

RETAIL DISTRIBUTION REVIEW (ADVISER CHARGING) INSTRUMENT 2010

Powers exercised

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

Commencement

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

Amendments to the Handbook

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

Citation

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

By order of the Board
25 March 2010

Annex A

Amendments to the Glossary of definitions

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

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

adviser charge any form of charge payable by or on behalf of a *retail client* to a *firm* in relation to the provision of a *personal recommendation* by the *firm* in respect of a *retail investment product* (or any related service provided by the *firm*) which is agreed between that *firm* and the *retail client* in accordance with the *rules* on adviser charging and remuneration (*COBS* 6.1A).

independent advice a *personal recommendation* to a *retail client* in relation to a *retail investment product* where the *personal recommendation* provided meets the requirements of the *rule* on independent advice (*COBS* 6.2A.3R).

restricted advice (a) a *personal recommendation* to a *retail client* in relation to a *retail investment product* which is not *independent advice*; or
(b) *basic advice*.

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

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

Amend the following definitions as shown.

combined initial disclosure document information about the breadth of advice, *scope of advice* or *scope of basic advice* and the nature and costs of the services offered by a *firm* in relation to two or more of the following:

- (a) *packaged products* or, for *basic advice*, *stakeholder products*;
- (b) *non-investment insurance contracts*;
- (c) *regulated mortgage contracts* other than *lifetime mortgages*;
- (d) *home purchase plans*;
- (e) *equity release transactions*;

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

services and costs disclosure document information about the ~~*scope of advice*~~ *breadth of advice* or *scope of basic advice* and the nature and costs of the services offered by a *firm* as described in *COBS 6.3.7G*, which contains the keyfacts logo, headings and text described in *COBS 6 Annex 1G*.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

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

- 2.2.-1 R (1) ...
- (2) This section applies in relation to other *designated investment business* carried on for a *retail client*:
- (a) ...
- (b) in relation to a ~~packaged product~~ retail investment product, but as regards the matters in COBS 2.2.1R(1)(a) and (d) only.
- ...
- 2.3.1 R A *firm* must not pay or accept any fee or commission, or provide or receive any non-monetary benefit, in relation to *designated investment business* or, in the case of its *MiFID or equivalent third country business*, another *ancillary service*, carried on for a *client* other than:
- (1) ...
- (2) a fee, commission or non-monetary benefit paid or provided to or by a third party or a *person* acting on behalf of a third party, if:
- (a) ...
- (b) the existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, is clearly disclosed to the *client*, in a manner that is comprehensive, accurate and understandable, before the provision of the service;
- (i) this requirement only applies to business other than *MiFID or equivalent third country business* if it includes giving a *personal recommendation* in relation to a ~~packaged product~~ retail investment product;
- ...
- (c) in relation to *MiFID or equivalent third country business* or when carrying on a regulated activity in relation to a retail

investment product, the payment of the fee or commission, or the provision of the non-monetary benefit is designed to enhance the quality of the service to the *client*.

...

...

- 2.3.6A G COBS 6.1A (Adviser charging and remuneration) and COBS 6.1B (Retail investment product provider requirements relating to adviser charging and remuneration) set out specific requirements as to when it is acceptable for a *firm* to pay or receive commissions, fees or other benefits relating to the provision of a *personal recommendation on retail investment products*.

...

Packaged products evidential provisions and guidance on inducements Paying commission on non-advised sales of packaged products

- 2.3.9 G The following *guidance and evidential provisions* provide examples of arrangements the *FSA* believes will breach the *client's best interests rule* if ~~it~~ a *firm* sells, ~~personally recommends~~ or ~~arranges~~ arranges the sale of a *packaged product* for a *retail client*.

...

Providing credit and other benefits to firms that advise on retail investment products

- 2.3.11A G The following *guidance and evidential provisions* provide examples of arrangements the *FSA* believes will breach the *client's best interests rule* in relation to a *personal recommendation of a retail investment product to a retail client*.
- 2.3.12 E (1) This *evidential provision* applies in relation to a holding in, or the provision of *credit* to, a *firm* which holds itself out as making *personal recommendations* to *retail clients* on ~~packaged products~~ retail investment products, except where the relevant transaction is between *persons* who are in the same *immediate group*.
- (2) A ~~product provider~~ retail investment product provider should not take any step which would result in it:
- (a) ...
- (b) providing *credit* to a *firm* in (1) (other than ~~commission due from the firm to the product provider~~ in accordance with an indemnity ~~commission~~ clawback arrangement continuing to

facilitate the payment of an *adviser charge* where it is no longer payable by the *retail client*, as described in *COBS 6.1A.5G*);

unless all the conditions in (4) are satisfied. A ~~*product provider*~~ *retail investment product provider* should also take reasonable steps to ensure that its *associates* do not take any step which would result in it having a holding as in (a) or providing *credit* as in (b).

- (3) A *firm* in (1) should not take any step which would result in a ~~*product provider*~~ *retail investment product provider* having a holding as in (2)(a) or providing *credit* as in ~~paragraph~~ (2)(b), unless all the conditions in (4) are satisfied.
- (4) The conditions referred to in (2) and (3) are that:
- (a) the holding is acquired, or *credit* is provided, on commercial terms, that is terms objectively comparable to those on which an independent *person* unconnected to a ~~*product provider*~~ *retail investment product provider* would, taking into account all relevant circumstances, be willing to acquire the holding or provide *credit*;
 - (b) ...
 - (c) there are no arrangements, in connection with the holding or *credit*, relating to the channelling of business from the *firm* in (1) to the ~~*product provider*~~ *retail investment product provider*; and
 - (d) the ~~*product provider*~~ *retail investment product provider* is not able, and none of its *associates* is able, because of the holding or *credit*, to exercise any influence over the *personal recommendations* made in relation to ~~*packaged products*~~ *retail investment products* given by the *firm*.
- (5) In this *evidential provision*, in applying (2) and (3) any holding of, or *credit* provided by, a ~~*product provider's*~~ *retail investment product provider's* *associate* is to be regarded as held by, or provided by, that ~~*product provider*~~ *retail investment product provider*.
- (6) ~~In this *evidential provision*, in applying (3) references to a “*product provider*” are to be taken as including an unauthorised equivalent of a *product provider*; that is, an unauthorised *insurance undertaking* or an unauthorised *operator* of a *regulated collective investment scheme* or of an *investment trust savings scheme*; [deleted]~~

(7) ...

2.3.12A G Where a retail investment product provider, or its associate, provides credit to a retail client of a firm making personal recommendations in relation to retail investment products, this may create an indirect benefit for the firm and, to the extent that this is relevant, the provider of retail investment products may need to consider the examples in COBS 2.3.12E as if it had provided the credit to the firm.

...

2.3.14 G (1) In relation to the sale of ~~packaged products~~ retail investment products, the table on reasonable non-monetary benefits (COBS 2.3.15G) indicates the kind of benefits which are capable of enhancing the quality of the service provided to a client and, depending on the circumstances, are capable of being paid or received without breaching the client's best interests rule. However, in each case, it will be a question of fact whether these conditions are satisfied.

(2) The guidance in the table on reasonable non-monetary benefits is not relevant to non-monetary benefits which may be given by a ~~product provider~~ retail investment product provider or its associate to its own representatives. The guidance in this provision does not apply directly to non-monetary benefits provided by a firm to another firm that is in the same immediate group. In this situation, the rules on commission equivalent (COBS 6.4.3R) or the requirements on a retail investment product provider making a personal recommendation in respect of its own retail investment products (COBS 6.1A.9R) will apply.

Reasonable non-monetary benefits

2.3.15 G This table belongs to COBS 2.3.14G

Reasonable non-monetary benefits	
	Gifts, Hospitality and Promotional Competition Prizes
1	A product provider <u>retail investment product provider</u> giving and a firm receiving gifts, hospitality and promotional competition prizes of a reasonable value.
	Promotion
2	A product provider <u>retail investment product provider</u> assisting another firm to promote its packaged products <u>retail investment products</u> so that the quality of its service to clients is enhanced.

	Such assistance should not be of a kind or value that is likely to impair the recipient <i>firm's</i> ability to pay due regard to the interests of its <i>clients</i> , and to give advice on, and recommend, packaged products <u>retail investment products</u> available from the recipient <i>firm's</i> whole range or ranges.
	Joint marketing exercises
3	A product provider <u>retail investment product provider</u> providing generic product literature (that is, letter heading, leaflets, forms and envelopes) that is suitable for use and distribution by or on behalf of another <i>firm</i> if:
	(a) the literature enhances the quality of the service to the <i>client</i> and is not primarily of promotional benefit to the product provider <u>retail investment product provider</u> ; and
	(b) ...
4	A product provider <u>retail investment product provider</u> supplying another <i>firm</i> with 'freepost' envelopes, for forwarding such items as completed applications, medical reports or copy client agreements.
5	A product provider <u>retail investment product provider</u> supplying product specific literature (for example, <i>key features documents</i> , minimum information) to another <i>firm</i> if:
	...
6	A product provider <u>retail investment product provider</u> supplying draft articles, news items and <i>financial promotions</i> for publication in another <i>firm's</i> magazine, only if in each case any costs paid by the <i>product provider</i> for placing the articles and <i>financial promotions</i> are not more than market rate, and exclude distribution costs.
	Seminars and conferences
7	A product provider <u>retail investment product provider</u> taking part in a seminar organised by another <i>firm</i> or a third party and paying toward the cost of the seminar, if:
	...
	Technical services and information technology
8	A product provider <u>retail investment product provider</u> supplying a 'freephone' link to which it is connected.

9	A product provider <u>retail investment product provider</u> supplying another <i>firm</i> with any of the following:	
	(a)	quotations and <i>projections</i> relating to its packaged products <u>retail investment products</u> and, in relation to specific <i>investment</i> transactions (or for the purpose of any scheme for review of past business), advice on the completion of forms or other <i>documents</i> ;
	(b)	access to data processing facilities, or access to data, that is related to the product provider's <u>retail investment product provider's</u> business;
	(c)	access to third party electronic dealing or quotation systems that are related to the product provider's <u>retail investment product provider's</u> business; and
	(d)	software that gives information about the product provider's <u>retail investment product provider's</u> packaged products <u>retail investment products</u> or which is appropriate to its business (for example, for use in a scheme for review of past business or for producing <i>projections</i> or technical product information).
10	A product provider <u>retail investment product provider</u> paying cash amounts or giving other assistance to a <i>firm</i> not in the same <i>immediate group</i> for the development of software or other computer facilities necessary to operate software supplied by the product provider <u>retail investment product provider</u> , but only to the extent that by doing so it will generate equivalent cost savings to itself or <i>clients</i> .	
11	A product provider <u>retail investment product provider</u> supplying another <i>firm</i> with information about sources of mortgage finance.	
12	A product provider <u>retail investment product provider</u> supplying another <i>firm</i> with generic technical information in writing, not necessarily related to the <i>product provider's</i> business, when this information states clearly and prominently that it is produced by the <i>product provider</i> or (if different) supplying <i>firm</i> .	
	Training	
13	A product provider <u>retail investment product provider</u> providing another <i>firm</i> with training facilities of any kind (for example, lectures, venue, written material and software).	

	Travel and accommodation expenses	
14	A product provider <u>retail investment product provider</u> reimbursing another <i>firm's</i> reasonable travel and accommodation expenses when the other <i>firm</i> :	
	(a)	participates in market research conducted by or for the product provider <u>retail investment product provider</u> ;
	(b)	attends an annual national event of a <i>United Kingdom</i> trade association, hosted or co-hosted by the product provider <u>retail investment product provider</u> ;
	(c)	participates in the product provider's <u>retail investment product provider's</u> training facilities (see 13);
	(d)	visits the product provider's <u>retail investment product provider's</u> <i>United Kingdom</i> office in order to:
	(i)	receive information about the product provider's <u>retail investment product provider's</u> administrative systems; or
	(ii)	attend a meeting with the product provider <u>retail investment product provider</u> and an existing or prospective <i>client</i> of the receiving <i>firm</i> .

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

2.3.16A G In interpreting the table of reasonable non-monetary benefits, a firm that provides a personal recommendation in relation to a retail investment product to a retail client should be aware that acceptance of benefits on which the firm will have to rely for a period of time is more likely to impair compliance with the client's best interests rule. For example, accepting services which provide access to another firm's systems or software on which the firm will need to rely to gain access to the firm's client data in the future, would be likely to conflict with the rule on inducements (COBS 2.3.1R).

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

6.1A Adviser charging and remuneration

Application – Who? What?

- 6.1A.1 R This section applies to a *firm* which makes a *personal recommendation* to a *retail client* in relation to a *retail investment product*.
- 6.1A.2 R This section does not apply to a *firm* when it gives *basic advice* in accordance with the *basic advice rules*.

Application – Where?

- 6.1A.3 R This section does not apply if the *retail client* is outside the *United Kingdom*.

Requirement to be paid through adviser charges

- 6.1A.4 R A *firm* must:
- (1) only be remunerated for the *personal recommendation* (and any other related services provided by the *firm*) by *adviser charges*; and
 - (2) not solicit or accept (and ensure that none of its *associates* solicits or accepts) any other commissions, remuneration or benefit of any kind in relation to the *personal recommendation* or any other related service, regardless of whether it intends to refund the payments or pass the benefits on to the *retail client*; and
 - (3) not solicit or accept (and ensure that none of its *associates* solicits or accepts) *adviser charges* in relation to the *retail client's retail investment product* which are paid out or advanced by another party over a materially different time period, or on a materially different basis, from that in or on which the *adviser charges* are recovered from the *retail client*.
- 6.1A.5 G A *firm* may receive an *adviser charge* that is no longer payable (for example, after the service it is received in payment for has been amended or terminated) provided the *firm* refunds any such payment to the *retail client*.
- 6.1A.6 G Services related to the *personal recommendation* may include, but are not limited to:
- (1) *arranging* or *executing* a transaction which has been recommended to a *retail client* by the *firm*, an *associate* or another *firm* in the same *group* or conducting administrative tasks associated with that

transaction; or

- (2) managing a relationship between a *retail client* (to whom the *firm* provides *personal recommendations* on *retail investment products*) and a *discretionary investment manager*.

6.1A.7 G The requirement to be paid through *adviser charges* does not prevent a *firm* from making use of any facility for the payment of *adviser charges* on behalf of the *retail client* offered by another *firm* or other third parties provided that the facility complies with the requirements of *COBS 6.1B.9R*.

6.1A.8 G Examples of payments and benefits that should not be accepted under the requirement to be paid through *adviser charges* include:

- (1) a share of the *retail investment product* charges or *retail investment product* provider's revenues or profits (except if the *firm* providing the *personal recommendation* is the *retail investment product* provider); and
- (2) a commission set and payable by a *retail investment product* provider in any jurisdiction.

Requirements on a retail investment product provider making a personal recommendation in respect of its own retail investment products

6.1A.9 R If the *firm* or its *associate* is the *retail investment product* provider, the *firm* must ensure that the level of its *adviser charges* is at least reasonably representative of the services associated with making the *personal recommendation* (and related services).

6.1A.10 G An *adviser charge* is likely to be reasonably representative of the services associated with making the *personal recommendation* if:

- (1) the expected long term costs associated with making a *personal recommendation* and distributing the *retail investment product* do not include the costs associated with manufacturing and administering the *retail investment product*;
- (2) the allocation of costs and profit to *adviser charges* and product charges is such that any cross-subsidisation is not significant in the long term; and
- (3) were the *personal recommendation* and any related services to be provided by an unconnected *firm*, the level of *adviser charges* would be appropriate in the context of the service being provided by the *firm*.

Requirement to use a charging structure

- 6.1A.11 R A *firm* must determine and use an appropriate charging structure for calculating its *adviser charge* for each *retail client*.
- 6.1A.12 G A *firm* can use a standard charging structure.
- 6.1A.13 G In determining its charging structure and *adviser charges* a *firm* should have regard to its duties under the *client's best interests rule*. Practices which may indicate that a *firm* is not in compliance with this duty include:
- (1) varying its *adviser charges* inappropriately according to provider or, for substitutable and competing *retail investment products*, the type of *retail investment product*; or
 - (2) allowing the availability or limitations of services offered by third parties to facilitate the payment of *adviser charges* to influence inappropriately its charging structure or *adviser charges*.
- 6.1A.14 R A *firm* must not use a charging structure which conceals the amount or purpose of any of its *adviser charges* from a *retail client*.
- 6.1A.15 G A *firm* is likely to be viewed as operating a charging structure that conceals the amount or purpose of its *adviser charges* if, for example:
- (1) it makes arrangements for amounts in excess of its *adviser charges* to be deducted from a *retail client's* investments from the outset, in order to be able to provide a cash refund to the *retail client* later; or
 - (2) it provides other services to a *retail client* (for example, *advising on a home finance transaction* or *advising on an equity release transaction*), and its *adviser charges* do not represent a reasonable proportion of the costs associated with the *personal recommendation* for the *retail investment product* and its related services.

Calculation of the cost of adviser services to a client

- 6.1A.16 G In order to meet its responsibilities under the *client's best interests rule* and *Principle 6* (Customers' interests), a *firm* should consider whether the *personal recommendation* is likely to be of value to the *retail client* when the total charges the *retail client* is likely to be required to pay are taken into account.

Initial information for clients on the cost of adviser services

- 6.1A.17 R A *firm* must disclose its charging structure to a *retail client* in writing, in good time before making the *personal recommendation* (or providing related services).

- 6.1A.18 G A *firm* may wish to consider disclosing as its charging structure a list of the advisory services it offers with the associated indicative charges which will be used for calculating the *adviser charge* for each service.
- 6.1A.19 G In order to meet the requirement in the *rule* on information disclosure before providing services (*COBS 2.2.1R*), a *firm* should ensure that the disclosure of its charging structure is in clear and plain language and, as far as is practicable, uses cash terms. If a *firm's* charging structure is in non-cash terms, examples in cash terms should be used to illustrate how the charging structure will be applied in practice.
- 6.1A.20 G A *firm* is unlikely to meet its obligations under the *fair, clear and not misleading rule* and the *client's best interests rule* unless it ensures that:
- (1) the charging structure it discloses reflects, as closely as is practicable, the total *adviser charge* to be paid; for example, the *firm* should avoid using a wide range; and
 - (2) if using hourly rates in its charging structure, it states whether the rates are indicative or actual hourly rates, provides the basis (if any) upon which the rates may vary and provides an approximate indication of the number of hours that the provision of each service is likely to require.
- 6.1A.21 G A *firm* may meet the disclosure requirements in this section by using a *services and costs disclosure document* or a *combined initial disclosure document* (*COBS 6.3* and *COBS 6 Annex 1G* or *COBS 6 Annex 2*).

Ongoing payment of adviser charges

- 6.1A.22 R A *firm* must not use an *adviser charge* which is structured to be payable by the *retail client* over a period of time unless (1) or (2) applies:
- (1) the *adviser charge* is in respect of an ongoing service for the provision of *personal recommendations* or related services and the *firm* has disclosed that service along with the *adviser charge*; or
 - (2) the *adviser charge* relates to a *retail investment product* to which the *retail client* has contracted to contribute to regularly over a period of time and the *firm* has disclosed that no ongoing *personal recommendations* or service will be provided.
- 6.1A.23 R If *COBS 6.1A.22R*(1) or (2) do not apply, a *firm* may not offer *credit* to a *retail client* for the purpose of paying *adviser charges* unless this would be in the best interests of the *retail client*.

Disclosure of total adviser charges payable

- 6.1A.24 R (1) A firm must agree with and disclose to a *retail client* the total *adviser charge* payable to it or any of its *associates* by a *retail client*.
- (2) A disclosure under (1) must:
- (a) be in cash terms (or convert non-cash terms into illustrative cash equivalents);
 - (b) be as early as practicable;
 - (c) be in a *durable medium* or through a website (if it does not constitute a *durable medium*) if the *website conditions* are satisfied; and
 - (d) if there are payments over a period of time, include the amount and frequency of each payment due, the period over which the *adviser charge* is payable and the implications for the *retail client* if the *retail investment product* is cancelled before the *adviser charge* is paid and, if there is no ongoing service, the sum total of all payments.
- 6.1A.25 G A *firm* may include the information required by the *rule* on disclosure of total *adviser charges* (COBS 6.1A.24R) in a *suitability report*.
- 6.1A.26 G To comply with the *rule* on disclosure of total *adviser charges* (COBS 6.1A.24R) and the *fair, clear and not misleading rule*, a *firm's* disclosure of the total *adviser charge* should:
- (1) provide information to the *retail client* as to which particular service an *adviser charge* applied to;
 - (2) include information as to when payment of the *adviser charge* is due;
 - (3) inform the *retail client* if the total *adviser charge* varies materially from the charge indicated for that service in the *firm's* charging structure;
 - (4) if an ongoing *adviser charge* is expressed as a percentage of funds under management, clearly reflect in the disclosure how that *adviser charge* may increase as the fund grows, for example by illustrating the *adviser charge* assuming a fund growth rate which is consistent with an *intermediate rate of return*; and
 - (5) if an ongoing *adviser charge* applies for an ongoing service, clearly confirm the details of the ongoing service, its associated charges, and how the *retail client* can cancel this service and cease payment of the

associated charges.

Record keeping

- 6.1A.27 R A *firm* must keep a record of:
- (1) its charging structure;
 - (2) the total *adviser charge* payable by each *retail client*; and
 - (3) if the total *adviser charge* paid by a *retail client* has varied materially from the charge indicated for that service in the *firm's* charging structure, the reasons for that difference.

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

Application – Who? What?

- 6.1B.1 R This section applies to a *firm* which is a *retail investment product* provider in circumstances where a *retail client* receives a *personal recommendation* in relation to the *firm's retail investment product*.
- 6.1B.2 R This section does not apply to a *firm* when a *retail client* receives *basic advice* in accordance with the *basic advice rules*.
- 6.1B.3 G This section applies to a *firm* when it makes a *personal recommendation* on a *retail investment product* and where a *retail investment product* for which it is the *retail investment product* provider is the subject of a *personal recommendation* made by another *firm*.

Application – Where?

- 6.1B.4 R This section does not apply if the *retail client* is outside the *United Kingdom*.

Requirement not to offer commissions

- 6.1B.5 R A *firm* must not offer or pay (and must ensure that none of its *associates* offers or pays) any commissions, remuneration or benefit of any kind to another *firm*, or to any other third party for the benefit of that *firm*, in relation to a *personal recommendation* (or any related services), except those that facilitate the payment of *adviser charges* from a *retail client's* investments in accordance with this section.
- 6.1B.6 G The requirement not to offer or pay commission does not prevent a *firm* from making a payment to a third party in respect of administration or other

charges incurred, for example a payment to a fund supermarket or a third party administrator.

Distinguishing product charges from adviser charges

- 6.1B.7 R A *firm* must:
- (1) take reasonable steps to ensure that its *retail investment product* charges are not structured so that they could mislead or conceal from a *retail client* the distinction between those charges and any *adviser charges* payable in respect of its *retail investment products*; and
 - (2) not include in any marketing materials in respect of its *retail investment products* or facilities for collecting *adviser charges* any statements about the appropriateness of levels of *adviser charges* that a *firm* could charge in making *personal recommendations* or providing related services in relation to its *retail investment products*.
- 6.1B.8 G A *firm* should not offer to invest more than 100% of the *retail client's* investment.

Requirements on firms facilitating the payment of adviser charges

- 6.1B.9 R A *firm* that offers to facilitate, directly or through a third party, the payment of *adviser charges* from a *retail client's retail investment product* must:
- (1) obtain and validate instructions from a *retail client* in relation to an *adviser charge*;
 - (2) offer sufficient flexibility in terms of the *adviser charges* it facilitates; and
 - (3) not pay out or advance *adviser charges* to the *firm* to which the *adviser charge* is owed over a materially different time period, or on a materially different basis to that in which it recovers the *adviser charge* from the *retail client* (including paying any *adviser charges* to the *firm* that it cannot recover from the *retail client*).
- 6.1B.10 G A *firm* should consider whether the flexibility in levels of *adviser charges* it offers to facilitate is sufficient so as not to unduly influence or restrict the charging structure and *adviser charges* that the *firm* providing the *personal recommendation* or related services can use.
- 6.1B.11 G COBS 6.1B.9R(3) does not prevent a *firm*, if this is in the *retail client's* best interests, from entering into an agreement with another *firm* which is providing a *personal recommendation* to a *retail client*, or with a *retail client* of such a *firm*, to provide it with *credit* separately in accordance with

the *rules* on providing credit and other benefits to *firms* that advise on *retail investment products* (COBS 2.3.12E and 2.3.12AG).

Delete COBS 6.2 in its entirety. The deleted text of this section is not shown.

6.2 ~~Describing the breadth of a firm's personal recommendations~~

Insert the following new section. The text is not underlined.

6.2A Describing advice services

Application – Who? What?

- 6.2A.1 R This section applies to a *firm* that either:
- (1) makes a *personal recommendation* to a *retail client* in relation to a *retail investment product*; or
 - (2) provides *basic advice* to a *retail client*.

Application – Where?

- 6.2A.2 R This section does not apply if the *retail client* is outside the *United Kingdom*.

Firms holding themselves out as independent

- 6.2A.3 R (1) A *firm* must not hold itself out to a *retail client* as acting independently unless the only *personal recommendations* in relation to *retail investment products* it offers to that *retail client* are:
- (a) based on a comprehensive and fair analysis of the relevant market; and
 - (b) unbiased and unrestricted.
- (2) Paragraph (1) does not apply to *group personal pension schemes* if a *firm* discloses information to a *client* in accordance with the *rule* on *group personal pension schemes* (COBS 6.3.21R).
- 6.2A.4 G (1) A *firm* that provides both *independent advice* and *restricted advice* should not hold itself out as acting independently for its business as a whole. However, a *firm* may hold itself out as acting independently in respect of its services for which it provides *independent advice* or advice which meets other independence requirements for particular

investments. For example, a *firm* that provides *independent advice* on *regulated mortgage contracts* in accordance with *MCOB* but *restricted advice* on *retail investment products* will not be able to hold itself out as an independent financial adviser. However, it would be able to hold itself out as an adviser providing *independent advice* for *regulated mortgage contracts* provided it was made clear in accordance with the *fair, clear and not misleading rule* that it provided *restricted advice* for *retail investment products*.

- (2) A *firm* whose relevant market is relatively narrow should not hold itself out as acting independently in a broader sense. For example, a *firm* “Greenfield”, which specialises in ethical and socially responsible investments could not hold itself out as “Greenfield Independent Financial Advisers”. “Greenfield – providing independent advice on ethical products” may be acceptable.
- (3) A *firm* that provides *basic advice* on *stakeholder products* may still use the facilities and stationery it uses for other business in accordance with the *rule* on basic advice on stakeholder products: other issues (*COBS 9.6.17R(2)*).

Describing the breadth of a firm’s advice service

- 6.2A.5 R A *firm* must disclose in writing to a *retail client*, in good time before the provision of its services in respect of a *personal recommendation* or *basic advice* in relation a *retail investment product*, whether its advice will be:
- (1) *independent advice*; or
 - (2) *restricted advice*.

Content and wording of disclosure

- 6.2A.6 R
- (1) A *firm* must include the term “independent advice” or “restricted advice” or both, as relevant, in the disclosure.
 - (2) If a *firm* provides *independent advice* in respect of a relevant market that does not include all *retail investment products*, a *firm* must include in the disclosure an explanation of that market, including the types of *retail investment products* which constitute that market.
 - (3) If a *firm* provides *restricted advice*, a *firm* must include in its disclosure an explanation about whether the advice is limited to *retail investment products* from a single company, a single group of companies or a limited number of companies.
 - (4) If a *firm* provides both *independent advice* and *restricted advice*, the disclosure must clearly explain the different nature of the

independent advice and restricted advice services.

Medium of disclosure

- 6.2A.7 R A *firm* must provide the disclosure information required by the *rule* on describing the breadth of a *firm's* advice service (COBS 6.2A.5R) in a *durable medium* or through a website (if it does not constitute a *durable medium*) provided the *website conditions* are satisfied.
- 6.2A.8 G A *firm* may meet the disclosure requirements in the *rule* on describing the breadth of a *firm's* advice service (COBS 6.2A.5R) and the *rule* on content and wording of disclosure (COBS 6.2A.6R) by using a *services and costs disclosure document* or a *combined initial disclosure document* (COBS 6.3 and COBS 6 Annex 1G or COBS 6 Annex 2).

Additional oral disclosure for firms providing restricted advice

- 6.2A.9 R If a *firm* provides *restricted advice* and engages in spoken interaction with the *retail client*, a *firm* must disclose orally in good time before the provision of its services in respect of a *personal recommendation* that it provides *restricted advice* and the nature of that restriction.
- 6.2A.10 G Examples of statements which would comply with COBS 6.2A.9R include:
- (1) "I am a [Firm X] adviser offering restricted advice, which means that my advice is restricted to advice on [Firm X] [products/stakeholder products] only" or
 - (2) "I am a [Firm X] adviser offering restricted advice, which means that my advice is restricted to advice on [products/stakeholder products] from a limited number of companies that [Firm X] has selected".

Guidance on what constitutes a relevant market

- 6.2A.11 G A relevant market should comprise all *retail investment products* which are capable of meeting the investment needs and objectives of a *retail client*.
- 6.2A.12 G A relevant market can be limited by the investment needs and objectives of the *retail client*. For example, ethical and socially responsible investments or Islamic financial products could both be relevant markets. However, a *firm* would be expected to consider all *retail investment products* within those investment parameters.
- 6.2A.13 G For a *firm* not specialising in a particular market, the relevant market will generally include all *retail investment products*.

Guidance on providing unbiased and unrestricted advice

- 6.2A.14 G A *personal recommendation* on a *retail investment product* that invests in a number of underlying *investments* would not of itself meet the requirements for providing unbiased and unrestricted advice even if the *retail investment product* invests in a wide range of underlying *investments*.
- 6.2A.15 G In order to satisfy the *rule* on *firms* holding themselves out as independent (COBS 6.2A.3R) a *firm* should ensure that it is not bound by any form of agreement with a *retail investment product* provider that restricts the *personal recommendation* the *firm* can provide or imposes any obligation that may limit the *firm's* ability to provide a *personal recommendation* which is unbiased and unrestricted.
- 6.2A.16 G A *firm* may be owned by, or own in whole or part, or be financed by or provide finance to, a *retail investment product* provider without contravening the 'unbiased, unrestricted' requirement provided the *firm* ensures that that ownership or finance does not prevent the *firm* from providing a *personal recommendation* which is unbiased and unrestricted.
- 6.2A.17 G In providing unrestricted advice a *firm* should consider relevant financial products other than *retail investment products* which are capable of meeting the investment needs and objectives of a *retail client*, examples of which could include national savings and investments products and *cash deposit ISAs*.

Guidance on using panels and/or third parties to provide a comprehensive and fair analysis of the market

- 6.2A.18 G A *firm* may provide a *personal recommendation* on a comprehensive and fair analysis basis required by the *rule* on *firms* holding themselves out as independent (COBS 6.2A.3R) by using 'panels'. A *firm* would need to ensure that any panel is sufficiently broad in its composition to enable the *firm* to make *personal recommendations* based on a comprehensive and fair analysis, is reviewed regularly, and that the use of the panel does not materially disadvantage any *retail client*.
- 6.2A.19 G When using a panel a *firm* may exclude a certain type or class of *retail investment product* from the panel if, after review, there is a valid reason consistent with the *client's best interests rule*, for doing so.
- 6.2A.20 G If a *firm* chooses to use a third party to conduct a fair and comprehensive analysis of its relevant market, the *firm* is responsible for ensuring the criteria used by the third party are sufficient to meet the requirement. For example, criteria which selected *retail investment product* providers on the basis of payment of a fee (or facilitation of *adviser charges*), whilst excluding those not paying a fee (or such a facilitation) would not meet the comprehensive and fair analysis requirement.

Record keeping

- 6.2A.21 G *Firms* are reminded of the general record keeping requirements in SYSC 3.2 and SYSC 9. A *firm* should keep appropriate records of the disclosures required by this section.

Systems and controls

- 6.2A.22 G (1) *Firms* are reminded of the systems and controls requirements in SYSC.
- (2) A *firm* providing *restricted advice* should take reasonable care to establish and maintain appropriate systems and controls to ensure that if there is no *retail investment product* in the *firm's* range of products which meets the investment needs and objectives of the *retail client*, no *personal recommendation* should be made.
- (3) A *firm* specialising in a relevant market should take reasonable care to establish and maintain appropriate systems and controls to ensure that it does not make a *personal recommendation* if there is a *retail investment product* outside the relevant market which would meet the investment needs and objectives of the *retail client*.

Amend the following as shown.

6.3 Disclosing information about services, fees and commission – packaged products

...

- 6.3.1A R This section does not apply to a *firm* when it makes a *personal recommendation* to a *retail client* and that *retail client* is outside the *United Kingdom*.

- 6.3.1B G If a *firm* makes a *personal recommendation* to a *retail client* in relation to a *packaged product* and uses the *services and costs disclosure document* or *combined initial disclosure document* to make the disclosures required under the *rule* on describing the breadth of a *firm's* advice service (COBS 6.2A.5R) and the *rule* on content and wording of disclosure (COBS 6.2A.6R), it may also use these documents for its disclosures in respect of any other *retail investment products*.

...

- 6.3.3 G (1) ~~The *rules* referred to in (4) are derived from the *Single Market directives* and the *Distance Marketing Directive*. In the *FSA's*~~

opinion, a *firm* may comply with ~~them~~ the *rules* referred to in (4) of which (a) to (g) are derived from the *Single Market Directives* and the *Distance Marketing Directive* by ensuring that in good time before:

...

...

- (4) For the purposes of (1), provision of a *services and costs disclosure document* or *combined initial disclosure document* will comply with:

...

- (b) the *rule* on information about costs and charges (*COBS* 6.1.9R) but only if ~~the hourly rates indicated~~ in the *services and costs disclosure document* or *combined initial disclosure document*:

(i) if a *firm* is providing a *personal recommendation* or related services and the total *adviser charge* can be determined, the total *adviser charge* is disclosed as part of the charging structure; or

(ii) if the total *adviser charge* cannot be determined or a *firm* is not providing a *personal recommendation*, if hourly rates are disclosed, the hourly rates are actual hourly rates rather than indicative hourly rates;

...

- (f) the investor compensation scheme *rule* in *COBS* 6.1.16R(1) and (2); ~~and~~

- (g) the *rule* on information to be provided by an *insurance intermediary* (*COBS* 7.2.1R(1) and *COBS* 7.2.1R(2)); and

- (h) the *rule* on describing the breadth of a *firm's* advice service (*COBS* 6.2A.5R), the *rule* on content and wording of disclosure (*COBS* 6.2A.6R) and the *rule* on initial information for *clients* on the cost of advice services (*COBS* 6.1A.15G).

...

- 6.3.14 G A *firm* would be unlikely to comply with the *client's best interests rule* and the *fair, clear and not misleading rule*, if:

- (1) the *services and costs disclosure document* or the *combined initial disclosure document* that it provided initially did not reflect the relevant *adviser charge* or expected *commission* arrangements; or

...

...

Provision of information on request

- 6.3.17 G ~~A firm should take reasonable steps to ensure that its *representative* provides a copy of the appropriate *range of packaged products* to a *client* on the *client's* request. [deleted]~~

...

- 6.3.20 G (1) In accordance with the *rule* on information disclosure before providing services (COBS 2.2.1R), if a *firm's* initial contact with a *retail client* with a view to providing a *personal recommendation* on *packaged products* is by telephone then the following information should be provided before proceeding further:

...

- (b) ~~whether the *firm* offers *packaged products* from the whole market or from a limited number of *companies* or from a single *company* or a single group of *companies* whether the *firm* provides *independent advice* or *restricted advice* and, if a *firm* provides *restricted advice*, the oral disclosure required by the *rule* on additional oral disclosure for *firms* providing *restricted advice* (COBS 6.2A.9R);~~
- (c) ~~whether the *firm* will provide the *client* with a *personal recommendation on packaged products* the *firm's* charging structure; and~~
- (d) ~~that the *client* can request a copy of the appropriate range of *packaged products*; that the information given under (a) to (c) will subsequently be confirmed in writing.~~
- (e) ~~whether the *firm* offers a *fee*-based service, a *commission*-based service, a service based on a combination of *fee* and *commission*, or a combination of these services, and the consequences for the *client* of proceeding with each type of service; and [deleted]~~
- (f) ~~that the information given under (a) to (e) will subsequently~~

~~be confirmed in writing. [deleted]~~

Group Personal Pensions

- 6.3.21 R A *firm* must take reasonable steps to ensure that its *representatives* when making contact with an employee with a view to giving a *personal recommendation* on his employer's *group personal pension scheme* or *stakeholder pension scheme*, inform the employer:

...

- (3) ~~the amount and nature of any payments that the employee will have to pay, directly or indirectly, for the personal recommendation. [deleted]~~

- (4) that the employee will have to pay an *adviser charge* (if applicable).

- 6.3.22 G The payments that the employee would have to pay could be:

- (1) *fees*;

- (2) ~~*commission*~~

- (3) ~~*commission equivalent*~~;

- (4) ~~a combination of the above. [deleted]~~

...

6.4 Disclosure of charges, remuneration and commission

...

- 6.4.1 R This section applies to a *firm* ~~carrying on designated investment business with~~ when it sells or *arranges the sale of a packaged product to a retail client* and the *firm's* services to sell or *arrange* are not in connection with the provision of a *personal recommendation*.

...

- 6.4.3 R (1) If a *firm* sells, ~~*personally recommends*~~ or *arranges* the sale of a *packaged product* to a *retail client*, and subsequently if the *retail client* requests it, the *firm* must disclose to the *client* in cash terms:

...

...

...

6.4.5 R (1) A *firm* must make the disclosure required by the *rule* on disclosure of *commission* or *equivalent* (COBS 6.4.3R) as close as practicable to the time that it sells, ~~*personally recommends*~~ or *arranges* the sale of a *packaged product*.

...

...

6.4.7 R A *firm* must not enter into an arrangement to pay *commission* other than to the *firm* responsible for a sale, unless:

...

(2) ~~another *firm* has given a *personal recommendation* to the same *retail client* after the sale; or~~ [deleted]

...

...

6.4.9 G The *rules* in this section build on the disclosure of fees, commissions and non-monetary benefits made under the *rule* on inducements (COBS 2.3.1R). ~~However the *rules* in this section do not require disclosures before the *firm* makes a *personal recommendation*.~~

Delete COBS 6 Annex 1G in its entirety and replace it with the following. The text is not underlined.

6 Annex 1G Services and costs disclosure document described in COBS 6.3.7G(1)

Firms should omit the notes and square brackets which appear in the following specimen.



about our services and costs [Note 1]



[Note 2]

[Note 3]
[123 Any Street
Some Town
ST21 7QB]

1. The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. This document is designed by the FSA to be given to consumers considering buying certain financial products. You need to read this important document. It explains the service you are being offered and how you will pay for it.

2. Which service will we provide you with? [Note 4] [Note 5]

- Independent advice – We will advise and make a recommendation for you after we have assessed your needs. Our recommendation will be based on a comprehensive and fair analysis of the market. [Note 6]
- Restricted advice – We will advise and make a recommendation for you after we have assessed your needs, but we only offer products from one company or a limited number of companies. [Note 7].
- No advice – You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

3. What will you have to pay us for our services? [Note 8]

[You will pay for our services on the basis of [insert charging arrangements [Note 9]]. We will discuss your payment options with you and answer any questions you have. We will not charge you until we have agreed with you how we are to be paid.[Note 10]]

[non-advised services [Note 11 -13]]

[Advised services [Note 14]]

The cost of our services [Note 15-17]

Your payment options [Note 18]

[Settling your adviser charge through a single payment [Free text Note 19]]

[Settling your adviser charge by instalments [Free text Note 20]]

[Paying by instalments through your recommended product [Free text Note 21]]

[Paying through other arrangements [Free text Note 22]]

[Keeping up with your payments [Free text Note 23]]

[Payment for ongoing services [Free text Note 24]]

[Other benefits we may receive [Note 25]]

4. Who regulates us? [Note 26]

[ABC Financial Services] [123 Any Street, Some Town, ST21 7QB] [Note 27] [Note 28] is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. [Note 29]

Our permitted business is []. [Note 30]

[or] [Note 31]

[Name of *appointed representative* or *tied agent*] [Note 2] is [an appointed representative or a tied agent] of [name of *firm*] [address of *firm*] [Note 27] [Note 28] which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [].

[Name of *firm's*] permitted business is [] [Note 30] [Name of *appointed representative* or *tied agent*] is regulated in [an EEA state or the United Kingdom]. [Note 29]

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234. [Note 29]

5. Loans and ownership [Note 31]

[[XXX plc] owns [YY]% of our share capital.]

[[XXX plc] provides us with loan finance of [YY] per year.]

[[XXX] (or we) have [YY]% of the voting rights in [ZZZ].] [Note 32][Note 33][Note 34][Note 35]

6. What to do if you have a complaint [Note 26]

If you wish to register a complaint, please contact us:

...in writing Write to [ABC Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... by phone Telephone [0121 100 1234]. [Note 36]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 37]

7. Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 26] [Note 38] [Note 39]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Most types of investment business are covered up to a maximum of £50,000.

Further information about compensation scheme arrangements is available from the FSCS.

The following notes do not form part of the *services and costs disclosure document*.

Note 1 – permission to use the keyfacts logo: the *FSA* has developed a common keyfacts logo to be used on significant pieces of information directed to *clients*. The keyfacts logo and the text ‘about our services and costs’ may only be used and positioned as shown in the *services and costs disclosure document* (see *COBS* 6.3.4R). The logo may be re-sized and re-coloured. It may only be used if it is reasonably prominent and its proportions are not distorted. A specimen of the keyfacts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 2 – insert the *firm’s* or *appointed representative’s* or *tied agent’s* name (either the name under which it is *authorised* or the name under which it trades). A corporate logo or logos may be included. If an individual who is employed or engaged by an *appointed representative* or *tied agent* provides the information, the individual should not put his or her own name on the *services and costs disclosure document*.

Note 3 – insert the address of the head office and/or if appropriate the principal place of business from which the *firm*, *appointed representative* or *tied agent* expects to conduct business (this can include a *branch*) with *clients*. (An *appointed representative* or *tied agent* should include its own name and address rather than those of the *authorised firm*.)

Section 2: Which service will we provide you with?

Note 4 – the *firm* should select, for example by ticking, the box(es) which are appropriate for the service that it expects to provide to the *client*. This needs to be done only in relation to the service the *firm* is offering to a particular *client*. More than one box can be selected if more than one service is being offered to a particular *client*. If more than one box is selected, the *firm* should clearly explain the different nature of the services by adding text to this section, such that the explanation of the services the *firm* offers under this section is fair, clear and not misleading. Do not remove boxes that are not selected.

The *firm* should tick the first box in section 2 if it will be providing *independent advice*.

The *firm* should tick the second box in section 2 if it will be providing *restricted advice*, including *basic advice* (on *stakeholder products*).

The *firm* should tick the third box in section 2 if it will not be providing advice.

Note 5 – if the *services and costs disclosure document* is provided by an *appointed representative* or *tied agent*, the service described should be that offered by the *appointed representative* or *tied agent*.

Note 6 – if the *firm* selects this box and the *firm* does not consider all *retail investment products*,

the *firm* should include an explanation of the types of products it does consider, in a way that meets the *fair, clear and not misleading rule*. For example, if a *firm* only considers ethical and socially responsible investments, this should be explained here.

Note 7 – if the *firm* selects this box, it will be offering:

- (a) products from a limited number of companies; or
- (b) products of a single company or single group of companies; or
- (c) its own products (e.g. where the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part’s trading name); or
- (d) *basic advice on stakeholder products*.

The *firm* should replace the preceding text with the relevant text as set out below. If the *firm* does not select this box, then no amendments should be made to the preceding text.

(a)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We [can] [Note a] only offer products from a limited number of companies. You may ask us for a list of the companies whose products we offer.” [Note b] .
(b)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We [can] [Note a] only offer products from [name of provider].” or if the provider has only one product the <i>firm</i> should amend the text to the singular, for example “We [can] [Note a] only offer a pension from [name of provider].”
(c)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We only offer our own products.”
(d)	“Restricted advice – We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances, but we will not conduct a full assessment of your needs or offer advice on whether a non-stakeholder product may be more suitable.” [Note c]: “We [can] [Note a] offer products from a single stakeholder product provider.”; or “We [can] [Note a] offer products from a limited number of stakeholder product providers You may ask us for a list of the companies whose products we offer.” [Note b] ; or “We only offer our own stakeholder products.”

[Note a] – insert “can” if the *firm*’s range of products is determined by any contractual obligation.

[Note b] – the list of products will be the range of *retail investment products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *client*. For services provided in relation to non-investment insurance contracts, this is the list required by *ICOB*S 4.1.6R(2).

[Note c] – the *firm* should insert one of the three statements, whichever is relevant.

Section 4: What will you have to pay us for our services?

Note 8 – in this section, the *firm* should outline how it intends to charge its *clients* for the services provided. If the *firm* is not intending to provide a *personal recommendation* it should refer to the notes under ‘Non-advised services’ below. If the *firm* is intending to provide a *personal recommendation*, it should refer to the notes under ‘Advised services’. If the *firm* is providing both a *personal recommendation* and ‘non-advised’ services, the *firm* should set out the charging arrangements for the non-advised and advised services separately, and make clear which charging arrangements apply to which service using appropriate sub-headings.

Note 9 – a *firm* should disclose all of the charging arrangements it offers its *clients*, from the alternatives of *adviser charge, fee, commission* or a combination.

Note 10 – if applicable, a *firm* should disclose to the *client* the possibility that other costs including taxes (for example VAT), related to transactions in connection with the *packaged product* and that are not paid via the *firm* or imposed by it, may arise for the *client*.

Notes for non-advised services

Note 11 – any reference in this section to “*commission*” means *commission* and *commission equivalent*.

Note 12 – a *firm* that is not proposing to give *personal recommendations* on *packaged products* can amend this section accordingly. The *firm* need not provide information regarding payment options but should provide at this section at least a statement explaining that the *client* will be told how much the *firm* will be paid before the *firm* carries out any business for the *client* and honour that undertaking. For example, “We will tell you how we get paid and the amount before we carry out any business for you.” If a *firm* chooses to provide the *client* with the total price in this section and any part of that price is to be paid in or represents an amount of foreign currency, the *firm* should provide an indication of the currency and the applicable currency conversion rates and costs.

Note 13 – in order to comply with COBS 2.3.1R as qualified by 2.3.2R, *firms* receiving non-monetary benefits may wish to disclose those benefits in summary form here, under the heading “**Other benefits we may receive**”. If a *firm* does so, it should provide the undertaking described in COBS 2.3.2R(1) (to provide further details on request) in writing, in this section and honour that undertaking. However, it is not the purpose of this section to provide significant or extensive explanation of non-monetary benefits such that it distracts from the wider purpose of the document.

For example

“We sell a range of products from a variety of firms; some of these firms provide us with annual training, which allows us to offer you a better service. This year we expect to receive in total [XX] hours worth of training from XYZ, ABC and DEF firms, predominantly from ABC. Some of the cost of this training may be passed to you as part of the total charges you pay should you choose a product provided by XYZ, ABC or DEF. Further information regarding these arrangements is available on request.”

Notes for advised services

Note 14 – *firms* proposing to provide a *personal recommendation on packaged products* should use the following notes to provide information to the *client* on the *firm's* charging structure and the *client's* payment options.

Note 15 – a *firm* should include here its charging structure, outlining as closely as possible the services that it offers and the charge for each service. The *firm* should ensure that this is presented in clear and plain language and, as far as practicable, uses cash terms.

Note 16 – the charging structure should be expressed in pounds sterling or, where relevant, another appropriate currency. Where a *firm's* charging structure is in non-cash terms, examples in cash terms should be used to illustrate how the charging structure will be applied in practice. Where a *firm* uses hourly rates in its charging structure, it should state whether the rates are actual or indicative and provide an approximate indication of the number of hours a particular service may take. If a *firm* chooses to provide the *client* with the total *adviser charge* in this section and any part of that *adviser charge* is to be paid in or represents an amount of foreign currency, the *firm* should provide an indication of the currency and the applicable currency conversion rates and costs.

For example

Our charging structure

Service	Initial charge	Ongoing charge for twice yearly reviews
Review of your pension arrangements (pre-retirement)	Charged at £100 per hour (exc. VAT) - approx. 4-6 hours	
Advice on what to do with your pension fund (at retirement)	Charged at £130 per hour (exc. VAT) - approx. 2-3 hours	
Where to put your savings (for those with up to £25,000 to invest)	3% of your investment, if you go ahead with our recommendations	Service available on request for 0.5% of your investment per year

Note 17 – where a *firm* provides an ongoing service, it should disclose the ongoing service that will be offered and that there will be an *adviser charge* for that service. The *firm* can also include in this section additional information the *client* would receive before the provision of the *personal*

recommendation or related services.

For example

“There will be an additional charge for any ongoing work, such as periodic or ongoing reviews, we carry out on your behalf. We will confirm the rate, frequency and length of this ongoing service before beginning any ongoing service.”

Note 18 – a *firm* must use the headings (i) “Your payment options” and (ii) the following sub-headings as applicable: “Settling your adviser charge in a single payment” and/or “Settling your adviser charge by instalments”. A *firm* should outline the payment options offered to *clients* and any restrictions on these payment options. In addition, a *firm* should provide an explanation relating to each option offered in clear and plain language.

Note 19 – Additional text to be included under the heading “Settling your adviser charge in a single payment”

The text for describing how the *client* can settle the *adviser charge* through a single payment is not prescribed, but should be clear and in plain language. This could commence with an explanation of the arrangements relating to the single payment of the *adviser charge*, including any specific provision as to the circumstances when an *adviser charge* will be payable (including where relevant, payment of any “non-contingent” *adviser charge* (i.e. where the *client* will be charged even if they do not purchase a product)), the type of payments accepted by the *firm* and the timing for the payment of the *adviser charge*. For example:

“Whether you buy a product or not, you will pay us an adviser charge for our advice and services, which will become payable on completion of our work.”

“You will be required to settle the payment of your adviser charge on completion of our work in [insert number of days] days. We accept cheque or card payments. We do/do not accept payment by cash. You will be provided with a receipt upon payment.”

Note 20 – Additional text to be included under the heading “Settling your adviser charge by instalments”

This text should be included where a *firm* is offering payment of its *adviser charge* by instalments and no ongoing service is provided. *Firms* should make it clear that the option to pay by instalment does not relate to an ongoing service. A *firm* which offers the payment of an *adviser charge* over a period of time for ongoing services should use the text in **Note 24** below.

A *firm* should note that the option for *clients* to pay their *adviser charge* by instalments is only permitted where regular premium products are recommended (see COBS 6.1.A.21R). If a *firm* offers the option to pay the *adviser charge* by instalments, the *firm* must use the headings (i) “Settling your adviser charge by instalments” and (ii) the following sub-headings as applicable: “Paying by instalments through your recommended product” and/or “Paying by other arrangements”.

The text for describing the option to pay for the *adviser charge* by instalments is not prescribed, but should be clear and in plain language. This should commence with an explanation of the

arrangements relating to the payment of the *adviser charge* over time.

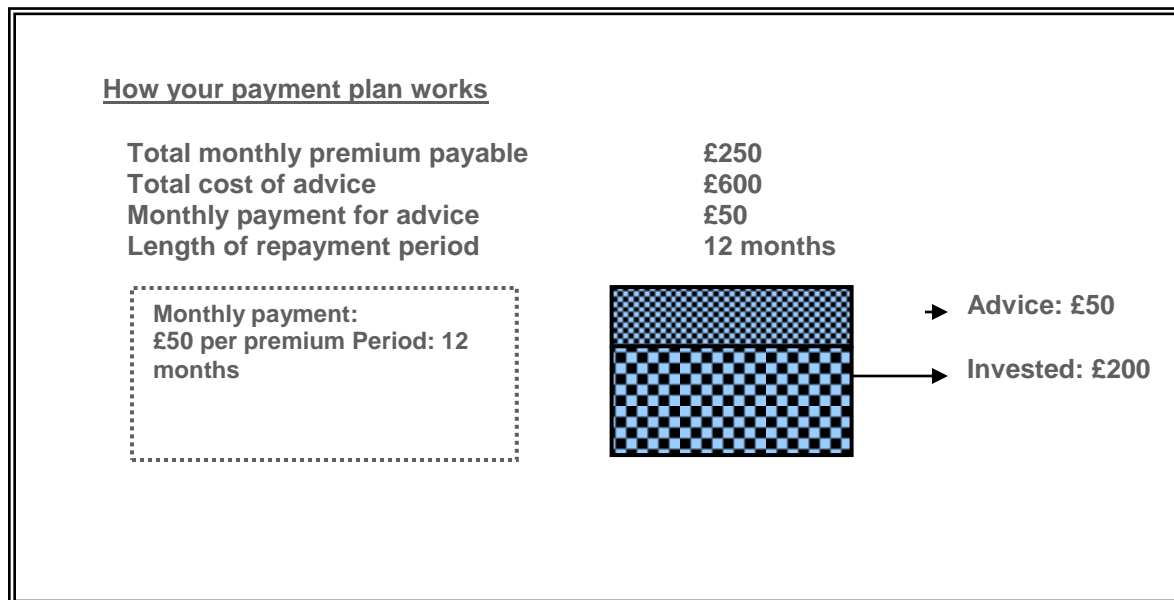
Note 21 – Additional text to be included under the heading “Paying by instalments through your recommended product”

A *firm* which offers the *client* the option to have the *adviser charge* facilitated through a *retail investment product* should include this heading. The text for describing a *client’s* option to pay by instalment through the recommended *retail investment product* is not prescribed, but should be clear and in plain language. This could commence with an explanation of the arrangements including any specific provision as to the circumstances when this option is permitted/not permitted and the frequency and period over which this arrangement will operate. A *firm* could consider the use of graphical representations to ensure that the *client* understands what they are paying for, how much they are required to pay and how frequently.

For example

“If you buy a financial product, you can choose to have your adviser charge deducted from the product through instalments. Although you pay nothing to us up front, that does not mean that our service is free. You still pay us indirectly through deductions from the amount you pay into your product. These deductions will pay towards settling the adviser charge. These deductions could reduce the amount left for investment.”

and



with the following text:

“You have chosen to pay for the advice you have received today through instalments. These instalments will be deducted from the premium you pay each month and allocated towards settling

the adviser charge. For example, the total cost of advice is £600. You have been recommended a regular premium product of which £250 will be paid each month. £50 will be taken from this amount to pay off your adviser charge over 12 months. The remaining £200 will be invested during this time. At the end of this period the adviser charge would have been settled in full. From month 13 the full £250 will be invested.”

Note 22 – Additional text to be included under the heading “Paying through other arrangements”

Where a *firm* is offering the option to pay its *adviser charge* by instalments through arrangements other than facilitating payment through the recommended *retail investment product*, it must use the heading “Paying through other arrangements”. The text for describing the *client’s* option to pay through other arrangements is not prescribed, but should be in clear and plain language. This could commence with an explanation of the option to pay through other arrangements and how this could work in practice.

Note 23 – Keeping up with your payments

This text is not prescribed, but a *firm* must include the heading “Keeping up with your payments” if it is offering the *client* the option to pay by instalments. In this section the *firm* should outline the implications for the *client* if they fail to keep up with their payments before the *adviser charge* has been paid, including if its recommended product is cancelled before the *adviser charge* is paid.

Note 24 – Payment for ongoing services

If a *firm* provides an ongoing service to the *client* for which there is an *adviser charge* payable over a period of time, the *firm* must include the heading “Payment for ongoing services”. The text for describing how the *client* pays for ongoing service is not prescribed but should be in clear and plain language and should also include the nature of the service to be provided.

For example

“We have a range of ongoing services we can provide to ensure that your personal recommendation is reviewed frequently and remains relevant to your changing circumstances. The frequency of the charge will depend on the service you choose and is usually made by direct debit on the 1st of every month. Ask your adviser for more details.”

“We offer an ongoing service where we review your account every 3 months and inform you of new recommendations or changes that may be relevant to your circumstances. This service is provided at a charge of [insert charge here] per month and can be either deducted from your investment or paid by direct debit. This service can be cancelled at any time. Please ask your adviser for more details.”

Note 25 – in order to comply with *COBS* 2.3.1R as qualified by 2.3.2R, a *firm* receiving a benefit, in relation to the facilitation of the payment of an *adviser charge* may wish to disclose those benefits in summary form here, under the heading “**Other benefits we may receive**”. If a *firm* does so, it should provide the undertaking described in *COBS* 2.3.2R(1) (to provide further details on

request) in writing, in this section and honour that undertaking.

For example

“ABC firm provides us with a specialised software CD-ROM and accompanying [XX] hours worth of training per annum. We use this software in processing your details when you apply for an investment product and wish to facilitate the payment of the adviser charge through deductions from your investment. Some of the cost of this software may be passed on to you as part of the total charges you pay ABC firm. Further information regarding this arrangement is available on request.”

Section 5: Who regulates us?

Note 26 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *client*, provided the *client* with its *client* agreement which contains that information. If this section is omitted, the other sections of the *services and costs disclosure document* should be renumbered accordingly.

Note 27 – if the *firm's* address on the *FSA Register* differs from that given on the *services and costs disclosure document* under Note 3, the address on the *FSA Register* should be given in this section. If the address is the same as that given under Note 3 it should be repeated in this section.

Note 28 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it should include the name under which it is *authorised* and listed in the *FSA Register*. It may also include its trading name(s) if it wishes.

Note 29 – an *incoming EEA firm* will need to modify this section if it chooses to use the *services and costs disclosure document* (see *GEN 4 Annex 1R(2)*). A *tied agent* that is regulated in an *EEA State* other than the *United Kingdom* will similarly need to modify this section.

Note 30 – insert a short, plain language description of the business for which the *firm* has a *permission* which relates to the service it is providing.

Note 31 – where the information is provided by an *appointed representative* or *tied agent*, the *appointed representative* or *tied agent* should use this text instead. The *appointed representative* or *tied agent* should give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *client*.

Section 6: Loans and ownership

Note 32 – omit this section where there are no relevant loan or ownership arrangements under the following notes. If this section is omitted the other sections of the *services and costs disclosure document* should be renumbered accordingly. Where the information is provided by an *appointed representative* or *tied agent*, it should cover loans made to or by that *appointed representative* or *tied agent*, or holdings in or held by that *appointed representative* or *tied agent*, as appropriate.

Note 33 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *firm* which is held by a provider or *operator* of a *packaged product* or by the parent of the provider or *operator*.

Note 34 – insert, in the *firm's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of a provider or *operator* of a *packaged product* which is held by the *firm*.

Note 35 – insert, in the *firm's* own words, a short description of any *credit* provided to the *firm* by a *product provider* (other than *commission* due to the *firm* in accordance with an indemnity claw-back arrangement) or by any *undertaking* in the *immediate group* of the *product provider* where the amount of the *credit* exceeds 10 per cent of the share and loan capital of the *firm*.

Section 7: What to do if you have a complaint

Note 36 – if different to the address in Note 3, give the address and telephone number which is to be used by *clients* wishing to complain.

Note 37 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it should make clear that the *Financial Ombudsman Service* will not be available. The *firm* may refer to any similar complaints scheme that may be applicable.

Section 8: Are we covered by the Financial Services Compensation Scheme (FSCS)?

Note 38 – when an *incoming EEA firm* provides the *services and costs disclosure document*, it should modify this section as appropriate.

Note 39 – when a *firm* which is not a *participant firm* provides the *services and costs disclosure document*, it should answer this question ‘No’ and should state the amount of cover provided (if any) and from whom further information about the compensation arrangements may be obtained.

Amend the following as shown.

6 Annex 2 **Combined initial disclosure document described in COBS 6.3, ICOBS 4.5, MCOB 4.4.1R(1) and MCOB 4.10.2R(1)**

....



about our services and costs [te 1]



[Note 2]

[Note 3]
[123 Any Street
Some Town
ST21 7QB]

1 The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. This document is designed by the FSA to be given to consumers considering buying certain financial products. You need to read this important document. It explains the service you are being offered and how you will pay for it.

2 Whose products do we offer? [Note 4][Note 6]

Investment

- ~~[We offer products from the whole market.] [Note 5] [We offer our own product(s); you can ask us for a list, but our recommendation will be made following an analysis of the whole market.] [Note 8]~~

Please refer to section 3 of this document

- ~~We [can] [Note 7] only offer products from a limited number of companies. [These include our own product(s) but our recommendation will be made following an analysis of our entire range of products.] [Note 9]
Ask us for a list of the companies whose products we offer. [Note 15]~~

- ~~We [can] [Note 7] only offer [a] product[s] from [a single group of companies] [name of single company]. [Note 11(1)] [Note 16]
[or] [Note 11(2)]
We only offer our own products.~~

~~[free text [Note 17]]~~

Insurance

- We offer products from a range of insurers [for] [list the types of *non-investment insurance contracts*].

We [can] **[Note 7]** only offer products from a limited number of insurers [for] [list the types of *non-investment insurance contracts*].

Ask us for a list of the insurers we offer insurance from. **[Note 15]**

We [can] **[Note 7]** only offer [a] product[s] from [a single insurer] [name of single *insurance undertaking*] [for] [list the types of *non-investment insurance contracts*]. **[Note 10] [Note 11(1)] [Note 16]**

[or] **[Note 11(2)]**

We only offer our own products for [list the types of *non-investment insurance contracts*].

Home Finance Products [Note 13]

[Compliance with Islamic law [Note 18]

Our services are regularly checked by [name(s) of scholar(s)] to ensure compliance with Islamic law. Ask us if you want further information about the role of our scholar(s).]

[1] [Lifetime] [Mortgages] [Equity Release Products] [and home reversion schemes] [Note 13]

We offer [lifetime] [mortgages] [home reversion plans] [equity release products] from the whole market.

We [can] **[Note 7]** only offer [lifetime] [mortgages] [home reversion plans] [equity release products] from a limited number of [lenders / companies].
Ask us for a list of the [lenders / companies] we offer [lifetime] [mortgages] [home reversion plans] [equity release products] from. **[Note 14]**

We [can] **[Note 7]** only offer [a limited range of the] [a] [lifetime] [mortgage] [s] [home reversion plan] [s] [equity release products] from [a single lender / company] [name of single lender / company]. **[Note 11(1) and (3)] [Note 16]**

[or]

We only offer our own [lifetime] [mortgages] [home reversion plan] [equity release products]. **[Note 11(2)]**

We do not offer [lifetime mortgages] [home reversion plans]. **[Note 12]**

[2] [Islamic Home Purchase Plans] [Note 19] [Note 13]

- We offer Islamic home purchase plans from the whole market.
- We [can] [Note 7] only offer Islamic home purchase plans from a limited number of providers.
Ask us for a list of the providers we offer Islamic home purchase plans from. [Note 14]
- We [can] [Note 7] only offer [a limited range of the] [a] Islamic home purchase plan [s] from [a single provider] [name of single provider]. [Note 11(1) and (3)][Note 16]
[or]
We only offer our own Islamic home purchase plans. [Note 11(2)]

3 Which service will we provide you with? [Note 4][Note 6]

Investment

- Independent advice – We will advise and make a recommendation for you after we have assessed your needs. Our recommendation will be based on a comprehensive and fair analysis of the market. [Note A]
- Restricted advice – We will advise and make a recommendation for you after we have assessed your needs, but we only offer products from one company or a limited number of companies. [Note B]~~You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.~~
- No advice - You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed. We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances but we will not:
- ~~• conduct a full assessment of your needs;~~
 - ~~• offer advice on whether a non-stakeholder product may be more suitable~~
- [Note 5]

[free text [Note 20]]

Insurance

- We will advise and make a recommendation for you after we have assessed your

needs [for] [list the types of *non-investment insurance contracts*].

- You will not receive advice or a recommendation from us [for] [list the types of *non-investment insurance contracts*]. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

[Home Finance Products] [Note 13]

[1] [Mortgages] [Equity Release Products] [Note 13]

- We will advise and make a recommendation for you on [lifetime mortgages] [home reversions] [equity release products] after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of [lifetime mortgages] [home reversions] [equity release products] that we will provide details on. You will then need to make your own choice about how to proceed.

[2] [Islamic Home Purchase Plans] [Note 13]

- We will advise and make a recommendation for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

4 What will you have to pay us for our services? [Note 20A]

Investment

[You will pay for our services on the basis of [insert charging arrangements [Note 20B]]. We will discuss your payment options with you and answer any questions you have. We will not charge you until we have agreed with you how we are to be paid.[Note 20C]]

[non-advised services [Note 21 -23]]

[Advised services [Note 24]]

The cost of our services [Note 25-27]

Your payment options [Note 28A]

[Settling your adviser charge through a single payment [Free text Note 28B]]

[Settling your adviser charge by instalments [Free text Note 28C]]

[Paying by instalments through your recommended product [Free text Note 28D]]

[Paying through other arrangements [Free text Note 28E]]

[Keeping up with your payments [Free text Note 29]]

[Payment for ongoing services [Free text Note 30]]

[Other benefits we may receive [Note 31]]

~~{non-advised sales [Note 20B]}~~

~~{You will pay for our services on the basis of [Note 21][Note 22]. We will discuss your payment options with you and answer any questions you have. We will not charge you until we have agreed with you how we are to be paid.}~~

~~{Paying by fee [Note 23]}~~

~~{free text [Notes 24-25]}~~

~~{Paying by commission (through product charges) [Note 23]}~~

~~{free text [Notes 26-28]}~~

~~{Paying by a combination of fee and commission (through product charges)[Note 23]}~~

~~{free text [Notes 29-30]}~~

~~{Other benefits we may receive [Note 31]}~~

~~{free text [Note 31]}~~

Insurance [Note 32]

- A fee [of £ [] [for] [list the types of services provided for *non-investment insurance contracts*].
- No fee [for] [list the types of services provided for *non-investment insurance contracts*].

You will receive a quotation which will tell you about any other fees relating to any particular insurance policy.

[Home Finance Products] [Note 13]

[1] [Mortgages] [Equity Release Products] [Note 13]

- No fee. [We will be paid by commission from the [lender/company that buys your home].] [Note 33]
- A fee of £[] payable at the outset and £[] payable when you apply for a [lifetime] [mortgage] [home reversion plan] [equity release product]. [We will also be paid commission from the [lender/company that buys your home.]]. [Note 33] [Note 34]

You will receive a *key facts illustration* when considering a particular [lifetime] [mortgage] [home reversion plan] [equity release product], which will tell you about any fees relating to it. [Note 13]

Refund of fees [Note 32] [Note 13]

If we charge you a fee, and your [lifetime] [mortgage] [home reversion plan] does not go ahead, you will receive: [Note 35]

- A full refund [if the [lender/company] rejects your application]. [Note 36]
- A refund of £ [] [if your application falls through]. [Note 36] [Note 37] [Note 38]
- No refund [if you decide not to proceed]. [Note 36]

[2] [Islamic Home Purchase Plans] [Note 13]

- No fee. [We will be paid by commission from the provider.] [Note 33]
- A fee of £[] payable at the outset and £[] payable when you apply for an Islamic home purchase plan. [We will also be paid commission from the provider]. ~~[Note 18]~~ Note 18

Refund of fees [Note 35]

If we charge you a fee, and your Islamic home purchase plan does not go ahead, you will receive: [Note 32]

- A full refund [if the provider] rejects your application]. [Note 36]
- A refund of £ [] [if your application falls through]. [Note 36] [Note 37] [Note 38]
- No refund [if you decide not to proceed]. [Note 36]

5 Who regulates us? [Note 39]

[ABC Financial Services] [123 Any Street, Some Town, ST21 7QB] [Note 40] [Note 41] is authorised and regulated by the Financial Services Authority. Our FSA Register number is []. [Note 42]

Our permitted business is []. [Note 43]

[or] [Note 44]

[Name of *appointed representative* or *tied agent*] [Note 2] is [an appointed representative or a tied agent] of [name of *firm*] [address of *firm*] [Note 40] [Note 41] which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [].

[Name of *firm's*] permitted business is [] [Note 43] [Name of *appointed representative* or

tiered agent] is regulated in [an EEA state or the United Kingdom] [Note 42]

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234. [Note 42]

6 Loans and ownership [Note 45]

[[XXX plc] owns [YY]% of our share capital]

[[XXX plc] provides us with loan finance of £[YY] per year.]

[[XXX] (or we) have [YY]% of the voting rights in [ZZZ].] [Note 45][Note 46]
[Note 47][Note 48][Note 49][Note 50]

7 What to do if you have a complaint [Note 39]

If you wish to register a complaint, please contact us:

...in writing Write to [ABC Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... by phone Telephone [0121 100 1234]. [Note 41 51]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 52] [Note 53] [Note 54]

8 Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 39] [Note 55] [Note 56]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Investment

Most types of investment business are covered up to a maximum limit of £50,000.

Insurance

Insurance advising and arranging is covered for 90% of the claim, without any upper limit.

[or] [Note 57] [Note 58]

For compulsory classes of insurance, insurance advising and arranging is covered for 100% of the claim, without any upper limit.

[Mortgages] [and] [and Home Purchase Plans] [Equity Release Products] [Note 13]

[Mortgage], [and] [Home purchase] [and] [Equity release] advising and arranging is covered up to a maximum limit of £50,000.

Further information about compensation scheme arrangements is available from the FSCS.

[Note 59] Message from the Financial Services Authority

Think carefully about this information before deciding whether you want to go ahead.

If you are at all unsure about which equity release product is right for you, you should ask your adviser to make a recommendation.

[Note 60] Think carefully about the product and services you need. [We can only offer services in relation to Islamic home purchase plans and cannot provide advice on standard mortgages.] [If you want [information][or][advice] on standard mortgages, please ask.]

The following notes do not form part of the *combined initial disclosure document*.

Note 1 – permission to use the keyfacts logo: the *Financial Services Authority* has developed a common keyfacts logo to be used on significant pieces of information directed to *clients*. The keyfacts logo and the text ‘about our services and costs’ may only be used and positioned as shown in the *combined initial disclosure document* (see *COBS 6.3.4R*). The logo may be re-sized and re-coloured. It may only be used if it is reasonably prominent and its proportions are not distorted. A specimen of the keyfacts logo can be obtained from the *FSA* website http://www.fsa.gov.uk/pubs/other/keyfacts_logo.

Note 2 – insert the *firm’s*, *appointed representative’s* or *tied agent’s* name (either the name under which it is *authorised* or the name under which it trades). A corporate logo or logos may be included. If an individual who is employed or engaged by an *appointed representative* or *tied agent* provides the information, the individual should not put his or her own name on the *combined initial disclosure document*.

Note 3 – insert the head office and/or if ~~more~~ appropriate the principal place of business from which the *firm*, *appointed representative* or *tied agent* expects to conduct business (this can include a *branch*) with *clients*. (An *appointed representative* or *tied agent* should not include the name and address of the *authorised firm* instead of its own.)

Section 2: Whose products do we offer? And Section 3: Which services will we provide you with?

Note 4 – a *firm* should describe the services that it expects to provide to, the particular *client*. For services in relation to:

- ~~*investments packaged products*~~ – the *firm* should select, for example by ticking, the box(es) which are appropriate for the service that it expects to provide to the *client*. This needs to be done only in relation to the service the *firm* is offering to a particular *client*. More than one box can be selected if more than one service is being offered to a particular *client*. If more than one box is selected, the *firm* should clearly explain the different nature of the services by adding text to this section, such that the explanation of the services the *firm* offers under this section is fair, clear and not misleading. Do not remove boxes that are not selected.
The *firm* should tick the first box in section 2 if it will be providing *independent advice*. The *firm* should tick the second box in section 2 if it will be providing *restricted advice*, including *basic advice* (on *stakeholder products*).
- ~~the *firm* should tick the third box in section 2 if it will not be providing advice~~ the *firm* should select, for example by ticking, one box.
- *non-investment insurance contracts* – the *firm* should select more than one box if the scope of the service or the type of service it provides varies by type of contract (e.g. if it deals with a single *insurance undertaking* for motor insurance and a range of *insurance undertakings* for household insurance). If more than one box is selected, the *firm* should specify which box relates to which type of *non-investment insurance contract*, by adding text to the *combined initial disclosure document*. *Firms* should not omit the boxes not selected.
- *equity release transactions* – the *firm* should select a maximum of two boxes within this section. *Firms* should not omit the boxes not selected.

~~**Note 5** – if a *firm* indicates that it will give *basic advice* then the first box in section 2 should not be ticked as the *firm* will not be doing so on the basis of *personal recommendations* from the whole market.~~

Note 6 – if the *combined initial disclosure document* is provided by an *appointed representative* or *tied agent*, the service described should be that offered by the *appointed representative* or *tied agent*.

Note 7 – insert “can” if the *firm*’s range of products is determined by any contractual obligation. This does not apply where a *product provider*, *insurer*, *lender*, *home purchase provider* or *home reversion provider* is selling its own products.

Note A – if the *firm* selects this box and the *firm* does not consider all *retail investment products*, the *firm* should include an explanation of the types of products it does consider, in a way that meets the *fair, clear and not misleading rule*. For example, if a *firm* only considers ethical and socially responsible investments, this should be explained here.

Note B – if the *firm* selects this box, it will be offering:

- (a) products from a limited number of companies; or
- (b) products of a single company or single group of companies; or
- (c) its own products (e.g. where the *firm* is a *product provider* offering only its own

products, or is part of a *product provider* offering only the products sold under that part's trading name); or

(d) *basic advice on stakeholder products*.

The *firm* should replace the preceding text with the relevant text as set out below. If the *firm* does not select this box, then no amendments should be made to the preceding text.

(a)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We [can] [Note a] only offer products from a limited number of companies. You may ask us for a list of the companies whose products we offer.” [Note b].
(b)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We [can] [Note a] only offer products from [name of provider].” or if the provider has only one product the <i>firm</i> should amend the text to the singular, for example “We [can] [Note a] only offer a pension from [name of provider].”
(c)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We only offer our own products.”
(d)	“Restricted advice – We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances, but we will not conduct a full assessment of your needs or offer advice on whether a non-stakeholder product may be more suitable.” [Note c]: “We [can] [Note a] offer products from a single stakeholder product provider.”; or “We [can] [Note a] offer products from a limited number of stakeholder product providers You may ask us for a list of the companies whose products we offer.” [Note b]; or “We only offer our own stakeholder products.”

[Note a] – insert “can” if the *firm*'s range of products is determined by any contractual obligation.

[Note b] – the list of products will be the range of *retail investment products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *client*. For services provided in relation to non-investment insurance contracts, this is the list required by *ICOB*S 4.1.6R(2).

[Note c] – the *firm* should insert one of the three statements, whichever is relevant.

Note 8 – a *firm* should only include these words if it offers whole of market *personal recommendations* and it owns or operates products that fall within the relevant market (e.g. a *SIPP*). *Firms* that are conducting cross border business and holding themselves out as whole of market, should include such free text as is necessary to explain in a way that meets the *fair, clear and not misleading rule* and the *clients best interest rule*, what whole of market means in that context.

Note 9 – a *firm* should only include these words if it offers limited range *personal recommendations* and it owns or operates products that fall within the relevant range (e.g. a *SIPP*).

Note 10 – if the *insurance intermediary* or *insurer* deals with a different *insurance*

undertaking for different types of *non-investment insurance contracts*, it should identify all the *insurance undertakings* and specify the type of contract to which they relate on the *combined initial disclosure document*. This only needs to be done in relation to the service it is offering a particular *client*. For example, “we can only offer products from ABC Insurance for motor insurance and ABC Insurance for household insurance”.

Note 11 – if the *firm* selects this box, it will be offering the products of one provider for a particular product type. It should therefore follow the format specified in (1) below except when offering its own products, in which case it should follow (2) instead. In the case of *non-investment insurance contracts*, where the *firm* is providing a service in relation to different types of insurance, this box covers the situation where it is offering a particular type of insurance from a single *insurance undertaking*.

- (1) Insert the name of the provider, namely the *product provider* for *packaged products*, the *insurance undertaking(s)* for *non-investment insurance contracts*, the *lender* for *regulated mortgage contracts* and *regulated lifetime mortgage contracts* and the *home reversion provider* for *home reversion plans*. For example: “We can only offer products from [name of *product provider*]”. For *non-investment insurance contracts* the type of insurance offered should also be included. For example: “We only offer ABC’s household insurance and ABC’s motor insurance.” If the provider has only one product, the *firm* should amend the text to the singular – for example: “We can only offer a mortgage from [name of *lender*]”. If the *firm* does not offer all of the *home finance transactions* generally available from that provider, it should insert the words “a limited range of” as shown in the specimen.
- (2) If the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part’s trading name, it should use this alternative text.
- (3) If the *firm* offers *home reversion plans* from only one *reversion provider*, and *lifetime mortgages* from only one *lender*, which is different from the *reversion provider*, then the *firm* should identify the *lender* and the *reversion provider* and specify the type of *equity release transaction* to which they relate. For example, “We can only offer lifetime mortgages from ABC Mortgages Ltd and home reversion plans from ABC Reversions Ltd.”

Note 12 – if the *firm* does not give *personal recommendations* advise or give personalised information on both types of *equity release transactions*, then it should indicate to the *client* the sector that the *firm* does not cover. However, if the *firm*’s scope of service does not include *equity release transactions*, the last box (‘We do not offer [lifetime mortgages] [home reversion plans]’), should be omitted.

Note 13 – in describing the services and products provided, *firms* should omit the text in brackets that do not apply and ensure that they describe accurately their activities with respect of the services and products that they offer, as follows:

- (1) Headings and sub-headings:

- a. If the *firm* offers both *regulated mortgage contracts* and *home purchase plans*, it should include the heading “Home Finance Products” in the *combined initial disclosure document* and describe the *regulated mortgage contracts* and *home purchase plans* that it offers under two separate sub-headings. The sub-headings (“Mortgages” and “Home Purchase Plans”) should be numbered accordingly. If the *firm* only offers one of these two products, then the heading “Home Finance Products” should be omitted and the heading will read “Mortgages” or “Home Purchase Plans”, as appropriate.
 - b. If the *firm* offers *equity release transactions*, then the heading “Home Finance Products” should be omitted and the heading will read “Equity Release Products” (even if the *firm* offers *equity release transactions* from only one sector).
- (2) Describing the products:
- a. If a *firm* gives *personal recommendations* or gives personalised information on lifetime mortgages, it should change “mortgage” to “lifetime mortgage”
 - b. If a *firm* gives *personal recommendations* or gives personalised information on home reversion plans, it should use the text in brackets relating to home reversion plans.
 - c. If the *firm* gives *personal recommendations* or gives personalised information on products from both equity release market sectors, then it should use the term ‘equity release products’ when referring to them collectively.

(3) Describing the provider: If a *firm* gives *personal recommendations* or gives personalised information on *home purchase plans* or *home reversion plans*, it should change “mortgage” to “product” and “lender” to “company” or “provider”, as appropriate.

Note 14 – for services provided in relation to *home finance transactions*, this sentence is required only where a *firm* selects this service option. It may also be omitted if a *firm* chooses to list all of the *lenders*, *home purchase providers* and *home reversion providers* it offers *home finance transactions* from in the previous line, so long as the *firm* offers all of the products generally available from each.

Note 15 – this sentence is required only where a *firm* selects this service option. For services provided in relation to *packaged products*, the list of products will be the range of *packaged products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *client*. For services provided in relation to *non-investment insurance contracts*, this is the list required by *ICOBS 4.1.6R(2)*.

Note 16 – if the *firm* does not select this box, it should alter the wording to say “a single group of companies” for *packaged products*, “a single insurer” for *non-investment*

insurance contracts, “a single lender” for *regulated mortgage contracts* or *lifetime mortgages* and “a single company” (or “a single provider”) for *home purchase plans* and *home reversion plans*. For example: “We only offer the products from a single group of companies” should replace the text in the specimen *combined initial disclosure document*.

~~**Note 17** – the explanation of whose products the *firm* offers under this section should be fair, clear and not misleading. A *firm* should therefore enter, as free text, such further explanation as is needed of any additional factors that it considers to be relevant.~~

Section 2: Subsection on “Compliance with Islamic law” or other beliefs

Note 18 – This subsection is optional unless the *firm* holds itself, its *regulated mortgage contract* or *home purchase plan* products or services out as compliant with Islamic law in the *combined initial disclosure document*. If a *firm* includes this section it should describe it as Section 2 and renumber subsequent sections accordingly.

A *firm* that wishes to hold itself, its *regulated mortgage contract* or *home purchase plan* products or services out as compliant with religious or philosophical beliefs other than Islamic law in the *combined initial disclosure document* may also use the subsection in accordance with this note and modify the wording in the section to the extent appropriate.

Note 19 – A *firm* that carries on *home purchase activities* may omit the word “Islamic” from “Islamic home purchase plan(s)” if one or more *home purchase plans* within its scope of service is not held out as compliant with Islamic law. If “Islamic” is omitted, it should be omitted consistently throughout the document. However, a *firm* may omit the word “Islamic” in sections 5 and 8 without having to omit it throughout the document. A *firm* that wishes to hold itself, its products or services out as compliant with religious or philosophical belief other than Islamic law in the *combined disclosure document* may make appropriate amendments to references to “Islamic” and “Islamic law”.

~~**Note 20** – a *firm* may include here a list of its services or the products on which advice is offered but if it chooses to do so the list should be fair, clear and not misleading and consist of only a factual description in summary form.~~

For example:

~~“We offer a full financial planning service or alternatively can provide specific advice on:~~

- ~~● — savings and investment,~~
- ~~● — protecting yourself and/or loved ones in the event of death, serious illness or disability,~~
- ~~● — retirement planning.”~~

Section 4: What will you have to pay us for our services?

~~**Note 20A**—any reference in this section to “commission” means *commission* and *commission equivalent*.~~

~~**Note 20B**—*firms* that are not proposing to give *personal recommendations* on *packaged products* can amend this section accordingly. Those *firms* need not provide information regarding payment options but should provide at this section at least a statement explaining that the *client* will be told how much the *firm* will be paid before the *firm* carries out any business for the *client* and honour that undertaking. For example, “We will tell you how we get paid and the amount before we carry out any business for you.”~~

~~**Note 21**—*firms* should disclose all of the payment options that they will offer to the client, from the alternatives of *fee*, *commission* and/or a combination of both *fee* and *commission*.~~

~~**Note 22**—*firms* holding themselves out as independent in accordance with COBS 6.2.15R are reminded that they are required to offer the *fee* option.~~

~~**Note 23**—*firms* should include the headings: “**Paying by fee**”, “**Paying by commission (through product charges)**” and “**Paying by a combination of fee and commission (through product charges)**”. In addition, in accordance with the reference notes, a *firm* should provide an explanation in its own words relating to each option offered.~~

~~Additional text to be included under the heading “Paying by fee”~~

~~**Note 24**—the text for describing a *firm’s fee* charging arrangements is not prescribed, but should be clear and in plain language. This should commence with an explanation of the arrangements relating to the payment of *fees*, including any specific provision as to the timing for the payment of *fees*, the circumstances when *fees* will or will not be payable, (including where relevant payment of any “contingent” *fee*) and the arrangements for any *commission* paid in addition to *fees*.~~

For example:

~~“Whether you buy a product or not, you will pay us a fee for our advice and services, which will become payable on completion of our work. If we also receive *commission* from the product provider when you buy a product, we will pass on the full value of that *commission* to you in one or more ways. For example, we could reduce our fee; or reduce your product charges; or increase your investment amount; or refund the *commission* to you.”~~

~~Example alternative text for the contingent fee—“If you buy a financial product, you will pay us a fee for our advice and services but if you do not buy a financial product, you will not have to pay us anything.”~~

~~**Note 25**—a *firm* should provide numerical statements of the amount or rate of its *fees* and these should be expressed in pounds sterling or another appropriate currency, where relevant.~~

~~A *firm* may describe actual hourly rates where possible or typical hourly rates. If a *firm* describes typical rates it should undertake to provide the actual rate in writing before providing services (and honour that undertaking).~~

For example:

~~“Hourly Rate~~

~~We will confirm the rate we will charge in writing before beginning work. Our typical charges are:~~

~~Principal/Director/Partner £[XX-YY] per hour~~

~~Financial adviser £[XX-YY] per hour~~

~~Administration £[XX] per hour~~

~~We will tell you if you have to pay VAT.”~~

~~“Lump sum~~

~~We will confirm what we will charge you in writing before beginning work. Our typical charges are:~~

~~are:~~

~~Investments up to £[XX : YY]~~

~~Investments above £[XX : ZZ]~~

~~We will tell you if you have to pay VAT.”~~

~~“Reviews~~

~~We will confirm what we will charge you in writing before beginning work. Our typical charges are:~~

~~are:~~

~~Initial review : £[XX]~~

~~Annual review : £[YY]~~

~~We will tell you if you have to pay VAT.”~~

~~“We may charge from £[XX] to advise and arrange a personal pension for you. We will confirm what we will charge you in writing before beginning work.”~~

~~“We will confirm the rate we will charge in writing before beginning work and we will tell you if you have to pay VAT. You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first.”~~

~~Additional text to be included under the heading “Paying by commission (through product charges)”~~

~~**Note 26**—the text for describing a *firm’s* commission payment arrangements is not prescribed, but should be clear and in plain language. This should commence with an explanation of the arrangements relating to the payment of commission.~~

For example:

“If you buy a financial product, we will normally receive commission on the sale from the product provider. Although you pay nothing to us up front, that does not mean our service is free. You still pay us indirectly through product charges. Product charges pay for the product provider’s own costs and any commission. These charges reduce the amount left for investment. If you buy direct, the product charges could be the same as when buying through an adviser, or they could be higher or lower.”

Note 27—the *firm* should provide details of typical commission that might be received by the *firm* that reflect its actual business, together with an undertaking (which the *firm* should honour) to confirm the actual commission that will be received from any investments before the investment is completed. For example, a *firm* that does not have a significant weighting of business in any one area may provide examples showing commission for lump sum investments, whole life and pensions, whereas a pensions specialist may want to illustrate commission based purely on pensions.

For example:

“The amount of commission we receive will vary depending on the amount you invest and (sometimes) how long you invest or your age.”

For example,

- “If you invest £[XX] in an individual savings account (ISA) we would receive commission of [Y]% of the amount invested (£[ZZ]) and [AA]% of the value of the fund (roughly £[BB] every year).
- If you pay £[XX] a month into a personal pension (with a term of 25 years) then we would receive commission of £[YY].
- If you pay £[XX] towards a whole life policy then we would receive £[YY].

We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier.”

Note 28—*firms* should indicate whether the commission includes payment for any ongoing service such as a periodic or ongoing review.

Additional text to be included under the heading “Paying by a combination of fee and commission (through product charges)”

Note 29—the text for describing a *firm*’s arrangements for paying by a combination of *fee* and commission is not prescribed, but should be clear and in plain language. This should commence with an explanation of the arrangements relating to the payment of *fees*, including any specific provision as to the timing for the payment of *fees*, the circumstances as to when *fees* will or will not be payable, (including where relevant payment of any “contingent” *fee*) and the arrangements for any commission paid in addition to *fees*, together with an undertaking (which the *firm* should honour) to confirm the actual commission that will be received from any investments before the investment is completed.

For example:

~~“We will charge you a combination of fee and commission. The fee will not exceed the rates shown in this document. We will agree the rate we will charge before beginning work and we will tell you if you have to pay VAT. The fee will become payable on completion of our work. You may ask us for an estimate of how much in total we might charge. You may also ask us not to exceed a given amount without checking with you first. We will tell you how much the commission will be before you complete an investment, but you may ask for this information earlier.”~~

~~“We charge a consultation fee of up to £[X], and, if you buy a financial product, we will also retain commission within the amounts set out in the section headed **“Paying by commission (through product charges)”**.”~~

~~“We will charge you a combination of fees and commission. The actual amounts will depend on the service provided to you, but will be in line with the arrangements set out in the sections headed **“Paying by fee”** and **“Paying by commission (through product charges)”**.”~~

~~“We charge an annual fee as described in the fee information set out above. If we arrange for you to purchase a financial product, then we will also retain commission which will be in line with the arrangements set out in the section headed **“Paying by commission (through product charges)”**.”~~

~~**Note 30**—if *firms* offer a combination of *fee* and commission they can either:~~
~~(a) provide the detailed information relating to *fees* and commission, in which case *firms* should ensure that the information is provided in accordance with the guidance at the relevant Notes; or~~
~~(b) include an appropriate statement that refers the reader to the information provided under the headings of **“Paying by fee”** and **“Paying by commission (through product charges)”**.~~

~~**Note 31**—in order to comply with *COBS 2.3.1R* as qualified by *COBS 2.3.2R*, *firms* receiving non-monetary benefits may wish to disclose such benefits in summary form here, under the heading **“Other benefits we may receive”**. If a *firm* does so, it should provide the undertaking described in *COBS 2.3.2R(1)* (to provide further details on request) in writing, in this section (and honour that undertaking). However, it is not the purpose of this section to provide significant or extensive explanation of non-monetary benefits such that it distracts from the wider purpose of the document.~~

For example:

~~“We advise on a range of products from a variety of firms; some of these firms provide us with annual training, which allows us to offer you a better service. This year we expect to receive in total [XX] hours worth of training from XYZ, ABC and DEF firms, predominantly from ABC. Some of the cost of this training may be passed to you as part of the total charges you pay should you chose a product provided by XYZ, ABC or DEF. Further information regarding these arrangements is available on request.”~~

~~“ABC firm provides us with a specialised software CD-ROM and accompanying [XX] hours worth of training per annum. We use this software in processing your details when you apply for an investment product. Some of the cost of this software may be passed on to you as part of the total charges you pay ABC firm. Further information regarding this arrangement is available on request.”~~

Note 20A – in this section, the *firm* should outline how it intends to charge its *clients* for the services provided. If the *firm* is not intending to provide a *personal recommendation* it should refer to the notes under ‘Non-advised services’ below. If the *firm* is intending to provide a *personal recommendation*, it should refer to the notes under ‘Advised services’. If the *firm* is providing both a *personal recommendation* and ‘non-advised’ services, the *firm* should set out the charging arrangements for the non-advised and advised services separately, and make clear which charging arrangements apply to which service using appropriate sub-headings.

Note 20B – a *firm* should disclose all of the charging arrangements it offers its *clients*, from the alternatives of *adviser charge, fee, commission* or a combination.

Note 20C – if applicable, a *firm* should disclose to the *client* the possibility that other costs including taxes (for example VAT), related to transactions in connection with the *packaged product* and that are not paid via the *firm* or imposed by it, may arise for the *client*.

Notes for non-advised services

Note 21 – any reference in this section to “*commission*” means *commission* and *commission equivalent*.

Note 22 – a *firm* that is not proposing to give *personal recommendations on packaged products* can amend this section accordingly. The *firm* need not provide information regarding payment options but should provide at this section at least a statement explaining that the *client* will be told how much the *firm* will be paid before the *firm* carries out any business for the *client* and honour that undertaking. For example, “We will tell you how we get paid and the amount before we carry out any business for you.” If a *firm* chooses to provide the *client* with the total price in this section and any part of that price is to be paid in or represents an amount of foreign currency, the *firm* should provide an indication of the currency and the applicable currency conversion rates and costs.

Note 23 – in order to comply with COBS 2.3.1R as qualified by 2.3.2R, *firms* receiving non-monetary benefits may wish to disclose those benefits in summary form here, under the heading “**Other benefits we may receive**”. If a *firm* does so, it should provide the undertaking described in COBS 2.3.2R(1) (to provide further details on request) in writing, in this section and honour that undertaking. However, it is not the purpose of this section to provide significant or extensive explanation of non-monetary benefits such that it distracts from the wider purpose of the document.

For example

“We sell a range of products from a variety of firms; some of these firms provide us with

annual training, which allows us to offer you a better service. This year we expect to receive in total [XX] hours worth of training from XYZ, ABC and DEF firms, predominantly from ABC. Some of the cost of this training may be passed to you as part of the total charges you pay should you choose a product provided by XYZ, ABC or DEF. Further information regarding these arrangements is available on request.”

Notes for advised services

Note 24 – *firms* proposing to provide a *personal recommendation on packaged products* should use the following notes to provide information to the *client* on the *firm's* charging structure and the *client's* payment options.

Note 25 – a *firm* should include here its charging structure, outlining as closely as possible the services that it offers and the charge for each service. The *firm* should ensure that this is presented in clear and plain language and, as far as practicable, uses cash terms.

Note 26 – the charging structure should be expressed in pounds sterling or, where relevant, another appropriate currency. Where a *firm's* charging structure is in non-cash terms, examples in cash terms should be used to illustrate how the charging structure will be applied in practice. Where a *firm* uses hourly rates in its charging structure, it should state whether the rates are actual or indicative and provide an approximate indication of the number of hours a particular service may take. If a *firm* chooses to provide the *client* with the total *adviser charge* in this section and any part of that *adviser charge* is to be paid in or represents an amount of foreign currency, the *firm* should provide an indication of the currency and the applicable currency conversion rates and costs.

For example

Our charging structure

Service	Initial charge	Ongoing charge for twice yearly reviews
Review of your pension arrangements (pre-retirement)	Charged at £100 per hour (exc. VAT) - approx. 4-6 hours	
Advice on what to do with your pension fund (at retirement)	Charged at £130 per hour (exc. VAT) - approx. 2-3 hours	
Where to put your savings (for those with up to £25,000 to invest)	3% of your investment, if you go ahead with our recommendations	Service available on request for 0.5% of your investment per year

Note 27 – where a *firm* provides an ongoing service it should disclose the ongoing service that will be offered and that there will be an *adviser charge* for that service. The *firm* can also include in this section additional information the *client* would receive before the provision of the *personal recommendation* or related services.

For example

“There will be an additional charge for any ongoing work, such as periodic or ongoing reviews, we carry out on your behalf. We will confirm the rate, frequency and length of this ongoing service before beginning any ongoing service.”

Note 28A – a *firm* must use the headings (i) “Your payment options” and (ii) the following sub-headings as applicable: “Settling your adviser charge in a single payment” and/or “Settling your adviser charge by instalments”. A *firm* should outline the payment options offered to *clients* and any restrictions on these payment options. In addition, a *firm* should provide an explanation relating to each option offered in clear and plain language.

Note 28B – Additional text to be included under the heading “Settling your adviser charge in a single payment”

The text for describing how the *client* can settle the *adviser charge* through a single payment is not prescribed, but should be clear and in plain language. This could commence with an

explanation of the arrangements relating to the single payment of the *adviser charge*, including any specific provision as to the circumstances when an *adviser charge* will be payable (including where relevant, payment of any “non-contingent” *adviser charge* (i.e. where the *client* will be charged even if they do not purchase a product)), the type of payments accepted by the *firm* and the timing for the payment of the *adviser charge*. For example:

“Whether you buy a product or not, you will pay us an adviser charge for our advice and services, which will become payable on completion of our work.”

“You will be required to settle the payment of your adviser charge on completion of our work in [insert number of days] days. We accept cheque or card payments. We do/do not accept payment by cash. You will be provided with a receipt upon payment.”

Note 28C – Additional text to be included under the heading “Settling your adviser charge by instalments”

This text should be included where a *firm* is offering payment of its *adviser charge* by instalments and no ongoing service is provided. *Firms* should make it clear that the option to pay by instalment does not relate to an ongoing service. A *firm* which offers the payment of an *adviser charge* over a period of time for ongoing services should use the text in **Note 30** below.

A *firm* should note that the option for *clients* to pay their *adviser charge* by instalments is only permitted where regular premium products are recommended (see COBS 6.1A.22R). If a *firm* offers the option to pay the *adviser charge* by instalments, the *firm* must use the headings (i) “Settling your adviser charge by instalments” and (ii) the following sub-headings as applicable: “Paying by instalments through your recommended product” and/or “Paying by other arrangements”.

The text for describing the option to pay for the *adviser charge* by instalments is not prescribed, but should be clear and in plain language. This should commence with an explanation of the arrangements relating to the payment of the *adviser charge* over time.

Note 28D – Additional text to be included under the heading “Paying by instalments through your recommended product”

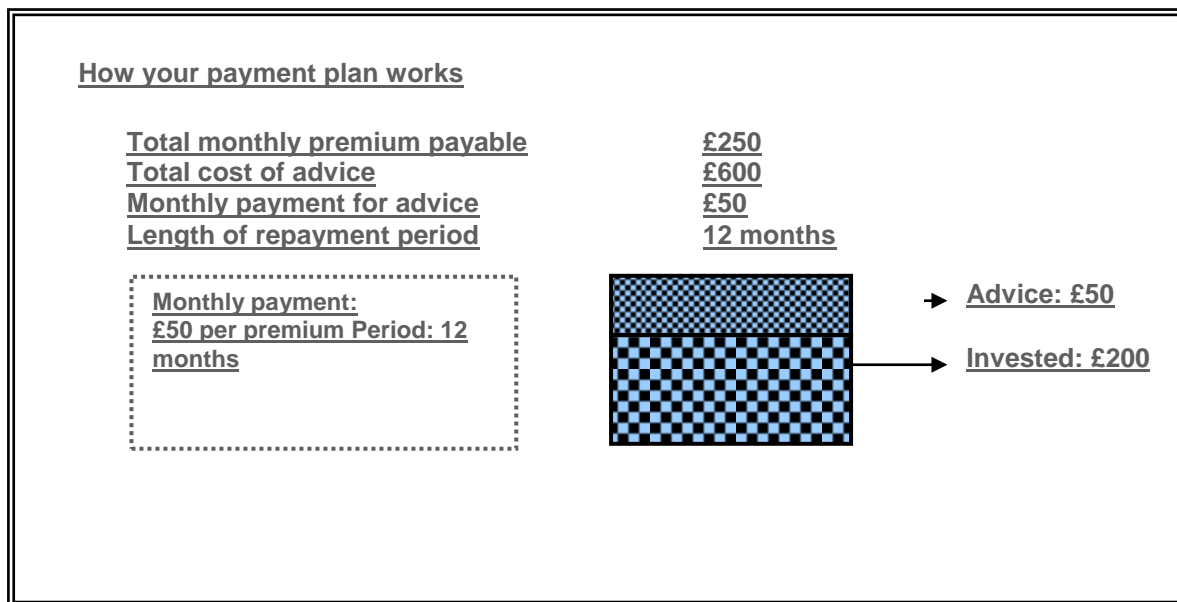
A *firm* which offers the *client* the option to have the *adviser charge* facilitated through a *retail investment product* should include this heading. The text for describing a *client’s* option to pay by instalment through the recommended *retail investment product* is not prescribed, but should be clear and in plain language. This could commence with an explanation of the arrangements including any specific provision as to the circumstances when this option is permitted/not permitted and the frequency and period over which this arrangement will operate. A *firm* could consider the use of graphical representations to ensure that the *client* understands what they are paying for, how much they are required to pay and how frequently.

For example

“If you buy a financial product, you can choose to have your adviser charge deducted from the product through instalments. Although you pay nothing to us up front, that does not mean that

our service is free. You still pay us indirectly through deductions from the amount you pay into your product. These deductions will pay towards settling the adviser charge. These deductions could reduce the amount left for investment.”

and



With the following text:

“You have chosen to pay for the advice you have received today through instalments. These instalments will be deducted from the premium you pay each month and allocated towards settling the adviser charge. For example, the total cost of advice is £600. You have been recommended a regular premium product of which £250 will be paid each month. £50 will be taken from this amount to pay off your adviser charge over 12 months. The remaining £200 will be invested during this time. At the end of this period the adviser charge would have been settled in full. From month 13 the full £250 will be invested.”

Note 28E – Additional text to be included under the heading “Paying through other arrangements”

Where a firm is offering the option to pay its adviser charge by instalments through arrangements other than facilitating payment through the recommended retail investment product, it must use the heading “Paying through other arrangements”. The text for describing the client’s option to pay through other arrangements is not prescribed, but should be in clear and plain language. This could commence with an explanation of the option to pay through other arrangements and how this could work in practice.

Note 29 – Keeping up with your payments

This text is not prescribed but a firm must include the heading “Keeping up with your

payments” if it is offering the *client* the option to pay by instalments. In this section the *firm* should outline the implications for the *client* if they fail to keep up with their payments before the *adviser charge* has been paid, including if its recommended product is cancelled before the *adviser charge* is paid.

Note 30 – Payment for ongoing services

If a *firm* provides an ongoing service to the *client* for which there is an *adviser charge* payable over a period of time, the *firm* must include the heading “Payment for ongoing services”. The text for describing how the *client* pays for ongoing service is not prescribed but should be in clear and plain language and should also include the nature of the service to be provided.

For example

“We have a range of ongoing services we can provide to ensure that your personal recommendation is reviewed frequently and remains relevant to your changing circumstances. The frequency of the charge will depend on the service you choose and is usually made by direct debit on the 1st of every month. Ask your adviser for more details.”

“We offer an ongoing service where we review your account every 3 months and inform you of new recommendations or changes that may be relevant to your circumstances. This service is provided at a charge of [insert charge here] per month and can be either deducted from your investment or paid by direct debit. This service can be cancelled at any time. Please ask your adviser for more details.”

Note 31 – in order to comply with COBS 2.3.1R as qualified by 2.3.2R, a *firm* receiving a benefit, in relation to the facilitation of the payment of an *adviser charge* may wish to disclose those benefits in summary form here, under the heading “**Other benefits we may receive**”. If a *firm* does so, it should provide the undertaking described in COBS 2.3.2R(1) (to provide further details on request) in writing, in this section and honour that undertaking.

For example

“ABC firm provides us with a specialised software CD-ROM and accompanying [XX] hours worth of training per annum. We use this software in processing your details when you apply for an investment product and wish to facilitate the payment of the adviser charge through deductions from your investment. Some of the cost of this software may be passed on to you as part of the total charges you pay ABC firm. Further information regarding this arrangement is available on request.”

Note 32 – if the *customer* will be charged a *fee* for *insurance mediation activities* in connection with *non-investment insurance contracts*, insert a plain language description of what each *fee* is for and when each *fee* is payable. This should include any *fees* for *advising on* or *arranging a non-investment insurance contract* and any *fees* over the life of the contract, for example, for mid-term adjustments. If a *firm* does not charge a *fee* the text in the first box should be abbreviated to ‘A fee’. If the *firm* is offering more than one type of service in connection with *non-investment insurance contracts*, the *firm* may aggregate the

fees over all the services provided, and (if that is the case) identify the services for which there is no *fee*.

Note 33 – if the *firm* receives commission instead of, or in addition to, *fees* from the *client* for services relating to *home finance transactions*, it should insert a plain language explanation of this (see specimen for a plain language example). If the *firm* will pay over to the *client* any commission the *firm* receives, it may refer to that fact here.

Note 34 – insert a plain language description of when any *fees* are payable for services relating to *home finance transactions*. This description could include, for example, a cash amount, a percentage of the loan or reversion amount or the amount per hour, as appropriate. However, where a cash amount is not disclosed, one or more examples of the cash amount should be included. If a *firm* offers more than one pricing option in relation to *equity release transactions*, it should specify the pricing policy for each of them. For example, “A fee of £[XX] payable at the outset and £[YY] when you apply for a lifetime mortgage and £[ZZ] when you apply for a home reversion plan”. If a *firm* does not charge a *fee*, the text for the second box should be abbreviated to ‘A fee’.

Note 35 – a *firm* may omit this part of the *combined initial disclosure document* on ‘Refund of fees’ if the *firm* has indicated that there will be “No fee” for services in relation to *home finance transactions* or that any *fee* will be payable only if the product completes.

Note 36 – *firms* may select as many boxes as appropriate.

Note 37 – insert a short, plain language description of the circumstances in which the *fee* for services in relation to *home finance transactions* is refundable or not refundable as described. If the refund policy is different depending on the *equity release transaction* in question, the *firm* should specify the refund policy for each of them. For example, “A refund of £[XX] if your lifetime mortgage application falls through and a refund of £[YY] if your home reversion plan application falls through.”

Note 38 – a *firm* may delete this line if it does not offer a partial refund for services in relation to *home finance transactions* in any circumstances.

Section 5: Who regulates us?

Note 39 – the *firm* may omit this section for services relating to *packaged products* if the *firm* has, on first contact with the *client*, provided the *client* with its *client agreement* which contains that information. This section may be omitted for services relating to *non-investment insurance contracts* if the information covered by this section is not required by *ICOBS* or is required by *ICOBS* but is provided to the *customer* by some other means. This section may be omitted for services relating to *home finance transactions* in accordance with *MCOB* 4.4.1R(3). If this section is omitted, the other sections of the *combined initial disclosure document* should be renumbered accordingly.

Note 40 – if the *firm*’s address on the *FSA Register* differs from that given on the *combined*

initial disclosure document under Note 5, the address on the *FSA Register* should be given in this section. ~~If the address is the same as that given under Note 5 it should be repeated in this section.~~

Note 41 – where the *authorised firm* trades under a different name from that under which it is *authorised*, it should include the name under which it is *authorised* and listed in the *FSA Register*. It may also include its trading name(s) if it wishes.

Note 42 – an *incoming EEA firm* will need to modify this section if it chooses to use this *combined initial disclosure document* (see GEN 4 ~~Ann~~ Annex 1R(2)). A *tied agent* that is regulated in an *EEA State* other than the *United Kingdom* will similarly need to modify this section.

Note 43 – insert a short, plain language description of the business for which the *firm* has a *permission* which relates to the service it is providing.

Note 44 – where the information is provided by an *appointed representative* or *tied agent*, the *appointed representative* or *tied agent* should use this text instead. The *appointed representative* or *tied agent* should give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *client*.

Section 6: Loans and ownership

Note 45 – omit this section where there are no relevant loan or ownership arrangements under the following notes or if the *firm* is an *insurer* selling its own *non-investment insurance contracts*. If this section is omitted the other sections of the *combined initial disclosure document* should be renumbered accordingly. If the *firm* is not providing services in relation to *packaged products*, the heading of this section should be changed to ‘Ownership’. Where the information is provided by an *appointed representative* or *tied agent*, it should cover loans made to or by that *appointed representative* or *tied agent* or holdings in, or held by, that *appointed representative* or *tied agent* as appropriate.

Notes 46, 47 and 48 apply only to a *firm* making a *personal recommendation, dealing in, or arranging* in relation to *packaged products*.

Note 46 – insert, in the *firm’s* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *firm* which is held by a provider or *operator* of a *packaged product* or by the parent of the provider or *operator*.

Note 47 – insert, in the *firm’s* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of a provider or *operator* of a *packaged product* which is held by the *firm*.

Note 48 – insert, in the *firm’s* own words, a short description of any *credit* provided to the *firm* by a *product provider* (other than *commission* due to the *firm* in accordance with an

indemnity claw-back arrangement) or by any *undertaking* in the *immediate group* of the *product provider* where the amount of the *credit* exceeds 10 per cent of the share and loan capital of the *firm*.

Notes 49 and 50 apply to an *insurance intermediary* providing services in relation to *non-investment insurance contracts*.

Note 49 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of the *insurance intermediary* which is held by an *insurance undertaking* or by the parent of an *insurance undertaking*.

Note 50 – insert, in the *insurance intermediary's* own words, a short description of any direct or indirect holding of more than 10 per cent in the capital or voting power of an *insurance undertaking* which is held by the *insurance intermediary*.

Section 7: What to do if you have a complaint

Note 51 – if different to the address in Note 3, give the address and telephone number which is to be used by *clients* wishing to complain.

Note 52 – this text may be omitted for *non-investment insurance contracts* if the *insurance intermediary* or *insurer* is aware that a *commercial customer* would not be an *eligible complainant*.

Note 53 – if the *combined initial disclosure document* is provided by an *authorised professional firm* which is exclusively carrying on *non-mainstream regulated activities*, the *authorised professional firm* should delete this sentence and refer to the alternative complaints handling arrangements.

Note 54 – if the *firm* is carrying on an activity from an establishment which is outside the *United Kingdom* it should make clear that the *Financial Ombudsman Service* will not be available. The *firm* may refer to any similar complaints scheme that may be applicable.

Section 8: Are we covered by the Financial Services Compensation Scheme (FSCS)?

Note 55 – when an *incoming EEA firm* provides the *combined initial disclosure document*, it should modify this section as appropriate.

Note 56 – when a *firm* which is not a *participant firm* provides the *combined initial disclosure document*, it should answer this question ‘No’ and should state the amount of cover provided (if any) and from whom further information about the compensation arrangements may be obtained.

Note 57 – where the *insurance intermediary* or *insurer* provides a service in relation to a compulsory class of insurance, such as *employers' liability insurance*, it should use this

alternative text.

Note 58 – where the *insurance intermediary* or *insurer* provides a service in relation to a contract which covers both a compulsory class of insurance and a class of insurance which is not compulsory, it should indicate the level of compensation that applies to each class.

Home finance products warning

Note 59 – this warning box should be added when the *firm* sells *lifetime mortgages* or home reversion plans or both.

Note 60 – a *firm* should only include this paragraph if the services to which the *combined initial disclosure document* relates include *home purchase activities*. If the *firm* does not carry on *regulated mortgage activities*, it should include the second sentence and delete the third. If the *firm* carries on *regulated mortgage activities* as well as *home purchase activities* it should omit the second sentence and include the third.

...

9.6.6A G A firm will meet the requirements in respect of its obligation to provide written disclosure in the rules on describing the breadth of advice (COBS 6.2A.5R) and content and wording of disclosure (COBS 6.2A.6R) by providing its basic advice initial disclosure information (in COBS 9 Annex 1R).

...

9.6.8 R If a firm's initial contact with a *retail client* is not face to face, it must:

- (1) inform the *client* at the outset:
 - (a) ...
 - (b) ~~whether the firm will select from, or deal with, stakeholder products from a single provider, or from more than one provider; [deleted]~~
- ...
- (2) ... ;
- (3) (unless the relevant product is a deposit-based stakeholder product) if the contact is by spoken interaction, provide the client with the disclosure required by the rules on additional oral disclosure for firms providing restricted advice (COBS 6.2A.9R).

...

9.6.17 R (1) ~~When a firm provides basic advice on a stakeholder product, it must not hold itself out as giving independent advice. [deleted]~~

(2) ~~Nevertheless, a firm~~ When a firm provides basic advice on a stakeholder product, it may still use the facilities and stationery it uses for other business in respect of which it does hold itself out as acting or advising independently.

...

9 Annex 1 R Basic advice initial disclosure document

...

Information that comprises the following:	
...	
2.	a statement as to whether the range of stakeholder products on which advice will be given comprises products from a single stakeholder product provider, or a limited number of stakeholder product providers; [deleted]
...	
5.	a statement disclosing any product provider loans (where such credit exceeds 10% of share and loan capital) and direct or indirect ownership (where that ownership exceeds 10% of share capital or voting power) either by, or of, a single <i>product provider</i> or <i>operator</i> ; (See also notes 20-23 <u>32-35</u> in <i>COBS 6 Annex 1G</i> and notes 33-38 <u>45-50</u> of <i>COBS 6 Annex 2</i>);
6.	A a description of the arrangements concerning complaints and the circumstances in which the <i>retail client</i> can refer the matter to the <i>Financial Ombudsman Service</i> ; (See also notes 24-25 <u>36-37</u> in <i>COBS 6 Annex 1G</i> and notes 39-42 <u>51-54</u> of <i>COBS 6 Annex 2</i>);
7	a description of the circumstances and the extent to which <u>the firm</u> is covered by the <i>compensation scheme</i> and the <i>retail client</i> will be entitled to compensation from the <i>compensation scheme</i> ; (See also notes 26-27 <u>38-39</u> of <i>COBS 6 Annex 1G</i> and notes 43-46 <u>55-58</u> of <i>COBS 6 Annex 2</i>);
8.	<u>any relevant disclosure required by the rules on describing the breadth of advice (COBS 6.2A.5R) and content and wording of disclosure (COBS 6.2A.6R).</u>
...	

18.1 Trustee Firms

...

Application of COBS to trustee firms

- 18.1.2 R The provisions of *COBS* in the table do not apply to a *trustee firm* to which this section applies:

COBS	Description
<u>6.1A</u>	<u>Adviser charging and remuneration</u>
<u>6.1B</u>	<u>Retail investment product provider requirements relating to adviser charging and remuneration</u>
<u>6.2</u>	<u>Describing the breadth of a firm's advice on investments</u>
<u>6.2A</u>	<u>Describing advice services</u>
...	

...

18.2 Energy market activity and oil market activity

Energy market activity and oil market activity - MiFID business

- 18.2.1 R The provisions of *COBS* in the table do not apply in relation to any *energy market activity* or *oil market activity* carried on by a *firm* which is *MiFID* or *equivalent third country business*:

COBS	Description
<u>6.1A</u>	<u>Adviser charging and remuneration</u>
<u>6.1B</u>	<u>Retail investment product provider requirements relating to adviser charging and remuneration</u>
<u>6.2</u>	<u>Describing the breadth of a firm's advice on investments</u>
<u>6.2A</u>	<u>Describing advice services</u>
...	

...

18.3 Corporate finance business

Corporate finance business - MiFID business

- 18.3.1 R The provisions of *COBS* in the table do not apply in respect of any *corporate finance business* carried on by a *firm* which is *MiFID* or *equivalent third country business*:

COBS	Description
<u>6.1A</u>	<u>Adviser charging and remuneration</u>
<u>6.1B</u>	<u>Retail investment product provider requirements relating to adviser charging and remuneration</u>
<u>6.2</u>	<u>Describing the breadth of a firm's advice on investments</u>
<u>6.2A</u>	<u>Describing advice services</u>
...	

...

18.4 Stock lending activity

- 18.4.1 R The provisions of *COBS* in the table do not apply in relation to any *stock lending activity* carried on by a *firm* which is *MiFID* or *equivalent third country business*:

COBS	Description
<u>6.1A</u>	<u>Adviser charging and remuneration</u>
<u>6.1B</u>	<u>Retail investment product provider requirements relating to adviser charging and remuneration</u>
<u>6.2</u>	<u>Describing the breadth of a firm's advice on investments</u>
<u>6.2A</u>	<u>Describing advice services</u>
...	

Schedule 1 Record keeping requirements

...

1.3G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
<u>COBS 6.1A.27R</u>	<u>Adviser charging and</u>	<u>(1) the <i>firm's</i> charging</u>	<u>(1) when the charging</u>	<u>See <i>COBS</i> 6.1A.27R(1) to</u>

	<u>remuneration</u>	<u>structure;</u> <u>(2) the total adviser charge payable by each retail client;</u> <u>(3) if the total adviser charge paid by a retail client has varied materially from the charge indicated for that service in the firm's charging structure, the reasons for that difference.</u>	<u>structure is first used;</u> <u>(2) from the date of disclosure;</u> <u>(3) from the date of disclosure;</u>	<u>(3)</u>
<i>COBS 6.2.12R</i>	<i>Information about the firm, services and information: packaged products</i>	<i>Scope and range of packaged products</i>	<i>Firm's scope and range— from date on which superseded by more up-to-date record</i> <i>Client-specific records— from date of communication of personal recommendation</i>	<i>5 years</i> <i>5 years</i>
...				