the current date of return. |
| Net client money balance as at reporting date | This should be the aggregate balance on the <i>firm's client money</i> account(s). (The reporting of this figure should not be taken to mean that <i>firms</i> are permitted to offset an overdrawn client bank account against one that is in credit.) |
| If non-statutory, has auditor's confirmation of systems and controls been obtained? | This refers to the requirement in CASS 5.4.4R(2) that the <i>firm</i> should obtain written confirmation from its auditor that adequate systems and controls are in place. |
| Is any client money invested (other than on deposit)? | You should indicate 'yes' here if the <i>firm</i> has invested any <i>client money</i> other than in a bank account. See CASS 5.5.14. (Note: this is only permitted for <i>client money</i> that is held in a non-statutory trust.) |
| Do you hold client money for business undertaken by an AR? | If the <i>firm</i> has <i>appointed representatives</i> that receive <i>client money</i> , you should state 'yes' here. The requirements of CASS 4.3.15R (investment activities) and/or CASS 5.5.18 (<i>insurance mediation activity</i>) should be adhered to in these circumstances. |
| Does the <i>firm</i> hold any client assets (other than client money)? | If the <i>firm</i> holds client assets and is subject to the requirements of either CASS 2 or CASS 5.8, state 'yes' here. |

Section D: Regulatory Capital

‘Higher of’ requirements

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

If a *firm* carries on one or both of:

- *mortgage mediation activity*, and/or
- *insurance mediation activity* relating to *non-investment insurance contracts*,

and additionally carries on

- *designated investment business* (i.e. is subject to *IPRU(INV)*);

then a ‘**higher of**’ requirement applies. This is set out in *PRU* 9.3.24R, which provides that in these circumstances, the higher of the capital resources requirements relating to the respective activities should apply.

In section **D1**, therefore, there are separate reporting requirements to establish the appropriate capital requirements for the following groups of activities and/or *firms* (the requirements have to be completed for all applicable category) :

- firms* carrying on *mortgage mediation activity*, and/or *insurance mediation activity* relating to *non-investment insurance contracts* (the capital requirements are the same for both activities, calculated in section D1);
- personal investment firms* that carry on *retail investment activities*, but no other *designated investment business*. Capital requirements are calculated in section D2 or D3 below as applicable;
- other *personal investment firms*, and *firms* that are subject to *PRU*, but are also subject to *IPRU(INV)* or *CRED* (see below). These capital requirements are not calculated as part of the RMAR.

In each case, it is the higher of the capital requirements that applies and is compared with the applicable calculation of financial resources.

Standard ‘version 1’ credit unions are exempt from the capital requirements in *PRU*, although they have capital requirements under the Credit Unions sourcebook (‘*CRED*’). For other credit unions, the capital resources requirement should be the higher of the amounts required under *PRU* or *CRED*.

Note on the scope of Sections D2, D3, D4 & D5: *firms* that carry on *designated investment business* and are subject to the RMAR, but do not meet the definition of *personal investment firm*, i.e. are not subject to *IPRU(INV)* Chapter 13, will **not** be subject to these sections. Such *firms*, e.g. smaller stockbrokers that advise on *retail investments* as an incidental part of their business, remain subject to the financial resources requirements associated with their principal *regulated activities*.

Sub-sections: this section is sub-divided as follows:

D1: in this sub-section, *firms* are required to complete the regulatory capital sections that are applicable for the types of business undertaken. The *personal investment firms* referred to in (ii) above are required to complete one of sections D2 or D3 to arrive at the totals required in D1.

D2: this section is completed by *personal investment firms* that are **not** subject to the requirements of *ISD* and the *Capital Adequacy Directive* (CAD). It is used to calculate the financial resources and financial resources requirements set out in Chapter 13.10-12 of the Interim Prudential Sourcebook for Investment Businesses (*IPRU(INV)*). This in turn will provide the totals to be submitted in the D1 fields marked A to I as applicable.

D3: this section is completed by *personal investment firms* that **are** subject to the requirements of *ISD* and CAD. It is used to calculate the financial resources and financial resources requirements set out in *IPRU(INV)* 13.3-5. This in turn will provide the totals to be submitted in the D1 fields marked A to I as applicable.

D4: this section is also completed by *personal investment firms* that are subject to the requirements of *ISD* and CAD. It is used to complete the quarterly financial resources statement that is required from these *firms* under CAD.

D5: this section relates to the requirements imposed by CAD on *ISD personal investment firms* in relation to *large exposures*.

Section D1: guide for completion of individual fields

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| Is the firm exempt from these capital requirements in relation to any of its retail mediation activities? | <p>The <i>firm</i> should indicate here if any <i>Handbook</i> exemptions apply in relation to the capital requirements in <i>PRU</i> or <i>IPRU(INV)</i> Chapter 13. Examples of <i>firms</i> that may be subject to exemptions include</p> <ul style="list-style-type: none"> • Lloyd’s <i>managing agents</i> (<i>PRU</i> 9.3.11R); • solo consolidated <i>subsidiaries of banks</i> or <i>building societies</i>; • small <i>credit unions</i> (as defined in <i>PRU</i> 9.3.8R); and • <i>investment firms</i> not subject to <i>IPRU(INV)</i> Chapter 13 (unless they additionally carry on <i>mortgage mediation activity</i> or <i>insurance mediation activity</i> relating to <i>non-investment insurance contracts</i>). |
| Mortgage and non-investment insurance mediation (see sub paragraph (i) above) | |
| Base requirement | <p>The minimum capital requirements for <i>firms</i> carrying on <i>mortgage mediation activity</i> and for <i>insurance mediation activity</i> relating to <i>non-investment insurance contracts</i> are set out in <i>PRU</i> 9.3.30R.</p> <p>If the <i>firm</i> carries on <i>designated investment business</i> as well as <i>mortgage mediation activity</i>, <i>insurance mediation activity</i> or both, requirements under both <i>IPRU(INV)</i> and <i>PRU</i> need to be considered, as it is the higher of the requirements that needs to be met (see general notes above).</p> |
| 5% of annual income (firms holding client money) | For <i>firms</i> that hold <i>client money</i> or other <i>client assets</i> in relation to <i>insurance mediation activity</i> or <i>mortgage mediation activity</i> , this should be calculated as 5% of the annual income (see <i>PRU</i> 9.3.30R(2)) from the <i>firm’s insurance mediation activity</i> , <i>mortgage mediation activity</i> , or both. |

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| 2.5% of annual income (firms not holding client money) | For <i>firms</i> that do not hold <i>client money</i> or other <i>client</i> assets in relation to <i>insurance mediation activity</i> or <i>mortgage mediation activity</i> , this should be calculated as 2.5% of the annual income (see <i>PRU</i> 9.3.30R(1)) from the <i>firm's insurance mediation activity, mortgage mediation activity, or both.</i> |
| Capital requirements (higher of above) | The higher of the base requirement and 5% of annual income (<i>firms</i> that hold <i>client money</i> or other <i>client</i> assets), or the higher of the base requirement and 2.5% of annual income (<i>firms</i> that do not hold <i>client money</i> or other <i>client</i> assets) |
| Other <i>FSA</i> capital requirements (if applicable) | The <i>FSA</i> may from time to time impose additional requirements on individual <i>firms</i> . If this is the case for your <i>firm</i> , you should enter the relevant amount here. This excludes capital requirements in relation to PII, which are recorded below. There may be additional capital requirements imposed on <i>firms</i> that carry on a number of different <i>regulated activities</i> . For example, <i>firms</i> that carry on the activities of mortgage lending or mortgage administration in addition to <i>mortgage mediation activity</i> and/or <i>insurance mediation activity</i> , and are not exempted under <i>PRU</i> 9.3.4R, may have an additional requirement under <i>PRU</i> 9.3.40R(2). |
| Additional capital requirements for PII (if applicable) | If the <i>firm</i> has any increased excesses on its PII policies, the total of the additional capital requirements required by the tables in <i>PRU</i> 9.2.19R or 9.2.20R should be recorded here. See also section E of the RMAR. |
| TOTAL CAPITAL REQUIREMENT | Appropriate totals from above |
| TOTAL CAPITAL RESOURCES | This should be the total of capital resources calculated in accordance with <i>PRU</i> 9.3 in this section (D1) for incorporated or unincorporated <i>firms</i> as applicable. For <i>firms</i> that are additionally subject to <i>IPRU(INV)</i> or <i>CRED</i> , this should be the higher of the amount calculated in this section ('total capital resources') and the financial resources determined by <i>IPRU(INV)</i> or <i>CRED</i> . See <i>PRU</i> 9.3.51R. |
| TOTAL CAPITAL EXCESS/DEFICIT | This should show the amount of capital resources that the <i>firm</i> has in relation to its capital requirement. |
| IPRU(INV) requirements for personal investment firms (retail investment activities only) | <i>Firms</i> that carry on <i>retail investment activities</i> , but no other <i>designated investment</i> business, are subject to this section. It is populated from section D2 or D3 as applicable (see sub paragraph (ii) above). |
| Category of personal investment firm under <i>IPRU(INV)</i> | If the <i>firm</i> is subject to Chapter 13 of <i>IPRU(INV)</i> , it should enter here its firm category as defined in <i>IPRU(INV)</i> Appendix 13(1), i.e. A1, A2, A3, B1, B2 or B3. |
| Own funds requirement | See Section D2 or D3 as applicable The own funds requirement ('OFR') should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms. <i>ISD Firms</i> see section <i>IPRU (INV)</i> 13.3 <i>Non-ISD Firms</i> see section <i>IPRU (INV)</i> 13.10 For a <i>low resource firm</i> , the OFR is always £10,000. |

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| Own funds | <p>See Section D2 or D3 as applicable This field should be filled in using the figure for own funds that is derived from the calculation in Section D2 or D3 as applicable.</p> <p>Own funds should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms.</p> <p><i>ISD Firms</i> see <i>IPRU (INV)</i> 13.3 <i>Non-ISD Firms</i> see <i>IPRU (INV)</i> 13.10</p> <p>Source data for the own funds calculation should be entered in the separate financial resources section for <i>ISD firms</i> or <i>non-ISD firms</i> as applicable.</p> |
| Surplus/deficit of own funds | <p>See Section D2 or D3 as applicable This field should be filled in using the figure for surplus/deficit that is derived from the calculation in Section D2 or D3 as applicable.</p> <p>This should show the amount of the <i>firm's</i> own funds in relation to its own funds requirement.</p> |
| Additional own funds requirement for PII (if applicable) | <p>If the <i>firm</i> has any increased excesses or exclusions on its PII policies, the total of the additional capital requirements required by <i>IPRU(INV)</i> 13.1.4 should be recorded here. See also section E of the RMAR.</p> |
| Other <i>FSA</i> capital requirements (if applicable) | <p>The <i>FSA</i> may from time to time impose additional requirements on individual <i>firms</i>. If this is the case for your <i>firm</i>, you should enter the relevant amount here. This excludes capital requirements in relation to PII, which are recorded above.</p> |
| Adjusted net current assets requirement (if applicable) | <p>See Section D2 or D3 as applicable All <i>personal investment firms</i> except <i>low resource firms</i> should at all times have adjusted net current assets of at least £1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> |
| Adjusted net current assets (if applicable) | <p>See Section D2 or D3 as applicable All <i>personal investment firms</i> except <i>low resource firms</i> should at all times have adjusted net current assets of at least £1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p>This field should be filled in using the figure for adjusted net current assets that is derived from the calculation in Section D2 or D3 as applicable. Adjusted net current assets should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment <i>Firms</i>.</p> <p><i>ISD Firms</i> see <i>IPRU (INV)</i>13.4 <i>Non-ISD Firms</i> see <i>IPRU (INV)</i>13.11</p> |
| Surplus/deficit (if applicable) | <p>See Section D2 or D3 as applicable All <i>personal investment firms</i>, except <i>low resource firms</i>, should at all times have adjusted net current assets of at least £1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p>This field should be filled in using the figure for surplus/deficit that is derived from the calculation in section D2 or D3 of the data requirements.</p> <p>This shows whether the <i>firm's</i> net current assets are positive.</p> |

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| Expenditure based requirement (if applicable) | <p>See Section D2 or D3 as applicable</p> <p>All <i>personal investment firms</i>, except <i>low resource firms</i>, should calculate their expenditure based requirement ('EBR') in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p><i>ISD Firms</i> see <i>IPRU (INV)</i> 13.5 <i>Non-ISD Firms</i> see <i>IPRU (INV)</i> 13.12</p> |
| Adjusted Capital/liquid capital (if applicable) | <p>See Section D2 or D3 as applicable</p> <p>This field should be filled in using the figure for adjusted capital/liquid capital that is derived from the calculation in Section D2 or D3 as applicable.</p> <p>Adjusted/liquid capital should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms.</p> <p><i>ISD Firms</i> see <i>IPRU (INV)</i> 13.5 <i>Non-ISD Firms</i> see <i>IPRU (INV)</i> 13.12</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> |
| Surplus/deficit (if applicable) | <p>See Section D2 or D3 as applicable</p> <p>This field should be filled in using the figure for surplus/deficit that is derived from the calculation in Section D2 or D3 as applicable.</p> <p>This shows the amount of the <i>firm's</i> adjusted/liquid capital in relation to its expenditure based requirement.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> |
| Eligible capital (mortgage and non-investment insurance) | |
| Incorporated firms | |
| Share capital | As reported in section A |
| Audited reserves | <p>These are the audited accumulated profits retained by the <i>firm</i> (after deduction of tax and dividends) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a <i>parent undertaking</i>.</p> <p>If reserves have not been audited this field should be zero.</p> |
| Interim net profits (audited) | Interim net profits should be audited by the <i>firm's</i> external auditor, net of tax or anticipated dividends and other appropriations. Normally this will mean that they form a proportion of the <i>firm's</i> P&L account in field BS24, but if no audit has been undertaken during the reporting period it should be a nil return. |
| Interim net profits (not audited) | Other unverified profits (not included in total capital resources) |
| Revaluation reserves | Revaluation reserves (unrealised reserves arising from revaluation of fixed assets) can only be included here if audited. |
| Eligible subordinated loans | Subordinated loans should be included in capital on the basis of the provisions in <i>PRU</i> 9.3.56R and <i>PRU</i> 9.3.57R. |
| Less investments in own shares | Amounts recorded in the balance sheet as investments which are invested in the <i>firm's</i> own shares should be entered here for deduction. |
| Less intangible assets | <p>Any amounts recorded as intangible assets in section A above should be entered here for deduction.</p> <p>The balance sheet value for goodwill does not have to be deducted here until 14 January 2008. See <i>PRU</i> 9.3.53R</p> |
| Less interim net losses | Interim net losses should be calculated in relation to the period following the date as at which the capital resources are being calculated. The figures do not have to be audited to be included. |

| Unincorporated firms | |
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| Capital of a sole trader or partnership | See <i>PRU 9.3.52R</i> |
| Eligible subordinated loans | Subordinated loans should be included in capital on the basis of the provisions in <i>PRU 9.3.56R</i> and <i>PRU 9.3.57R</i> . |
| Personal assets not needed to meet non-business liabilities | <p><i>PRU 9.3.54R</i> and <i>9.3.55G</i> state that a <i>sole trader or partner</i> <u>may</u> use personal assets to cover liabilities incurred in the <i>firm's</i> business unless:</p> <p>(1) those assets are needed to meet other liabilities arising from: (a) personal activities; or (b) another business activity not regulated by the <i>FSA</i>; or (2) the <i>firm</i> holds <i>client money</i> or other <i>client</i> assets.</p> <p>This field may be left blank if the <i>firm</i> is able to satisfy the capital resources requirements without relying on personal assets.</p> |
| Less intangible assets | <p>Any amounts recorded as intangible assets in section A above should be entered here for deduction.</p> <p>The balance sheet value for goodwill does not have to be deducted here until 14 January 2008. See <i>PRU 9.3.53R</i></p> |
| Less interim net losses | Interim net losses should be calculated in relation to the period following the date as at which the capital resources are being calculated. The figures do not have to be audited to be included. |
| Less excess of drawings over profits for a sole trader or partnership | Any excess of drawings over profits should be calculated in relation to the period following the date as at which the capital resources are being calculated. The figures do not have to be audited to be included. |

Section D2: non-*ISD* personal investment firms

This section is for non-*ISD* personal investment firms. Its purpose is to assist in calculating the financial resources data that is required in section D1 above, based on the requirements of *IPRU(INV)* 13.10 to 13.12.

All non-*ISD* personal investment firms are required to meet the Own Funds financial resources test as follows:

Own Funds (test 1)

IPRU(INV) requires that all non-*ISD* personal investment firms have financial resources of at least £10,000 at all times. The Own Funds test is designed to evaluate firms' adherence to this requirement.

In addition, firms that do not fall within the definition of a *low resource firm* are required to meet the following additional financial resources tests.

Adjusted Net Current Assets (test 1A)

The purpose of this test is to ensure that the *firm* has adequate working capital to be able to meet its liabilities as and when they fall due. It does this by taking the *firm's* net current assets (from the balance sheet), and applying the following actions:

- (1) excluding assets which cannot be realised or recovered within twelve months;

- (2) excluding amounts receivable from *connected persons* (to the extent that they are not properly secured, except certain allowable deposits);
- (3) valuing *investments* at current market value.

The resulting balance should be at least £1.

Expenditure Based Requirement (test 2)

This is a capital requirement for *personal investment firms* that are not *low resource firms*, based on a *firm's* overall audited expenditure. The Expenditure Based Requirement is calculated as a fraction of the *firm's* annual fixed costs which, for this purpose, are based upon the *firm's* annual audited expenditure and, in general terms, exclude cost items that would not be incurred were there no income. Thus staff bonuses and *partners'* profit shares (unless guaranteed) and any shared commissions are not treated as fixed costs for the purposes of the calculation.

Section D3: ISD personal investment firms

This section of the data requirements is provided for *ISD personal investment firms*, to assist in calculating the financial resources data that is required in section D1 above, based on the requirements of *IPRU(INV)* 13.2-5.

All *ISD personal investment firms* are required to meet the following three financial resources tests:

Own Funds (test 1)

IPRU(INV) requires that *ISD personal investment firms* have appropriate financial resources in relation to their prudential category at all times. The Own Funds Requirements for these *firms* are:

for a Category A1 *firm*: €730,000;

for a Category A2 *firm*: €125,000;

for a Category A3 *firm*: €50,000.

The Own Funds test is designed to evaluate *firms'* adherence to these requirements.

Adjusted Net Current Assets (test 1A)

See Section D2 in relation to non-*ISD personal investment firms* above.

Expenditure Based Requirement (test 2)

See Section D2 in relation to non-*ISD personal investment firms* above.

Section D4: CAD 13 quarterly financial resources (ISD personal investment firms)

The purpose of this section is to measure *firms'* compliance with the *Capital Adequacy Directive* ('CAD') on a quarterly basis, as required by the directive. *Firms* should use figures

taken from their most recently audited accounts, unless they relate to a change in resources of a kind specified in this section of the RMAR, e.g. the introduction of a subordinated loan.

Section D5: reportable *Large Exposures (ISD personal investment firms)*

This section relates to the requirements imposed by CAD on *ISD personal investment firms* in relation to *large exposures*.

A *large exposure* exists where a *firm* is owed a debt by, or is otherwise exposed to another person, or to two or more affiliated *persons*, and that exposure equals or exceeds 10% of its own funds. Under *IPRU(INV)*, a *firm* is required to ensure that its *large exposures* do not exceed 25% of its own funds (or the aggregate of exposure to its holding company, or a subsidiary company or a group of subsidiaries of its holding company does not exceed 20% of own funds).

The detailed requirements in relation to *large exposures* are set out in *IPRU(INV)* 13.6, including the types of *exempt exposures* that may be excluded from the calculations.

SUP 16 requires that *large exposures* be reported to the *FSA* on a quarterly basis. This part of the data requirements fulfils that requirement, and assists *firms* in calculating the level of reportable exposure (excluding *exempt exposures*) which then feeds into the calculation of the Expenditure Based Requirement.

Section E: Professional Indemnity Insurance

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

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

Note on the scope of Section E: *retail investment firms* that fall within the scope of these data requirements, but do not meet the definition of *personal investment firm*, i.e. are not subject to *IPRU(INV)* 13, will **not** be subject to this section.

The PII requirements for *authorised professional firms* ('APFs') that carry on *retail investment activities* are set out in *IPRU(INV)* 2.3. APFs that carry on *mortgage mediation activity* or *insurance mediation activity* are subject to the full requirements of *PRU* 9.2.

Section E: guide for completion of individual fields

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| Is the firm exempt from the PII requirements in respect of any regulated activities? | <p>The conditions for exemptions from the PII requirements for <i>firms</i> carrying on <i>insurance</i> or <i>mortgage mediation</i> are set out in <i>PRU</i> 9.2.1R paragraphs (3) to (6).</p> <p><i>Personal investment firms</i> can only be exempted by individual waiver granted by the <i>FSA</i> (unless <i>IPRU(INV)</i> 13.1.5R applies in respect of comparable guarantees)</p> <p><i>Retail investment firms</i> that do not meet the definition of <i>personal investment firm</i> are not required to complete this section of the RMAR.</p> |
| If not exempt, has the firm renewed its PII cover since the last reporting date? | <p>The purpose of this question is to ensure that <i>firms</i> do not have to fill in the same information each time they report when the information only changes annually.</p> <p>If the <i>firm</i> is reporting for the first time, you should enter 'yes' here and complete the data fields below.</p> <p>You should only enter 'n/a' if the <i>firm</i> is exempt from the PII requirements in respect of all of <i>regulated activities</i> forming part of the RMAR.</p> |
| Have any of the data items below changed since the last reporting date (or since you last notified the <i>FSA</i> of any changes)? | <p>The purpose of this question is to ensure that <i>firms</i> do not have to fill in the same information for each period when the information only changes annually.</p> <p>If the <i>firm</i> is reporting for the first time, you should enter 'yes' here and complete the data fields below.</p> <p>You should only enter 'n/a' if the <i>firm</i> is exempt from the PII requirements in respect of all of the <i>regulated activities</i> within the scope of the RMAR.</p> |
| What activities are covered by the policy(ies)? | You should indicate which <i>regulated activities</i> are covered by the <i>firm's</i> PII policy or policies. |

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| Is the cover compliant? | <p>The required terms for PII cover are set out in the Prudential Sourcebooks as follow:</p> <p><i>Insurance intermediaries and mortgage intermediaries – PRU 9.2</i> <i>Personal investment firms - IPRU(INV) 13.1</i></p> <p><i>Authorised professional firms</i> that carry on <i>retail investment activities</i> should note that by ticking this box they are providing confirmation that they are in compliance with <i>IPRU(INV)2.3.2E</i>, which requires them to have PII cover that is at least equivalent to the requirements of their <i>designated professional body</i>.</p> |
| Annual premium | This should be the annual premium that is paid by the <i>firm</i> , net of tax and any other add-ons. |
| Limit of Indemnity | <p>You should record here the indemnity limits on the <i>firm's</i> PII policy or policies, both in relation to single claims and in aggregate.</p> <p>For <i>insurance intermediaries</i>, see <i>PRU 9.2.13R</i>. For <i>mortgage intermediaries</i>, see <i>PRU 9.2.15R</i>. For <i>personal investment firms</i>, see <i>IPRU(INV) 13.1.4E</i>.</p> <p>If the <i>firm</i> is subject to more than one of the above limits (because of the scope of its <i>regulated activities</i>), and has one PII policy for all of its <i>regulated activities</i>, the different limits should be reflected in the policy documentation.</p> |
| Policy excess | <p>For <i>insurance intermediaries</i> and <i>mortgage intermediaries</i>, see <i>PRU 9.2.16-20R</i>. For <i>personal investment firms</i>, see <i>IPRU(INV) 13.1.4E</i>.</p> |
| Increased excess(es) for specific business types | <p>If the prescribed excess limit is exceeded in respect of a type or types of business, the amount(s) of the increased excess should be stated here. The type(s) of business to which the increased excess applies should be selected from the drop-down box.</p> <p>(Some of the business types in the drop-down box include pensions, endowments, FSAVCs, splits/zeroes, precipice bonds, income drawdown, <i>lifetime mortgages</i>, discretionary management, other)</p> |
| Policy exclusion(s) for specific business types | <p>If there are any exclusions in the <i>firm's</i> PII policy, the business type(s) to which they relate should be selected from the drop-down box.</p> <p>(Some of the business types in the drop-down box include pensions, endowments, FSAVCs, splits/zeroes, precipice bonds, income drawdown, <i>lifetime mortgages</i>, discretionary management, other)</p> |
| Renewal date | The next date by which the current cover needs to be renewed. |
| Insurer name | <p>The name of the <i>insurance undertaking</i> providing cover. If cover is provided by a Lloyd's syndicate, the name of the syndicate should be stated.</p> <p>If a policy is underwritten by more than one <i>insurance undertaking</i>, you should state 'multiple' along with the number of <i>insurance undertakings</i></p> |
| Does the <i>firm</i> have any other PII policies? | If 'Y' is entered here, the <i>firm</i> will be required to submit the information above for further policies as applicable (up to a maximum of ten). |
| Amount of additional capital required for increased excess(es) (where applicable, total amount for all PII policies) | This should be calculated using the tables in <i>IPRU(INV) 13.1.4(12)E</i> or <i>PRU 9.2.20-22</i> as applicable. The total of additional capital (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional own funds for PII' in section D1. |

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| Amount of additional own funds required for policy exclusion(s) | <i>Personal investment firms</i> only - this should be calculated in accordance with <i>IPRU(INV)</i> 13.1.4(13)R. The total of additional own funds (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional own funds for PII' in section D1. |
| Total of additional own funds required | <i>Personal investment firms</i> only – this is the same figure as in section D1, representing the total of additional own funds that are required under <i>IPRU(INV)</i> 13.1.4 for all of the <i>firm's</i> PII policies. |
| Total of readily realisable own funds | <i>Personal investment firms</i> only - you should state here the total of the own funds reported in section D that are classed as 'readily realisable' under the terms of <i>IPRU(INV)</i> 13.1.4(4)R. |
| Excess/deficit of readily realisable own funds | This field will automatically calculate the excess or deficit, i.e. the 'total of additional own funds required' less the 'total of readily realisable own funds' |

Section F: the *threshold conditions*

Sub-heading: adequate resources

This section relates to *threshold condition 4*, by virtue of which the resources of *firms* must, in the opinion of the *FSA*, be adequate in relation to the *regulated activities* that they carry on.

The scope of this requirement is set out in Chapter 2.4 of the Threshold Conditions Sourcebook (*COND* 2.4). In summary, 'resources' refers to both financial and non-financial resources, and to the means of managing those resources. Examples of matters to which the *FSA* will have regard when assessing whether a *firm* satisfies *threshold condition 4* include, among others, the following:

- whether the *firm* has access to adequate capital by reference to the *FSA's* prudential requirements;
- whether the *firm* can meet all its liabilities as they fall due; and
- whether the *firm* has taken steps to identify and measure any risks of regulatory concern, and has installed appropriate systems and controls to manage them.

Sub-heading: close links

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

This section of the return replaces the *close links* annual reporting requirement in *SUP* 16.5.4R, which does not now apply to those *firms* subject only to the RMAR for the purposes of regulatory reporting. Moreover, the existing exemptions for certain other *firms* from the existing reporting requirements in *SUP* 16.5.1G are retained.

Sub-heading: approved persons

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

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

- individuals exerting significant influence over the *firm’s regulated activities*;
- individuals dealing directly with *customers*; and
- individuals dealing with the property of *customers*.

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

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

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

Sub-heading: controllers

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

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

- (1) a *person* acquiring *control* or ceasing to have *control*;
- (2) an existing *controller* acquiring an additional *kind of control* or ceasing to have a *kind of control*;
- (3) an existing *controller* increasing or decreasing a *kind of control* which he already has so that the percentage of shares or *voting power* concerned becomes or ceases to be equal to or greater than 20%, 33% or 50%;
- (4) an existing *controller* becoming or ceasing to be a *parent undertaking*.

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

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

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

- (1) a *person* acquiring *control*;
- (2) a *controller*;

- (a) decreasing the percentage of shares held in the *firm* from 20% or more to less than 20%; or
 - (b) decreasing the percentage of shares held in a *parent undertaking* of the *firm* from 20% or more to less than 20%; or
 - (c) decreasing the percentage of voting power which it is entitled to exercise, or control the exercise of, in the *firm* from 20% or more to less than 20%; or
 - (d) decreasing the percentage of voting power which it is entitled to exercise, or control the exercise of, in a *parent undertaking* of the *firm* from 20% or more to less than 20%;
- (3) an existing *controller* becoming or ceasing to be a *parent undertaking*.

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

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

Section F: guide for completion of individual fields

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| <p>Adequate Resources Does the firm have adequate resources in relation to its regulated activities?</p> | <p>In answering this question you should carefully consider the <i>guidance</i> in COND 2.4, which sets out the criteria that the FSA will use in determining whether a <i>firm</i> is deemed to have adequate resources.</p> <p><i>Authorised professional firms</i> should note that by ticking this box they are providing confirmation that they are in compliance with IPRU(INV)2.2, which requires them to be able to meet their liabilities as they fall due.</p> |
| <p>Close Links Are you exempt from close links reporting requirements?</p> | <p>The categories of <i>firm</i> that are exempt from the reporting requirement are listed in the relevant parts of SUP 16.1.3R.</p> |
| <p>If not, have there been changes to your close links since the FSA was last informed?</p> | <p>For detailed <i>guidance</i> on what constitutes a <i>close link</i>, see COND 2.3.</p> |
| <p>If yes, on what date did these changes take effect? (if no notification has been made, please notify us separately of the changes)</p> | <p>See SUP 11.9. All <i>firms</i> should have notified the FSA immediately if they have become aware that they have become or ceased to be <i>closely linked</i> with another <i>person</i>.</p> <p>If there have been changes in <i>close links</i> that have not been notified to the FSA, you should do this now.</p> |
| <p>Approved Persons Have there been changes to your approved persons' details since the FSA was last informed?</p> | <p>State yes if, for example, any of the <i>firm's</i> approved persons have joined or left during the reporting period, but the FSA was not notified in accordance with normal procedures.</p> |

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| <p>If yes, on what date did these changes take effect? (if no notification has been made, please notify us separately of the changes)</p> | <p>Any changes in the <i>firm's approved persons</i>, e.g. joiners and leavers, should have been notified at the time to the <i>FSA</i>. Detailed requirements in relation to <i>approved persons</i> are set out in <i>SUP 10.13</i></p> <p>If the appropriate notification was not made at the time, you should state here the date the change took effect. If there has been more than one unnotified change, you should enter the date of the most recent change.</p> <p>If there have been changes in relation to <i>approved persons</i> that have not been notified to the <i>FSA</i>, you should do this now.</p> |
| <p>Controllers Are you exempt from the controllers reporting requirements?</p> | <p>The categories of <i>firm</i> that are exempt from the reporting requirement are listed in the relevant parts of <i>SUP 16.1.3R</i></p> |
| <p>If not, have there been changes to your controllers since the <i>FSA</i> was last informed?</p> | <p>See, generally, <i>SUP 11.4</i>.</p> |
| <p>If yes, on what date did these changes take effect? (if no notification has been made, please notify us separately of the changes)</p> | <p>See, generally, <i>SUP 11.4</i>. If there have been changes in <i>controllers</i> that have not been notified to the <i>FSA</i>, you should do this by means of normal supervisory channels.</p> |

Section G: Training & Competence ('T&C')

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

Our approach to training and competence is set out in the Training & Competence Sourcebook ('*TC*'). There are two parts to the Sourcebook:

Chapter 1 (the Commitments) consists of *guidance* that applies to those *firms* indicated in *TC 1.1.6G* (which includes all *firms* with a *Part IV permission*). It states that the *firm's* commitments to training and competence should be that employees are competent and remain competent for the work that they do, that they are appropriately supervised, that their competence is regularly reviewed, and that the level of competence is appropriate to the nature of the business.

Chapter 2 (specific requirements for particular activities) – for those *firms* indicated in *TC 2.1.1R* who are involved in specified activities, such as *advising on investments* or on *regulated mortgage contracts* (see, generally, *TC 2.1.4R*), we have set additional training and competence requirements over and above the Commitments. These extra requirements cover recruitment, training, attaining competence, (in some cases this includes a requirement for individuals to pass an examination), maintaining competence, and the supervision of individuals.

It should be noted that Chapter 2 only applies in relation to advising on *non-investment insurance contracts* where this activity is carried on with or for *retail customers*.

We will use the data we collect in this section to assess the nature of *firms'* compliance with training and competence requirements.

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

Section G: guide for completion of individual fields

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| Total number of all staff | <p>This should be the total number of staff that worked for the <i>firm</i> as at the end of the reporting period.</p> <p>Therefore, employees that may have advised during the period but were not employed as at the end date should not be included.</p> |
| Of which: | |
| Number of staff that give advice | <p>'Advice' is given where the sale of a product is based on a recommendation given to the <i>customer</i> on the merits of a particular product.</p> <p>If staff advise in relation to more than one business type (i.e. mortgage advising, advising on <i>non-investment insurance contracts</i> or retail investment products), they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p> <p>Note: in relation to advising on <i>non-investment insurance contracts</i>, this total should not include employees that do not advise <i>retail customers</i>.</p> |
| Number of staff that supervise others to give advice | <p>Note the requirements in the Training & Competence Sourcebook (TC 2.4, 2.6 and 2.7) for employees to be appropriately supervised, and also the competencies that are required for those who supervise others.</p> <p>If any of these staff carries out supervisory activities in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p> |
| Number of advisers that have been assessed as competent | <p>This is a subset of the total of 'number of staff that give advice' above.</p> <p>See TC 2.1.4R for the detailed training & competence requirements relating to individual activities.</p> <p>If staff are competent in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p> |

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| Number of advisers that have passed <i>approved examinations</i> | <p>This is a subset of the total in ‘number of staff that give advice’ above.</p> <p>In the case of certain activities, <i>TC 2</i> imposes requirements on <i>firms</i> in relation to their <i>employees</i> and passing <i>approved examinations</i>. See, for example, requirements relating to <i>employees</i> engaged in <i>advising a customer on a regulated mortgage contract</i> other than a <i>regulated mortgage contract</i> that the firm has concluded solely for a business purpose (Table <i>TC 2.1.4R (1)(p)</i>), and requirements relating to <i>employees</i> engaged in <i>advising on investments</i> which are <i>packaged products</i> (Table <i>TC 2.1.4R (1)(f)</i>).</p> <p>If staff have qualifications in relation to more than one business type, they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p> |
| Number of advisers that have left since the last reporting date | <p>This is the total number of advisory staff that have left the <i>firm</i> during the current reporting period.</p> <p>If any of these staff used to carry out advisory activities in relation to more than one business type, they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p> |
| Number of staff that take private customers through stakeholder pension scheme decision trees | See <i>TC 2.1.4R Table (2)(e)</i> . |
| Number of staff that supervise non-advised sales of lifetime mortgages | The reason this information is required is because the detailed requirements in <i>TC 2</i> are extended to staff that supervise non-advised sales of <i>lifetime mortgages</i> where filtering questions are used, because of the higher risks associated with these products (see <i>TC 2.1.4R Table (2)(g)</i>). |
| Number of staff that design filtering questions for non-advised sales of lifetime mortgages | <p>The reason this information is required is because the detailed requirements in <i>TC 2</i> are extended to staff involved in designing filtering questions for the non-advised sale of <i>lifetime mortgages</i>, because of the higher risks associated with these products (see <i>TC 2.1.4R Table (1)(q)</i>).</p> <p>Note: we would expect this total to include staff that supervise and/or sign off filtering questions as well as those that actually design them.</p> |

Section H: Conduct of Business (‘COB’) Data

In this section we are seeking data from *firms* in relation to:

- the various sources of business;
- advertising;
- commission clawback (*retail investment firms* only);
- monitoring of *appointed representatives*.

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

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

Sub-headings: sources of business/advertising

This information is being requested to provide high level data on the ways in which *firms* attract business. This will assist the *FSA* in targeting its supervisory resources towards those areas of the sales process and market where risks to consumers appear to be greatest. For example, we might use supervisory resources to look at all *firms* in a certain area that advertise in print media.

Sub-heading: general COB data

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

Sub-heading: Clawed back commission (retail investment firms only)

Commission is typically paid to advisers in two main ways:

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

Sub-heading: monitoring of *appointed representatives*

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

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

A *firm* has significant responsibilities in relation to an AR that it has appointed, which are set

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

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

- (1) the appointment does not prevent the *firm* from satisfying and continuing to satisfy the *threshold conditions*;
- (2) the *person*:
 - (a) is solvent;
 - (b) is suitable to act for the *firm* in that capacity; and
 - (c) has no *close links* which would be likely to prevent the effective supervision of the *person* by the *firm*; and
- (3) the *firm* has adequate:
 - (a) controls over the *person's regulated activities* for which the *firm* has responsibility (see SYSC 3.1); and
 - (b) resources to monitor and enforce compliance by the *person* with the relevant requirements applying to the *regulated activities* for which the *firm* is responsible and with which the *person* is required to comply under its contract with the *firm*.

Accordingly, *firms* are required to monitor and oversee the activities of their ARs. It is the *firm's* responsibility to be able to demonstrate that it has adequate procedures and resources in place to monitor these activities.

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

Section H: guide for completion of individual fields

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| Sources of Business Sources of business: please tick all that apply, or confirm here that there have been no changes since the last reporting date | The purpose of the 'no changes' checkbox is so that <i>firms</i> do not have to fill in the same information each quarter when it has not changed. If the <i>firm</i> is reporting for the first time, you should leave this field blank and complete the data fields below. |
| Marketing lists | This is where a <i>firm</i> uses a commercially obtained list of potential <i>customers</i> to carry out marketing of its services. |
| Referrals from non-authorized introducers | A non-authorized introducer is a <i>person</i> who is neither authorised by the FSA nor an <i>appointed representative</i> , and who introduces business to <i>firms</i> or <i>appointed representatives</i> . This would include a non-authorized professional firm that refers business to an APF. |
| Referrals from intermediaries | Referrals from other intermediaries, including <i>appointed representatives</i> . |
| Telephone sales | Sales arising solely from telephone conversations with the <i>customer</i> . |

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| Cold calling | See <i>COB</i> 3.10, and <i>MCOB</i> 3.7. |
| Sales visits | Sales arising from a visit to the <i>customer</i> by the <i>firm</i> . |
| Postal sales | Sales arising solely by exchange of postal correspondence. |
| Direct offer financial promotions | See <i>Glossary</i> definition. |
| Repeat customers | Sales made to <i>customers</i> who had previously transacted business with the <i>firm</i> . |
| Internet Sales | Sales arising from the <i>customer's</i> use of the internet. This could include business originated from the <i>firm's</i> internet advertising (website or directory membership), or sales transacted online. |
| Other | Any other sources of business not covered in this section. |
| Advertising | |
| Does your firm approve financial promotions (including qualifying credit promotions)? | A financial promotion is an invitation or inducement to <i>engage in investment activity</i> . This question relates to approval of the content of the <i>financial promotion</i> for the purposes of section 21 of the <i>Act</i> . 'Qualifying credit' is defined in the <i>Glossary</i> . See, generally, <i>AUTH</i> Appendix 1 for <i>guidance on financial promotion</i> and related activities. |
| Types of advertising: please tick all that apply, or confirm here that there have been no changes since the last reporting date | The purpose of this question is so that <i>firms</i> do not have to fill in the same information each quarter when it has not changed. If the <i>firm</i> is reporting for the first time, you should leave this field blank and complete the data fields below. |
| Do you use one or more lists or panels of preferred product providers? If yes, indicate the applicable types of business | You should indicate here the types of business in respect of which the <i>firm</i> uses lists or panels. |
| What (if known) is the total number of providers on the panel(s)? | If the <i>firm</i> compiles its own panel(s), you should state here the total number of product providers that are included as at the reporting date. It is acceptable to leave this field blank if, for example, the <i>firm</i> uses a panel or panels compiled by a product provider or packager firm. |
| How often (if known) are the panel(s) reviewed? | If the <i>firm</i> compiles its own panel(s), you should state the frequency with which the panel or list is reviewed and amended as appropriate, e.g. quarterly. If separate panels are reviewed with differing frequencies, you should state the least frequent. It is acceptable to leave this field blank if, for example, the <i>firm</i> uses a panel or panels compiled by a product provider or packager firm. |
| General COB data | |
| Do regulated activities form the core business of the firm? | 'Core business' for these purposes is the activity from which the largest percentage of the <i>firm's</i> gross income is derived. Note for an <i>authorised professional firm</i> specifying that its core business is 'professional services': if the <i>firm's</i> income from <i>regulated activities</i> is 50% or more of its total income (disregarding a temporary variation of not more than 5% over the preceding year's figure), then it should have regard to <i>IPRU(INV)</i> 2.1.2R (4) and give notification to the <i>FSA</i> . |

| | |
|--|---|
| If not, specify type of core business | <p>Where applicable, the <i>firm</i> should specify its core business from the following:</p> <p>Motor Dealer (includes commercial vehicles, motorcycles and scooters, new & used vehicles) Hire/Lease of vehicles Mobility & Access Equip./Vehicles Other</p> <p>Associations or Institutions Utilities Trade Union University Housing Association & Trust Trade Body Sports Club & Association Other</p> <p>Retail - Goods Electrical Appliance Retailer Furniture Retailer Mobile Telephones Sports Equipment (e.g. Fishing Tackle, Golf) Caravans & Mobile Homes Other goods (e.g. Photographic, coin & stamp dealers)</p> <p>Service sector Travel (e.g. booking accommodation & holidays) Supermarket Veterinary Surgeon Removals (e.g. domestic, business & overseas) Property management (including overseas) Building improvements/extensions (e.g. bathroom, kitchen, conservatories) Other services (e.g. Post Offices, Hire Services)</p> <p>Other if none of the above categories is applicable to the <i>firm's</i> business, e.g. loss assessor, professional services provided by an <i>authorised professional firm</i>.</p> |
| Do you give independent advice? | You should state 'yes' if the <i>firm</i> gives advice on regulated products or services that is independent of product providers or marketing groups. |
| Clawed back commission (retail investment firms only) | |
| Clawed back commission by: | |
| Number | Number of policies where cancellations have led to commissions being clawed back during the reporting period. |
| Value | Total value of clawed back commission during the period. |
| Complaints | |
| Does the firm have complaints handling procedures? | <p><i>DISP</i> 1.2 requires that all <i>firms</i> that conduct business with <i>eligible complainants</i> have in place appropriate and effective written complaint handling procedures.</p> <p>Additionally, <i>firms</i> that carry on <i>insurance mediation</i> are required to have a complaints handling procedure for all complaints, including those from non-eligible complainants (see <i>DISP</i> 1.2.1A R).</p> |

| Monitoring of Appointed Representatives ('ARs') | |
|---|---|
| Number of ARs registered with the firm | Total number of ARs for which the <i>firm</i> has regulatory responsibility, as at the reporting date. |
| Of which, number of 'secondary' ARs | An AR is a secondary AR if: <ul style="list-style-type: none"> the activities for which it is exempt are limited to <i>insurance mediation activities</i> only; and its principal purpose is to carry on activities other than <i>insurance mediation activities</i>. |
| Of which, number of introducer ARs | See <i>Glossary</i> definition |
| Number of advisers within ARs | This should be the total of advisory staff across all of the <i>firm's</i> appointed representatives. Advisory staff are those that advise <i>customers</i> on the merits of purchasing a particular product. By definition this total will not include staff at introducer ARs. |
| Does the firm have appropriate systems and procedures in place to ensure that the activities of its ARs are effectively monitored and controlled? | A summary of the <i>firm's</i> responsibilities under SUP 12 is set out under the sub-heading "monitoring of appointed representatives" above. The <i>firm</i> should be able to demonstrate that it has been in compliance with the requirements in SUP 12 throughout the reporting period. |
| Number of ARs that have been subject to monitoring visits by the firm during the reporting period. | This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12. |
| Number of ARs that have been subject to file reviews by the firm during the reporting period. | This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12. |
| Number of ARs that have been subject to financial checks by the firm during the reporting period. | This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12. |
| Has any other monitoring of ARs by the <i>firm</i> taken place? | If the <i>firm</i> uses other methods to fulfil its monitoring responsibilities under SUP 12, you should state 'yes' here. |

Section I: supplementary product sales data

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

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

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

Sub-heading: (i) non-investment insurance product information

In this section *firms* are asked for aggregate data on their non-investment insurance advising and arranging activities (with *retail customers*). The information required is an indication of

the product types in which the *firm* has been active during the reporting period, and a further indication of how significant this activity is (i.e. whether it forms more than 40% by premium of all of the *firm's* retail non-investment insurance activities)

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

Sub-heading: (ii) Dealing as agent for *non-investment insurance contracts*

This section captures transactions with *retail customers* by *firms* with delegated authority (e.g. where the *firm* can bind risks on behalf of the *insurance undertaking* without further reference to the *insurance undertaking*). *Firms* are required to submit aggregate volumes and value of this business, and to indicate which products they have dealt in.

Firms are also required to indicate whether this business is significant. 'Significant', in this context, is where the premium collected in relation to business where the *firm* dealt as agent amounts to (a) more than 40% of premium collected for all non-investment insurance business, or (b) more than 40% of premium collected for all business in a particular product).

Again, this enables us to ascertain the importance of this business to the *firm* and to target thematic work in this area.

Sub-heading: (iii) non-investment insurance chains

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

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

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

Sub-heading: (iv) claims handling

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

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

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

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

Section I: guide for completion of individual fields

| | |
|---|---|
| (i) non-investment insurance product information | |
| Please indicate in column A each product type where the firm has advised or arranged transactions for retail customers during the reporting period | You should state ‘yes’ in column A for each relevant product. |
| Please indicate in column B where the firm’s retail business in the product type formed more than 40% by premium of all of its non-investment insurance activities. | You should state ‘yes’ in column B for each relevant product, based on an estimate of the percentage of business. If you think the product might account for more than 40% of business but are not sure, you should state ‘yes’. |
| (ii) non-investment insurance chains | |
| Total non-investment insurance premium derived from retail customers | You should state here the total of premiums paid by <i>retail customers</i> during the reporting period in relation to non-investment insurance products. |
| Of this business, please indicate in column C the products where retail sales were passed up a chain and in column D where this business is significant (see notes above) | You should state ‘yes’ in column C for each product in which transactions have been passed up a chain. If this business is significant (see definition above) for one or more product types, this should be indicated in column D. |
| Please also indicate in column E where the firm has dealt directly with the retail customer within the chain | <i>Firms</i> should also indicate in column E the product types for which they transact business in a chain, but directly with the <i>customer</i> . |
| (iii) dealing as agent | |
| Number of sales to retail customers during the reporting period where the firm dealt as agent | You should state here the number of sales during the reporting period where the <i>firm</i> dealt as agent of a product provider (i.e. with delegated authority). |
| Premium paid by retail customers during the reporting period where the firm dealt as agent | You should state here the total value of premiums from policyholders during the reporting period, where the <i>firm</i> dealt as agent of a product provider (i.e. with delegated authority). For regular premium business, annualised figures should be used. |
| Of the total of these sales, please indicate in column F the products where the firm dealt as agent, and in column G where this business is significant (see notes above) | You should state ‘yes’ in column F for each product in which the <i>firm</i> has dealt as agent, and also in column G for each product type where this business is significant. |

| | |
|---|--|
| (iv) claims handling | |
| If you assist in the administration and performance of contracts of insurance: Please provide: Number of claims handled on behalf of customers during the reporting period | If you are authorised to <i>assist in the administration and performance of a contract of insurance</i> on behalf of <i>customers</i> , you should state here the number of new insurance claims that have been handled on <i>customers'</i> behalf during the reporting period. |
| (v) Lloyd's brokers - product sales data | |
| % of regulated business revenue | This should be a summary of the percentages of the <i>firm's</i> revenue in relation to retail, commercial and reinsurance business: Retail: insurance offered to individuals as opposed to commercial entities. Commercial: insurance taken out by a commercial entity (as opposed to an individual). Reinsurance: insurance protection taken out by an insurer to limit its aggregation of exposure on business written. Figures may be rounded to the nearest 20%, but the total should be 100%. |
| Product types: | The product types in this table are defined in the Interim Prudential sourcebook for insurers (' <i>IPRU(INS)</i> ') |

Section J: data required for calculation of fees

This information is required so that we can calculate the fees payable by *firms* in respect of the *FSA*, Financial Ombudsman Service ('*FOS*') and the Financial Services Compensation Scheme ('*FSCS*').

The precise way in which these fees will be calculated is still under consultation. Therefore, further information on the completion of these data fields will be provided in due course.

| | |
|-------------------------------------|---|
| Income for fees calculations | <i>Firms</i> will need to report data for the purpose of calculating <i>FSA</i> , <i>FOS</i> and <i>FSCS</i> levies. The rules to implement these measures will be subject to consultation in 2004 (see below). |
| FSA | The formal rules for calculating <i>FSA</i> fees will be subject to consultation in the second quarter ('Q2') of 2004, and will become final <i>handbook</i> text in Q3 2004. |
| FOS | Mortgage mediation and insurance mediation: the formal rules for calculating <i>FOS</i> fees will be subject to consultation in March 2004, and will become final <i>handbook</i> text in Q3 2004. Retail investment activities: consultation dates to be confirmed. |
| FSCS | Mortgage mediation and insurance mediation: the formal rules for calculating <i>FSCS</i> fees will be subject to consultation in March 2004, and will become final <i>handbook</i> text in Q3 2004. Retail investment activities: consultation dates to be confirmed. |

Mortgage Lending and Administration Return ('MLAR')

Illustration of reporting requirements for firms carrying on mortgage lending and administration activities

Sup 16 Ann 19AR MORTGAGE LENDING & ADMINISTRATION RETURN ('MLAR')

| | |
|---|-------|
| Summary of Contents | Table |
| Balance Sheet | A |
| Profit & Loss Account | B |
| Capital | C |
| Lending - Business flows & rates | D |
| Residential Lending to individuals - New business profile | E |
| Lending - Arrears analysis | F |
| Mortgage administration - Business profile | G |
| Mortgage administration - Arrears analysis | H |
| Fee tariff measures | J |

A BALANCE SHEET

(£000s)

A

| | | <i>Balance at end of quarter</i> | | | <i>Balance at end of quarter</i> |
|-----------|--------------------------|----------------------------------|--|-----------|--|
| A1 | Assets | | | A2 | Liabilities |
| A1.1 | Fixed assets | | | A2.1 | Shareholders' funds |
| A1.2 | Intangible assets | _____ | | A2.2 | Minority interests |
| A1.3 | Tangible assets | _____ | | A2.3 | Provisions for liabilities and charges |
| A1.4 | Investments | _____ | | A2.4 | Creditors |
| A1.5 | Current assets: | | | A2.5 | Amounts falling due within one year |
| A1.6 | Loans to customers | _____ | | A2.6 | Amounts falling due after more than one year |
| A1.7 | Stocks | _____ | | A2.7 | Other liabilities |
| A1.8 | Debtors | _____ | | A2.8 | TOTAL LIABILITIES |
| A1.9 | Investments | _____ | | | |
| A1.10 | Cash at bank and in hand | _____ | | | |
| A1.11 | Other current assets | _____ | | | |
| A1.12 | TOTAL ASSETS | | | | |

| | | <u><i>Unsecured balances</i></u> | | | <u><i>Securitised balances</i></u> | | | |
|-----------|---------------------------------------|----------------------------------|-------------------|---------------------|------------------------------------|-------------------|-----------------------------|---------------------|
| | | <i>Gross balances</i> | <i>Provisions</i> | <i>Net balances</i> | <i>Gross balances</i> | <i>Provisions</i> | <i>Non recourse finance</i> | <i>Net balances</i> |
| A3 | Analysis of loans to customers | | | | | | | |
| A3.1 | Residential loans to individuals | | | | | | | |
| A3.2 | Regulated | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| A3.3 | Non regulated | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| A3.4 | Other secured loans | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| A3.5 | Other loans | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| A3.6 | All loans to customers | | | | | | | |

NB: A3.6[col 3] + A3.6[col 7] = A1.6

B PROFIT AND LOSS ACCOUNT

(£000s)

B

| B0 | Financial year -to-date is <input type="text"/> months (ie 3,6,9 or 12) | B2 Provisions analysis | <i>Provisions balance at start of financial year</i> | <i>Write offs in financial year to date</i> | <i>Provisions charge in financial year to date</i> | <i>Provisions balance at period end</i> |
|---|---|---------------------------------------|--|---|--|---|
| B1 Summary Profit & Loss Account | | | | | | |
| <u>Income</u> | | | | | | |
| B1.1 Gross profit on non-financial activities | _____ | B2.1 Residential loans to individuals | | | | |
| B1.2 Interest receivable | _____ | B2.2 Regulated | _____ | _____ | _____ | _____ |
| B1.3 Interest payable | _____ | B2.3 Non regulated | _____ | _____ | _____ | _____ |
| B1.4 Net interest receivable | _____ | B2.4 Other secured loans | _____ | _____ | _____ | _____ |
| B1.5 Fees and commissions receivable | _____ | B2.5 Other loans | _____ | _____ | _____ | _____ |
| B1.6 Profits on dealing investments | _____ | B2.6 All loans to customers | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| B1.7 Other income | _____ | | | | | |
| B1.8 TOTAL Income | <input type="text"/> | | | | | |
| <u>Expenditure</u> | | | | | | |
| B1.9 Staff costs | _____ | | | | | |
| B1.10 Fees and commissions payable | _____ | | | | | |
| B1.11 Occupancy | _____ | | | | | |
| B1.12 Other operating expenses | _____ | | | | | |
| B1.13 Other expenses | _____ | | | | | |
| B1.14 Total Expenses | <input type="text"/> | | | | | |
| B1.15 OPERATING PROFIT (= B1.8 - B1.14) | <input type="text"/> | | | | | |
| B1.16 Provisions | _____ | | | | | |
| B1.17 Taxation | _____ | | | | | |
| B1.18 Minority interests | _____ | | | | | |
| B1.19 PROFIT FOR THE FINANCIAL PERIOD (= B1.15 - B1.16 - B1.17 - B1.18) | <input type="text"/> | | | | | |
| B1.20 Dividends paid and proposed | _____ | | | | | |
| B1.21 Retained profit for the financial period (= B1.19 - B1.20) | _____ | | | | | |

C CAPITAL

(£000s)

C

| CAPITAL RESOURCES | | CAPITAL REQUIREMENTS | |
|---|-------------------------------|--|--|
| | | <i>Balance at quarter end</i> | |
| C1 Eligible capital | | C4 For a lender, or an administrator with administered assets on its balance sheet. | |
| | <i>Balance at quarter end</i> | | <i>Balance at quarter end</i> |
| C1.1 Reserves | _____ | C4.1 Asset based measure: | |
| C1.2 Interim profits | _____ | C4.2 Total assets | _____ |
| C1.3 Issued capital | _____ | C4.3 Undrawn commitments | _____ |
| C1.4 General Provisions | _____ | C4.4 Intangible assets | _____ |
| C1.5 Other eligible capital | _____ | C4.5 Total adjusted assets | <input type="text"/> (= C4.2 + C4.3 - C4.4) |
| C1.6 Total Eligible Capital | <input type="text"/> | C4.6 CAPITAL REQUIREMENT: | |
| | | a) Minimum | _____ 100 reflecting minimum capital of £100,000 |
| | | b) 1% of C4.5 | _____ using asset based measure |
| | | c) Actual requirement | <input type="text"/> being the higher of a) and b) |
| C2 Deductions from capital | | C5 For an administrator not having administered assets on its balance sheet. | |
| | | | <i>Latest financial year ending / /</i> <i>Estimated current financial year ending / /</i> |
| C2.1 Investments in own shares | _____ | C5.1 Income based measure : | |
| C2.2 Intangible assets | _____ | C5.2 Total income | _____ |
| C2.3 Interim net losses | _____ | C5.3 Relevant adjustments | _____ |
| C2.4 Other deductions | _____ | C5.4 Total relevant income | <input type="text"/> (= C5.2 - C5.3) |
| C2.5 Total Deductions | <input type="text"/> | C5.5 CAPITAL REQUIREMENT: | |
| | | a) Minimum | _____ 100 _____ 100 reflecting minimum capital of £100,000 |
| | | b) 10% of C5.4 | _____ using income based measure |
| | | c) Actual requirement | <input type="text"/> being the higher of a) and b) |
| C3 CAPITAL RESOURCES (= C1.6 - C2.5) | <input type="text"/> | | |

D(1) LENDING : Business flows & rates

(£000's)

D(1)

| | <i>Balance at end of previous quarter</i> | <i>Advances made in quarter</i> | <i>Repayment of principal</i> | <i>Write offs in quarter</i> | <i>Other debits/ (credits) and transfers (net)</i> | <i>Balance at end of quarter (a)</i> |
|--------------------------------------|---|---------------------------------|-------------------------------|------------------------------|--|--------------------------------------|
| D1 Loans: Advances/Repayments | | | | | | |
| Residential lending to individuals : | | | | | | |
| D1.1 Regulated | | | | | | |
| D1.2 Non regulated | | | | | | |
| D1.3 Other secured loans | | | | | | |
| D1.4 TOTAL Secured loans | | | | | | |

a) Column 6 = Col 1 + Col 2 - Col 3 - Col 4 + Col 5

Transactions in quarter included in D1 [column 5]

Balance at end quarter on loan

| | <i>Loans acquired</i> | <i>Loans sold</i> | <i>Loans securitised</i> | <i>Other</i> | <i>Total (b)</i> | <i>assets subject to non-recourse funding</i> |
|--------------------------------------|-----------------------|-------------------|--------------------------|--------------|------------------|---|
| D2 Loans: Book movements | | | | | | |
| Residential lending to individuals : | | | | | | |
| D2.1 Regulated | | | | | | |
| D2.2 Non regulated | | | | | | |
| D2.3 Other secured loans | | | | | | |
| D2.4 TOTAL Secured loans | | | | | | |

(b) D1 column [5] = D2[Col 1 - Col 2 - Col 3 + Col 4]

Balances at end of quarter

Interest rates at end of quarter (to 2 decimal places)

| | <i>TOTAL £000s</i> | <i>Of which at :</i> | | <i>Of which at :</i> | | | <i>Weighted average nominal annual rate on all balances</i> | | | |
|---|--------------------|----------------------|-----------------------|-------------------------------|----------------------------|----------------------------|---|--------------------------------|-----------------------------------|----------|
| | | <i>Fixed rates</i> | <i>Variable rates</i> | <i>less than 2% above BBR</i> | <i>2 < 3% above BBR</i> | <i>3 < 4% above BBR</i> | <i>4% or more above BBR</i> | <i>balances at fixed rates</i> | <i>balances at variable rates</i> | |
| | | <i>£000s</i> | <i>£000s</i> | <i>£000s</i> | <i>£000s</i> | <i>£000s</i> | <i>£000s</i> | <i>%</i> | <i>%</i> | <i>%</i> |
| D3 Loans: Interest rates | | | | | | | | | | |
| Residential loans to individuals: Regulated | | | | | | | | | | |
| D3.1 Total book | | | | | | | | | | |
| D3.2 Advances in quarter | | | | | | | | | | |
| Residential loans to individuals: Non Regulated | | | | | | | | | | |
| D3.3 Total book | | | | | | | | | | |
| D3.4 Advances in quarter | | | | | | | | | | |
| Other secured loans: | | | | | | | | | | |
| D3.5 Total book | | | | | | | | | | |
| D3.6 Advances in quarter | | | | | | | | | | |
| All secured loans: | | | | | | | | | | |
| D3.7 Total book | | | | | | | | | | |
| D3.8 Advances in quarter | | | | | | | | | | |

D(2) LENDING : Business flows

(£000's)

D(2)

| | <i>Commitments outstanding at end of previous quarter</i> | <i>Commitments made since end of previous quarter</i> | <i>Cancellations in quarter</i> | <i>Advances made in quarter (a)</i> | <i>Other debits/(credits) and transfers (net)</i> | <i>Commitments outstanding at end of quarter</i> |
|--------------------------------------|---|---|---------------------------------|---|---|--|
| D4 Loans: Advances/Repayments | | | | | | |
| Residential lending to individuals | | | | | | |
| D4.1 Regulated | | | | | | |
| a) House purchase | _____ | _____ | _____ | _____ | _____ | _____ |
| b) Remortgage | _____ | _____ | _____ | _____ | _____ | _____ |
| c) Other | _____ | _____ | _____ | _____ | _____ | _____ |
| d) TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| D4.2 Non regulated | | | | | | |
| a) House purchase | _____ | _____ | _____ | _____ | _____ | _____ |
| b) Remortgage | _____ | _____ | _____ | _____ | _____ | _____ |
| c) Other | _____ | _____ | _____ | _____ | _____ | _____ |
| d) TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| D4.3 Other secured loans | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| D4.4 TOTAL Secured loans | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

a) Entries should agree with relevant items in Column 2 of D1.

| | | <u>Gross advances in quarter : (amount) by LTV</u> | | | |
|-----------|-------------------------------|--|----------------------|----------------------|----------------------|
| | | <= 75 % | Over 75 <= 90 % | Over 90 <= 95 % | Over 95 % |
| E1 | SINGLE income multiple | | | | |
| | Regulated | | | | |
| E1.1 | Less than 2.50 | _____ | _____ | _____ | _____ |
| E1.2 | 2.50 < 3.00 | _____ | _____ | _____ | _____ |
| E1.3 | 3.00 < 3.50 | _____ | _____ | _____ | _____ |
| E1.4 | 3.50 < 4.00 | _____ | _____ | _____ | _____ |
| E1.5 | 4.00 or over | _____ | _____ | _____ | _____ |
| E1.6 | Other | _____ | _____ | _____ | _____ |
| E1.7 | TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| E1.7a | of which: Not evidenced | _____ | _____ | _____ | _____ |
| | Non Regulated | | | | |
| E1.8 | Less than 2.50 | _____ | _____ | _____ | _____ |
| E1.9 | 2.50 < 3.00 | _____ | _____ | _____ | _____ |
| E1.10 | 3.00 < 3.50 | _____ | _____ | _____ | _____ |
| E1.11 | 3.50 < 4.00 | _____ | _____ | _____ | _____ |
| E1.12 | 4.00 or over | _____ | _____ | _____ | _____ |
| E1.13 | Other | _____ | _____ | _____ | _____ |
| E1.14 | TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| E1.14a | of which: Not evidenced | _____ | _____ | _____ | _____ |
| | All Loans | | | | |
| E1.15 | Less than 2.50 | _____ | _____ | _____ | _____ |
| E1.16 | 2.50 < 3.00 | _____ | _____ | _____ | _____ |
| E1.17 | 3.00 < 3.50 | _____ | _____ | _____ | _____ |
| E1.18 | 3.50 < 4.00 | _____ | _____ | _____ | _____ |
| E1.19 | 4.00 or over | _____ | _____ | _____ | _____ |
| E1.20 | Other | _____ | _____ | _____ | _____ |
| E1.21 | TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| E1.21a | of which: Not evidenced | _____ | _____ | _____ | _____ |

| | | <u>Gross advances in quarter : (amount) by LTV</u> | | | |
|-----------|------------------------------|--|----------------------|----------------------|----------------------|
| | | <= 75 % | Over 75 <= 90 % | Over 90 <= 95 % | Over 95 % |
| E2 | JOINT income multiple | | | | |
| | Regulated | | | | |
| E2.1 | Less than 2.00 | _____ | _____ | _____ | _____ |
| E2.2 | 2.00 < 2.50 | _____ | _____ | _____ | _____ |
| E2.3 | 2.50 < 2.75 | _____ | _____ | _____ | _____ |
| E2.4 | 2.75 < 3.00 | _____ | _____ | _____ | _____ |
| E2.5 | 3.00 or over | _____ | _____ | _____ | _____ |
| E2.6 | Other | _____ | _____ | _____ | _____ |
| E2.7 | TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| E2.7a | of which: Not evidenced | _____ | _____ | _____ | _____ |
| | Non Regulated | | | | |
| E2.8 | Less than 2.00 | _____ | _____ | _____ | _____ |
| E2.9 | 2.00 < 2.50 | _____ | _____ | _____ | _____ |
| E2.10 | 2.50 < 2.75 | _____ | _____ | _____ | _____ |
| E2.11 | 2.75 < 3.00 | _____ | _____ | _____ | _____ |
| E2.12 | 3.00 or over | _____ | _____ | _____ | _____ |
| E2.13 | Other | _____ | _____ | _____ | _____ |
| E2.14 | TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| E2.14a | of which: Not evidenced | _____ | _____ | _____ | _____ |
| | All Loans | | | | |
| E2.15 | Less than 2.00 | _____ | _____ | _____ | _____ |
| E2.16 | 2.00 < 2.50 | _____ | _____ | _____ | _____ |
| E2.17 | 2.50 < 2.75 | _____ | _____ | _____ | _____ |
| E2.18 | 2.75 < 3.00 | _____ | _____ | _____ | _____ |
| E2.19 | 3.00 or over | _____ | _____ | _____ | _____ |
| E2.20 | Other | _____ | _____ | _____ | _____ |
| E2.21 | TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| E2.21a | of which: Not evidenced | _____ | _____ | _____ | _____ |

| | <u>Regulated loans</u> | | | | <u>Non regulated loans</u> | | | | <u>All loans</u> | | | |
|---|----------------------------------|---------------|-----------------------------|---------------|----------------------------------|---------------|-----------------------------|---------------|----------------------------------|---------------|-----------------------------|---------------|
| | <u>Gross advances in quarter</u> | | <u>Balances outstanding</u> | | <u>Gross advances in quarter</u> | | <u>Balances outstanding</u> | | <u>Gross advances in quarter</u> | | <u>Balances outstanding</u> | |
| | <i>Number</i> | <i>Amount</i> | <i>Number</i> | <i>Amount</i> | <i>Number</i> | <i>Amount</i> | <i>Number</i> | <i>Amount</i> | <i>Number</i> | <i>Amount</i> | <i>Number</i> | <i>Amount</i> |
| E3 By credit history | | | | | | | | | | | | |
| E3.1 Impaired credit history | | | | | | | | | | | | |
| E3.2 Other | | | | | | | | | | | | |
| E3.3 TOTAL | | | | | | | | | | | | |
| E4 By payment type | | | | | | | | | | | | |
| E4.1 Repayment (capital & interest) | | | | | | | | | | | | |
| E4.2 Interest only | | | | | | | | | | | | |
| E4.3 Combined | | | | | | | | | | | | |
| E4.4 Other | | | | | | | | | | | | |
| E4.5 TOTAL | | | | | | | | | | | | |
| E5 By drawing facility | | | | | | | | | | | | |
| E5.1 Loans with extra drawing facility : | | | | | | | | | | | | |
| a) Loans including unused facility | | | | | | | | | | | | |
| b) Unused facility | | | | | | | | | | | | |
| c) Net loans (a - b) | | | | | | | | | | | | |
| E5.2 Loans with no extra drawing facility | | | | | | | | | | | | |
| E5.3 TOTAL | | | | | | | | | | | | |
| E6 By purpose | | | | | | | | | | | | |
| E6.1 House Purchase: | | | | | | | | | | | | |
| Owner occupation a) FTB's | | | | | | | | | | | | |
| b) Other | | | | | | | | | | | | |
| E6.2 Buy to let | | | | | | | | | | | | |
| E6.3 Further Advance | | | | | | | | | | | | |
| Remortgage: | | | | | | | | | | | | |
| E6.4 Own borrowers | | | | | | | | | | | | |
| E6.5 From other lenders | | | | | | | | | | | | |
| E6.6 Lifetime Mortgage | | | | | | | | | | | | |
| E6.7 Other | | | | | | | | | | | | |
| E6.8 TOTAL | | | | | | | | | | | | |

F(1) LENDING: Arrears analysis

(£000s)

F(1)

| Arrears categorisation by type of loan | <u>Cases entering higher (ie more serious) arrears band in quarter</u> | | | <u>Position on all arrears cases at end of quarter</u> | | | <u>Performance of current arrears cases during the quarter</u> |
|--|--|--------------------------|----------------------------|--|--------------------------|----------------------------|--|
| | <i>Number</i> | <i>Amount of arrears</i> | <i>Balance outstanding</i> | <i>Number</i> | <i>Amount of arrears</i> | <i>Balance outstanding</i> | % |
| F1 Residential loans to individuals: Regulated | | | | | | | |
| F1.1 1.5 < 2.5 % | | | | | | | |
| F1.2 2.5 < 5 % | | | | | | | |
| F1.3 5.0 < 7.5 % | | | | | | | |
| F1.4 7.5 < 10 % | | | | | | | |
| F1.5 10% or more | | | | | | | |
| F1.6 In possession | | | | | | | |
| F1.7 TOTAL | | | | | | | |
| F2 Residential loans to individuals: Non regulated | | | | | | | |
| F2.1 1.5 < 2.5 % | | | | | | | |
| F2.2 2.5 < 5 % | | | | | | | |
| F2.3 5.0 < 7.5 % | | | | | | | |
| F2.4 7.5 < 10 % | | | | | | | |
| F2.5 10% or more | | | | | | | |
| F2.6 In possession | | | | | | | |
| F2.7 TOTAL | | | | | | | |
| F3 Residential loans to individuals: All loans | | | | | | | |
| F3.1 1.5 < 2.5 % | | | | | | | |
| F3.2 2.5 < 5 % | | | | | | | |
| F3.3 5.0 < 7.5 % | | | | | | | |
| F3.4 7.5 < 10 % | | | | | | | |
| F3.5 10% or more | | | | | | | |
| F3.6 In possession | | | | | | | |
| F3.7 TOTAL | | | | | | | |

F(2) LENDING: Arrears analysis

(£000s)

F(2)

| Arrears categorisation by type of loan | <u>Cases entering higher (ie more serious) arrears band in quarter</u> | | | <u>Position on all arrears cases at end of quarter</u> | | | <u>Performance of current arrears cases during the quarter</u> | | |
|---|--|-------------------|---------------------|--|-------------------|---------------------|--|----------------------|---------------------------|
| | Number | Amount of arrears | Balance outstanding | Number | Amount of arrears | Balance outstanding | % | | |
| F4 Other secured loans | | | | | | | | | |
| F4.1 1.5 < 2.5 % | | | | | | | | | |
| F4.2 2.5 < 5 % | | | | | | | | | |
| F4.3 5.0 < 7.5 % | | | | | | | | | |
| F4.4 7.5 < 10 % | | | | | | | | | |
| F4.5 10% or more | | | | | | | | | |
| F4.6 In possession | | | | | | | | | |
| F4.7 TOTAL | | | | | | | | | |
| F5 Arrears management | Those cases no longer reported (ie not included in F1 to F4.7) | | | Arrears cases reported in F1 to F4.7 at end quarter | | | | | |
| | <u>Possession sales during quarter</u> | | | <u>Capitalisation of arrears cases in quarter</u> | | | <u>Number of cases for which there is in place:</u> | | |
| | Number | | Balance outstanding | Number | Amount of arrears | Balance outstanding | A temporary concession | A formal arrangement | No concession arrangement |
| Residential loans to individuals : | | | | | | | | | |
| F5.1 Regulated | | | | | | | | | |
| F5.2 Non regulated | | | | | | | | | |
| F5.3 Total | | | | | | | | | |
| F5.4 Other secured loans | | | | | | | | | |
| F5.5 TOTAL | | | | | | | | | |

G0 Do you need to complete tables G and H ?

If you have a mortgage lenders permission, and only administer your own on-balance sheet loan book, and do not have any off-balance sheet loans to administer, **then** please tick

this box (and do not complete the rest of this section).

Otherwise, please complete sections G1 and G2, and table H in your capacity as a loan administrator.

| | | <i>Residential loans to individuals</i> | | |
|---|---|---|----------------------------|----------------------|
| G1 Mortgage contracts administered at end of quarter | | <i>Regulated loans</i> | <i>Non regulated loans</i> | <i>All loans</i> |
| G1.1 | Number of loans administered for : | | | |
| | a) Firms with a mortgage lender's permission | _____ | _____ | _____ |
| | b) Other firms | _____ | _____ | _____ |
| | c) SPVs | _____ | _____ | _____ |
| | d) Total | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| G1.2 | Balance outstanding on loans administered for : | | | |
| | a) Firms with a mortgage lender's permission | _____ | _____ | _____ |
| | b) Other firms | _____ | _____ | _____ |
| | c) SPVs | _____ | _____ | _____ |
| | d) Total | <input type="text"/> | <input type="text"/> | <input type="text"/> |

Residential loans to individuals administered for third parties

| G2 Lenders for whom mortgage administration was being carried out at end of quarter | | <i>Details of lender</i> | | <i>Balances outstanding at end of quarter</i> | | | |
|---|---|--|---------------------|---|-----------------------------------|-------------------------|-------|
| | | <i>FSA firm reference (if available)</i> | <i>Name of firm</i> | <i>Regulated loans £000's</i> | <i>Non regulated loans £000's</i> | <i>All loans £000's</i> | |
| G2.1 | Firms with a mortgage lenders permission : [top 5 only] | 1 | _____ | _____ | _____ | _____ | |
| | | 2 | _____ | _____ | _____ | _____ | |
| | | 3 | _____ | _____ | _____ | _____ | _____ |
| | | 4 | _____ | _____ | _____ | _____ | _____ |
| | | 5 | _____ | _____ | _____ | _____ | _____ |
| G2.2 | Other firms : [top 5 only] | 1 | _____ | _____ | _____ | _____ | |
| | | 2 | _____ | _____ | _____ | _____ | |
| | | 3 | _____ | _____ | _____ | _____ | _____ |
| | | 4 | _____ | _____ | _____ | _____ | _____ |
| | | 5 | _____ | _____ | _____ | _____ | _____ |
| G2.3 | SPVs: [top 5 only] | 1 | _____ | _____ | _____ | _____ | |
| | | 2 | _____ | _____ | _____ | _____ | |
| | | 3 | _____ | _____ | _____ | _____ | _____ |
| | | 4 | _____ | _____ | _____ | _____ | _____ |
| | | 5 | _____ | _____ | _____ | _____ | _____ |

H(1) MORTGAGE ADMINISTRATION: Arrears analysis

(£000s)

H(1)

| Arrears categorisation by type of loan | <u>Cases entering higher (ie more serious) arrears band in quarter</u> | | | <u>Position on all arrears cases at end of quarter</u> | | | <u>Performance of current arrears cases during the quarter</u> |
|--|--|-------------------|---------------------|--|-------------------|---------------------|--|
| | Number | Amount of arrears | Balance outstanding | Number | Amount of arrears | Balance outstanding | % |
| H1 Residential loans to individuals: Regulated | | | | | | | |
| H1.1 1.5 < 2.5 % | | | | | | | |
| H1.2 2.5 < 5 % | | | | | | | |
| H1.3 5.0 < 7.5 % | | | | | | | |
| H1.4 7.5 < 10 % | | | | | | | |
| H1.5 10% or more | | | | | | | |
| H1.6 In possession | | | | | | | |
| H1.7 TOTAL | | | | | | | |
| H2 Residential loans to individuals: Non regulated | | | | | | | |
| H2.1 1.5 < 2.5 % | | | | | | | |
| H2.2 2.5 < 5 % | | | | | | | |
| H2.3 5.0 < 7.5 % | | | | | | | |
| H2.4 7.5 < 10 % | | | | | | | |
| H2.5 10% or more | | | | | | | |
| H2.6 In possession | | | | | | | |
| H2.7 TOTAL | | | | | | | |
| H3 Residential loans to individuals: All loans | | | | | | | |
| H3.1 1.5 < 2.5 % | | | | | | | |
| H3.2 2.5 < 5 % | | | | | | | |
| H3.3 5.0 < 7.5 % | | | | | | | |
| H3.4 7.5 < 10 % | | | | | | | |
| H3.5 10% or more | | | | | | | |
| H3.6 In possession | | | | | | | |
| H3.7 TOTAL | | | | | | | |

| Arrears categorisation by type of loan | | Those cases no longer reported (ie not included in H1 to H3.7) | | | | | | Arrears cases reported in H1 to H3.7 at end quarter | | |
|---|------------------------------------|---|----------------------------|---|--------------------------|----------------------------|---|---|----------------------------------|--|
| | | <u>Possession sales during quarter</u> | | <u>Capitalisation of arrears cases in quarter</u> | | | <u>Number of cases for which there is in place:</u> | | | |
| | | <i>Number</i> | <i>Balance outstanding</i> | <i>Number</i> | <i>Amount of arrears</i> | <i>Balance outstanding</i> | <i>A temporary concession</i> | <i>A formal arrangement</i> | <i>No concession arrangement</i> | |
| H4 | [Other secured loans] | [Not relevant to this analysis of arrears by Loan Administrators, but structure maintained as per table F in order to make use of the same guidance notes]. | | | | | | | | |
| H5 | Arrears management | | | | | | | | | |
| | Residential loans to individuals : | | | | | | | | | |
| H5.1 | Regulated | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | |
| H5.2 | Non regulated | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | |
| H5.3 | Total | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | |

| J1 | Fee tariff measures by regulated activity: | FSA measure (a) | FOS measure (b) |
|-----------|---|------------------------|------------------------|
| J1.1 | Mortgage lending activity: | <input type="text"/> | <input type="text"/> |
| J1.2 | Mortgage administration activity: | <input type="text"/> | <input type="text"/> |
| J1.3 | Total for these activities: | <input type="text"/> | <input type="text"/> |

Notes: a), b) Details of the particular measure to be used are found in the MLAR guidance notes

It should be noted that the definitions of these measures may change from time to time, and therefore the current definitions must be established by reference to the guidance notes which provide details of where such definitions are to be found in the website version of the Handbook.

Part 7: SUP 16 Ann 19BG

**NOTES FOR COMPLETION OF THE MORTGAGE LENDING &
ADMINISTRATION RETURN ('MLAR')**

Contents

| | |
|---------------|--|
| Introduction: | General notes on the return |
| Section A: | Balance Sheet |
| Section B: | Profit & Loss Account |
| Section C: | Capital |
| Section D: | Lending: Business Flows & Rates |
| Section E: | Residential Lending to Individuals: New Business Profile |
| Section F: | Lending: Arrears Analysis |
| Section G: | Mortgage Administration: Business profile |
| Section H: | Mortgage Administration: Arrears analysis |
| Section J | Fee tariff measures |

[Version 10 March 2004]

INTRODUCTION: GENERAL NOTES ON THE RETURN

1. Introduction

This section covers a number of points that have relevance across the return generally:

- Overview
- Purpose of reporting requirements
- Regulated mortgage contracts and the wider mortgage market
- Accounting conventions
- Accuracy
- Time period
- Loans made before 31 October 2004
- Specific items:
 - (i) positions to be reported gross
 - (ii) foreign currencies

2. Overview of reporting requirements

The data requirements for *firms* carrying on the *regulated activities* of *mortgage lending* and *mortgage administration* consist of quarterly, half yearly and annual information. This *guidance* deals only with the quarterly requirements, however, which are referred to as the Mortgage Lending and Administration Return (*MLAR*). The remaining data requirements are applied to *firms* through existing rules within the following sections of the *Handbook*:

- the Dispute resolution: Complaints sourcebook for complaints reporting; and
- Chapter 16 of the Supervision manual for *controllers* reports (section 16.4), *close links* reports (section 16.5) and annual accounts (section 16.7).

Because the *MLAR* is activity based, it sets out the reporting requirements for a number of different *firm* types. We expect *firms* to complete the requirements as follows:

- a *firm* carrying on both *mortgage lending* and *mortgage administration* will need to complete the whole of the *MLAR*;
- a *firm* carrying on *mortgage lending* but not also *mortgage administration* will need to complete the whole of the *MLAR* except sections G and H;
- a *firm* carrying on *mortgage administration* , but not also *mortgage lending* , will need to complete sections A, B, C, G, H and J of the *MLAR*.

However, the above requirements are subject to the further details below, which are designed to avoid any duplication between *MLAR* reporting requirements and any other reporting requirements arising from the *firm's* other *regulated activities* (eg as a *bank*, *building society*, *securities and futures firm* etc). The *rules* in SUP 16 (section 16.7) provide full details of which sections of the *MLAR* do not apply for each *firm* type.

| Firm | Sections of the MLAR not required |
|---|--|
| <i>Mortgage lender/administrator with no other activities (a)</i> | No duplication, so complete all sections described above this table |
| <i>Mortgage lender/administrator that is also subject to the RMAR (a)</i> | Duplication in RMAR, but complete all MLAR sections described above this table |
| <i>Securities & futures firm or investment management firm</i> | A1, A2 and B1 |
| <i>Incoming EEA firm (b)</i> | A1, A2, B1 and C |
| <i>UK branch of a non-EEA bank</i> | No duplication, so complete all sections described above this table |
| <i>Members' adviser</i> | No duplication, so complete all sections described above this table |
| <i>Authorised professional firm</i> | No duplication, so complete all sections described above this table |
| <i>Other firm types/regulated activities (except above)</i> | A1, A2, B1 and C |

Key: **A1:** Assets **A2:** Liabilities **B1:** Profit & Loss **C:** Capital

Note (a) : a *firm* which is a solo-consolidated *subsidiary* of an authorised credit institution is not required to complete section C of the *MLAR*.

Note (b) : *Credit Institutions* passporting under *BCD* for *mortgage lending* (which also includes *mortgage administration*), or other *firms* passporting under another EU Directive for a non-mortgage activity and holding a *top-up permission* from the *FSA* for *mortgage lending* and/or *mortgage administration*. Also includes *firms* classed as "*Treaty firms*" under Schedule 4 of the *Act*. But any other *EEA firm* type should complete in full all sections of the *MLAR* described above this table, as it would not be eligible for any reduction in reporting requirements.

Commencement and transitional provisions

The *MLAR* sections on **Arrears** (tables F and H) are not required to be submitted as part of a *firm's* first *MLAR* submission (in respect of the *firm's* first financial quarter starting on or after 1 April 2005). They should however be included in all subsequent quarterly submissions. A *firm* may of course submit these sections from the outset, but is not obliged to do so.

The position regarding **building society reporting** merits specific comment. Societies have previously reported a range of information on *mortgage lending* that has much in common with certain sections of the *MLAR*. Now mortgage reporting requirements have been finalised, societies' existing reporting will change from the implementation of the *MLAR* to avoid duplication. When societies begin to submit the *MLAR*, they will no longer be required to submit the following sections of the QFS1:

- QFS1 table G (1): All sections
- QFS1 table G (2): All sections
- QFS1 table J: Sections J2 and J3 only (Note (a))
- QFS1 table K (1): Sections K1 and K2 only
- QFS1 table K (2): Sections K4 and K5 only (Note (a))

Note (a): These sections should however continue to be completed in respect of *subsidiaries* that hold mortgages but which are not required to complete the *MLAR* (ie they are not authorised to undertake a *mortgage lending* activity).

NB: A society may however continue to submit these sections of the QFS1, if it so wishes (in addition to the *MLAR*). This option is intended to cater for those circumstances where a society has automated the production of its QFS1 and wishes to avoid additional work involved in cutting back on reporting as specified above.

3. Purpose of reporting requirements

The reasons why the *FSA* requires this data from *mortgage lenders* and *administrators* are as follows:

- to assess the probability of the failure of *firms* and the impact of failure on the ability of the *FSA* to meet its statutory objectives, including an assessment of compliance with the *threshold conditions*;
- to assist with prudential supervision of *firms*; and
- to help assess the risks in the mortgage market as a whole to inform, for example, the *FSA*'s thematic work. By this we mean that we will use some of our supervisory resources to examine issues (known as 'themes') that affect a number of *firms* rather than *firms* individually. The data collected will be considered alongside other information we receive, to identify trends and issues that inform our supervision of *firms*.

The *MLAR* requires *mortgage lenders* and *administrators* to submit four types of data:

- financial data to assist in the prudential supervision of *mortgage lenders* and *administrators*. A quarterly financial return is required, including a balance sheet and profit and loss account;
- quarterly reporting of quantitative and qualitative data by all *mortgage lenders* and *administrators* to enable monitoring of compliance with the requirements of *MCOB*;
- quarterly provision of qualitative mortgage information by all *mortgage lenders* and *administrators* to enable the *FSA* to understand developments in the mortgage markets as a whole, and to inform future policy developments and prudential supervision; and

- quarterly information on fee tariff measures.

The reporting requirements set out in the *MLAR* will enable the *FSA* to realise these information needs. In particular:

Tables A to C: provide the framework for the *FSA*'s financial monitoring and prudential supervision of *mortgage lenders* and *administrators*;

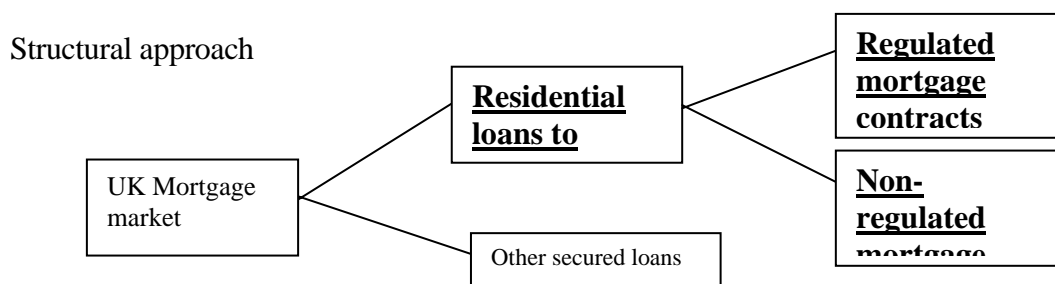
Tables D to F: provide the framework for the provision of qualitative mortgage information by *mortgage lenders*

Table G, H: provides the framework for the *FSA*'s monitoring of mortgage administration activities.

Table J provides information on fee tariff measures for *mortgage lenders* and *administrators*.

4. Regulated mortgage contracts and the wider mortgage market

Given this background to reporting requirements, the *FSA*'s approach to obtaining information on *mortgage lending* has been structured so that ***regulated mortgage contracts*** are seen within the wider context of the **UK mortgage market as a whole**. This approach can be illustrated as follows:



Each of these key terms is explained below:

(i) **UK Mortgage market**

This refers to all lending secured on land and buildings in the United Kingdom, whether to individuals, housing associations or corporates. However, given the importance of mortgages to individuals we have chosen to look at the market in terms of two components, namely 'residential lending to individuals' and 'other secured lending'.

(ii) **Residential loans to individuals**

This is a discrete category of the mortgage market, and has characteristics (e.g. in terms of products, lending criteria and methods of credit assessments) that are often markedly different from those applying to other types of secured lending (e.g. to corporates).

It is lending to individuals secured by mortgage on land and buildings where the lender has either a first or second (or subsequent) charge, where at least 40% of the land and buildings is used for residential purposes, and where the premises are for occupation by either the borrower (or dependant), or any other third party (e.g. it includes 'buy to let' lending to individuals)

Regulated mortgage contracts are therefore a subset of this market category.

Examples of **non-regulated mortgage contracts** which fall under the wider category of residential loans to individuals include: buy-to-let loans and other types of loan where the property is not for use by the borrower (or qualifying dependants); residential loans to individuals where the lender does not have a first charge.

It is important, therefore, to separate this category from all other forms of secured lending.

(iii) **Other secured lending**

This covers all other forms of lending secured on land and buildings in the United Kingdom. Primarily it covers secured lending to corporate bodies (including to housing associations), but it also includes lending to individuals which, although being secured on land and buildings, is not deemed to be residential (e.g. the residential element is less than 40%).

(iv) **Regulated mortgage contract**

This is defined in the *Handbook* as follows:

- (a) (in relation to a contract) (in accordance with article 61(3) of the *Regulated Activities Order*) a contract which, at the time it was entered into, meets the following conditions:
- (i) a lender provides credit to an individual or to trustees (the 'borrower'); and
 - (ii) the obligation of the borrower to repay is secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a person who is in relation to the borrower or (in the case of credit provided to trustees) a beneficiary of the trust:
 - (A) that person's spouse; or
 - (B) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or
 - (C) that person's parent, brother, sister, child, grandparent or grandchild.

- (b) (in relation to a *specified investment*) the *investment*, specified in article 88 of the *Regulated Activities Order*, which is rights under a *regulated mortgage contract* in (a).

This means that in relation to a *regulated mortgage contract*, the following conditions must all be satisfied:

- the borrower must be an individual or trustee;
- the lender must take a first legal mortgage over *UK* property; and
- the property must be at least 40% occupied by the borrower or his immediate family.

The definition of a *regulated mortgage contract* means that many kinds of loan are caught by regulation, not just loans for house purchase. For example it includes a significant amount of short-term first charge lending. This includes lending for home improvements (including some in-store credit), lending for debt consolidation, lending to finance a business, and some specific banking products such as secured overdrafts, secured credit cards, bridging loans and loans secured by all monies charges.

5. Accounting conventions

Unless the contrary is stated in these guidance notes, the return should be compiled using generally accepted accounting practice.

6. Accuracy

It is expected that entries on the return will be actual values, or in some cases close approximations established or drawn from the *firm's* systems and prepared on the basis of being the best information in the time available for their compilation.

If such 'close approximations' are considered by the *firm* as likely to be materially different from the underlying actual values, the *firm* should advise its supervisory team of data items affected.

7. Time periods

Where stock figures are required (e.g. balance sheet, capital position etc) the information is required as at the *firm's accounting reference date* and the three quarter ends following this date (see SUP 16.3.13R).

Where flow figures are required, these are either for **3 months only** (i.e. the latest quarter) as in for example lending figures in tables D and E, or **cumulative in the 'year to date'**, (e.g. profit and loss in table B etc), covering the period from the *firm's accounting reference date* to the end of the reporting quarter.

8. Loans made before 31 October 2004

Any loans made before 31 October 2004, that otherwise satisfy the specific requirements of a *regulated mortgage contract*, should be reported as **non-regulated loans** in the various parts of the *MLAR* (since only those loans advanced after this date are required to be treated as a *regulated mortgage contract* for the purposes of *MLAR* reporting).

This reporting basis for loans made before 31 October 2004 should continue until such time, if ever, that a subsequent transaction on the loan causes it to be formally treated as a regulated contract.

9. Specific items

9(i) Positions to be reported gross

In general, liabilities and assets should be shown gross, and not netted off (unless there is a legal right of set-off). Thus an account which moves from credit to debit will move from one side of the balance sheet to the other.

A notable exception to this however concerns the reporting of loan assets which are subject to '**linked presentation**' (e.g. under FRS5). Such assets should be shown in the balance sheet net of linked funding and also on this basis in other tables where balances are reported on the same basis. Only sections A3 and D2 require the reporting of such loan assets on a 'gross' basis.

The treatment of loan assets that are being operated as part of a current account **offset mortgage** product (or similar products where *deposit* funding is offset against loan balances in arriving at a net interest cost on the account) will depend on the conditions pertaining to the mortgage product. The balance outstanding on such loans will need to be reported on the basis of the contractually defined balance according to the terms of the mortgage product. This might be the amount of loan excluding any offsetting funds, or it might be the net amount.

9(ii) Foreign currencies

Amounts in foreign currencies, including also any loans denominated in foreign currencies, should be translated into their equivalent sterling value using an appropriate rate of exchange at the reporting date, or where appropriate, at the rates of exchange fixed under the terms of any relevant currency hedging transaction, and that value used in the return. Thus all entries in the form represent sterling amounts. *Firms* should apply the same accounting treatment as for their published accounts.

SECTION A: BALANCE SHEET

Balance sheet analysis

A1, A2 The balance sheet is intended to reflect the practices used in compiling published or other accounts (e.g. those prepared under the UK Companies Acts), although its format in the *MLAR* (with 'total assets' and 'total liabilities') will not necessarily be the same as that used by *firms* in their regular accounts. However, the differences should only be presentational.

A1.6 **Loans to customers** may be a non-standard accounting sub-head for some *firms* whose business is not primarily mortgage related. But since this is an explicit *MLAR* data requirement, it should be split out from the sub-head under which it is routinely shown in the *firm's* other accounts.

A3 Analysis of loans to customers

This section recognises that some lenders may have securitised loans on their balance sheet, and hence provides for unsecuritised/securitised loans to be shown separately.

Unsecuritised balances are analysed in terms of three elements: gross loan balances (before deduction of any provisions); provisions balances in respect of those balances; and the net balances after deduction of such provisions.

Securitised balances are analysed in a similar way, except that 'gross' also means before the deduction of any linked non-recourse funding, the amount of which is also to be shown separately.

A3.1-4 See Introduction (paragraphs 4 (i) to (iv)) for details of the coverage of these terms.

A3.5 **Other loans** refers to any lending secured on land and buildings outside of the UK, any loan for which security is provided other than by land and buildings, together with all unsecured loans (e.g. consumer credit, personal loans, or such loans to corporates).

A3.6 It is expected that net balances on unsecuritised loans plus net balances on securitised loans will equal the entry shown at A1.6 in the main balance sheet analysis of assets.

SECTION B: PROFIT & LOSS ACCOUNT

B0 Financial year to date

In terms of **reporting period**, the analysis should be compiled on a 'year to date' basis, covering successively 3, 6, 9 or 12 months from the *firm's accounting reference date*.

B1 Profit & Loss Account

The P&L section is intended to reflect the practices used in compiling accounts prepared under the Companies Acts, although its format in the *MLAR* (with explicit focus on financial items such as interest, fees & commission etc) will not necessarily be the same as that used by *firms* in their regular accounts.

The reason for this approach is that most lenders to which this section is applicable are mortgage specialists, and as such it is considered desirable to put their P&L format onto a similar basis as that used for *banks* and *building societies*.

The analysis therefore requires the *firm's* profit & loss account to be re-structured in a way that makes a number of items explicit in the interests of achieving consistency with other reporting *firms*.

B1.1 Focuses on **gross profit from non-financial activities**.

B1.2-1.7 Covers a range of **income elements** which are more closely related to financial activities, including in particular those associated with mortgage lending.

B1.9-1.13 Covers a range of **expenditure elements**, including those related to non-financial and also to financial (including mortgage related) activities.

B1.15 **Operating Profit** is total income less total expenses.

B1.16 **Provisions** covers write-offs and provisions charges on bad and doubtful debts, (including for example on mortgage loans); any suspended interest (i.e. any interest included in Interest Receivable which, through loan default, impairment or otherwise, is deemed unlikely to be received); and any other provisions for contingent liabilities.

B2 Provisions analysis

This supplementary analysis draws together the key movements in provisions balances from the *firm's* accounting reference date up to the reporting quarter end.

The two 'flow items', namely **write-offs** and **provisions charges**, are those relating to the period from the *firm's* accounting reference date up to the reporting date.

The total of **provisions charges** in line B2.6 [column 3] will not necessarily be the same as the provisions charge in the Profit & Loss analysis at B1.16 (since

this latter item may include further provisions against other asset items not included in B2.6, or provisions arising from other sources).

SECTION C: CAPITAL

INTRODUCTION

The *threshold conditions* state that the resources of a *firm* must be adequate in the opinion of the *FSA* in relation to the *regulated activities* that the *firm* seeks to carry on or carries on. In addition, a *firm* is required to maintain 'adequate financial resources'. A *mortgage lender/administrator* should have adequate capital and funding in order to be able to meet these requirements.

In addition, the *FSA* operating framework requires us to identify the main risks to our statutory objectives. In assessing *firm*-specific risks we are required to assess the risks arising from the financial failure of a *firm* (due to business risks from the external environment, or control risks arising from the *firm* itself) which might affect both the market and individual *customers*. The specific *FSA* objectives that are potentially impacted are those relating to market confidence and consumer protection.

Details provided in this Section on Capital are drawn from the appropriate provisions of 'PRU 9.2: Capital Resources for Insurance and Mortgage Mediation Activity and Mortgage Lending and Administration'.

C1-2

CAPITAL RESOURCES

C1 and C2 set out first the individual components of **eligible capital** and secondly the **separate deductions** that should be made to arrive at qualifying capital.

Components of eligible capital are:

(1) Share capital

Share capital must be fully paid (i.e. the *firm* is under no obligation to repay this capital unless and until the *firm* is wound up) and may include ordinary *share* capital or preference *share* capital (excluding preference *shares* redeemable by shareholders within two years).

(2) Partnership or sole trader capital

Partnership capital is capital made up of the *partners'* capital account. The capital account is an account into which capital contributed by the *partners* is paid and from which, under the terms of the *partnership* agreement, an amount representing capital may be withdrawn by a *partner* only if he ceases to be a *partner* and an equal amount is transferred to another such account by his former *partners* or any *person* replacing him as their *partner*, or the *partnership* is otherwise dissolved or wound up.

Sole trader capital is the net balance on the *firm's* capital account and current account.

(3) Audited reserves

Audited reserves are audited accumulated profits retained by the *firm* (after deduction of tax, dividends and proprietors' or *partners'* drawings) and other reserves created by appropriations of *share* premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a parent company. For *partnerships*, audited reserves include *partners'* current accounts according to the most recent financial statement.

(4) Interim net profits and partners' interim current accounts

A *firm* is not required to take into account interim net profits. However, if it does, the profits have to be verified by the *firm's* external auditors, net of tax, anticipated dividends or proprietors' drawings and other appropriations.

In terms of the verification for inclusion, for the first, second and third financial quarters *firms* may include interim profits in their *MLAR*, on the understanding that the *firm* will obtain the required verification from its external auditors within two months of the financial quarter end. (The *FSA* may ask for a copy of the verification statement.) For the fourth quarter the *FSA* will rely on the forthcoming audited accounts as providing verification and accordingly the full year's profits should be included in the make-up of Eligible Capital under Interim Profits in the return.

(5) Revaluation reserve

Firms should report reserves relating to the revaluation of fixed assets.

(6) General provisions

Firms should report general provisions that are held against potential losses that have not yet been identified, but which experience indicates are present in the *firm's* portfolio of assets. Such provisions must be freely available to meet these unidentified losses wherever they arise. General provisions must be verified by external auditors and disclosed in the *firm's* annual report and accounts.

(7) Subordinated loans

Subordinated debt (i.e. the amount of principal outstanding before amortisation) must not form part of the capital resources of a *firm* unless it meets the following conditions:

- (1) it has an original maturity of at least five years or is subject to five years' notice of repayment;
- (2) the claims of the subordinated creditors must rank behind those of all unsubordinated creditors;

- (3) the only events of default must be non-payment of any interest or principal under the debt agreement or the winding up of the *firm*;
- (4) the remedies available to the subordinated creditor in the event of non-payment or other default in respect of the subordinated debt must be limited to petitioning for the winding up of the *firm* or proving the debt and claiming in the liquidation of the *firm*;
- (5) the subordinated debt must not become due and payable before its stated final maturity date except on an event of default complying with (3);
- (6) the agreement and debt are governed by the law of England and Wales, or of Scotland, or of Northern Ireland;
- (7) to the fullest extent permitted under the rules of the relevant jurisdiction, creditors must waive their right to set off amounts they owe the *firm* against subordinated amounts owed to them by the *firm*;
- (8) the terms of the subordinated debt must be set out in a written agreement or instrument that contains terms that provide for the conditions set out in (1) to (7); and
- (9) the debt must be unsecured and fully paid up.

Treatment of eligible capital items (listed above) in section C1:

C1.1 Reserves: include items

- audited reserves
- revaluation reserves

C1.2 Interim profits: include items

- externally verified interim net profits
- externally verified *partners'* interim current accounts

C1.3 Issued capital: include items

- *share* capital
- *partnership* or *sole trader* capital
- subordinated loans

C1.4 General provisions

C1.5 Other eligible capital: includes

- any other item of eligible capital not required to be included in items C1.1 to C1.4.

C1.6 Total Eligible Capital

This is the sum of the components listed in C1.1 to C1.5.

C2 Deductions from capital

C2.1 Investments in own shares represents any investment in the *shares* of the company, quantified as fixed assets in the balance sheet.

C2.2 Intangible assets are the full balance sheet value of goodwill, capitalised development costs, brand names, trademarks and similar rights and licences. However, the balance sheet value for goodwill does not have to be deducted here until 14 January 2008. See *PRU 9.3.53R*

C2.3 Interim net losses refers to the cumulative amount covering the period from the *firm's accounting reference date* to the end of the current quarter. All the current year's losses should be reported. Unpublished losses from the previous accounting period should also be shown here.

C2.4 Other deductions from capital: include

- **Excess of drawings over profits for partnerships or sole traders:** *firms* should report the difference between the personal drawings of a *partnership* or *sole trader* and the profit in the period, where the drawings exceed the profit for the period.

C2.5 Total Deductions

This is the sum of the components listed in C2.1 to C2.4.

C3 Total Capital Resources

This is total eligible capital less total deductions (C1.6 – C2.5).

C4 Capital requirements

C4.1 The capital requirement for *mortgage lenders* or *mortgage administrators* that have the *regulated mortgage contracts* that they administer on their balance sheet is asset-based, and the information required is detailed in C4.2 to C4.4.

C4.2 Total assets: this is the total value of fixed and current assets.

C4.3 Undrawn commitments

Undrawn commitments means the total of those amounts which a borrower has the right to draw down from the *firm* but which have not yet been drawn down.

However, undrawn commitments should not be included in the calculation of capital requirements if they have an original maturity of up to one year or if they can be unconditionally cancelled at any time by the lender.

Similarly, existing mortgage offers should not be included in the calculations of capital requirements if the offer has an original maturity of up to one year or can be unconditionally cancelled at any time by the lender.

C4.4 **Intangible assets:** this is the amount shown at C2.2.

C4.5 **Total adjusted assets:** this is the sum of C4.2 and C4.3, less C4.4

C5 **Capital requirements**

C5.1 This section sets out the income-based capital requirements applicable to *mortgage administrators* that have been appointed by *persons* that are not authorised to administer *regulated mortgage contracts* on their behalf, and which therefore do not have the assets that they administer on their balance sheet. The information requirements are detailed in C5.2 – 5.4.

C5.2 **Total income**

Firms should report the amount of total income in their most recent audited (or other) financial statements, and an estimate of income for the current reporting year.

Total income should include both revenue and gains arising in the course of the ordinary activities of a *firm*. Revenue consists of commissions, fees, net interest income, dividends, royalties and rent. Only gains that are recorded in the profit and loss account should be included in income. What is relevant for the calculation of income is the amount of actual income generated rather than the gross cash streams of any one transaction.

C5.3 **Relevant adjustments**

The following exceptional items must be deducted from the *firm's* total income:

- (1) profit on the sale or termination of an operation;
- (2) profit arising from a fundamental reorganisation or restructuring having a material effect on the nature and focus of the *firm's* operations; and
- (3) profits on the disposal of fixed assets, including *investments* held in long-term portfolio.

C5.4 **Total relevant income**

Is the sum of C5.2 minus C5.3.

SECTION D1: LENDING – BUSINESS FLOWS AND RATES

D1-D4 For details of the terms '**Residential lending** to individuals' (and regulated/unregulated) and '**other secured loans**', see Introduction, paragraphs 4 (i) – (iv).

D1 Loans: Advances/Repayments – Row & Column Analysis

For the two categories of loan assets, details are requested under various **transaction columns** that explain the transition from the previous quarter's balances to the current quarter's balances.

D1 Loans: Advances/Repayments – Transactions (columns)

Advances made in quarter should include:

- (a) instalments released in the quarter for instalment advances;
- (b) re-advances, i.e. where previous charge cancelled;
- (c) further advances;
- (d) in the case of loans that have a facility to draw down extra amounts over and above the sum originally advanced, the total of any further amounts drawn down in the quarter;
- (e) the deduction from advances made of advance cheques cancelled;

but should exclude:

- (f) the amount of any loan books acquired in the quarter (which should be reported in 'other debits/credits etc');
- (g) retentions imposed, which should be included as they are released;
- (h) sundry debits, i.e. any items not approved and not included in commitments, e.g. insurance debits, fines, insurance guarantees, valuation fees, arrangement fees etc. (unless formally treated as part of loan).

Repayment of principal should include:

- (a) repayment of principal including capital repayments, full or partial redemptions and the principal element of the normal monthly payment;
- (b) mortgage receipts temporarily posted to *investment* accounts;
- (c) transfers from *investment* accounts to mortgage accounts;

but should exclude:

- d) the amount of any loan book sold during the quarter (to be reported in 'other debits/credits etc');
- (e) sundry credits to accounts, such as insurance premiums, fines, fees, etc;
- (f) advance cheques cancelled;
- (g) *investment* receipts temporarily posted to mortgage accounts.

In determining the amount shown under **repayment of principal**, it is recognised that *firms* may need to estimate the amount of interest repaid where amounts repaid include both interest and principal, and/or where the amount of interest repayable is not the same as the amount charged (e.g. annual review or deferred interest schemes, or where a loan is not being fully serviced).

Write offs in quarter

This is the amount written off mortgage balances in the quarter (and off provisions charged to the income and expenditure account) and is to be on a basis consistent with amounts shown in the *firm's* published accounts as 'written off' within the analysis of changes in loss provision usually appearing as Notes to the Accounts.

The amount written off may arise for example from:

- sale of a property in possession where there is a shortfall; or
- a decision to write down the mortgage debt on a loan still on the books. This may arise where the *firm* has taken the view that it is certain that a loss will arise and that it is prudent to write down the mortgage debt rather than carry the full debt and an offsetting provision. Examples might include certain fraud cases, or where arrangements have been reached with the borrower to reduce the mortgage debt repayable.

Other debits/(credits) and transfers (net) include:

- (a) interest charged to the loan account in the period;
- (b) interest repaid during the period;
- (c) amounts charged to loan accounts and amounts received from borrowers in respect of such items as insurance premiums, valuation fees, and fines etc.;
- (d) mortgage balances acquired following takeover / merger;
- (e) loan books acquired from other lenders in the quarter;

- (f) loan books sold to other lenders in the quarter;
- (g) loan books securitised during the quarter;
- (h) the transfer of any securitised assets back onto the balance sheet (e.g. following the closure of a securitised pool of loans);
- (i) transfers (net) should include any reclassified loans (e.g. where there has been a change in the use of the land on which the loan is secured to/from residential; or change in status of loan from/to regulated/non-regulated etc).

NB Balances on loan books acquired/sold/securitised should be as at the date of the relevant event.

D2 Loans: Book movements

The '**transactions in the quarter**' columns are analyses of amounts already included within the 'other debits/(credits) and transfers (net)' column of section D1.

- (i) '**loans acquired**' represents balances on any relevant loan books acquired during the quarter from other lenders;
- (ii) '**loans sold**' represents balances on any relevant loan book (i.e. parcel of loans) sold during the quarter to another lender;
- (iii) '**loans securitised**' represents balances on any loans that the *firm* has 'securitised' in the quarter. It includes balances on loans subject to securitisation transactions qualifying either for the 'linked presentation' or 'derecognition' methods of accounting as described in FRS 5;
- (iv) '**other**' represents the net amount of other transaction amounts included in 'other debits/(credits) and transfers (net)' in D1.

NB: As a result, D2 [item (i) – item (ii) – item (iii) + item (iv)] should equal D1 [item 'other debits/(credits) and transfers (net)].

The final column '**balance at end quarter on loan assets subject to non-recourse funding**' represents all such loan assets (and not just the amount treated as transactions in the quarter), and requires the 'gross amount' of such loan assets to be reported against relevant line item categories. The 'gross amount' is the amount of any such loan that, under the 'linked presentation' method of accounting, would be shown in a *firm's* published or other balance sheet as X in the example below:

| | | |
|---------------------------|---|-----|
| gross loan asset | = | X |
| less non-recourse funding | = | Y |
| net loan asset | = | X-Y |

In the analysis here at D2, it is therefore the gross loan asset at the end of the reporting quarter that should be reported in the final column. Once securitised, it is recognised that end quarter gross balances will not necessarily remain constant (due either to borrower repayments, the possibility of any further advances, or other arrangement for 'topping up' a pool of securitised loans etc).

D3 Loans: Interest rates

Basis

Interest rates in this table are **nominal annual rates** charged to the *customer* on loan accounts. They should ignore the effect of any interest rate swaps or other hedging contracts that might exist, and also ignore the effect of any offsetting deposit account (as for example in the case of an offset mortgage).

This provides an analysis of weighted average interest rates for the loan assets reported in the final column of D1 above. 'Interest rates at end of quarter' (columns 4, 5, and 6 of section D3) means rates applying at least throughout the last day of the quarter, so *firms* should not use rates which only come into operation at the beginning of the next quarter. Points to note on specific columns are:

(1) Balances at end quarter

Accrued interest should be included (even though it is excluded when computing the weighted average rate).

The first '**of which**' analysis is designed to obtain information on balances subject to **fixed rates** of interest and balances subject to **variable rates** of interest. (The two amounts should add to the balance in column 1). For these purposes:

'fixed' means the rate of interest is fixed for a stated period. It should also include any products with a 'capped rate' (i.e. subject to a guaranteed maximum rate) and any products that are 'collared loans' (i.e. subject to a minimum and a maximum rate). Annual review or stabilised payment loans should be excluded (since the purpose is merely to smooth cash flow on variable rate loans);

'variable' includes all other interest rate bases (i.e. other than those defined above as 'fixed') applying to particular products, including those at, or at a discount or premium to, one of the *firm's* administered lending rates; those linked to Libor (or other market rate); those linked to an index (e.g. FTSE) etc. However if any such loan products are subject to a 'capped rate', then treat as 'fixed'.

The second '**of which**' analysis is designed to obtain information on loan balances according to whether the nominal annual interest rate charged to the customer at the quarter-end is higher than the prevailing Bank of England

Base (or repo) Rate (BBR). For these purposes the BBR is that applying on the last day of the reporting quarter. The analysis is subdivided into four categories:

- (i) loan balances where the rate charged is **less than 2% above BBR**. Include here also all loan balances where the rate charged is less than BBR (as a result the sum of these four columns will equal the figure in the TOTAL column);
 - (ii) loan balances where the rate charged is **2% or up to 3% above BBR**;
 - (iii) loan balances where the rate charged is **3% or up to 4% above BBR**;
 - (iv) loan balances where the rate charged is **4% or more above BBR**.
- (2) **Weighted average nominal annual rates**
- (a) Interest rates reported in Table D3 provide a broad indication of **market rates**. **They should ignore the effect of any interest rate swap or hedging**. For each line item the weighted average rate should be derived as follows:
 - (i) identify the various nominal/quoted interest rates that apply to elements of this line item; then
 - (ii) for each separate nominal/quoted rate, multiply that rate by the amount of end quarter balances (excluding accrued interest) for which that rate applies; and
 - (iii) add up the results of (ii) for all the different rates for this line item; and
 - (iv) divide the total calculated in (iii) by the end quarter balance in column 1 less accrued interest (against the line item concerned).

NB: in the 'of which' analysis that requires separate reporting of weighted 'fixed' and 'variable' rates, **a cross check for each row** is that the weighted average nominal rate on all balances is equal to the weighted average of the reported fixed and variable rates in the subsequent two columns.

D3.1 –3.8 Other Points

The interest rate to be used is the rate charged to the loan account, which in certain circumstances will differ from the interest rate 'payable' by a borrower. These circumstances include deferred interest loans, interest roll-up loans, annual review schemes or where the loan is not performing.

Advances in quarter refers to the same amount as covered under 'advances in quarter' in the Loans: Advances/Repayments analysis in Section D1 above.

D4 **Loan commitments** (columns)

Commitments made since end of previous quarter

should include:

- (a) the aggregate of agreed advances (whether or not the mortgage offer has been accepted by the prospective borrower), including amounts recommended for retention, all instalment elements, and further advances;

but should exclude:

- (b) commitments from previous quarters that have been cancelled in the current quarter;
- (c) retentions imposed and subsequently not released;
- (d) instalment commitments that have not been taken up;
- (e) advance cancellations that are not re-issued;
- (f) sundry debits, e.g. insurance guarantee premiums (unless additional to the loan), insurance of contents etc.

Cancellations in quarter

Includes (b), (c), (d) and (e) above.

SECTION E: RESIDENTIAL LOANS TO INDIVIDUALS - Income Multiples & LTV

E1-6 Gross advances in quarter

Covers actual advances made in the quarter. For these purposes separate advances (e.g. stage payments) made in the period on the same mortgage should count as a single advance for the 'number' column in sections E3, E4, E5 and E6.

NB: 'gross advances' should be compiled on the same basis as in section D1 above and therefore relevant totals for each section in E1 to E6 should also agree with the amount of gross advances reported in D1.

E3-6 Balances outstanding

Covers balances at end of the quarter. Relevant sub-totals should agree with corresponding balances shown in the final columns of D1.

E1/2 By Income Multiple and LTV (Loan to Valuation ratio)

The amount to be included in the table is the **gross advance**, but its allocation to a specific cell is determined according to income multiple and LTV which are both defined using the size of the loan (as defined below).

E1/2 By Income Multiple and LTV

Income multiple based on single or joint incomes

For this analysis, '**income**' should be taken as **gross annual income** before tax or any other deductions.

The loan should first of all be categorised to 'single' or 'joint' income basis, and the income multiple calculated as described below:

- (i) **Single income basis.** This means only one person's income was taken into account when making the lending assessment/decision.

The income multiple here is the total loan amount divided by the borrower's total income (total of the borrower's main income and any other reckonable income e.g. overtime etc, to the extent that the *firm* takes such additional income into account in whole or in part).

- (ii) **Joint income basis.** This means that two or more persons' incomes were used in the lending assessment/decision.

The income multiple here is the total loan amount divided by the aggregate income of the two or more borrowers.

(iii) **Other.** This category is to be used when the loan assessment is based, only partly or not at all, on one or more persons' incomes. Thus include here:

Under Single Income section (E1.6/E1.13)

- **Buy to let** loans where the loan assessment is based on the rental yield of the property (but not buy to let loans based solely on one or more persons' incomes which should be shown against the relevant income multiple category);
- **Lifetime mortgages** since in most if not all instances, the concept of a supporting income is not applicable;
- **Other products** (no current examples)

Under Joint Income Section (E2.6/E2.13)

- **Business loans**, where typically the loan assessment will be based on mixed sources of business/personal income or perhaps just on the capacity of a person's business to support the loan;
- **Other products** that have similar characteristics, that is where the loan assessment is based on either mixed income sources or non-personal incomes.

(iv) **Not evidenced.** This 'of which' analysis applies to loans made on the basis of one or more persons' incomes, and therefore should exclude any loans reported in "Other" (defined in (iii) above).

It covers loans where: the lender has no independent documentary evidence to verify income (e.g. as provided by an employer's reference, a bank statement, a salary slip, a P60, or audited/certified accounts

For the purpose of **income multiples**, the multiple is of **loan** to income where **loan** is as defined below.

Loan to valuation ratio LTV

Should be based on the following:

- (i) **loan** is defined for:
 - (a) **new borrowers** - as the amount of actual advance or, in the case of loans where the amount advanced in the period is less than the total amount of the loan to which the *firm* has agreed to lend (for example loans with additional drawing facilities or loans involving instalments/stage payments/retentions), is the amount of committed advance (including any committed drawing facilities);
 - (b) **existing borrowers** - as the total amount of debt outstanding including the further advance plus any committed drawing facilities at the time of the further advance;

and will include MIG ("mortgage indemnity guarantee"), building and other insurance premiums and other sundry items **if** these are included in the amount advanced;

- (ii) **valuation** is to be taken as the most recent valuation of the property which is subject to the mortgage (the existence of additional collateral on any other property should be ignored when calculating LTV). For these purposes, "recent valuation" can either be based on an actual valuation, or an estimated valuation using indexed valuation methodology applied to an original actual valuation. In the case of staged construction or self-build schemes, valuation means 'expected final value of the property' at the time the *firm* is committed to making the loan (i.e. takes the lending decision).

E3 Credit History

This seeks to categorise lending in terms of a borrower's previous credit history, as measured at the point when the new advance is made. For these purposes, it is only necessary to establish a borrower's credit history at a single point in time, i.e. at the time of making the loan. It is not intended that credit history should be reassessed after the loan has been made.

In particular the aim is to separately identify under the heading 'Impaired credit history', those loans where it appears that the borrower has some form of adverse credit history:

- (i) at the point when the new advance is made and the loan is reported under 'Gross advances';
- (ii) subsequently for reporting under 'Balances outstanding', the amount of the loan at the quarter end to such a borrower (who at the point when the present loan was advanced, was deemed to have had an adverse credit history).

E3.1 Impaired credit history

If any of the following conditions are met at the time of making the loan, the borrower should be reported as having **an impaired credit history**:

- (i) arrears on a previous (or current) mortgage or other secured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments;
- (ii) arrears on a previous (or current) unsecured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments;
- (iii) one or more county court judgements (CCJs), with a total value greater than £500, within the last three years;
- (iv) being subject to an Individual voluntary arrangement (IVA) at any time within the last three years;
- (v) being subject to a bankruptcy order at any time within the last three years;

but *firms* should not include technical arrears as part of the above definition. Technical arrears means circumstances where the borrower has been the victim of a banking error giving rise to late payment.

NB In (i) to (v), *firms* should ignore whether the borrower has subsequently paid off arrears, or has satisfied/discharged a CCJ or IVA or bankruptcy.

E4 Payment type

This section analyses loans in terms of how the borrower is contractually expected to service the loan, and is split into four categories:

- repayment;
- interest only;
- combined; and
- other.

E4.1 Repayment (capital & interest)

This is the traditional payment option available to borrowers. Such loans involve regular periodic payments covering interest for the period and some repayment of capital.

E4.2 Interest only

This is the type of loan which requires the borrower to make regular payments of interest only (i.e. without any obligation to make periodic payments of capital). It includes 'endowment' type loans, others having an independent ultimate repayment vehicle (e.g. PEP, ISA or pension mortgages), as well as other interest only loans where there is either no specific ultimate repayment vehicle in place or where the lender does not formally require one to be in place.

E4.3 Combined

This section is for loans where both of the above payment types are in place (i.e. part of the loan is 'repayment', and part is 'interest only').

E4.4 Other

This category will contain loans where no regular periodic payment obligation is in place, for example secured overdraft facilities or secured credit cards, and *lifetime mortgages*.

E5 By drawing facility

These are loans which include an option to draw down further amounts (i.e. where, at the outset of the loan, extra drawing rights exist over and above the original amount advanced, **but not** those arising only in relation to previous overpayments).

E5.1 Extra drawing facility

These are loans which in general are structured as follows:

Example structure when flexible loan contract agreed

| | |
|---|---------|
| Amount of loan advanced | £65,000 |
| Amount of extra drawing facility agreed to (but not advanced at outset of loan) | £15,000 |
| Total loan facility up to | £80,000 |

E5.1 a) Loans including unused facility

This means the total loan facility i.e. the sum of the amount of loan advanced and the amount of extra drawing facility agreed (but not advanced at the outset of the loan):

- (i) **gross advances in quarter** should detail those loans that include an extra drawing facility: show the number and amount of such loans;
- (ii) **loans outstanding** means the end quarter balances (on original advance plus any subsequent draw downs) plus the residual amount of any unused drawing facility that remains available to the borrower: show the number and amount of such loans.

E5.1 b) Unused facility

This is the amount of the extra drawing facility that has not been drawn down by the borrower:

- (i) **gross advances in quarter** should detail the unused facility element of such loans: show the amount;
- (ii) **loans outstanding** means the end quarter balances of any unused extra drawing facility that remains available to the borrower: show the amount.

E5.1 c) Net loans

This can be calculated by subtracting the entry in row b) from the entry in row a).

E5.2 Loans with no extra drawing facility

Firms should report all other loans here.

E5.3 TOTAL

This figure should be calculated as follows:

(i) for '**Number**' by adding E5.1(a) and E5.2, and

(ii) for '**Amount**' by adding E5.1(c) and E5.2.

E6 By Purpose

This analysis is to identify the principal purpose of the loan, which should be available from the application form. A loan should therefore only be classified to one category of E6.1 – E6.7. A stage advance should be classified for the same purpose as the main advance.

E6.1/2 House purchase

Loans where the borrower is purchasing a house (or flat etc). *Firms* should include stage payments on such transactions here and not in 'further advances'. A distinction is drawn between loans for house purchase where the purpose is for owner occupation, or for buying with a view to letting ('buy to let').

Loans for owner occupation are required to be sub divided into those to first time buyers (FTBs, that is where the tenure of the main borrower immediately before this advance was not owner-occupier) and those to other buyers.

E6.3 Further advance

A further loan (either as a normal further advance, or as a second charge loan where the *firm* has the first charge) to an existing borrower of the *firm*, secured on the same property.

The underlying purpose of the further advance is not relevant and could include e.g. purchasing freehold interest in a currently owned leasehold property; buying a second property on the security of the first; as a consumer loan fully secured on residential property; or as a 'drawdown' on a flexible mortgage.

E6.4/5 Remortgage

Loans where the borrower is not moving house but is refinancing an existing loan, either one already with the *firm* or one from another lender. The whole amount of the new advance should be classified as 'remortgage' even if it is larger than the existing loan.

E6.6 Lifetime mortgages

This is a specific type of *regulated mortgage contract*, which is defined in the *Handbook* as follows:

A *regulated mortgage contract* under which:

- (a) entry into the mortgage is restricted to borrowers of a specified age; and
- (b) the *mortgage lender* does not generally specify a period at the end of which the amount borrowed (plus interest, if any, outstanding) must be repaid, and while the *customer* continues to occupy the mortgaged land as his main residence:
 - (i) no instalment repayments of the capital and no payment of interest on the capital (other than interest charged when all or part of the capital is repaid voluntarily by the *customer*), are due or capable of becoming due; or
 - (ii) although interest payments may become due, no full or partial repayment of the capital is due or capable of becoming due; or
 - (iii) although interest payments and partial repayment of the capital may become due, no full repayment of the capital is due or capable of becoming due; and
- (c) the loan made to the *customer* is repayable in one or more of the following circumstances:
 - (i) the death of the *customer*; or
 - (ii) the *customer* enters into long term care; or
 - (iii) the *customer* moves into sheltered accommodation or residential care; or
 - (iv) the *customer* acquires another dwelling for use as his main residence; or
 - (v) the *customer* chooses to repay all or part of the loan; or
 - (vi) the *mortgage lender* exercises its legal right to take possession of the mortgaged land under the terms of the contract.

E6.7 Other

Would include for example where a borrower is not moving house but takes a loan on the security of his previously unmortgaged property.

SECTION F: LENDING - ARREARS ANALYSIS

Introduction

The guidance notes in this section serve two purposes: they provide guidance for

- (i) items **F1 to F5** shown in *MLAR* table F.

For these sections, the analysis of lending refers to on-balance sheet loan assets only (ie as included in the final column of section D1 of table D)

- (ii) items **H1 to H5** shown in *MLAR* table H.

For these sections, which cover reporting of arrears by *firms* with a *mortgage administrator's* activity, the analysis should include arrears in respect of the types of residential loans to individuals set out in the guidance notes for table G. For *guidance* on items H1 to H5 see corresponding guidance against items F1 to F5. Similarly references in the *guidance* notes to any items F1 to F5, should also be read as referring to items H1 to H5 when completing table H.

F1 to F4 **Arrears categorisation by type of loan**

For these sections, the analysis of lending is divided into two main types:

- (i) residential loans to individuals (split between regulated and non regulated business);
- (ii) all other secured loans.

The analysis is based on expressing **the amount of arrears** on each loan as a percentage of the **balance outstanding** on the loan, allocating cases to relevant arrears bands, providing details of cases moving up into more serious arrears bands in the quarter, and giving information on loan performance during the quarter. (In cases where there is more than one loan secured on a single property, these should be amalgamated, where possible, in reporting details of arrears cases.)

Definitions of terms used above, and those related to them, are given below in sections having side headings numbered 1, 2, 3, 4, 5 and 6.

F1.6/F2.6 & F3.6/F4.6 **In possession:** cases should be included here where the property is taken in possession (through any method e.g. voluntary surrender, court order etc). For development loans in particular, cases should also be included where the appointment of a receiver and/or a manager has been made, or where the security is being enforced in other ways (which may or may not also involve the existence of arrears e.g. building finance case with interest roll up, no arrears, but a current valuation is less than the outstanding debt).

1. Balance outstanding (columns 3 and 6)

1.1 This is the amount of total debt at the reporting date, and should comprise the total amount outstanding (after deducting any write-offs but without deduction for any provisions) in respect of:

- (i) the principal of the advance (including any further advances made);
- (ii) interest accrued on the advance (but only up to the reporting date), including any interest suspended;
- (iii) any other sum which the borrower is obliged to pay the *firm* and which is due from the borrower, e.g. fees, fines, administration charges, default interest and insurance premiums;

and is intended to be consistent with the basis used for presentation of gross balances outstanding shown in the balance sheet section of the return (i.e. at A3 Column 1 for on-balance sheet or unsecuritised balances, and at A3 column 4 for securitised balances), with the addition for tables F and H of any interest suspended not included in the balance sheet.

2. Amount of arrears (columns 2 and 4)

2.1 Arrears will arise through the borrower failing to service any element of his debt obligation to the *firm*, including capital, interest, or fees, fines, administrative charges, default interest or insurance premiums.

2.2 At the reporting date, the **amount of arrears** is the difference between:

- (i) the accumulated total amounts of (monthly or other periodic) **payments due** to be received from the borrower; and
- (ii) the accumulated total amount of **payments actually made** by the borrower.

2.3 Only amounts which are **contractually due** at the reporting date should be included in 2.2(i) above. That is:

- (i) include accrued interest only up to the reporting date but not beyond;
- (ii) and, only include a proportion of any annual insurance premium if the *firm* permits such amounts to be paid in periodic instalments. However if the terms of the loan or the lender's practice are such as to permit insurance premiums to be added to the loan principal then do not treat such amounts as contractually due;
- (iii) similarly, where 'any other sum' has been added to the loan (see 1.1 (iii) above), only include such proportions as are contractually due (e.g. if it is the practice in particular circumstances to add the sum/charge to the loan and require repayment over the residual term of the loan);
- (iv) in assessing 'payments due' when a borrower has a **flexible loan**, it is important to apply the contractual terms of the loan: for example,

payment holidays which satisfy the terms of the loan should not be treated as giving rise to an arrears position;

(v) do not however include 'Deeds Store' loans in the arrears figures (that is, loans where the debt is de minimis e.g. £100, but the borrower still has insurance premiums to pay and perhaps some instalments are overdue).

- 2.4** In the case of **annual review schemes** the 'payment due to be received' under 2.2(i) is that calculated under the scheme. This may well differ from the amount charged to the account but should not of itself give rise to any arrears, providing the borrower is making the level of payments advised by the *firm*. The same principles apply to deferred interest products - if the borrower is making the payments that are required under the loan arrangements then he is not in arrears, even though the debt outstanding is increasing.
- 2.5** Where a *firm* makes a **temporary 'concession'** to a borrower (i.e., an agreement with the borrower whereby monthly payments are either suspended or less than they would be on a fully commercial basis) for a period, the amounts included in 2.2(i) are those contractually due (and at commercial rates of interest). Hence the borrower will continue to be in arrears and the level of arrears will in fact continue to increase until such time as he is able fully to service the debt outstanding.
- 2.6** Where the terms of the loan do not require payment of interest (or capital) until a stated date or until redemption or until certain conditions are triggered, as for example in the case of certain building finance loans, then the loan is not in arrears until such time as contractual repayments are overdue. There may be circumstances however where, even though the loan is not in arrears, it falls to be reported under F1.6, F2.6, F3.6 or F4.6. (See notes on F1.6/F2.6/F3.6/F4.6 at beginning of Section F.)
- 2.7** The reporting treatment of cases where arrears have been capitalised is dealt with in section 3 below.
- 2.8** Where a '**capitalisation**' case that has at one time been correctly removed as fully performing (see section 3) but at some later time defaults, then this should be treated as a new default and the amount of arrears taken as that arising from this new default. That is, the previously capitalised arrears should not be reinstated as current arrears.

3. Capitalisation of arrears and reporting criteria

- 3.1** By '**capitalisation**' we mean a formal arrangement agreed with the borrower to add all or part of a borrower's arrears to the amount of outstanding principal (i.e. advance of principal including further advances less capital repayments received during the period of the loan) and then treating that amount of overall debt as the enlarged principal. This enlarged principal is then used as the basis for calculating future monthly payments over the remaining term of the loan. Where less than the full amount of arrears is capitalised (or indeed where none of the

arrears is capitalised) then, providing there are arrangements made for the borrower to repay the non-capitalised arrears over a shorter period ranging for example from 3 to 18 months, this type of arrangement should also be regarded as an equivalent of 'capitalisation'.

3.2

The decision to 'capitalise' (or treat as if capitalised) is a business decision between the *firm* and the borrower. However for the purposes of consistency in reporting arrears cases in table F (and reporting capitalisations in section F5) the following **reporting criteria** should be used where a *firm* has capitalised the loan (or treated as if capitalised) and reset the monthly payment:

- (i) such an arrears case should continue to be included in sections F1 – F4 as an arrears case until the loan has been '**fully performing**' (see (ii) below) for a period of six consecutive months (any temporary increase in arrears during this qualifying period has the effect of requiring six consecutive months of fully performing **after** such an event). Until that time it should be included in table F, and be allocated to the arrears band applicable at each reporting date as if 'capitalisation' had not taken place;
- (ii) for these purposes a loan is considered to be 'fully performing' only where the borrower has been meeting all obligations on the loan with regard to repayments of principal, interest (at a normal mortgage rate on the full balance outstanding, including as appropriate any relevant past arrears), any payment towards clearing past arrears as agreed with the *firm* and any default payments due levied in respect of previous missed repayments. That is, amounts may be either added to the principal of the loan or otherwise repaid over a shorter period than the residual term of the mortgage, as agreed between *firm* and borrower. But then this revised payment schedule must be fully maintained for a six month period before the arrears can qualify to be treated as capitalised for reporting purposes and hence removed from the arrears cases in table F;
- (iii) arrears cases qualifying as 'fully performing' under (ii) **should then be omitted from sections F1-F4**, and should then be reported in section F5 for the same reporting period during which the removal occurs.

4. **Cases entering higher (i.e. more serious) arrears band in quarter (columns 1 to 3)**

This refers to those cases now included in a particular arrears banding which may have been classified in a **less severe (i.e. lower numerical) band** at the end of the previous quarter, but which have deteriorated sufficiently during the quarter to move to a more severe arrears band. This would mean, for example, that cases that were previously excluded from the arrears table being less than 1.5% in arrears would now be entered in the '1.5 < 2.5%' arrears band (i.e. 1.5% or less than 2.5%) in F1.1, and F1.6 (and F2.6/F3.6/F4.6) will show details of those cases taken into possession during the quarter which were previously classified as in arrears under any of F1.1-1.5 (or F 2.1-2.5/3.1-3.5/4.1-4.5, as the case may be). Cases which have improved during the quarter and which could

now be classified in a less severe arrears band should not be included in these 3 columns.

5. Number (of cases) (Columns 1 and 4)

5.1 In cases where there is more than one loan secured on a single property, these should be amalgamated, where possible, in reporting details of arrears cases.

5.2 In cases involving, for example, arrears on loans to property developers (which would come under F4), the loan should count as a single case in the number column irrespective of the number of properties on the development itself.

6. Performance of current arrears cases (column 7)

6.1 This analyses all those arrears cases included in columns 4 to 6 and gives a measure of performance covering all of the loans in a particular arrears band at the end of the quarter. The measure, which compares 'actual' with 'expected' payments, is required to be calculated for a single time period: the 3 months covered by the firm's latest financial quarter. For this time period, the performance measure should be calculated as a percentage as follows:

$$\frac{\text{total of 'payments received' from borrowers}}{\text{total of 'payments due' from borrowers}} \times 100$$

where:

- (i) 'payments due' means amounts due under normal commercial terms (and not the lesser amounts which may have been agreed as part of any temporary arrangement) fully to service the loans: that is the balances outstanding including those elements referred to in 1.1 above such as insurance, fees and fines etc. (If for some reason this is not readily available then a suitable approximation can be derived for each relevant quarter by applying one quarter of the annual interest rate to the appropriate balance outstanding, and adding in other payments due for example insurance, fees and fines etc); and
- (ii) 'payments received' should be limited to regular repayment of interest, capital and other sundry charges to the loan account, and should exclude abnormal repayments (e.g. sale proceeds of property in possession, and large lump sum repayment of part or all of the outstanding balance). The reasoning behind this is that excess payments on one or more arrears cases would otherwise have the effect of compensating for underpayment on other arrears cases and, as a result, give an overstated performance measure. Therefore, in compiling aggregate payment received figures (as part of the payment performance ratio) the contribution from an individual loan in arrears should be limited to no more than the 'payment due' amount.

6.2 The amount to be entered on the return is a percentage to 2 decimal places.

6.3 In calculating the performance measure on possession cases (F1.6, F2.6, F3.6 and F4.6), the following points are relevant:

- (i) 'payments received': in many cases these may be nil, but not always since the property in possession may be let out and a rental income received. In each case the payment received should be included for the purposes of calculating the performance measure;
- (ii) 'payments due': in recognition of the fact that amounts of interest will still be charged to the borrower's account, then the 'payments due' should be calculated as three months' interest at normal commercial rates of interest;
- (iii) however, in F1.6, F2.6, F3.6 and F4.6, it is likely that the performance measure will in most instances be zero;
- (iv) the relevance of the above however, is that 'payments due' on possession cases need to be computed in order to feed into the overall performance measure at F1.6, F2.6, F3.6 and F4.6.

6.4

The overall measure of performance at F1.7 (and similarly at F2.7, F3.7 and F4.7) includes possessions, and is the ratio of:

- (i) 'payments received' on all cases in F1.1 to F1.6
- (ii) 'payments due' on all cases in F1.1 to F1.6

The same approach should be used for F2.7, F3.7 and F4.7.

F5

Arrears management

Number of Sales/Number of (arrears) cases

In cases where there is more than one loan secured on a single property, these should be amalgamated where possible in reporting details of possession cases sold during the period in F5 (column 1), and details of arrears cases in F5 (columns 3 & 4).

Balance outstanding

In F5 (columns 2 and 5) this is as defined in section F/1 paragraph 1.1 (including in the case of properties sold the costs of sale where these have been debited to the borrower's account), and should be the balance at the end of the quarter.

Possession sales during quarter

Firms should include in F5 (columns 1 and 2) **all** properties sold in the quarter irrespective of whether losses have occurred.

Capitalisation of arrears cases in quarter

Details should be given in respect of those cases which, having previously been in the reported figures in table F on arrears, have now been capitalised

(or treated as if capitalised), have satisfied certain performance criteria for six months, and have been **removed** during the latest quarter from the arrears figures which now appear in sections F1 – F4. Sees paragraph 3 of section F of the *guidance* notes.

Cases involving temporary concession or arrangement

In respect of the number of cases in arrears at the end of the quarter (i.e. reported in F1 to F4.7), details should be given of those cases for which the lender has taken steps to assist the borrower in some way.

Specifically, *firms* should state in how many cases a **temporary concession** has been made (see paragraph 2.5 in Section F), and in how many cases a formal **arrangement** to capitalise has been made (see paragraph 3.1 in section F, which also includes within the term 'arrangement' the example of a borrower making increased monthly payments to reduce some or all existing arrears). The balancing number should be shown in the next column 'No concession/arrangement'.

SECTION G: MORTGAGE ADMINISTRATION – BUSINESS PROFILE

Introduction

Article 61 of the Regulated Activities Order establishes *administering a regulated mortgage contract* as a *regulated activity*. This applies equally to those *firms* that are lenders, and those whose principal business is to undertake mortgage administration on behalf of third parties.

For *firms* that are authorised as *mortgage administrators* only, the information sought in this section will enable the *FSA* to establish the extent and nature of the *firm's* mortgage administration business. The *FSA* will be able to assess the potential risks posed by the *firm's* business activities and tailor its regulatory response accordingly.

A *mortgage administrator* is a *firm* with *permission* (or which ought to have *permission*) for administering a *regulated mortgage contract* and where, as defined in article 61(3)(b) of the *Regulated Activities Order*, *administering a regulated mortgage contract* consists of either or both of:

- notifying the borrower of changes in interest rates or payments due under the contract, or of other matters of which the contract requires him to be notified; and
- taking any necessary steps for the purposes of collecting or recovering payments due under the contract from the borrower;

but does not consist merely of having or exercising a right to take action to enforce the *regulated mortgage contract*, or to require that action is or is not taken.

You should note that this section applies to *firms* with just a *mortgage administrator's* activity and those with both a *mortgage lender's* and *mortgage administrator's* activity.

You should also note, however, that if you have both a *mortgage lender's* activity and a *mortgage administrator's* activity to administer your own book and do not have any off-balance sheet loans to administer, then you should not complete this section of the *MLAR*.

G1 Mortgage contracts administered at end quarter

Collects data on mortgage contracts administered as at the end of the quarter, but only where you are formally acting as principal in exercising a *mortgage administrator's* activity. It therefore excludes the reporting of:

- any loan administration where you, being a firm without a *mortgage administrator's* activity, are merely providing an outsourced service for a third party which does have a *mortgage administrator's* activity and which is exercising it in respect of those loans; and
- any loan administration where you, a firm having a *mortgage administrator's* activity, are acting as agent and providing an outsourced

service for a third party which itself has a *mortgage administrator's* activity and which is exercising it in respect of those loans.

If you also have a *mortgage lender's* activity, then you should treat your own on and off-balance sheet loans as follows:

- (i) your *firm's* on-balance sheet loans should be excluded from G1.1 a) and G1.2 a). These items will therefore only include loans administered for third party lenders who do not themselves have a *mortgage administrator's* activity;
- ii) your *firm's* off-balance sheet loans should be included in G1.1 c) and G1.2 c). These will be the loans you have shown in section A3 "Securitised balances" under "gross balances". (These items G1.1 c) and G1.2 c) will also include loans you administer for other *special purpose vehicles* where you are formally exercising your *mortgage administrator's* activity).

G1.1 Number of loans

You should detail the number of *regulated mortgage contracts* administered as at the end of the quarter for *firms* with a *mortgage lender's* activity, for other *firms* (i.e. lenders for which you administer mortgages but they themselves do not have a *mortgage lender's* activity) and for *special purpose vehicles* ('SPVs') (i.e. *firms* that fall within the *Handbook* definition of a *special purpose vehicle*).

You should also detail the number of non regulated loans administered as at the end of the quarter for *firms* with a *mortgage lender's* activity, for other firms (i.e. lenders for which you administer mortgages but they themselves do not have a *mortgage lender's* activity) and for SPVs.

The total (all loans) is the sum of *regulated mortgage contracts* and non-regulated loans.

G1.2 Balance outstanding on loans

You should detail the balances outstanding on all *regulated mortgage contracts* that you administer as at the end of the quarter for *firms* with a *mortgage lender's* activity, for other firms (i.e. lenders for which you administer mortgages but they themselves do not have a *mortgage lender's* activity) and for SPVs.

You should detail the balances outstanding on all non regulated loans that you administer as at the end of the quarter for *firms* with a *mortgage lender's* activity, for other firms (i.e. lenders for which you administer mortgages but they themselves do not have a *mortgage lender's* activity) and for SPVs.

The total (all loans) is the sum of *regulated mortgage contracts* and non-regulated loans.

G2 Lenders for whom mortgage administration was being carried out at quarter end

Collects data only on the top five lenders for each category by value (i.e. the largest five *firms* by value, based on balances outstanding on regulated loans) for whom mortgage administration was being carried out at the quarter end. (Details on other lenders are not required to be shown, over and above the top five listed in each category.)

G2.1 Firms with a mortgage lender's activity

Please detail the top five *firms* (by value) for whom *mortgage administration* was being carried out at the quarter end.

You should include the *firm's* FSA reference number in addition to the name of the *firm*.

You should indicate the value of *regulated mortgage contracts* and non-regulated loans for each of the top five *firms* for whom you administer such contracts.

The total (all loans) for each firm listed is the sum of *regulated mortgage contracts* and non-regulated loans.

G2.2 Other firms

Please detail the top five other *firms* (by value) for whom *mortgage administration* was being carried out at the quarter end (but who themselves do not have a *mortgage lender's* activity).

You should indicate the value of *regulated mortgage contracts* and non-regulated loans for each of the top five other firms for whom you administer.

The total (all loans) for each *firm* listed is the sum of *regulated mortgage contracts* and non-regulated loans.

G2.3 SPVs

Please detail the top five SPVs (by value) for whom *mortgage administration* was being carried out at the quarter end. If your *firm* has off-balance sheet loans (which it has reported in G1.1 c) and G1.2 c)) then please show your *firm* as one of these five SPVs as follows:

- group together all SPVs for which your *firm* is the originator and show the aggregated amounts on a single line (irrespective of whether the total of regulated loans for all such SPVs would rank within the top five);

- under "FSA firm reference" column, put your *firm's FSA* reference number;
- under "Name of firm" column, put your *firm's* name followed by "own SPVs" in brackets, for example XYZ firm name (own SPVs).

You should indicate the value of *regulated mortgage contracts* and non-regulated loans for each of the top five SPVs for whom you administer.

The total (all loans) for each SPV listed is the sum of *regulated mortgage contracts* and non-regulated loans.

SECTION H: MORTGAGE ADMINISTRATION – Arrears Analysis

Type of loans to be reported

This arrears analysis should cover only those types of loan listed below, in respect of which your *firm* is formally acting as principal in exercising a *mortgage administrator's* activity. Thus, irrespective of whether your *firm* has a *mortgage administrator's* activity, if you are merely acting as an administrator for a third party that itself has, and is exercising, a *mortgage administrator's* activity, then you should not include any such loans in this analysis.

The types of loans to be included in the analysis are:

- (i) loans administered for *firms* which do not themselves have a *mortgage lender's* activity. These are the loans reported at G1.2 b) in table G.
- (ii) loans administered for third party SPVs.
- (iii) where your *firm* has a *mortgage lender's* activity, loans that represent your firm's off-balance sheet loans and which you have reported in section A3 of table A as "gross balances" under "Securitised balances".

NB loans in (ii) and (iii) are all those shown in G1.2c of table G.

The information presented in table H should represent the total of all such loan types listed above, in a single version of the table.

H1-H5 Guidance on arrears items

The *guidance* for these items is provided in section F of these guidance notes, where items H1 to H5 correspond to items F1 to F5.

SECTION J: FEE TARIFF MEASURES

J1 Introduction

The purpose of this section is to enable the *firm* to provide data on the current **fee tariff measures** that apply to each of the regulated activities of *mortgage lending* and *mortgage administration*.

This section also distinguishes between the fee tariff measures that apply to the *FSA* (Financial Services Authority) and *FOS* (Financial Ombudsman Service).

Since the relevant fee tariff measures may change from time to time, these *guidance* notes merely define **where** the current definitions of fee tariff measures are to be found. Accordingly the following is a reference to the relevant part of the *FSA's* website where such details can be found:

* Refer to *SUP 20 Annex 1R of the FSA Handbook**

Part 8: SUP 16 Ann 20G

Products covered by the reporting requirement in SUP 16.11

This is the *guidance* referred to in SUP 16.11.6G.

SUP 16.11.3R requires certain *firms* to report product sales data. For reporting purposes, a reportable sale applies where the contract has been made and the premium has been paid.

In the case of mortgage transactions, the reporting requirement only applies to loans for house purchase and remortgages and not to further advances. A reportable mortgage transaction applies where the mortgage transaction has completed (i.e. funds have been transferred and have been applied for the purpose of the mortgage).

Part 1 - Products

The following tables provide *guidance* on the products for which sales data is to be reported. These tables are not intended to be a complete list of relevant products; *firms* should report sales data on all products which would fall within the scope of *retail investments*, *pure protection contracts*, and *regulated mortgage contracts*.

Table 1 – RETAIL INVESTMENTS

Relevant products include:

| |
|---|
| <i>Unit trust scheme /OEIC</i> |
| <i>Investment trust</i> |
| <i>ISA</i> |
| <i>Structured capital-at-risk product</i> |
| With profit bond |
| <i>Unit linked bond</i> |
| Distribution bond |
| Mortgage Endowment |
| With profit endowment |
| Endowment savings plan |
| Guaranteed income/growth/investment bond |
| Trustee investment bond |
| Life annuity |
| Pension annuity |
| Long term care insurance contract |
| Stakeholder pension |
| Personal pension |
| Group personal pension |
| <i>FSAVC</i> |
| <i>Individual pension transfer</i> |
| <i>Pension opt out</i> |
| Section 32 buy out |
| Group section 32 buy out |
| <i>Income drawdown</i> |

Executive pension
SSAS
Group money purchase
AVC final salary
AVC group money purchase

Table 2 - PURE PROTECTION CONTRACTS

Relevant products include:

Income protection
Standalone critical illness
Critical illness sold as a rider benefit to
mortgage protection and mortgage term
assurances

Table 3 - MORTGAGES

Relevant mortgage types include:

Fixed rate mortgages
Discounted variable rate mortgages
Tracker mortgages
Capped rate mortgages
Standard variable rate mortgages

Part 2: Supporting product definitions/guidance for product sales data reporting

Part 2 contains *guidance* on the terms used in part 1 and on other relevant material.

Where products have not been defined in the *Glossary*, an explanatory description is provided.

Retail investments

| PRODUCT | Guidance |
|---|---|
| <u>With profit bond</u> | <u>Includes all single premium policies where a lump sum is paid into a with profits fund made up of investments such as company shares, fixed interest securities, commercial property and money. Unitised with profit bonds should be reported under this category.</u> |
| <u>Unit linked bond</u> | <u>A contract where the premium buys, or is deemed to buy investment units in a selected fund. The value of the policyholder's fund is linked to the value of the units (see guidance relating to distribution bonds).</u> |
| <u>Distribution bond</u> | <u>A single premium investment policy. The funds are invested in equities and gilts and an income is paid each year to the policyholder, dependent on the performance of the investments.</u> Only report as a distribution bond where over 50% of the fund allocation relates to the distribution fund. If less than a 50% allocation is made, the product should be reported as a unit linked bond. |
| <i>Guaranteed income/growth/investment bond</i> | This includes income and growth bonds which include guaranteed income and guaranteed equity bonds that include guarantees and pay a percentage of the movement of more one or more index. |
| <i>Structured capital-at-risk product</i> | <i>Defined in the Handbook Glossary.</i> |
| <u>Life/pension annuity</u> | An arrangement by which a life company pays someone a regular income, usually for life, in return for a lump sum premium. This would include <ul style="list-style-type: none"> • deferred and immediate annuities • compulsory purchase annuities • home income plans; and • all other types of life annuities |
| <u>Unit trust scheme</u> | <i>Defined in the Handbook Glossary.</i> |
| <u>Investment trust</u> | <i>Defined in the Handbook Glossary.</i> |
| <u>ISA</u> | <i>Defined in the Handbook Glossary.</i> Cash and insurance ISAs should not be reported |
| Endowment savings plan | An endowment plan with a fixed term with benefits paid on death within the term or on maturity |
| Mortgage endowment | This should include any regular premium low cost endowments plus unitised with profit endowments |

| | |
|---|---|
| Long-term care insurance contract | [The FSA consulted in CP 200 on the definition of long-term care insurance contract that will apply from 14 January 2005. The guidance here will cross-refer to the finalised definition.] |
| Stakeholder Pension | <i>See Handbook Glossary for definition of 'stakeholder pension scheme'.</i> |
| Personal pension | <i>See Handbook Glossary for definition of 'personal pension scheme'.</i> For reporting purposes do not include Rebate Only Pension business. |
| <u>Group personal pension</u> | <i>See Handbook Glossary for definition of 'group personal pension scheme'.</i> Phased retirement should include transfer plans that permit staggered annuities to subsequently be purchased. Deferred transfer plans should be excluded. Report each individual policy as a separate case. |
| <u>FSAVC</u> | <i>Defined in the Handbook Glossary.</i> Do not include Rebate Only Pension business. |
| <u>Individual pension transfer</u> | <i>See Handbook Glossary for definition of 'pension transfer'.</i> |
| <u>Pension opt out</u> | <i>Defined in the Handbook Glossary.</i> |
| Section 32 buy out/ Group section 32 buy out | An arrangement where trustees accept capital from employees who have left <i>occupational pension scheme</i> service and the transfer value is reinvested in an attempt to provide better benefits when the employee retires. |
| <u>Income drawdown</u> | <i>See Handbook Glossary for definition of income withdrawal'.</i> This should include transfer plans that allow income from a pension plan in advance of an annuity being purchased |
| <u>Executive pension scheme</u> | An arrangement where each premium paid is identifiable to an individual employee and where an employer has discretion as to whether a pension arrangement is made for a particular employee and to the level of contribution or target benefit under the policy. Report each individual policy as a separate case. Pension premiums should be reported gross. |
| <u>SSAS</u> | <i>Defined in the Handbook Glossary.</i> Pension premiums should be reported gross. SSAS business should not be reported if you only provide an administration service. Report each individual policy as a separate case. |
| <u>Trustee investment bond</u> | A lump sum <i>investment</i> vehicle designed for use by <i>pension scheme</i> trustees. Includes SSAS Trustee Investment Bonds and SIPP Trustee Investment Bonds |

| | |
|---------------------------------|--|
| <u>Group money purchase</u> | An <i>occupational pension scheme</i> which provides <i>money-purchase benefits</i> which is available to employees of the same employer or of employers within a group. |
| <u>AVC Final salary</u> | Pension premiums should be reported gross. |
| <u>AVC Group money purchase</u> | Pension premiums should be reported gross. |

Mortgages

(a) Types of interest rate

| <u>Types of interest rate</u> | Description |
|---|--|
| Fixed rate | where the interest rate is fixed for a stated period. |
| Discounted rate | where a discount is applied to the lender's standard variable rate usually for a limited period of time. |
| <u>Tracker</u> | where the interest rate is guaranteed to move in line with either the Bank of England Base (or repo) Rate (BBR) or another index such as LIBOR (London InterBank Offered Rate). |
| <u>Capped (and collared) rate mortgage</u> | where the interest rate is guaranteed not to exceed a stated maximum rate (the 'capped' rate) for specific period of time, but where the standard variable interest rate applies when the rate is lower than the capped rate. Also includes products where the interest rate is subject to a minimum rate (the 'collared' rate). |
| <u>Cashback</u> | a cash amount paid by a <i>mortgage lender</i> to a <i>customer</i> (typically at the beginning of a contract) as an inducement to enter into a <i>regulated mortgage contract</i> with the <i>mortgage lender</i> . |
| <u>Standard variable rate</u> | <u>the lender's underlying interest rate.</u> |

(b) Features

| Data Item | Description |
|--|--|
| Flexible mortgage | <p>A mortgage where you can change the monthly payments and pay off part or all of the loan whenever you like. It is normally linked to any interest rate type.</p> <p>Details vary from one mortgage to another, but for reporting purposes, to be reported as a flexible mortgage, the mortgage should have the following features:</p> <ul style="list-style-type: none"> • interest must be calculated monthly or daily; and • must have an overpayment facility |
| Offset mortgage – positive and/or negative offset | An offset mortgage will typically have similar facilities to a flexible mortgage, but will also allow the borrower to offset positive (savings and/or current account) and/or |

| | |
|--|---|
| | negative balances (credit card and/or personal loans) against their outstanding mortgage balance. |
| Loans where income is not evidenced | This applies to loans which are based on one or more <i>persons'</i> incomes. These loans are those where the lender has no independent documentary evidence to verify income (e.g. as provided by an employer's reference, a bank statement, a salary slip, a P60, or audited/certified accounts). |
| Total gross income | This is the total of the gross annual incomes (before tax or other deductions) of each of the individual borrowers whose incomes were taken into account when the lender made the lending assessment/decision. For these purposes, each borrower's gross income is the sum of that person's main income and any other reckonable income (e.g., overtime, income from other sources etc to the extent that the lender takes such additional income into account in whole or in part). For example if borrower A has gross income of £25,000 and borrower B has gross income of £20,000 then total gross income for the loan would be £45,000 |

Pure protection contracts

| <u>Policy type</u> | Description |
|---|---|
| Standalone critical illness | These policies are 'pure' critical illness policies i.e. there is no life cover sold alongside them. Under these policies the <i>insurer</i> provides the sum insured to the <i>policyholder</i> in the event of diagnosis of a life threatening condition. |
| Critical illness sold as a rider benefit to term assurance | For reporting purposes, this applies where critical illness is offered as a rider benefit to either a mortgage protection policy (a <i>life policy</i> that provides by means of decreasing term assurance for a mortgage to be paid off in the event of the borrower's death) or a protection term assurance contract. |
| Income protection | Insurance contracts arranged by an individual to provide for payment of income during a period of incapacity, due to ill health or accident |

Part 9: SUP 16 Ann 21R

REPORTING FIELDS

This is the annex referred to in SUP 16.11.7R.

1 - GENERAL REPORTING FIELDS

The following data reporting fields must be completed, where applicable, for all reportable transactions and submitted in a prescribed format. Shaded boxes represent non-compulsory data items.

| Data reporting field | Code (where applicable) | Notes |
|---|--|--|
| FSA reference number of product provider | 6 digit number | This field must contain the FSA reference number of the <i>firm</i> providing the data report. |
| FSA reference number of <i>firm</i> which sold the product | 6 digit number | This field must contain the FSA reference number of the <i>firm</i> which sold the product. For <i>firm's</i> own direct sales, enter <i>firm's</i> own FSA reference number. For sales via an intermediary enter the intermediary's reference number. |
| Advice at point of sale | Y = advised N = non-advised | This information will not have to be reported until July 2006. <i>Firms</i> will however be able to report his information before then if appropriate by using the appropriate code to indicate whether the sale was advised or non-advised. For reporting purposes non- advised includes execution only and direct offer transactions. |
| FSA reference number of the intermediary's <i>principal</i> or <i>network</i> | 6 digit number | This field only applies if the sale has been made by an intermediary who has a <i>principal</i> or is part of a <i>network</i> . |

2 - SPECIFIC REPORTING FIELDS

(a) Retail investments

The following data reporting fields must be completed, where applicable, for all *retail investment* transactions, including *structured capital-at-risk products*:

| Data reporting field | Illustrative code (where applicable) | Notes |
|---|---|--|
| Product type | Numeric | Enter relevant product code. If none of the existing codes apply report sale as 'O' for other. |
| Post code of customer | e.g. XY45 6XX | Applies to first named customer only. |
| Method of <i>premium/contribution</i> payment | S = single R = regular | Use code to indicate method of payment. |
| Total <i>premium/contribution</i> amount | Numeric £ | Enter annualised amount rounded to nearest £ |
| Date of birth | DD/MM/YYYY | Applies to first named customer at time of sale i.e. age obtained at proposal stage. |

(b) Pure protection contracts

The following data reporting fields must be completed, where applicable:

| Data reporting field | Illustrative code (where applicable) | Notes |
|----------------------------------|---|---|
| Policy type | Numeric | Enter relevant product code. If none of the existing codes apply report sale as 'O' for other |
| Method of <i>premium</i> payment | S = single R = regular | Use code to indicate method of payment. |
| Total <i>premium</i> amount | Numeric | Enter annualised amount rounded to nearest £. |

(c) Mortgages

The following data reporting fields must be completed, where applicable for all regulated mortgage transactions (with the exception of further advances):

Note : In the case of mixed interest rate options/combo mortgages, sales data should only be provided for the rate applying to the largest portion of the overall mortgage balance.

| Data reporting field | Illustrative code (where applicable) | Notes |
|------------------------------|--|--|
| Date mortgage account opened | DD/MM/YYYY | Date of mortgage completion or draw-down of the funds. |
| Interest rate type | F = fixed rate C = capped rate D = discount T = tracker V = standard variable rate O = other | Enter the relevant code If none of the existing codes apply enter sale as 'O' to denote 'other'. Only 1 code can be entered |
| Mortgage characteristics | CB = cashback FF = flexible features (allowing overpayments and underpayments) OS = offset positive and or negative balances. L = the loan is a <i>lifetime mortgage</i> SAM = the loan is a <i>shared appreciation mortgage</i> | Use code to indicate additional mortgage characteristics if applicable. Cashback should only be reported where it is linked to a variable interest rate and where the cashback is not being provided as an incentive to pay legal costs and valuation fees. Where more than 1 code applies, report all |
| Post code of the mortgaged | e.g. XY45 6XX | |

| | | |
|---------------------------------|---|--|
| property | | |
| Type of borrower | F = first time buyers M = home movers (2 nd or subsequent buyers) R = remortgagors C= council/registered social landlord tenant exercising their right to buy O = other N = not known | Use code to indicate type of borrower. Only 1 code should be entered |
| Method of repayment | C = capital and interest E = interest only/ endowment I = interest only/ ISA P = interest only/ pension U = interest only/ unknown M = mix of capital and interest only N = not known | Use code to indicate method of mortgage repayment Only 1 code should be entered |
| Term of mortgage | Numeric | Number in whole years. (Optional for <i>Lifetime</i> and <i>Shared appreciation mortgages</i>) |
| Size of loan | Numeric £ | Report the original interest bearing balance at completion of the mortgage. |
| Value of the mortgaged property | Numeric £ | The value reported should be based on: <ul style="list-style-type: none"> • the surveyors valuation (or from a valuation index) or • from the customers estimated value as captured on the application form. |

| | | |
|-------------------------------------|---|---|
| | | In the case of staged construction or self build schemes, value means 'expected final value of property at the time lending decision is made'. |
| Income Basis | S = single income J = joint income | Use code to indicate whether the income assessment has been made on a single or joint basis (Optional for <i>Lifetime</i> and <i>Shared appreciation mortgages</i>) |
| Age of main borrower | DD/MM/YYYY | Report age of main borrower only. |
| Remortgage transactions <u>only</u> | N = no extra money raised H = extra money raised for home improvements D = extra money raised for debt consolidation M- extra money raised for home improvements and debt consolidation O = other | Use code to indicate the purpose of the remortgage. Only 1 code can be entered |
| Employment status of main borrower | <u>F = full time employee</u> <u>S = self employed</u> <u>R = retired</u> <u>O = other</u> | Applies to main borrower only. Only 1 code can be entered |
| Total gross income | Numeric £ | The total income of all borrowers whose income was used in the credit assessment (see guidance notes for further explanation) (Optional for <i>Lifetime</i> and <i>Shared appreciation mortgages</i>) |
| Income verification | Y = income evidenced N = income not evidenced | Applies to loans based on one or more persons' incomes (see guidance notes relating to 'loans where income is not evidenced') (Optional for <i>Lifetime</i> and <i>Shared appreciation</i> |

| | | |
|--|--|--|
| | | <i>mortgages</i> |
| County court judgments (CCJs) Value | Numeric £ | Applies where borrower/s has one or more CCJs within the last 3 years - either satisfied or unsatisfied - with a total value greater than £500. |
| Impaired credit history | A = arrears V = IVA Bankruptcy | Use code/s to indicate applicable credit history A = applies to secured loans and unsecured loans where the borrower/s has arrears on a previous (or current) mortgage or other secured loan within the last 2 years where the cumulative amount overdue at any point reached three or more monthly payments or V = applies where the borrower/s have been subject to an individual voluntary arrangement (IVA) at any time within the last 3 years B = applies where the borrower/s have been subject to a bankruptcy order at any time within the last 3 years |

3 - OPTIONAL REPORTING FIELDS

- The following data items are not currently mandatory reporting fields. *Firms* are not obliged to report these items within the data report if the data is not readily available.

| Data reporting field | Code (where applicable) | Notes |
|---|--------------------------------|---|
| Initial gross charging rate of interest | numeric | The amount of interest reported should be the initial gross nominal rate charged on the loan and should take into account any discount being provided. Where the advance is split, the interest rate applying to the largest part of the advance should be entered. |
| Date incentivised rate ends | DD/MM/YYYY | Only applies to fixed, capped or discounted rates where the customer is paying an incentivised rate for a set period. |
| Date <i>early repayment charge</i> ends | DD/MM/YYYY | If applicable, report date early repayment charge ends. |

2. The following data items are not required for regulatory purposes and should only be reported by *mortgage lenders* who currently support the SML (Survey of Mortgage Lenders).

| Data reporting field | Code (where applicable) | Notes |
|--|--|--|
| Purchase price of property (Purchases only) | £ numeric | Purchase price as stated on application form. |
| Type of dwelling | B= bungalow D= detached house S = semi – detached house T = terraced house F = flat or maisonette in converted house P= purpose built flat or maisonette O = other | Use code to indicate property type Only 1 code can apply |
| Number of habitable rooms | numeric | Include kitchen but not bathroom/toilet |
| Number of bedrooms | numeric | |
| Does the property have a garage | Y=Yes N=No | The garage should be a permanent structure but does not have to stand on the main site of the property. |
| Is the dwelling new? | Y=Yes N=No | New refers to the period in which the main structure of the dwelling was completed and also means where a dwelling is being occupied for the first time. Does not therefore include new conversions of older dwellings. |
| Is mortgage payment protection insurance (MPPI) being taken out with the mortgage? | Y=Yes N=No | MPPI can be any of the following: - full accident, sickness and unemployment insurance; or - accident and sickness only; or - unemployment only. Report 'Yes' even where the policy was sold or provided free and irrespective of whether the premiums are collected by the lender or the insurer. |

Annex B

Amendments to the Glossary

In this Annex, all text is new and it is not underlined.

Insert the following new definitions in the appropriate alphabetical position:

| | |
|--------------------------------------|--|
| <i>exempt insurance intermediary</i> | <p>an <i>insurance intermediary</i>:</p> <ul style="list-style-type: none">(a) whose <i>Part IV permission</i> is limited to or includes <i>insurance mediation activity</i>;(b) which, in relation to <i>insurance mediation activity</i> (but disregarding money or other assets held in relation to other activities) either:<ul style="list-style-type: none">(i) does not hold any <i>client money</i> or other <i>client assets</i> in any form; or(ii) holds <i>client money</i> as trustee under a statutory trust imposed by CASS 5.3 (statutory trust) but does not otherwise hold <i>client money</i>; and(c) which (when aggregating the amount calculated in accordance with CASS 5.5.65R) does not in relation to <i>insurance mediation activity</i> hold <i>client money</i> in excess of £30,000 at any time during a <i>financial year</i>. |
| <i>MLAR</i> | (in <i>SUP</i>) a Mortgage Lending and Administration Return containing data specified in <i>SUP 16 Ann 19AR</i> and relevant to the <i>firm's</i> type and <i>regulated activities</i> |
| <i>retail investment</i> | <ul style="list-style-type: none">(a) a <i>life policy</i>; or(b) a <i>unit</i>; or(c) a <i>stakeholder pension scheme</i>; or(d) an interest in an <i>investment trust savings scheme</i>; or(e) a <i>structured capital-at-risk product</i>. |
| <i>retail investment firm</i> | a <i>firm</i> that has <i>permission</i> to carry on an activity which is a <i>retail investment activity</i> . |

retail investment activity

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

in relation to *retail investments*, except when carried on by a *firm* exclusively with or for *intermediate customers* or *market counterparties*.

RMAR

(in *SUP*) a Retail Mediation Activities Return, containing data specified in *SUP* 16 Ann 18A R and relevant to the *firm's* type and *regulated activities*

ADDENDUM

**SUPERVISION MANUAL (REPORTING AND AUDIT REQUIREMENTS)
INSTRUMENT 2004**

In this Addendum, underlining indicates new text and striking through indicates deleted text.

Annex A, part 4, of this instrument is amended as follows:

Sup 16 Ann 18AR Retail Mediation Activities Return ('RMAR')

Section D2

| | | | | | | |
|---|--|--|--|--|--|--|
| ... | | | | | | |
| 13 Less excess of current year drawings over current year <u>profits</u> losses | | | | | | |

Addendum
18 March 2005

SECOND ADDENDUM

SUPERVISION MANUAL (REPORTING AND AUDIT REQUIREMENTS) INSTRUMENT 2004

In this Addendum, underlining indicates new text and striking through indicates deleted text.

Annex A, part 4, of this instrument is amended as follows:

Sup 16 Ann 18AR Retail Mediation Activities Return ('RMAR')

SECTION D1: Regulatory Capital

Is the firm exempt from these capital requirements in relation to any of its retail mediation activities?

| | Non- investment insurance | Retail investments |
|-----------------|---------------------------------|-----------------------|
| Mortgage | | |
| RR0198 | RR0199 | RR0200 |

Mortgage and non-investment insurance

Base requirement

5% of annual income (firms holding client money)

2.5% of annual income (firms not holding client money)

| Client money | Non-client money |
|--------------|------------------|
| RR0202 | RR0203 |
| RR0205 | |
| | RR0206 |

Capital requirement (higher of above)

| | |
|--------|--------|
| RR0207 | RR0208 |
|--------|--------|

Other FSA capital requirements (if applicable)

Additional capital requirements for PII (if applicable)

| |
|--------|
| RR0210 |
| RR0211 |

TOTAL CAPITAL REQUIREMENT

TOTAL CAPITAL RESOURCES

TOTAL CAPITAL EXCESS/DEFICIT

| | |
|--------|-----------|
| RR0212 | See notes |
| RR0213 | |
| RR0214 | |

IPRU(INV) requirements for personal investment firms (retail investment activities only)

Category of personal investment firm under IPRU(INV)

| |
|---------|
| RR0215a |
|---------|

Own funds requirement

Own funds

Surplus/deficit of own funds

Additional own funds requirement for PII (if applicable)

Other FSA capital requirements (if applicable)

| | |
|---------|---|
| RR0216 | A |
| RR0217 | B |
| RR0218 | C |
| RR0219 | |
| RR0219a | |

Adjusted net current assets requirement (if applicable)

Adjusted net current assets (if applicable)

Surplus/deficit (if applicable)

| | |
|--------|---|
| RR0220 | D |
| RR0221 | E |
| RR0222 | F |

Expenditure based requirement (if applicable)

Adjusted Capital/liquid capital (if applicable)

Surplus/deficit (if applicable)

| | |
|--------|---|
| RR0223 | G |
| RR0224 | H |
| RR0225 | I |

Eligible capital (mortgage and non-investment insurance)

Incorporated firms

Share capital

Audited reserves

Interim net profits (audited verified)

Interim net profits (not audited verified)

Revaluation reserves

Eligible subordinated loans

less Investments in own shares

less Intangible assets

less interim net losses

TOTAL CAPITAL RESOURCES

| |
|--------|
| RR0228 |
| RR0229 |
| RR3231 |
| RR3232 |
| RR0233 |
| RR0234 |
| RR0235 |
| RR0236 |
| RR0237 |
| RR0238 |

Unincorporated firms

Capital of a sole trader or partnership

Eligible subordinated loans

Personal assets not needed to meet non-business liabilities

less Intangible assets

less interim net losses

less excess of drawings over profits for a sole trader or p'ship

TOTAL CAPITAL RESOURCES

| |
|--------|
| RR0240 |
| RR0245 |
| RR0246 |
| RR0247 |
| RR0248 |
| RR0249 |
| RR0250 |

Annex A, part 5, of this instrument is amended as follows:
 SUP 16 Ann18B G Notes for completion of the Retail Mediation Activities Return ('RMAR')

...

Application of RMAR sections

...

8. ... will not be subject to our ~~proposed~~ data requirements for ~~financial reporting balance sheet and profit & loss account~~ in the RMAR (RMAR sections A and ~~BC, D & E~~). For details see SUP 16.7.

...

Section D1: guide for completion of individual fields

| | |
|---|---|
| ... | |
| Eligible capital (mortgage and non-investment insurance) | |
| ... | |
| Interim net profits (audited <u>verified</u>) | Interim net profits should be audited <u>verified</u> by the <i>firm's</i> external auditor, net of tax or anticipated dividends and other appropriations to be included as capital. |
| Interim net profits (not audited <u>verified</u>) | Other unverified profits (not included in total capital resources) |

Second Addendum
 29 September 2005