

HANDBOOK ADMINISTRATION (NO 43) INSTRUMENT 2016

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the 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 138G(2) (Rule-making instruments) of the Financial Services and Markets Act 2000.

Commencement

- C. This instrument comes into force on 4 November 2016 except as provided below:
- (1) Part 2 of Annex G comes into force on 5 November 2016;
 - (2) Part 1 of Annex J comes into force on 5 November 2016;
 - (3) Annex N comes into force on 5 November 2016;
 - (4) Part 2 of Annex J comes into force on 1 January 2017;
 - (5) Annex L comes into force on 13 January 2017; and
 - (6) Part 2 of Annex B comes into force on 7 March 2017.

Amendments to the Handbook

- D. (1) The modules of the Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Systems and Controls sourcebook (SYSC)	Annex B
Statements of Principle and Code of Practice for Approved Persons (APER)	Annex C
General Provisions (GEN)	Annex D
General Prudential sourcebook (GENPRU)	Annex E
Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)	Annex F
Interim Prudential sourcebook for Investment Businesses (IPRU(INV))	Annex G
Conduct of Business sourcebook (COBS)	Annex H
Market Conduct sourcebook (MAR)	Annex I
Supervision manual (SUP)	Annex J
Compensation sourcebook (COMP)	Annex K
Collective Investment Schemes sourcebook (COLL)	Annex L
Consumer Credit sourcebook (CONC)	Annex M
Investment Funds sourcebook (FUND)	Annex N
Regulated Covered Bonds sourcebook (RCB)	Annex O

Listing Rules sourcebook (LR)	Annex P
Prospectus Rules sourcebook (PR)	Annex Q

- (2) Each provision of the Interim Prudential sourcebook for Investment Business (IPRU(INV)) Chapter 5 listed in column (1) of the table in Part 2 of Annex G, is redesignated to form part of IPRU(INV) in accordance with the corresponding entry in column (2) of the table in Part 2 of Annex G.

Citation

- E. This instrument may be cited as the Handbook Administration (No 43) Instrument 2016.

By order of the Board
3 November 2016

Annex A

Amendments to the Glossary of definitions

Amend the following definitions as shown. Underlining indicates new text and striking through indicates deleted text.

<i>contingency funding plan</i>	<p>(1) (in SYSC 11) a plan for taking action to ensure that a firm has adequately liquid financial resources to meet its liabilities as they fall due, prepared under SYSC 11.1.24E. [deleted]</p> <p>(2) ...</p>
<i>material insurance holding</i>	has the meaning in GENPRU 2.2.212R (Material holdings) or, for an <i>exempt CAD firm</i> which is an <i>investment management firm</i> , in IPRU(INV) Table 5.2.2(1) <u>5.8</u> .
<i>Market Abuse Regulation</i>	regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing the Market Abuse Directive <u>Market Abuse Directive</u> and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.
<i>marketing group</i>	<p>a group of <i>persons</i> who:</p> <p>(a) are allied together (either formally or informally) for the purposes of marketing <i>packaged products</i> of the marketing group <u>group</u>; and</p> <p>...</p>
<i>statutory money purchase illustration</i>	an annual illustration of the contributions made for the benefit of, and the potential benefits due to, a member of a <i>personal pension scheme</i> , which is prepared in accordance with the Personal Pension Schemes (Disclosure of Information) Regulations 1987 (SI 1987/1110) <u>Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734)</u> .

Annex B

Amendments to the Senior Management Systems and Controls sourcebook (SYSC)

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

Part 1: Comes into force on 4 November 2016

4.1 General requirements

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Accounting policies

- 4.1.9 R *A common platform firm* and a *management company* must establish, implement and maintain accounting policies and procedures that enable it, at the request of the ~~appropriate regulator~~ FCA, to deliver in a timely manner to the ~~appropriate regulator~~ FCA financial reports which reflect a true and fair view of its financial position and which comply with all applicable accounting standards and rules.

...

...

13.9 Outsourcing

...

- 13.9.9 G (1) Parts of the *guidance* in SYSC 13.9 do not apply to a *Solvency II firm*. They are SYSC ~~13.8.3G~~ 13.9.3G, SYSC 13.9.4G(1), (2) (4) and (5) and SYSC 13.9.5G(6).

...

Part 2: Comes into force on 7 March 2017

Sch 1 Record keeping requirements

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Sch 1.2G

Handbook	Subject of	Contents of record	When record	Retention period
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reference	record		must be made	
...				
SYSC 14.1.53R
SYSC 22.9.1R	Employment history of <i>employees</i>	As specified in the <i>rule</i> in column 1	Not specified	As specified in SYSC 22.9.2G <u>22.9.2G</u>

Annex C

Amendments to the Statements of Principle and Code of Practice for Approved Persons (APER)

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

4 Code of Practice for Approved Persons: specific

...

4.5 Statement of Principle 5

...

- 4.5.4 G Failing to take reasonable steps to apportion responsibilities clearly ~~amounts~~ among those to whom responsibilities have been delegated falls within *APER* 4.5.2G (see *APER* 4.5.11G).

...

4.7 Statement of Principle 7

...

- 4.7.4 G Failing to take reasonable steps to monitor (either personally or through a compliance department or other departments) compliance with the relevant ~~requirements~~ requirements and standards of the *regulatory system* in respect of the *regulated activities* of the *firm* in question (as referred to in *Statement of Principle 7*) falls within *APER* 4.7.2G.

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Annex D

Amendments to the General Provisions (GEN)

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

1 ~~Appropriate regulator~~ FCA approval and emergencies

...

1.2 Referring to approval by the ~~appropriate regulator~~ FCA

1.2.1 G The purpose of ~~GEN 1.2.2R~~ GEN 1.2.2AR is to prevent *clients* being misled about the extent to which the ~~appropriate regulator~~ FCA has approved a *firm's* affairs.

1.2.2A R (1) Unless required to do so under the *regulatory system*, a *firm* must ensure that neither it nor anyone acting on its behalf claims, in a public statement or to a client, expressly or by implication, that its affairs, or any aspect of them, have the approval or endorsement of the ~~appropriate regulator~~ FCA or another competent authority.

...

1.2.3 G ~~GEN 1.2.2R(2)(f)~~ GEN 1.2.2AR(2)(g) is confined to written approval because of the need for clarity as to the scope of any approval given by the *appropriate regulator*.

...

1.3 Emergency

1.3.1 G The ~~appropriate regulator~~ FCA recognises that there may be occasions when, because of a particular emergency, a *person* (generally a *firm*, but in certain circumstances, for example in relation to *price stabilising rules*, an *unauthorised person*) may be unable to comply with a particular *rule* in the *Handbook*. The purpose of *GEN 1.3.2R* is to provide appropriate relief from the consequences of contravention of such a *rule* in those circumstances.

1.3.2 R ...

(3) The *person* must notify the ~~appropriate regulator~~ FCA as soon as practicable of the emergency and of the steps it is taking and proposes to take to deal with the consequences of the emergency.

...

1.3.3 G A *firm* should continue to keep the ~~appropriate regulator~~ FCA informed of the steps it is taking under *GEN 1.3.2R(3)*, in order to comply with its

obligations under *Principle 11* (Relations with regulators).

...

- 1.3.5 G *GEN 1.3.2R* operates on the ~~appropriate regulator's~~ FCA's rules. It does not affect the ~~appropriate regulator's~~ FCA's powers to take action against a firm in an emergency, based on contravention of other requirements and standards under the *regulatory system*. For example, the ~~appropriate regulator~~ FCA may exercise its *own-initiative power* in appropriate cases to vary a firm's *Part 4A permission* based on a failure or potential failure to satisfy the *threshold conditions* (see *SUP 7* (Individual requirements) and *EG 8* (Variation and cancellation of permission and imposition of requirements on the ~~FCA's~~ FCA's own initiative and intervention against incoming firms)).

...

2 Interpreting the Handbook

...

2.2 Interpreting the Handbook

...

Activities covered by general rules

- 2.2.17 R A general rule (that is a rule made by the ~~appropriate regulator~~ FCA under the *general rule making powers*) is to be interpreted as:

...

...

4 Statutory status disclosure

...

4 Annex 1AR Statutory status disclosure (PRA-authorized persons)

1AR

This rule applies to firms that are *PRA-authorized persons*:

	Type of firm	Required disclosure (Note 5)
...		
(3)	Incoming firm without a top-up permission	(a) "Authorised by [name of <i>Home State regulator</i>]" or (b) "Authorised by [name of <i>Home State regulator</i>] and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation

		by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request" (Notes 1, 2, 2a, 2b and 3)
(4)	Incoming firm with a top-up permission	“Authorised by [name of <i>Home State regulator</i>] and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request” (Notes 1, 2, 2b and 3)
...		
<p>...</p> <p>Note 2b = An incoming EEA firm exercising establishment rights in the UK under the Banking Consolidation Directive, which do not include the activity of acceptance of deposits and other repayable funds, will be subject to branch liquidity and other supervision by the FCA.</p> <p>...</p>		

...

TP 2 Transitional Provisions applying across the FCA Handbook and the PRA Rulebook

Table 1 Transitional Provisions applying across the FCA Handbook and the PRA Rulebook

(1)	The purpose of these transitional provisions is to assist a smooth transition at cutover. They comprise various technical provisions that will apply across the whole <i>FCA Handbook</i> and <i>PRA Handbooks Rulebook</i> and achieve results that most people would probably expect to apply in any event.
...	
(3)	The more specific transitional provisions relating to record keeping and notification rules override the general transitional provisions. Both the general and the more specific transitional provisions do not apply if the context requires otherwise and are subject to any more specific transitional provision elsewhere in the FCA and PRA Handbooks <i>FCA Handbook</i> and <i>PRA Rulebook</i> relating to this matter.
...	

Table 2: Transitional Provisions applying across the FCA Handbook and the PRA

Rulebook

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1	Every provision in the <i>FCA and PRA Handbooks Handbook and PRA Rulebook</i> unless the context otherwise requires and subject to any more specific transitional provision relating to the matter	R	<p>Acts under pre-cutover provisions</p> <p>Anything done, or having effect as done, under or for the purposes of any pre-cutover provision has effect as if done under or for the purposes of any substantially similar provision in the <i>FCA and PRA Handbooks Handbook and PRA Rulebook</i>.</p>	From cutover	Cutover
...					
3	Every provision in the <i>FCA and PRA Handbooks Handbook and PRA Rulebook</i> , unless the context otherwise requires and subject to any more specific transitional provision relating to the matter	R	<p>Series of events</p> <p>If the application of any provision in the <i>FCA or PRA Handbooks Handbook or PRA Rulebook</i> is dependent on the occurrence of a series of events, some of which occur before, and some of which occur after, cutover, the provision applies with respect to the events that occur after cutover.</p>	From cutover	Cutover
...					
5	Every provision in the <i>FCA and PRA Handbooks Handbook and PRA Rulebook</i> , unless the context otherwise requires and subject to any more specific transitional provision	R	<p>Deemed references to pre-cutover provisions</p> <p>Any reference (express or implied) in a provision in the <i>FCA or PRA Handbooks Handbook or PRA Rulebook</i> to a provision of or made</p>	From cutover	Cutover

	relating to the matter		under the <i>Act</i> is to be read (so far as the context permits and according to the context) as being or including, in relation to times, circumstances and purposes before cutover, a reference to any substantially similar pre-cutover provision.		
...					
7	Every provision in the <i>FCA</i> and <i>PRA Handbooks Handbook</i> and <i>PRA Rulebook</i> , unless the context otherwise requires and subject to any more specific transitional provision relating to the matter	R	<p>Time starting before cutover</p> <p>If, at cutover, time has begun to run for any purpose under any pre-cutover provision applicable to a <i>firm</i> or other person, then: (1) time will be regarded as having started to run, for the purposes of any substantially similar provision in the <i>FCA</i> or <i>PRA Handbooks Handbook</i> or <i>PRA Rulebook</i>, when it started to run for that other purpose; and (2) the <i>firm</i> or other person will be relieved of its obligation to comply with the relevant pre-cutover provision if and to the extent that it complies with the substantially similar provision as extended by this transitional provision.</p>	From cutover	Cutover
...					
9	Every <i>rule</i> in the <i>FCA</i> and <i>PRA Handbooks Handbook</i> and <i>PRA Rulebook</i> requiring a record to be made or	R	<p>Record keeping</p> <p>A <i>firm</i> or other person will not contravene a <i>rule</i> in the <i>FCA</i> or <i>PRA Handbooks Handbook</i> or <i>PRA Rulebook</i> requiring a</p>	From cutover	Cutover

	retained (see schedule 1), unless the context otherwise requires and subject to any more specific transitional provision relating to the matter		record to be made or retained to the extent that the <i>firm</i> or other person: (1) made a record of the matter before cutover in accordance with the <i>rule</i> or with a substantially similar pre-cutover provision applicable to the <i>firm</i> or other person; and (2) retains that record as if the <i>rule</i> was in force when the record was made.		
10	Every <i>rule</i> in the FCA and PRA Handbooks Handbook and <u>PRA Rulebook</u> requiring a record to be made or retained (see schedule 1), unless the context otherwise requires and subject to any more specific transitional provision relating to the matter	...	...	...	...
11	Every <i>rule</i> in the FCA and PRA Handbooks Handbook and <u>PRA Rulebook</u> requiring a record to be made or retained (see schedule 1), unless the context otherwise requires and subject to any more specific transitional provision relating to the matter	R	A <i>firm</i> or other person must retain a record in accordance with a <i>rule</i> in the FCA or PRA Handbooks Handbook or <u>PRA Rulebook</u> requiring a record of that sort to be retained, if the <i>firm</i> or other person was required to make and retain that record before cutover under a substantially similar pre-cutover provision applicable to the <i>firm</i> or other person.	From cutover	Cutover
...					
13	Every notification rule in the FCA and PRA Handbooks Handbook and <u>PRA</u>		Notification A <i>firm</i> (or its auditor, <i>appointed actuary</i> or	From cutover	Cutover

	<u>Rulebook</u> (see schedule 2), unless the context otherwise requires and subject to any more specific transitional provision relating to the matter		appropriate actuary) or other person will not contravene a notification rule in the <i>FCA</i> or <i>PRA Handbooks Handbook</i> or <u><i>PRA Rulebook</i></u> to the extent that notice of the relevant matter was given to the <i>FSA</i> before cutover in accordance with: (1) the notification rule; or (2) a substantially similar pre-cutover provision applicable to the <i>firm</i> or other person.		
...					
15	...	...	...	...	...
			(3) a reference to a “provision” in the <i>FCA</i> or <i>PRA Handbooks Handbook</i> or <u><i>PRA Rulebook</i></u> means every type of provision, including <i>rules, guidance, provisions in codes, and so on.</i>		
16	Paragraph 17	G	Application for provisions which are not rules The purpose of paragraph 17 is to ensure that the transitional provisions in paragraphs 1 to 8 apply throughout the <i>FCA</i> and <i>PRA Handbooks Handbook</i> and <u><i>PRA Rulebook</i></u> .	From cutover	Cutover
17	<i>Statements of Principle</i> , the Code of Practice for Approved Persons and <i>MAR 1</i> (Market Abuse) and directions and requirements and	P	The provisions in paragraphs 1 to 10 apply to every <i>person</i> to whom the provisions referred to in column (2) apply as if the <i>rules</i> in those paragraphs were part of	From cutover	Cutover

<p>guidance and other provisions in the <i>FCA Handbook</i> and <i>PRA Handbook Rulebook</i> (that is, provisions with the status letter “D” or “G” in the margin or heading) unless the context otherwise requires and subject to any more specific transitional provision relating to the matter.</p>	<p>those provisions.</p>		
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TP 3 Transitional Provision in relation to the Alternative Investment Fund Managers Directive Instrument 2013

Table ÷ 1 : Transitional Provisions applying across the FCA Handbook [~~deleted~~]

(1)	<p>On 22 July 2013, the Alternative Investment Fund Managers Directive Instrument 2013 came into force. This instrument transposed provisions contained in the AIFMD into UK national law through provisions in the FCA Handbook.</p>
(2)	<p>The entry into force of the Alternative Investment Fund Managers Directive Instrument 2013 requires a number of further consequential changes to be made to the FCA Handbook. These will be made in due course.</p>
(3)	<p>Until that time, all provisions in the FCA Handbook must be interpreted in the light of the amendments made to the FCA Handbook by the Alternative Investment Fund Managers Directive Instrument 2013, unless the context requires otherwise. This is necessary to comply with the rule in GEN 2.2.1R. It should achieve the result that most people would probably expect to apply in any event.</p>

Table ÷ 2 : Transitional Provision applying across the FCA and PRA Handbooks Handbook and PRA Rulebook

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...

Sch 6G Rules that can be waived

...

6.2G	1	<p>GEN 2.1.8R is made by FOS Ltd <i>FOS Ltd</i> and not by the <i>appropriate</i></p>
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	regulator <u>FCA</u> and cannot be waived by the appropriate regulator <u>FCA</u> .
2	Every other rule <u>rule</u> in <i>GEN</i> can be waived by the appropriate regulator <u>FCA</u> if, and to the extent that, the rules elsewhere in its <i>Handbook</i> which it modifies or to which it otherwise relates can be waived by the appropriate regulator <u>FCA</u> .

Annex E

Amendments to the General Prudential sourcebook (GENPRU)

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

2 Capital

...

2.2 Capital resources

...

Table: Arrangement of GENPRU 2.2

2.2.6 G This table belongs to *GENPRU 2.2.5G*

Topic	Location of text
...	...
<i>Step-ups (Tier tier one capital and tier two capital)</i>	GENPRU 2.2.76R ; <i>GENPRU 2.2.146R to GENPRU 2.2.154G</i>
...	...

...

General conditions for eligibility as tier one capital

2.2.64 R The conditions that an item of capital of a *firm* must comply with under *GENPRU 2.2.62R(2)* are as follows:

...

(3) it:

...

(b) complies with the conditions in *GENPRU 2.2.70R* (Basic requirements for redeemability) and ~~*GENPRU 2.2.76R*~~ (~~Redeemable instrument subject to a *step up*~~);

...

...

Annex F**Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)**

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

13 The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions

...

13.7 Contractual netting

...

13.7.7 R If any of the *competent authorities* concerned is not satisfied that the contractual netting is legally valid under the law of each of the relevant ~~jurisdictions~~ jurisdictions, the *firm* must not treat the contractual netting agreement as risk-reducing.

...

Annex G

**Amendments to the Interim Prudential sourcebook for Investment Businesses
(IPRU(INV))**

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

Part 1: Comes into force on 4 November 2016

5 Financial Resources

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Appendix Glossary of terms for IPRU-INV 5

1

...

Term	Meaning
...	
admission procedures	means the procedures set out in the Authorisation Manual together with any other procedures which the Board resolves, either generally or in relation to any specific case, should apply to the admission of firms and the admission of approved persons.
...	
annual accounts	means accounts prepared to comply with relevant Companies Act legislation and their equivalent in Northern Ireland or other statutory obligations.
...	
authorised contractual scheme	a co-ownership scheme or a limited partnership scheme.
authorised contractual scheme manager	means the authorised fund manager of an authorised contractual scheme
authorised unit trust manager	means the manager of an authorised unit trust scheme.
...	
best execution	in relation to the effecting of a transaction, means the effecting

	of that transaction in compliance with <i>COBS</i> 11.2.	
...		
Client Money Rules	CASS 4.1 to 4.3.	
...		
company	means a body corporate or an unincorporated association and, where the context permits, includes a partnership.	
compliance officer	means the individual from time to time appointed by a <i>firm</i> as responsible for compliance matters.	
...		
connected company and connected credit institution	means, in relation to a firm which:	
	(a)	is a body corporate, a body corporate or credit institution satisfying any of the following conditions:
	(i)	the same person is the controller of each body corporate or credit institution; or
	(ii)	if a group of two or more persons are controllers of each body corporate or credit institution, the group either consists of the same persons or could be regarded as consisting of the same persons by treating a member of either group as replaced by:
	(A)	that member's close relative; or
	(B)	a person with whom the member is in partnership; or
	(C)	a body corporate of which the member is an officer; or
	(iii)	both bodies corporate or credit institution which is controlled:
	(b)	is not a body corporate or credit institution which is controlled:
	(i)	by the firm; or
(ii)	by a partner in the firm; or	
(iii)	by a close relative or partner in the firm or, if the firm is a sole trader, by a close relative of the sole trader; or	

	(iv)	collectively by any of the partners in the firm or their close relatives.	
Controller	(as defined in section 422 of the Act (Controller)) in relation to a firm or other undertaking (“A”), means a person who:		
	(a)	holds 10% or more of the shares in A; or	
	(b)	is able to exercise significant influence over the management of A by virtue of his shareholding in A; or	
	(c)	holds 10% or more of the shares in a parent undertaking (“P”) of A; or	
	(d)	is able to exercise significant influence over the management of P by virtue of his shareholding in P; or	
	(e)	is entitled to exercise, or control the exercise of, 10% or more of the voting power in A; or	
	(f)	is able to exercise significant influence over the management of A by virtue of his voting power in A; or	
	(g)	is entitled to exercise, or control the exercise of, 10% of or more of the voting power in P; or	
	(h)	Is able to exercise significant influence over the management of by virtue of his voting power in P.	
	and in this definition		
	(A)	“person” means:	
		(a)	the person; or
		(b)	any of the person’s associates; or
		(c)	the person and any of his associates.
	(B)	“associate”, in relation to a person (H) holding shares in an undertaking (“C”) or entitled to exercise or control the exercise of voting power in relation to another undertaking (“D”) means:	
		1.	the spouse of H;
	2.	a child or stepchild of H (if under 18);	
	3.	the trustee of any settlement under which H has a life interest in possession (or in Scotland a life interest);	

	4.	an undertaking of which H is a director;	
	(e)	a person who is an employee or partner of H;	
	(f)	if H is an undertaking:	
		(i)	a director of H;
		(ii)	a subsidiary undertaking of H;
		(iii)	a director or employee of such a subsidiary undertaking; and
	(g)	if H has with any other person an agreement or arrangement with respect to the acquisition, holding or disposal of shares or other interests in C or D or under which they undertake to act together in exercising their voting power in relation to C or D, that other person;	
	(a)	“settlement” includes any disposition or arrangement under which property is held on trust (or subject to a comparable obligation);	
	(b)	“shares” means;	
	(a)	in relation to an undertaking with a share capital, allotted shares;	
	(b)	in relation to an undertaking with capital but no share capital, rights to share in the capital of the undertaking;	
	(c)	in relation to an undertaking without capital, interests:	
		(i)	conferring any right to share in the profits, or liability to contribute to the losses, of the undertaking; or
		(ii)	giving rise to any obligation to contribute to the debts or expenses of the undertaking in the event of a winding up.
corporate finance business	means:		
	(a)	designated investment business carried on by a firm with or for:	
	(i)	any issuers, holder or owner of designated investments, if that business relates to the offer,	

		issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, those investments, or any related matter;
	(ii)	any eligible counterparty or professional client, or other body corporate, partnership or supranational organisation, if that business relates to the manner in which, or the terms on which, or the persons by whom, any business, activities or undertakings relating to it, or any associate, are to be financed, structured, managed, controlled, regulated or reported upon;
	(iii)	any person in connection with:
	(A)	a proposed or actual takeover or related operation by or on behalf of that person, or involving investments issued by that person (being a body corporate), its holding company, subsidiary or associate; or
	(B)	a merger, de-merger, reorganisation or reconstruction involving any investments issued by that person (being a body corporate), its holding company, subsidiary or associate;
	(iv)	any shareholder or prospective shareholder of a body corporate established or to be established for the purpose of effecting a takeover or related operation, where that business is in connection with that takeover or related operation;
	(v)	any person who, acting as a principal for his own account:
	(A)	is involved in negotiations or decisions relating to the commercial, financial or strategic intentions or requirements of a business or prospective business; or
	(B)	(provided he is acting otherwise than solely in his capacity as an investor) assists the interests of another person with or for whom the firm, or another authorised person or overseas person, is undertaking business as specified in (a)(i), (ii), (iii) or (iv), by himself undertaking all or part of any

			transactions involved in such business;
	(vi)	any person undertaking business with or for a person as specified in (a)(i), (ii), (iii), (iv), or (v) in respect of activities described in those subparagraphs;	
(b)	designated investment business carried on by a firm as a principal for its own account where such business:		
	(i)	is in the course of, or arises out of, activities undertaken in accordance with (a); and	
	(ii)	does not involve transactions with or for, or advice to, any other person who is a retail client in respect of such business;	
(e)	designated investment business carried on by a firm as principal for its own account if such business:		
	(i)	is in the course of, or arises out of	
		(A)	the offer, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, shares, share warrants, debentures or debenture warrants issued by the firm, or any related matter; or
		(B)	a proposed or actual takeover or related operation by or on behalf of the firm, or involving shares, share warrants, debentures or debenture warrants issued by the firm; or
		(C)	a merger, de-merger, reorganisation or reconstruction involving any shares, share warrants, debentures or debenture warrants issued by the firm; and
	(ii)	does not involve giving advice on investments to any person who is a retail client;	
		in this definition, “share warrants” and “debenture warrants” means any warrant which relates to shares in the firm concerned or, as the case may be, debentures issued by the firm.	
...			
Customer	see the meaning given to the term in the Glossary		

customer investment	means an investment, or a document of title or a certificate or other record evidencing title to an investment, (other than an investment falling within articles 83, 84 and 85 of the RAO) which is legally or beneficially owned by a customer of a firm.	
customer transaction	does not include an own account transaction.	
EEA parent	means a firm's direct or indirect parent which has its head office in the EEA.	
EIB	means the European Investment Bank	
...		
finance officer	means the most senior individual from time to time directly responsible for the firm's finances and for compliance with the requirements of the Supervision Manual.	
...		
funds under management	[deleted]	
Group of connected counterparties	means:	
	(a)	two or more natural or legal persons who constitute a single risk because one of them, directly or indirectly, has control over the other or others; or
	(b)	two or more natural or legal persons between whom there is no relationship of control as in (a) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to exercise financial problems, the other or all of the others would be likely to encounter difficulties in performing its or their obligations.
IADB	means the Inter American Development Bank.	
IBRD	means the International Bank for Reconstruction and Development.	
IFC	means the International Finance Corporation.	
Investigation	means an investigation authorised pursuant to the Enforcement Guide.	
...		
investment management firm	see the meaning given to the term in the Glossary.	

...	
investment services	means activities undertaken in the course of carrying on designated investment business or undertaken as an ISA manager.
ISA cash deposit	means a cash deposit within Regulation 8 of the Individual Savings Account Regulations 1998 (SI 1998/1870) which is held within a cash component ISA.
limited partnership scheme	(as defined in section 235A(4) of the Act (Contractual schemes)) a collective investment scheme which satisfies the conditions in section 235A(6) and which is authorised for the purposes of the Act by an authorisation order.
...	
marketing group	means a group of persons:
	(a) who are allied together (either formally or informally) for the purposes of marketing packaged products of the group; and
	(b) each of whom, if it holds itself out in the UK as marketing any packaged products to retail clients, does so only as an investment manager or in relation to those of the marketing group.
member state	means a member state of the EEA.
monthly financial return	means the return referred to in the Supervision Manual, non-retail client means a professional client or an eligible counterparty.
<u>non-retail client</u>	<u>means a professional client or an eligible counterparty.</u>
...	
overseas person	see the meaning given to the term in the Glossary
...	
Parent	means any parent undertaking as defined in section 1162 of the Companies Act 2006 and any undertaking which effectively exercises a dominant influence over another undertaking.
Participation	has the meaning given to the term in the Glossary.
...	

plan investment	means an investment included in a PEP or in any ISA component.
...	
quarterly financial return	means the return referred to in the Supervision Manual.
...	
recognised overseas clearing house	means an overseas clearing house which is declared by a recognition order made under section 290 or 292 of the Act for the time being in force to be a recognised clearing house.
recognised overseas investment exchange	means an overseas clearing house which is declared by a recognition order made under section 290 or 292 of the Act for the time being in force to be a recognised investment exchange.
registered individual	means an approved person.
registrable activity	in relation to a firm, means any one of the following:
	(a) holding the post of director or chief executive;
	(b) acting as an investment manager in the course of the permitted business of the firm;
	(c) acting in a senior capacity with responsibility either alone or jointly with one or more other individuals for the management, supervision and control of a part of the firm's permitted business (including the compliance officer and the finance officer);
	(d) procuring or endeavouring to procure other persons to enter into investment agreements, or giving advice to persons with whom he deals about entering into investment agreements or exercising rights conferred by investments, in the course of the permitted business of the firm;
(e) committing the firm or its customers in market dealing or in transactions in securities or in other investments in the course of the firm's permitted business.	
regulated activity	see the meaning given to the term in the Glossary.
...	
regulated friendly society	means, as respects investment business carried on for or in connection with any of the purposes mentioned in Schedule 1 to the Friendly Societies Act 1974, or, as the case may be, to

	the Friendly Societies Act (Northern Ireland) 1970, means a society which is a friendly society within the meaning of section 7(1)(a) of the Friendly Societies Act 1974 and is registered within the meaning of section 1(1)(a) of the Friendly Societies Act (Northern Ireland) 1970 and is registered or deemed to be registered under that Act; and
	(a) under its rules, has its registered office at a place situated in Great Britain or, as the case may be, Northern Ireland; and
	(b) carries on investment business in the UK.
...	
statutory rules	means the rules made by the FCA under the Act.
...	
trust beneficiary	means a beneficiary under a trust (not being the settlor) who benefits from the performance by a firm as trustee or investment services relation to the management of the trust assets (in accordance with section 2372 of the Act (Other definitions)).
...	
UCITS qualifier	see the meaning given to the term in the Glossary.
...	
zone a country	see definition of Zone A country in the Glossary
...	

Part 2: Comes into force on 5 November 2016

- (1) The tables referred to in paragraph D(2) of this instrument are as follows.
- (2) The provisions and subheadings of IPRU(INV) Chapter 5 listed in column (1) are redesignated as set out in Column (2) of the following tables.

(1)	(2)
Handbook provision numbering at 4 November 2016	New heading and numbering

5. Financial Resources	5. Financial resources
5.1.1 Application	5.1 Application
5.1.1R	5.1.1R
Table 5.1.1(1)(aa) Application of Chapter 5	5.1.2R
5.2.1(A)R	5.1.3R
5.1.1R(1)(c)	5.1.4G
5.2.1 General Requirement	5.2 General requirement
Adequacy of financial resources	Adequacy of financial resources
5.2.1(1)R	5.2.1R
Basic requirement	Basic requirement
5.2.1(2)R	5.2.2R
Financial resources	Financial resources
5.2.1(3)R	5.2.3R
5.2.2 Financial resources	5.3 Financial resources
Own funds	Own funds
5.2.2(1)R	5.3.1R
5.2.2(1)(A)R	5.3.2R
Liquid capital	Liquid capital
5.2.2(2)R	5.3.3R
5.2.3 Financial resources requirement	5.4 Financial resources requirement
Determination of requirement	Determination of requirement
5.2.3(1)(a)R	5.4.1R
Exceptions from the liquid capital requirement	Exceptions from the liquid capital requirement
5.2.3(2)R	5.4.2R
Own funds requirement	Own funds requirement

5.2.3(3)(a)R	5.4.3R
5.2.3(3)(A)R	5.4.4R
5.2.3(3)(B)G	5.4.5G
5.2.3(3)(C)G	5.4.6G
5.2.3(3)(D)G	5.4.7G
5.2.3(3)(E)R	5.4.8R
5.2.3(3)(F)G	5.4.9G
Liquid capital requirement	Liquid capital requirement
5.2.3(4)(a)R	5.4.10R
5.2.3(4A)	5.4.11G
Total capital requirement	Total capital requirement
5.2.3(5)R	5.4.12R
5.2.3(6)G	5.4.13G
5.2.4 Annual expenditure	5.5 Annual expenditure
Determination	Determination
5.2.4(1)R	5.5.1R
5.2.4(2)G	5.5.2G
5.2.5 Qualifying subordinated loans	5.6 Qualifying subordinated loans
Characteristics of Long Term Qualifying Subordinated Loans	Characteristics of long term qualifying subordinated loans
5.2.5(1)R	5.6.1R
Amount allowable in the calculation of own funds	Amount allowable in the calculation of own funds
5.2.5(2)R	5.6.2R
Requirements applicable to short-term qualifying subordinated loans	Requirements applicable to short-term qualifying subordinated loans
5.2.5(3)R(a)	5.6.3R

5.2.5(3)R(b)	5.6.4R
Form of qualifying subordinated loan agreement	Form of qualifying subordinated loan agreement
5.2.5(4)R	5.6.5R
5.2.5(5)G	5.6.6G
Conditions applicable to qualifying subordinated loans	Conditions applicable to qualifying subordinated loans
5.2.5(6)R	5.6.7R
Requirements on a firm in relation to qualifying subordinated loans	Requirements on a firm in relation to qualifying subordinated loans
5.2.5(7)R	5.6.8R
5.2.6 Qualifying property and qualifying undertakings	5.7 Qualifying property and qualifying undertakings
Qualifying property and qualifying amount defined	Qualifying property and qualifying amount defined
5.2.6(1)R	5.7.1R
5.2.6(2)G	5.7.2G
Qualifying undertakings	Qualifying undertakings
5.2.6(3)R	5.7.3R
TABLE 5.2.2(1) CALCULATION OF OWN FUNDS AND LIQUID CAPITAL	5.8 Calculation of own funds and liquid capital
Part I Method of calculation	5.8.1R
Part II Detailed requirements	5.8.2R
TABLE 5.2.3(4)(a) Liquid Capital Requirement for firms whose permitted business includes establishing, operating or winding up a personal pension scheme.	5.9 Liquid Capital Requirement for firms whose permitted business includes establishing, operating or winding up a personal pension scheme
Table 5.2.3(4)(a)	5.9.1
TABLE 5.2.3(5)(A) EXPENDITURE BASED REQUIREMENT	5.10 Expenditure based requirement
Part I Calculation of requirement	5.10.1R

Part II Fractions	5.10.2R
TABLE 5.2.3(5)(B) POSITION RISK REQUIREMENT	5.11 Position risk requirement
Part I Calculation of requirement	5.11.1R
Part II Weightings	5.11.2R
TABLE 5.2.3(5)(C) COUNTERPARTY RISK REQUIREMENT (CRR) FCA	5.12 Counterparty risk requirement
-	5.12.1R
TABLE 5.2.3(5)(C)(i) COUNTERPARTY RISK FACTOR-CASH SETTLEMENTS	5.13 Counterparty risk factor – Cash settlements
-	5.13.1R
TABLE 5.2.3(5)(C)(ii) COUNTERPARTY RISK FACTOR – CASH SETTLEMENTS	5.14 Counterparty risk requirement
-	5.14.1R
TABLE 5.2.3(5)(C)(iii) OTC DERIVATIVES CALCULATION OF CREDIT EQUIVALENT AMOUNT	5.15 OTC derivatives: calculation of credit equivalent amount
-	5.15.1R
TABLE 5.2.3(5)(D) FOREIGN EXCHANGE REQUIREMENT	5.16 Foreign exchange requirement
Calculation of requirement	Calculation of requirement
-	5.16.1R
TABLE 5.2.3(5)(E) OTHER ASSETS REQUIREMENT	5.17 Other assets requirement
Part I Calculation of requirement	5.17.1R
Part II Risk factors	5.17.2R
5.7 Consolidated supervision	5.18 Consolidated supervision
-	5.18.1G
APPENDIX 1 INTERPRETATION – GLOSSARY OF TERMS FOR CHAPTER 5	APPENDIX 1 Interpretation: Glossary of terms for Chapter 5

In this Annex, the text of IPRU(INV) Chapter 5 (Financial Resources) is redesignated text and is not underlined.

5 Financial resources

5.1 Application

- 5.1.1 R (1) (a) This chapter applies to an *investment management firm*, other than:
- (i) an *incoming EEA firm* unless it has a *top-up permission* for acting as trustee or depositary of a *UCITS*; or
 - (ii) a *MiFID investment firm* (unless it is an *exempt CAD firm* for the purpose of calculating its own funds and if it carries on any *regulated activity* other than *MiFID business*).
- (aa) This chapter applies, as set out in *IPRU-INV 5.1.2R*, to:
- (i) *exempt CAD firms*;
 - (ii) **OPS firms**;
 - (iii) non-OPS Life Offices and non-OPS Local Authorities; and
 - (iv) individuals admitted to membership collectively.

5.1.2 R

	Exempt CAD firms	OPS firms (see Note 1 below)	Non-OPS Life Offices and Non-OPS Local Authorities	Individuals admitted to membership collectively
Financial resources rules				
<i>IPRU-INV 5.2.1R to 5.7.3R</i>	No (see Note 3 below)	No	No	Yes
	Individuals whose sole investment business is		<i>Firms</i> subject to "lead regulator arrangements"	All other <i>firms</i>

	giving investment advice to institutional or corporate investors			
Financial resources rules				
<i>IPRU-INV</i> 5.2.1R to 5.7.3R	No		No	Yes
			(see Note 2 below)	
Accounting records rules				
<i>IPRU-INV</i> 5.3.1R(1) to 5.3.1R(6)	No		Yes	Yes
Note 1. <i>Firms</i> are referred to the specific compliance reports for OPS firms required by Chapter 16 of the Supervision Manual.				
Note 2. A <i>firm</i> subject to "lead regulator arrangements" whereby a body other than the <i>FCA</i> is responsible for its financial regulation shall comply with the corresponding financial resources rules and financial returns rules of that body, and a breach of such rules shall be treated as a breach of the rules of the <i>FCA</i> .				
Note 3. The financial and non-financial resources rules for an <i>exempt CAD firm</i> are set out in <i>IPRU-INV</i> chapter 9. However, <i>IPRU-INV</i> 5.2.1R to 5.7.3R apply to an <i>exempt CAD firm</i> for the purpose of calculating its own funds (see <i>IPRU-INV</i> 9.2.9R(2)(a)) (although the Category A items of Tier 1 capital as set out in <i>IPRU-INV</i> 5.8.1R are replaced by all the items in <i>IPRU-INV</i> 9.3.1R) and if it carries on any <i>regulated activity</i> other than <i>MiFID business</i> (see <i>IPRU-INV</i> 9.2.3R).				

- 5.1.3 R An incoming EEA firm with a top-up permission for acting as trustee or depositary of a UCITS must comply with:
- (a) *IPRU-INV* 5.2.1R;
 - (b) *IPRU-INV* 5.2.2R;
 - (c) *IPRU-INV* 5.2.3R;
 - (d) *IPRU-INV* 5.3.2R;
 - (e) *IPRU-INV* 5.4.4R; and
 - (f) *IPRU-INV* 5.4.8R.

Interpretation

- 5.1.4 G The definitions in the glossary at Appendix 1 apply to terms shown in **bold** type in this chapter (other than headings and titles). Where the term is italicised, the *FCA Handbook Glossary* definition applies.

5.2 General requirement

Adequacy of financial resources

- 5.2.1 R A *firm* must at all times have available the amount and type of **financial resources** required by the rules in this chapter.

Basic requirement

- 5.2.2 R A *firm* must ensure that, at all times, its **financial resources** are not less than its **financial resources requirement**.

Financial resources

- 5.2.3 R A *firm's* **financial resources** means:
- (a) its **own funds**, if the *firm* is subject to an **own funds requirement** under *IPRU-INV* 5.4.2R or *IPRU-INV* 5.4.4R; or
 - (b) its **liquid capital**, if the *firm* is subject to a **liquid capital requirement** under *IPRU-INV* 5.4.1R.

5.3 Financial resources

Own funds

- 5.3.1 R A *firm* must calculate its **own funds** in accordance with *IPRU-INV* 5.8, unless the *firm* has a *Part 4A permission* for acting as trustee or depositary of a *UCITS*.
- 5.3.2 R For a *firm* that has a *Part 4A permission* for acting as trustee or depositary of a *UCITS*, own funds has the meaning in article 4(1)(118) of the *EU CRR*.

Liquid capital

- 5.3.3 R (a) A *firm* must calculate its **liquid capital** in accordance with *IPRU-INV* 5.8.
- (b) In addition to the above, a *firm* whose **permitted business** includes *establishing, operating or winding up a personal pension scheme* must comply with:

- (i) the requirements in relation to the realisability of **liquid capital** found in Note 2 of *IPRU-INV* 5.9.1R; and
- (ii) the limitation in respect of Item 14 of *IPRU-INV* 5.8.2R, not to include net **trading book** profits in the *firm's liquid capital* calculation.

5.4 Financial resources requirement

Determination of requirement

- 5.4.1 R The **financial resources requirement** for a *firm* is a **liquid capital requirement**, determined in accordance with *IPRU-INV* 5.4.10R:
- (i) unless the *firm* falls within any of the exceptions in *IPRU-INV* 5.4.2R; or
 - (ii) the *firm* is an *incoming EEA firm* with a *top-up permission* of acting as trustee or depositary of a UCITS.

Exceptions from the liquid capital requirement

- 5.4.2 R The **financial resources requirement** is an **own funds requirement** determined in accordance with *IPRU-INV* 5.4.3R for a *firm* if its **permitted business** does not include *establishing, operating or winding up a personal pension scheme* and which:
- (i) is an *exempt CAD firm* which is also a *residual CIS operator* or a *small authorised UK AIFM* and that scheme or AIF only invests in *venture capital investments* for **non-retail clients**; or
 - (ii) is not an *exempt CAD firm* if:
 - (a) the *firm's permitted business* does not include the holding of customers' monies or assets and it neither executes transactions (or otherwise arranges deals) in **investments** nor has such transactions executed for itself or its customers; or
 - (b) the *firm's permitted business* includes the activities as in (a) above, but only in respect of *venture capital investments* for **non-retail clients**; or
 - (c) the *firm* is a trustee of an authorised unit trust scheme whose **permitted business** consists only of trustee activities and does not include any other activity constituting **specified trustee business** or the *firm* is a depositary of an ICVC or ACS or a *depositary* appointed in line with *FUND* 3.11.12R (Eligible depositaries for UK AIFs) or a UK depositary of a *non-EEA AIF* whose **permitted business** consists only of

depository activities.

- (d) the *firm's permitted business limits* it to acting a residual CIS operator or a small authorised UK AIFM where the main purpose of the *collective investment scheme* or AIF (as applicable) is to invest in *permitted immovables* whether in the UK or abroad.

Own funds requirement

- 5.4.3 R The **own funds requirement** for a *firm* subject to IPRU-INV 5.4.2R is the higher of:
- (i) £4 million for a *firm* which is a *depository* of an *authorised fund*, if the *authorised fund* is an AIF;
 - (ia) €125,000 for a *firm* which is a *depository* appointed in line with FUND 3.11.12R (Eligible depositories for UK AIFs) or a *UK depository* of a *non-EEA AIF*;
 - (ib) for a *firm* which is a *depository* of a *UCITS scheme*, the higher of:
 - (A) the requirement calculated depending on the selected approach in accordance with articles 315 or 317 of the *EU CRR*; and
 - (B) £4million; and
 - (ii) £5,000 for any other *firm*.
- 5.4.4 R The **financial resources requirement** for an *incoming EEA firm* with a *top-up permission* for acting as trustee or depository of a *UCITS* is the **own funds requirement** in IPRU-INV 5.4.3R(ib).
- 5.4.5 G In accordance with IPRU-INV 5.4.3R(ib)(A) and IPRU-INV 5.4.4R, a *firm* which is a *depository* of a *UCITS scheme* has a choice between:
- (a) the basic indicator approach in article 315 of the *EU CRR*; and
 - (b) the standardised approach in article 317 of the *EU CRR*.
- 5.4.6 G If a *firm* that is the *depository* of a *UCITS scheme* is seeking to determine its **own funds requirement** on the basis of the standardised approach in article 317 *EU CRR*, it should notify the *FCA* in advance.
- 5.4.7 G The effect of IPRU-INV 5.4.4R is to apply the **financial resources requirement** to an *incoming EEA firm* with a *top-up permission* for acting as trustee or depository of a *UCITS* in relation to its activity in the *UK* of acting as trustee or depository of a *UCITS*.
- 5.4.8 R A *firm* which is the *depository* of a *UCITS scheme* must comply with the rules in IFPRU 2 as if it were an *IFPRU investment firm* that is not a

significant IFPRU investment firm.

- 5.4.9 G A *firm* to which IPRU-INV 5.4.8R applies is, in particular, reminded of the rules in IFPRU 2 that determine whether a *firm* must apply the ICAAP rules on an individual basis or comply with them on a *consolidated basis* or *sub-consolidated basis* (see IFPRU 2.2.45R to IFPRU 2.2.49R).

Liquid capital requirement

- 5.4.10 R The **liquid capital requirement** for a *firm* subject to IPRU-INV 5.4.1R is:
- (i) for a *firm* whose **permitted business** includes *establishing, operating or winding up a personal pension scheme*, the higher of (A) £20,000, and (B) the calculation from IPRU-INV 5.9.1R;
 - (ii) for any other *firm*, the higher of (A) £5,000 and (B), its *total capital requirement* calculated in accordance with IPRU-INV 5.4.12R.
- 5.4.11 G (1) This guidance applies to a *firm* whose **permitted business** includes *establishing, operating or winding up a personal pension scheme* for the purpose of IPRU-INV 5.9.1R.
- (2) A *firm* should:
- (a) value each asset in accordance with generally accepted standards used in the relevant sector for the asset, taking into account its individual characteristics and using all the information reasonably available;
 - (b) on a consistent basis across all *clients* who hold the same type of assets, apply the following:
 - (i) a prudent valuation approach; and
 - (ii) a reasonable valuation methodology;
 - (c) when determining whether an asset is capable of being readily realised within 30 days, consider whether:
 - (i) the transaction can be concluded within that time limit in the ordinary course of business. For example, if the transaction can be concluded within 30 days but, in practice, takes longer due to factors such as delays in receiving information or permissions from third parties, then the asset can be categorised as a Standard Asset;
 - (ii) a Standard Asset can be realised for a value close to the most recent valuation if no material change to the underlying economic conditions has occurred.

Total capital requirement

- 5.4.12 R A *firm's* **total capital requirement** is the sum of its:
- (a) **expenditure based requirement** calculated in accordance with *IPRU-INV* 5.10;
 - (b) **position risk requirement** calculated in accordance with *IPRU-INV* 5.11;
 - (c) **counterparty risk requirement** calculated in accordance with *IPRU-INV* 5.12 to 5.15;
 - (d) **foreign exchange requirement** calculated in accordance with *IPRU-INV* 5.16; and
 - (e) **other assets requirement** calculated in accordance with *IPRU-INV* 5.17.
- 5.4.13 G A *firm* which discloses clients' money or assets on its balance sheet need not calculate the requirements under *IPRU-INV* 5.11 to 5.17 on such items where these do not represent assets or liabilities of the *firm* itself.

5.5 Annual expenditure

Determination

- 5.5.1 R **Annual expenditure** is:
- (a) the sum of the amounts described as total expenditure in the four quarterly **financial returns** up to (and including) that prepared at the *firm's* most recent **accounting reference date**, less the following items (if they are included within such expenditure):
 - (i) staff bonuses, except to the extent that they are guaranteed;
 - (ii) employees' and directors' shares in profits, except to the extent that they are guaranteed;
 - (iii) other appropriations of profits;
 - (iv) shared commission and fees payable which are directly related to commission and fees receivable which are included within total revenue;
 - (v) interest charges in respect of borrowings made to finance the acquisition of the *firm's* **readily realisable investments**;
 - (vi) interest paid to customers on client money;
 - (vii) interest paid to *counterparties*;

- (viii) fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions;
 - (ix) foreign exchange losses; or
 - (b) where the previous accounting period does not include twelve months' trading, an amount calculated in accordance with paragraph (a) above prorated to an equivalent annual amount; or
 - (c) where a *firm* has not prepared four quarterly **financial returns** since the commencement of its **permitted business**, an amount based on forecast expenditure included in its budget for the first twelve months' trading, as submitted with its application for membership.
- 5.5.2 G A *firm's financial resources requirement* will be recalculated annually when its fourth quarterly **financial return** is prepared. The *firm* must maintain **financial resources** sufficient to meet its new **financial resources requirement** from the date on which the fourth quarterly **financial return** is prepared and no later than 80 business days after the *firm's accounting reference date*. The **expenditure based requirement** applicable at the **accounting reference date** will be based on the four quarterly **financial returns** prepared up to and on that date.

5.6 Qualifying subordinated loans

Characteristics of long term qualifying subordinated loans

- 5.6.1 R A long term **qualifying subordinated loan** (*IPRU-INV* 5.8.1R Item 11) must have the following characteristics:
- (a) the loan is repayable only on maturity or on the expiration of a period of notice in accordance with paragraph (c) below or on the winding up of the *firm*;
 - (b) in the event of the winding up of the *firm*, the loan ranks after the claims of all other creditors and is not to be repaid until all other debts outstanding at the time have been settled;
 - (c) either:
 - (i) the minimum original maturity of the loan is 5 years; or
 - (ii) the loan does not have a minimum or fixed maturity but requires 5 years notice of repayment; and
 - (d) the loan is fully paid-up.

Amount allowable in the calculation of own funds

- 5.6.2 R A *firm* may only take into account the paid-up amount of a long term **qualifying subordinated loan** in the calculation of its **own funds**. This amount must be amortised on a straight-line basis over the five years prior to the date of repayment.

Requirements applicable to short-term qualifying subordinated loans

- 5.6.3 R A short term **qualifying subordinated loan** (*IPRU-INV* 5.8.1R item 15) must have the characteristics set out in *IPRU-INV* 5.6.1R save that the minimum period set out in *IPRU-INV* 5.6.1R(c) shall be two years.
- 5.6.4 R A *firm* must not make any payment of principal or interest which would result in a breach of *IPRU-INV* 5.2.2R.

Form of qualifying subordinated loan agreement

- 5.6.5 R A **qualifying subordinated loan** must be in the form prescribed by the *FCA* for the purposes of this *rule*.
- 5.6.6 G *Firms* wishing to initiate a subordinated loan agreement other than in the prescribed form are advised to contact the *FCA*.

Conditions applicable to qualifying subordinated loans

- 5.6.7 R A *firm* wishing to include a **qualifying subordinated loan** in its calculation of **liquid capital** must:
- (a) provide the *FCA* with a copy of the agreement not less than 10 business days before the loan is to be made; and
 - (b) certify to the *FCA* that the loan agreement complies with the *FCA*'s **prescribed subordinated loan agreement**.

Requirements on a *firm* in relation to qualifying subordinated loans

- 5.6.8 R A *firm* including a **qualifying subordinated loan** in its calculation of **liquid capital** must not:
- (a) secure all or any part of the loan;
 - (b) redeem, purchase or otherwise acquire any of the liabilities of the borrower in respect of the loan;
 - (c) amend or concur in amending the terms of the loan agreement;
 - (d) repay all or any part of the loan otherwise than in accordance with the terms of the loan agreement; or
 - (e) take or omit to take any action whereby the subordination of the loan or any part thereof might be terminated, impaired or adversely affected.

5.7 Qualifying property and qualifying undertakings

Qualifying property and qualifying amount defined

5.7.1 R **Qualifying property** is any freehold or leasehold (or the equivalent tenure in Scotland or other territories) land and buildings purchased or secured by way of a mortgage (or other form of secured long-term arrangement) where the security for the liability is the property (and does not include any other allowable assets). The qualifying amount is the lowest of:

- (a) 85 per cent of the current market value of the property (if known);
- (b) 85 per cent of the net book value of the property;
- (c) the amount of the liability outstanding under mortgage or other secured long term arrangement, excluding any part of the liability repayable within one year.

5.7.2 G *IPRU-INV* 5.7.1R can be illustrated as follows:

Current market value	£200,000
Net book value	£100,000
Mortgage	£70,000, including £5,000 payable within one year
Qualifying amount is the lowest of:	
(a) 85% x £200,000 =	£170,000
(b) 85% x £100,000 =	£85,000
(c) £70,000 - £5,000 =	£65,000
i.e. £65,000	

Qualifying undertakings

5.7.3 R A **qualifying undertaking** is an arrangement between a *firm* and an approved bank which:

- (a) is in the form prescribed by the *FCA* for the purposes of this *rule*; and
- (b) complies with the appropriate limitations set out in *IPRU-INV*

5.8.2R(7).

5.8 Calculation of own funds and liquid capital

5.8.1 R A *firm* must calculate its **own funds** and **liquid capital** as shown below, subject to the detailed requirements set out in *IPRU-INV* 5.8.2R.

Financial resources		Category	IPRU-INV 5.8.2R paragraph
Tier 1			
(1)	Paid-up share capital (excluding preference shares)		2
(1A)	Eligible LLP members' capital		
(2)	Share premium account	A	
(3)	Reserves		2A
(4)	Non-cumulative preference shares		
Less: (5)	Investments in own shares		
(6)	Intangible assets		3
(7)	Material current year losses	B	4
(8)	Material holdings in credit and financial institutions and, for <i>exempt CAD firms</i> only, material insurance holdings.		5 and 5A
(8A)	Excess LLP members' drawings		
Tier 1 capital = (A-B)		C	
Plus: TIER 2			1
(9)	Revaluation reserves		
(10)	Fixed term cumulative preference share capital		1(a)
(11)	Long-term Qualifying Subordinated Loans	D	1(a); 6
(12)	Other cumulative preference share capital and debt capital but, for <i>exempt CAD firms</i> , only perpetual cumulative preference share capital		6A

	and qualifying capital instruments		
(13)	Qualifying arrangements		7
"Own Funds" = (C+D)		E	
Plus: TIER 3			
(14)	Net trading book profits	F	1(b)(i); 8
(15)	Short-term Qualifying Subordinated Loans and excess Tier 2 capital		1(b)(ii); 1(c); 9
Less:	(16) Illiquid assets		10
Add:	(17) Qualifying Property	G	11
"Liquid Capital" = (E+F+G)			

5.8.2 R

1 Deductions and Ratios (Items 10, 11 and 15)	(a)	Notwithstanding <i>IPRU-INV</i> 5.8.1R and 5.8.2R for an <i>exempt CAD firm</i> , in calculating own funds , all of Item 8 must be deducted after the total of Tier 1 and Tier 2 capital and the following restrictions apply:	
		(i)	the total of fixed term cumulative preference shares (item 10) and long-term qualifying subordinated loans (item 11) that may be included in Tier 2 capital is limited to 50 per cent of Tier 1 capital;
		(ii)	Tier 2 capital must not exceed 100 per cent of Tier 1 capital.
	(b)	A <i>firm</i> which is not an <i>exempt CAD firm</i> and which is subject to a liquid capital requirement under <i>IPRU-INV</i> 5.4.1R may take into account qualifying subordinated loans in the calculation of liquid capital up to a maximum of 400% of its Tier 1 capital.	
2 Non corporate entities	(a)	In the case of <i>partnerships</i> or <i>sole traders</i> , the following terms should be substituted, as appropriate, for items 1 to 4 in Tier 1 capital:	
		(i)	partners' capital accounts (excluding loan capital);

	(ii)	partners' current accounts (excluding unaudited profits and loan capital);
	(iii)	proprietors' account (or other term used to signify the sole trader's capital but excluding unaudited profits).
	(b)	Loans other than qualifying subordinated loans shown within partners' or proprietors' accounts must be classified as Tier 2 capital under item 12.
	(c)	For the calculation of own funds , partners' current accounts figures are subject to the following adjustments in respect of a <i>defined benefit occupational pension scheme</i> :
	(i)	a <i>firm</i> must derecognise any <i>defined benefit asset</i> ;
	(ii)	a <i>firm</i> may substitute for a <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i> . The election must be applied consistently in respect of any one financial year.
	Note 1	
	A <i>firm</i> should keep a record of and be ready to explain to its supervisory contacts in the <i>FCA</i> the reasons for any difference between the deficit reduction amount and any commitment the <i>firm</i> has made in any public document to provide funding in respect of a defined benefit occupational pension scheme.	
2A Reserves	For the calculation of own funds the following adjustments apply to the audited reserves figure:	
	(a)	a <i>firm</i> must deduct any unrealised gains or, where applicable, add back in any unrealised losses on cash flow hedges of financial instruments measured at cost or amortised cost;
	(b)	in respect of a <i>defined benefit occupational pension scheme</i> , a <i>firm</i> must derecognise any <i>defined benefit asset</i> ;
	(c)	a <i>firm</i> may substitute for a <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i> . The election must be applied consistently in respect of any one financial year.

	Note 2
	A <i>firm</i> should keep a record of and be ready to explain to its supervisory contacts in the <i>FCA</i> the reasons for any difference between the deficit reduction amount and any commitment the <i>firm</i> has made in any public document to provide funding in respect of a <i>defined benefit occupational pension scheme</i> .
	(d) a <i>firm</i> must not include any unrealised gains from investment property.
	Note 3
	Unrealised gains from investment property should be reported as part of revaluation reserves.
	(e) where applicable, a <i>firm</i> must deduct any asset in respect of deferred acquisition costs and add back in any liability in respect of deferred income (but exclude from the deduction or addition any asset or liability which will give rise to future cash flows), together with any associated deferred tax.
	Note 4
	Reserves must be audited unless the <i>firm</i> is exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (Exemptions from audit)), or where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts.
3 Intangible assets (Item 6)	Intangible assets comprise:
	(a) formation expenses to the extent that these are treated as an asset in the <i>firm's</i> accounts;
	(b) goodwill, to the extent that it is treated as an asset in the <i>firm's</i> accounts; and
	(c) other assets treated as intangibles in the <i>firm's</i> accounts.
	Intangible assets do not include a deferred acquisition cost asset.
4 Material current year losses (Item 7)	Losses in current year operating figures must be deducted when calculating Tier 1 capital if such losses are material. For this purpose profits and losses must be calculated quarterly or monthly, as appropriate. If this calculation

	reveals a net loss it shall only be deemed to be material for the purposes of this Table if it exceeds 10 per cent of the <i>firm's</i> Tier 1 capital.	
5 Material holdings in credit and financial institutions (Item 8)	Material holdings comprise:	
	(a)	where the <i>firm</i> holds more than 10 per cent of the equity share capital of the institution, the value of that holding and the amount of any subordinated loans to the institution and the value of holdings in qualifying capital items or qualifying capital instruments issued by the institution;
	(b)	in the case of holdings other than those mentioned in (a) above, the value of holdings of equity share capital in, and the amount of subordinated loans made to, such institutions and the value of holdings in qualifying capital items or qualifying capital instruments issued by such institutions to the extent that the total of such holdings and subordinated loans exceeds 10 per cent of the <i>firm's own funds</i> calculated before the deduction of item 8.
5A Material insurance holdings (Item 8)	(a)	A material insurance holding means the holdings of an <i>exempt CAD firm</i> of items of the type set out in (b) in any:
	(i)	<i>insurance undertaking</i> ; or
	(ii)	<i>insurance holding company</i> ;
		that fulfils one of the following conditions:
	(iii)	it is a subsidiary undertaking of that <i>firm</i> ; or
	(iv)	that <i>firm</i> holds a participation in it.
	(b)	An item falls into this provision for the purpose of (a) if it is:
	(i)	an ownership share; or
	(ii)	subordinated debt or another item of capital that forms part of the <i>tier two capital resources</i> that falls into <i>GENPRU 2</i> or, as the case may be, <i>INSPRU 7</i> , or is an item of “basic own funds” defined in the <i>PRA Rulebook: Glossary</i> .

6 Long term qualifying subordinated loans (Item 11)	Loans having the characteristics prescribed by <i>IPRU-INV</i> 5.6.1R may be included in item 11, subject to the limits set out in paragraph (1) above.	
6A Perpetual cumulative preference share capital	Perpetual cumulative preference share capital may not be included in the calculation of own funds by an <i>exempt CAD firm</i> unless it meets the following requirements:	
	(a)	it may not be reimbursed on the holder's initiative or without the prior agreement of the <i>FCA</i> ;
	(b)	the instrument must provide for the <i>firm</i> to have the option of deferring the dividend payment on the share capital;
	(c)	the shareholder's claims on the <i>firm</i> must be wholly subordinated to those of all non-subordinated creditors;
	(d)	the terms of the instrument must provide for the loss-absorption capacity of the share capital and unpaid dividends, whilst enabling the <i>firm</i> to continue its business; and
	(e)	it must be fully paid-up.
7 Qualifying arrangements (Item 13)	(a)	An <i>exempt CAD firm</i> may only include a qualifying undertaking or other arrangement in item 13 if it is a qualifying capital instrument or a qualifying capital item .
	(b)	A <i>firm</i> which is not an <i>exempt CAD firm</i> may only include qualifying undertakings in its calculation of liquid capital if:
	(i)	it maintains liquid capital equivalent to 6/52 of its annual expenditure in a form other than qualifying undertakings ; and
	(ii)	the total amount of all qualifying undertakings plus qualifying subordinated loans does not exceed the limits set out in paragraph (1)(b) above.
8 Net trading book profits (Item 14)	For <i>firms</i> which are not <i>exempt CAD firms</i> unaudited profits can be included at item 14.	
	This Item must not be included in the <i>liquid capital calculation</i> of a <i>firm</i> whose <i>permitted business</i> includes <i>establishing, operating or winding up a personal pension</i>	

	<i>scheme.</i>
	Note 5
	Non- trading book interim profits may only be included in Tier 1 of the calculation if they have been independently verified by the <i>firm's</i> external auditors, unless the <i>firm</i> is exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (Exemptions from audit)), or where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts.
	For this purpose, the external auditor should normally undertake at least the following:
	(a) satisfy himself that the figures forming the basis of the interim profits have been properly extracted from the underlying accounting records;
	(b) review the accounting policies used in calculating the interim profits so as to obtain comfort that they are consistent with those normally adopted by the <i>firm</i> in drawing up its annual financial statements;
	(c) perform analytical review procedures on the results to date, including comparisons of actual performance to date with budget and with the results of prior periods;
	(d) discuss with management the overall performance and financial position of the <i>firm</i> ;
	(e) obtain adequate comfort that the implications of current and prospective litigation, all known claims and commitments, changes in business activities and provisions for bad and doubtful debts have been properly taken into account in arriving at the interim profits; and
	(f) follow up problem areas of which the auditors are already aware in the course of auditing the <i>firm's</i> financial statements.
	A <i>firm</i> wishing to include interim profits in Tier 1 capital in a financial return should submit to the <i>FCA</i> with the financial return a verification report signed by its external auditor which states whether the interim results are fairly stated, unless the <i>firm</i> is exempt from the provisions of Part VII of the Companies Act 198 (section

	249A (Exemptions from audit)), or where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts.	
	Profits on the sale of capital items or arising from other activities which are not directly related to the investment business of the <i>firm</i> may also be included within the calculation of liquid capital , but (unless the <i>firm</i> is exempt as above) only if they can be separately verified by the <i>firm's</i> auditors. In such a case, such profits can form part of the <i>firm's</i> Tier 1 capital as profits.	
9 Short term qualifying subordinated loans (Item 15)	Loans having the characteristics prescribed by <i>IPRU-INV</i> 5.6.3R may be included in item 15 subject to the limits set out in paragraph (1) above. Tier 2 capital which exceeds the ratios prescribed by paragraph (1)(a) and (b) may be included in item 15 subject to paragraph (1) above.	
10 Illiquid assets (Item 16)	Illiquid assets comprise:	
	(a)	tangible fixed assets.
	Note 6	
	In respect of tangible fixed assets purchased under finance leases the amount to be deducted as an illiquid asset shall be limited to the excess of the asset over the amount of the related liability shown on the balance sheet.	
	(b)	holdings in, including subordinated loans to, credit or financial institutions which may be included in the own funds of such institutions unless they have been deducted under item 8;
	(c)	any investment in undertakings other than credit institutions and other financial institutions where such investments are not readily realisable;
	(d)	any deficiency in net assets of a subsidiary;
	(e)	deposits not available for repayment within 90 days or less (except for payments in connection with margined futures or options contracts);
	Note 7	
	Where cash is placed on deposit with a maturity of more than 90 days but is repayable on demand subject to the payment of a penalty, then this is not required to be deducted as an illiquid asset but a deduction is required	

	for the amount of the penalty.	
	(f)	loans, other debtors and accruals not falling due to be repaid within 90 days or which are more than one month overdue by reference to the contractual payment date;
	(g)	physical stocks (except where subject to the position risk requirement as set out in <i>IPRU-INV</i> 5.11; and
	(h)	prepayments to the extent that the period of prepayment exceeds six weeks in the case of a <i>firm</i> subject to the 6/52 expenditure based requirement or thirteen weeks in the case of a <i>firm</i> subject to the 13/52 expenditure based requirement .
	(i)	if not otherwise covered, any holding in eligible capital instruments of an insurance undertaking, insurance holding company, or reinsurance undertaking that is a subsidiary or participation. Eligible capital instruments include ordinary share capital, cumulative preference shares, perpetual securities and long-term subordinated loans that are eligible for insurance undertakings under <i>INSPRU</i> 1.
	Illiquid assets do not include a defined benefit asset or a deferred acquisition cost asset.	
11 Qualifying property (Item 17)	This item comprises the qualifying amount calculated in accordance with <i>IPRU-INV</i> 5.7.1R.	

5.9 Liquid Capital Requirement for firms whose permitted business includes establishing, operating or winding up a personal pension scheme

5.9.1 R

Liquid Capital Requirement = Initial Capital Requirement + Capital Surcharge

Calculation of Initial Capital Requirement

$$\text{ICR} = (\sqrt{\text{AUA}}) \times \text{K1}$$

Where

ICR means Initial Capital Requirement

AUA means Assets Under Administration calculated as the sum of the most recent annual valuations over the preceding 12 months of the personal pension schemes administered by the *firm*, and adjusted to include any revaluation of assets that may occur between the date of the most recent annual valuation and the date when the *firm* must calculate its AUA.

A *firm* must calculate its AUA quarterly in line with the dates when it has to submit its regulatory capital reporting form in accordance with SUP 16.12 (Integrated Regulatory Reporting).

Where it is not possible to value an asset (for example because there is no readily available market price), the most recent market valuation should be used.

Where it would be reasonable to assume that the value of the asset has changed by more than 15% since the most recent market valuation, a *firm* should instead use a reasonable estimate. This is without prejudice to any requirement on a *firm* to provide a personal pension scheme member with accurate and timely valuations of their portfolios.

K1 is set subject to the *firm's* AUA as specified in the below table:

AUA	K1 constant to be applied
<£100m	10
£100-£200m	15
>£200m	20

When K1 changes due to an increase in AUA, in accordance with the thresholds in this table, the *firm* must apply the new K1 value within six months following the date on which its AUA exceeded the threshold of its previous K1 value.

Calculation of Capital Surcharge

$$CS = (\sqrt{P}) \times K2 \times ICR$$

Where

CS means Capital Surcharge

P means the fraction of *personal pension schemes* administered by the *firm* which contain one or more asset types which do not appear in the list of Standard Assets below, at the most recent quarter end. For example, if a quarter of personal pensions contained non-Standard Assets, this would be inputted in to the formula as 0.25.

K2 is set at 2.5.

ICR means the Initial Capital Requirement calculated as above.

Standard Assets

The List of Standard Assets is as follows (subject to Note 1):

Cash

Cash funds

Deposits

Exchange traded commodities

Government & local authority bonds and other fixed interest stocks

Investment notes (structured products)

Shares in *Investment trusts*

Managed pension funds

National Savings and Investment products

Permanent interest bearing shares (PIBs)

Physical gold bullion

Real estate investment trusts (REITs)

Securities admitted to trading on a regulated venue

UK commercial property

Units in Regulated collective investment schemes

NOTE 1:

A Standard Asset must be capable of being accurately and fairly valued on an ongoing basis and readily

	realised within 30 days, whenever required.
NOTE 2:	In addition to complying with the provisions of <i>IPRU-INV</i> 5.8, in accordance with <i>IPRU-INV</i> 5.3.2R, a <i>firm</i> must hold its <i>liquid capital</i> in financial resources as follows:
	ICR realisable within 12 months; and
	CS realisable within 30 days

5.10 Expenditure based requirement

5.10.1 R A *firm's* **expenditure based requirement** is a fraction of its **annual expenditure** determined in accordance with *IPRU-INV* 5.10.2 R.

5.10.2 R

1: The fraction is 6/52 where:

- (a) the *firm* is an *authorised unit trust manager*; or
- (aa) the *firm* is an *authorised contractual scheme manager*; or
- (b) the *firm* acts only as an *authorised corporate director* of an *ICVC*; or
- (c) the *firm* is an **investment manager** (including the operator of an unregulated collective investment scheme in relation to which the *firm* carries on the activity of an **investment manager**), unless paragraph 2 applies.

2: The fraction is 13/52 where the *firm* is an **investment manager** as in paragraph 1(c) above, or is a *custodian*, and the *firm* either:

- (a) itself holds customers' monies or assets; or
- (b) procures the appointment as custodian of its customers' monies or assets of an associate of the *firm* which is not an approved bank.

[**Note:** Paragraph 1(a) above includes a *firm* which acts as an authorised **unit trust manager** and, in addition, is both or either:

- (a) an *authorised corporate director* of an *ICVC*; or
- (b) an *authorised contractual scheme manager*]

5.11 Position risk requirement

5.11.1 R A *firm's* **position risk requirement** is determined by calculating on a daily mark to market basis, the sum of the weighted value of each position held by

the *firm*. The weighted value for each position must be calculated by multiplying its current market value by the appropriate factor set out in *IPRU-INV* 5.11.2R.

[**Note:** this requirement does not attach to items deducted in full as illiquid assets]

5.11.2 R

Instrument			Requirement	
A Debt	Maturity	0-2 years	2-5 years	>5 years
Central Government		2%	5%	13%
Qualifying debt securities				
· fixed rate		8%	8%	15%
· floating rate		10%	10%	15%
Non-qualifying debt securities				
· fixed rate		10%	20%	30%
· floating rate		30%	30%	30%
B Equities				
· Traded on a recognised or designated investment exchange.	25%			
· other	100%			
C Stock position in physical commodities				
· Physical positions associated with <i>firm's investment business</i>	30% of realisable value			
D Derivatives				
· Exchange traded futures and written options	4 x initial margin requirement.			
· otc futures and written options	Apply the appropriate percentage shown in Sections A, B, & C above to the market value of the underlying position.			
· Purchased options	Apply the appropriate percentage shown in Sections A, B & C above to the market value of the			

	underlying position but the result may be limited to the market value of the option.
· Contracts for differences	20% of the market value of the contract.
E Other investments	
· units in regulated collective investment schemes	25% of realisable value.
· with profit life policies	20% of surrender value.
· other	100% of the value of investment or underlying instrument.

5.12 Counterparty risk requirement (CRR)

5.12.1 R

1	Receivables	In the case of receivables due to the <i>firm</i> in the form of fees, commission, interest, dividends and margin in exchange-traded futures or options contracts, which are directly related to items included in the trading book, the CRR is calculated as follows:
		$CRR = A \times RF$, where
		A = the amount of the sum due; and
		RF = the appropriate risk factor derived from <i>IPRU-INV</i> 5.14.1R.
		Note 1
		This requirement attaches only to balances arising from proprietary activity falling within the definition of the trading book .
		Note 2
		This requirement does not attach to items deducted in full as illiquid assets.
2	Delivery of cash against documents	Where a <i>firm</i> enters into a trading book transaction and the transaction is to be settled by delivery of cash against documents, the <i>firm's</i> CRR in respect of that transaction is calculated as follows:
		$CRR = (SP - MV) \times RF$, where

		SP = agreed settlement price;		
		MV = current market value;		
		RF = the appropriate risk factor derived from <i>IPRU-INV</i> 5.13.1R.		
		The CRR should only be calculated where the difference between SP and MV would involve a loss if borne by the <i>firm</i> .		
3	Free deliveries	Where a <i>firm</i> enters into a trading book transaction and the <i>firm</i> pays for the securities before it receives documents of title or delivers documents of title before receiving payment, the CRR in respect of that transaction is calculated as follows:		
		CRR =	V x RF,	where
		V =	(i)	the full amount due to the <i>firm</i> (i.e. the contract value) where the <i>firm</i> has delivered securities to a counterparty and has not received payment; or
			(ii)	the market value of the securities, where the <i>firm</i> has made payment to a counterparty for securities and has not received documents of title; and
		RF =	the appropriate risk factor derived from <i>IPRU-INV</i> 5.14.1R.	
4	Settlement outstanding 30 days or more	In the case of trading book transactions entered into by a <i>firm</i> where the <i>firm</i> pays for the securities before it receives documents of title or delivers documents of title before receiving payment and settlement has not been effected within 30 days of falling due, CRR = V.		
5	Repos/Stock Lending and Reverse Repos/Stock Borrowing	Where a <i>firm</i> enters into a transaction based on securities included in the trading book under the terms of a repurchase agreement or a securities lending agreement the <i>firm's</i> CRR in respect of that transaction is calculated as follows:		
		CRR = V x RF, where		
		RF = the appropriate risk factor derived from <i>IPRU-</i>		

		<i>INV</i> 5.14.1R; and
		for repos/stock lending:
		V = the excess of the market value of the securities over the value of the collateral provided under the agreement, if the net figure is positive; or
		for reverse repos/stock borrowing:
		V = the excess of the amount paid or the collateral given for the securities received under the agreement, if the net figure is positive.
6	otc derivatives	In the case of a transaction entered into by a <i>firm</i> as principal in an otc derivative the CRR is calculated as follows:
		$CRR = A \times RF$, where
		A = the appropriate credit equivalent amount derived from <i>IPRU-INV</i> 5.15.1R; and
		RF = the appropriate risk factor derived from <i>IPRU-INV</i> 5.14.1R.
		This calculation shall not apply to contracts for interest rate and foreign exchange which are traded on a recognised investment exchange or designated investment exchange where they are subject to a daily margin requirement and foreign exchange contracts with an original maturity of 14 calendar days or less.
		A <i>firm</i> may net off contracts with the same counterparty in the same otc derivative contract for settlement on the same date in the same currency provided that the <i>firm</i> is legally entitled under the terms of the contracts with such a counterparty to net such contracts by novation.

5.13 Counterparty risk factor: cash settlements

5.13.1 R

Number of working days after due settlement date	Risk Factor
0-4	0%
5-15	8%

16-30	50%
31-45	75%
46 or more	100%

5.14 Counterparty risk requirement

5.14.1 R

Type of counterparty		Risk Weighting	Solvency Ratio	Risk Factor
(1)	A counterparty which is, or the contract of which is, explicitly guaranteed by a category a body .	NIL	8%	NIL
(2)	A counterparty which is, or the contract of which is, explicitly guaranteed by a category b body .	20%	8%	1.6%
(3)	Any other counterparty .	100%	8%	8%

5.15 OTC derivatives: calculation of credit equivalent amount

5.15.1 R

A	By attaching current market values to contracts (marking to market), obtain the current replacement cost of all contracts with positive values.		
B	To obtain a figure for potential future credit exposure, the notional principal amounts or values underlying the <i>firm's</i> aggregate positions are multiplied by the following percentages:		
	Residual Maturity	Interest-Rate Contracts	Foreign-Exchange Contracts
	One year or less	Nil	1%
C	The credit equivalent amount is the sum of current replacement cost and potential future credit exposure.		

Note	Except in the case of single-currency "floating/floating interest rate" swaps in which only the current replacement cost will be calculated, bought OTC equity options and covered warrants shall be subject to the treatment accorded to exchange rate contracts.
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5.16 Foreign exchange requirement

Calculation of requirement

5.16.1 R

(1) A *firm's* **foreign exchange requirement** is determined by calculating the excess of its **foreign exchange position** (FEP) above 2 per cent of its own funds and multiplying this excess by 8 per cent.

(2) The FEP is the greater of:

- (a) the total in the **reporting currency** of the net short positions in each currency other than the **reporting currency**; and
- (b) the total in the **reporting currency** of the net long positions in each currency other than the **reporting currency**;

where the conversion to the **reporting currency** is performed using spot rates.

Note For this purpose, long and short positions in the same currency can be netted to produce the net position.

(3) In calculating the FEP, a *firm* must include relevant foreign exchange items.

EXCHANGE POSITION FOR HEDGING PURPOSES

Any positions which the *firm* has taken in order to hedge against the adverse effect of exchange rates on an item already deducted in the calculation of **liquid capital** may not be excluded from the calculation of net open currency positions.

5.17 Other assets requirement

5.17.1 R The requirement to be met in respect of the assets set out in *IPRU-INV* 5.17.2R, other than those to which **position risk requirements** and **counterparty risk requirements** apply or which have been deducted in full as illiquid assets, and in respect of off-balance sheet items set out in *IPRU-INV* 5.17.2R, must be calculated as follows:

A	= AV x RF where
A	= the amount of the requirement;

AV	= the current asset value; and
RF	= the appropriate risk factor derived from <i>IPRU-INV</i> 5.17.2R.

5.17.2 R

Assets and Off-Balance Sheet Items	Risk Factor
Assets	
Cash at bank and in hand and equivalent items	NIL
Assets secured by acceptable collateral including deposits and certificates of deposit with lending institutions	NIL
Amount due from trustees of authorised unit trusts or depositaries of authorised contractual schemes	NIL
Note 1	
This only applies to <i>firms</i> who are <i>authorised unit trust managers</i> in relation to <i>authorised unit trusts</i> or authorised contractual scheme managers in relation to <i>authorised contractual schemes</i> they manage.	
Amount due from depositaries of <i>ICVCs</i>	NIL
Note 2	
This only applies to <i>firms</i> who are <i>authorised corporate directors</i> in relation to <i>ICVCs</i> they operate	
Other receivables due from or explicitly guaranteed by or deposits with category a bodies	NIL
Other receivables due from or explicitly guaranteed by or deposits with category b bodies	1.6%
Pre-payments and accrued income (see paragraph 10 of <i>IPRU-INV</i> 5.8.2R)	8%
<i>Defined benefit asset</i>	NIL
Deferred acquisition cost asset	NIL
All other assets	8%
OFF-BALANCE SHEET ITEMS	

Full Risk Items e.g.		
	Charges granted against assets	8% x counterparty weight (see <i>IPRU-INV</i> 5.14.1R)
	Guarantees given	
Medium Risk Items e.g.		
	Undrawn credit facilities granted by the <i>firm</i> with an original maturity of more than one year	4% x counterparty weight (see <i>IPRU-INV</i> 5.14.1R)
Low Risk Items e.g.		
	Undrawn credit facilities granted by the <i>firm</i> with an original maturity of one year or less	NIL
Note		
(1)	In determining the appropriate other assets requirement (OAR) for guarantees given in a group context, a <i>firm</i> should follow the calculation below:	
	(a)	Categorise the guarantee agreements into:
	(i)	those with the character of credit substitutes; or
	(ii)	those not having the character of credit substitutes; or
	(iii)	agreements to provide guarantees.
	(b)	Calculate the weighted value.
	(i)	For guarantees falling under (1)(a)(i), the weighted value will be 100% of the estimated current year liability under the guarantee.
	(ii)	For guarantees falling under (1)(a)(ii) the weighted value will be 50% of the estimated current year liability under the guarantee.
	(iii)	For guarantees falling under (1)(a)(iii), the weighted value will be nil.
	(c)	The OAR is calculated as:
		Weighted value x 8% x counterparty weighting (<i>IPRU-INV</i> 5.14.1R)
(2)	For the purpose of this requirement, in assessing whether the guarantee has the characteristics of a credit substitute the following factors should be considered:	

	(a)	do the agreements allow for periodic or ad-hoc calling of funds;
	(b)	have the guarantees been drawn upon on a regular basis;
	(c)	do <i>firms</i> in the group rely on such guarantees to meet their working capital or regulatory capital requirements?
(3)	Where a <i>firm</i> is part of a group including other <i>FCA</i> regulated entities which together have entered into cross-group guarantee arrangements which give rise to an OAR, the estimate of the potential liability under the guarantee may be apportioned between the regulated entities for the purpose of calculating each <i>firm's</i> OAR.	

5.18 Consolidated supervision

- 5.18.1 G Under the Financial Conglomerates and Other Financial Groups Instrument 2004, *IPRU-INV* 14 shall (with respect to a particular firm, group or financial conglomerate) apply from the first day of its financial year beginning in 2005.

Appendix 1 Glossary of terms for *IPRU-INV* 5

The following words or terms throughout *IPRU-INV* 5 appearing in bold (other than headings and titles) are to have the meanings given to them below if not inconsistent with the subject or context. If a defined term is italicised the definition appearing in the main Handbook Glossary applies.

Term	Meaning	
accounting reference date	means:	
	(a)	the date to which a <i>firm's</i> accounts are prepared in order to comply with the relevant Companies Act legislation. In the case of a <i>firm</i> not subject to Companies Act legislation, the equivalent date selected by the <i>firm</i> ; and
	(b)	in the case of an OPS firm which is not subject to the relevant Companies Act legislation, the date to which the accounts of the OPS in respect of which the firm acts are prepared.
annual expenditure	has the meaning given in <i>IPRU-INV</i> 5.5.1 (Determination).	
category a body	means:	
	(a)	the government or central bank of a zone a country; or
	(b)	EU or Euratom (the European Atomic Energy Community); or

	(c)	the government or central bank of any other country, provided the receivable in question is denominated in that country's national currency.
category b body	means:	
	(a)	the European Investment Bank (EIB) or a multi-lateral development bank; or
	(b)	the regional government or local authority of a zone a country; or
	(c)	an investment firm or credit institution authorised in a zone a country; or
	(d)	a recognised clearing house or exchange; or
	(e)	an investment firm or credit institution authorised in any other country, which applies a financial supervision regime at least equivalent to the Capital Adequacy Directive.
counterparty	means any person with or for whom a <i>firm</i> carries on regulated business or an ancillary activity.	
counterparty risk requirement	has the meaning given in <i>IPRU-INV</i> 5.11.1R (Counterparty risk requirement).	
expenditure based requirement	means the requirement calculated in accordance with <i>IPRU-INV</i> 5.9.1R (Expenditure based requirement).	
financial resources	has the meaning given in <i>IPRU-INV</i> 5.2.3R (Financial resources).	
financial resources requirement	has the meaning given in <i>IPRU-INV</i> 5.4.1R (Determination of requirement).	
financial resources rules	has the meaning given in <i>IPRU-INV</i> 5.2.	
financial return	means quarterly financial return or monthly financial return as the case may be.	
foreign exchange position	has the meaning given in <i>IPRU-INV</i> 5.14.1R (Foreign exchange requirement).	
investment	means a designated investment in the main <i>Glossary</i> .	
investment business	means designated investment business in the main <i>Glossary</i> .	
investment firm	has the meaning given to <i>investment firm</i> in the main <i>Glossary</i> except that it excludes persons to which <i>MiFID</i> does not apply	

	as a result of articles 2 or 3 of <i>MiFID</i> .		
	Note: An investment firm is not necessarily a <i>firm</i> for the purposes of the rules.		
investment manager	means a person who, acting only on behalf of a customer, either:		
	(a)	manages an account or portfolio in the exercise of discretion; or	
	(b)	has accepted responsibility on a continuing basis for advising on the composition of the account or portfolio.	
liquid capital	has the meaning given in <i>IPRU-INV</i> 5.3.1R (Calculation of own funds and liquid capital).		
liquid capital requirement	has the meaning given in <i>IPRU-INV</i> 5.4.4R (Liquid capital requirement).		
non-retail client	means a professional client or an eligible counterparty .		
OPS or occupational pension scheme	means any scheme or arrangement which is comprised in one or more instruments or agreements and which has, or is capable of having, effect in relation to one or more descriptions or categories of employment so as to provide benefits, in the form of pensions or otherwise, payable on termination of service, or on death or retirement, to or respect of earners with qualifying service in an employment of any such description or category.		
OPS firm	means:		
	(a)	a <i>firm</i> which:	
		(i)	carries on OPS activity but not with a view to profit; and
		(ii)	is one or more of the following:
		(A)	a trustee of the occupational pension scheme in question;
		(B)	a company owned by the trustees of the occupational pension scheme in question;
		(C)	a company which is:
		(I)	an employer in relation to the occupational pension scheme in

				question in respect of its employees or former employees or their dependants; or
			(II)	a company within the group which includes an employer within (I); or
			(III)	an administering authority subject to the Local Government Superannuation Regulations 1986; or
	(b)	a <i>firm</i> which:		
		(i)	has satisfied the requirements set out in (a) at any time during the past 12 months; but	
		(ii)	is no longer able to comply with those requirements because of a change in the control or ownership of the employer referred to in (a)(ii) during that period.	
otc derivative	means interest rate and foreign exchange contracts covered by Annex III to the previous version of the Banking Consolidation Directive (i.e. Directive (2000/12/EC) and off balance sheet contracts based on equities which are not traded on a recognised or designated investment exchange or other exchange where they are subject to daily margin requirements, excluding any foreign exchange contract with an original maturity of 14 calendar days or less.			
other assets requirement	has the meaning given in <i>IPRU-INV</i> 5.17.1R (Other assets requirement).			
own funds	has the meaning given in <i>IPRU-INV</i> 5.3.1R and <i>IPRU(INV)</i> 5.3.2R, as applicable.			
own funds requirement	has the meaning given in <i>IPRU-INV</i> 5.4.3R and <i>IPRU(INV)</i> 4.4.4R (Own funds requirement), as applicable.			
permitted business	means regulated activity which a <i>firm</i> has permission to carry on.			
position risk requirement	has the meaning given in <i>IPRU-INV</i> 5.11.1R (Position risk requirement).			
prescribed subordinated loan agreement	means the subordinated loan agreement prescribed by the appropriate regulator for the purposes of <i>IPRU-INV</i> 5.6.4R.			
qualifying capital instrument	means that part of a <i>firm's</i> capital which is a security of			

	indeterminate duration, or other instrument, that fulfils the following conditions:
	(a) it may not be reimbursed on the bearer's initiative or without the prior agreement of the appropriate regulator;
	(b) the debt agreement must provide for the <i>firm</i> to have the option of deferring the payment of interest on the debt;
	(c) the lender's claims on the <i>firm</i> must be wholly subordinated to those of all non-subordinated creditors;
	(d) the documents governing the issue of the securities must provide for debt and unpaid interest to be such as to absorb losses, whilst leaving the firm in a position to continue trading; and
	(e) only fully paid-up amounts shall be taken into account.
qualifying capital item	means that part of a <i>firm's</i> capital which has the following characteristics:
	(a) it is freely available to the <i>firm</i> to cover normal banking or other risks where revenue or capital losses have not yet been identified;
	(b) its existence is disclosed in internal accounting records; and
	(c) its amount is determined by the management of the <i>firm</i> and verified by independent auditors, and is made known to, and is monitored by, the <i>FCA</i> .
	Note: Verification by internal auditors will suffice until such time as EU provisions making external auditing mandatory have been implemented.
qualifying property	has the meaning given in <i>IPRU-INV</i> 5.7.1R (Qualifying property and qualifying amount defined).
qualifying subordinated loan	has the meaning given in <i>IPRU-INV</i> 5.6 (Qualifying subordinated loans).
qualifying undertaking	has the meaning given in <i>IPRU-INV</i> 5.7.3R (Qualifying undertakings).
readily realisable investment	means a unit in a regulated collective investment scheme, a

	life policy or any marketable investment other than one which is traded on or under the rules of a recognised or designated investment exchange so irregularly or infrequently:		
	(a)	that it cannot be certain that a price for that investment will be quoted at all times; or	
	(b)	that it may be difficult to effect transactions at any price which may be quoted.	
regulated business	means designated investment business in the main <i>Glossary</i> .		
relevant foreign exchange items	means:		
	(a)	all assets less liabilities, including accrued interest, denominated in the currency (all investments at market or realisable value);	
	(b)	any currency future, at the nominal value of the contract;	
	(c)	any forward contract for the purchase or sale of the currency, at the contract value, including any future exchange of principal associated with currency swaps;	
	(d)	any foreign currency options at the net delta (or delta-based) equivalent of the total book of such options;	
	(e)	any non-currency option, at market value;	
	(f)	any irrevocable guarantee;	
	(g)	any other off-balance sheet commitment to purchase or sell an asset denominated in that currency.	
reporting currency	means the currency in which the <i>firm's</i> books of account are maintained.		
specified trustee business	1.	means any investment business carried on in the UK by a trustee <i>firm</i> , but excluding each of the following activities:	
		(a)	Dealing or arranging deals in investments
		(i)	where the deal is transacted or arranged by a trustee firm with or through a PTP; or
		(ii)	where the dealing or arranging is done in the course of, or is incidental to, an activity of management falling within

			paragraph (b) below; or
		(iii)	where the trust is a unit trust scheme and the deal is or the arrangements are made with a view to either an issue or sale of units in such a scheme to, or a redemption or repurchase or conversion of such units or a dealing in investments for such a scheme carried out by with or through, the operator or on the instructions of the operator; or
		(iv)	where the trustee <i>firm</i> , being a bare trustee (or, in Scotland, a nominee) holding investments for another person, is acting on that person's instructions; or
		(v)	where any arrangements do not or would not bring about the transaction in question.
	(b)	Managing investments	
		(i)	where the trustee <i>firm</i> has no general authority to effect transactions in investments at discretion; or
		(ii)	if and to the extent that all day-to-day decisions in relation to the management of the investments or any discrete part of the investments are or are to be taken by a PTP; or
		(iii)	if and to the extent that investment decisions in relation to the investments or any discrete part of the investments are or are to be taken substantially in accordance with the advice given by a PTP; or
		(iv)	where the trustee <i>firm</i> is a personal representative or executor and is acting in that capacity; or
		(v)	where the trust is a unit trust scheme and all day-to-day investment decisions in the carrying on of that activity are or are to be taken by the operator of the scheme.
	(c)	Investment advice	

		(i)	where the relevant advice:
		(A)	does not recommend the entry into any investment transaction or the exercise of any right conferred by any investment to acquire, dispose of, underwrite or convert such an investment ; and
		(ii)	if and to the extent that the relevant advice is in substance the advice of a PTP; or
		(iii)	where the relevant advice is given by the trustee <i>firm</i> acting in the capacity of personal representative or executor.
	(d)		Establishing, operating or winding up a collective investment scheme including acting as trustee of an authorised unit trust scheme but only to the extent that such activities do not otherwise constitute specified trustee business.
	(e)		Any trustee activity undertaken as trustee of an issue of debentures or government or public securities:
		(i)	where the issue is made by a company listed on a recognised investment exchange or on a designated investment exchange (or by a wholly-owned subsidiary of such a company); or
		(ii)	where the issue is listed or traded either on a recognised investment exchange or on a designated investment exchange or on the Société de la Bourse de Luxembourg; or
		(iii)	where the issue is made by a government, local authority or international organisation; or
		(iv)	where the aggregate amounts issued (pursuant to the trust deed or any deed supplemental thereto and ignoring any amounts redeemed, repurchased or converted) exceed the sum of £10,000,000.

(2)	For the purpose of this definition of "specified trustee business":	
	(a)	a transaction is entered into through a person if that person:
		(i) enters into it as agent; or
		(ii) arranges for it to be entered into as principal or agent by another person and the arrangements are such that they bring about the transaction in question;
	(b)	investment transaction means a transaction to purchase, sell, subscribe for or underwrite a particular investment and "investment decision" means a decision relating to an investment transaction;
	(c)	debentures means any securities falling within article 77 of the RAO;
	(d)	government or public securities means any securities falling within article 78) of the RAO;
	(e)	government, local authority or international organisation means:
		(i) the government of the United Kingdom, of Northern Ireland, or of any country or territory outside the United Kingdom;
		(ii) a local authority in the United Kingdom or Anywhere; or
		(iii) an international organisation the members of which include the United Kingdom or another EEA State.
	(f)	in determining the size of an issue of debentures or government or public securities made in a currency other than sterling, the amount of the issue shall be converted into sterling at the exchange rate prevailing in London on the date of issue.
total capital requirement	has the meaning given in <i>IPRU-INV</i> 5.4.5R (Total capital requirement).	
trading book	in relation to a <i>firm's</i> business or exposures, means:	

	(a)	its proprietary positions in financial instruments:
	(i)	which are held for resale and/or are taken on by the <i>firm</i> with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or from other price or interest-rate variations;
	(ii)	arising from matched principal broking;
	(iii)	taken in order to hedge other elements of the trading book;
	(b)	exposures due to unsettled securities transactions, free deliveries, OTC derivative instruments, repurchase agreements and securities lending transactions based on securities included in (a)(i) to (iii) above, reverse repurchase agreements and securities borrowing transactions based on securities included in (a)(i) to (iii) above; and
	(c)	fees, commission, interest and dividends, and margin on exchange-traded derivatives which are directly related to the items included in (a) and (b) above.
trustee activity		means, in relation to a <i>firm</i> , any activity undertaken in the course of or incidental to the exercise of any of its powers, or the performance of any of its duties, when
unit trust manager		means the manager of a unit trust scheme.
zone b country		means a country which is not a Zone A country in the <i>Glossary</i> .

Amend the following as shown.

9 Financial resources requirements for an exempt CAD firm

...

9.2 GENERAL REQUIREMENTS

...

Ongoing capital requirements

- 9.2.9 R (1) ...
- (2) (a) If the *exempt CAD firm* is an *investment management firm* its *own funds* must be calculated in accordance with the *rules* in *IPRU-INV 5.2.1(1) to 5.2.7.(5) 5.2 to 5.7.*

...

...

Annex D Required Forms

...

Investment Management Firms

(former IMRO Firms)

...

PRESCRIBED SUBORDINATED LOAN AGREEMENT

...

3. Interest (a) ...
- (b) No payment on account of interest shall be made at any time to the extent that such payment would cause the Borrower to be in breach of rule 5.2.1(4) of Chapter 5 of the Interim Prudential Sourcebook (or any equivalent rule for the time being in force). Any amount of interest whose payment is deferred under this provision shall be paid when and to the extent that the Borrower would not be in breach of rule 5.2.1(4) of the Interim Prudential Sourcebook after such payment. [The Agreement may make provision for interest on interest.]

...

TP1 Table : Transitional provisions applying to IPRU(INV)

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
13	<i>IPRU(INV) 5.2.3(3)R(a)(ib)(A) and</i>	R	<i>A depositary of a UCITS scheme appointed before 18</i>	<i>From 18 March 2016 until 18</i>	<i>18 March 2016</i>

			March 2016 need not calculate its <i>own funds requirement</i> under articles 315 or 317 of the <i>EU CRR</i> .	March 2018	
14	<i>IPRU(INV) 5.2.3(3)(E)R</i>	R	A <i>depositary</i> of a <i>UCITS scheme</i> appointed before 18 March 2016 need not comply with <i>IPRU(INV) 5.2.3(3)(E)R</i>.	From 18 March 2016 to 18 March 2018	18 March 2016
13	...	...	...	...	...
...					
17	...	...	...	...	...
<u>18</u>	<u><i>IPRU(INV) 5.4.3R(i)(ib)</i></u>	<u>R</u>	<u>A <i>depositary</i> of a <i>UCITS scheme</i> appointed before 18 March 2016 need not calculate its <i>own funds requirement</i> under articles 315 or 317 of the <i>EU CRR</i>.</u>	<u>From 18 March 2016 until 18 March 2018</u>	<u>18 March 2016</u>
<u>19</u>	<u><i>IPRU(INV) 5.4.8R</i></u>	<u>R</u>	<u>A <i>depositary</i> of a <i>UCITS scheme</i> appointed before 18 March 2016 need not comply with <i>IPRU(INV) 5.4.8R</i>.</u>	<u>From 18 March 2016 to 18 March 2018</u>	<u>18 March 2016</u>

Annex H

Amendments to the Conduct of Business sourcebook (COBS)

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

1 Annex 1 Application (see COBS 1.1.2R)

Part 1: What?

Modifications to the general application rule according to activities

1.	Eligible counterparty business	
1.1 {FCA}	R	The <i>COBS</i> provisions shown below do not apply to <i>eligible counterparty business</i> .
		...
2.	Transactions between an MTF operator and its users	
2.1 {FCA}	R	...
		...
3.	Transactions concluded on an MTF	
3.1 {FCA}	R	...
		...
4.	Transactions concluded on a regulated market	
4.1 {FCA}	R	...
		...
5.	Consumer credit products	
5.1 {FCA}	R	...
		...

5.2 {FCA}	G	...
6.	Use of third party processors in life insurance mediation activities	
6.1 {FCA}	R	...
		...
7.	Modified meaning of regulated activities for UK AIFMs and UK UCITS management companies	
7.1 {FCA}	R	...

Part 2: Where?

Modifications to the general application rule according to location

1.	EEA territorial scope rule: compatibility with European law		
1.1 {FCA} {PRA}	R	(1)	...
	
1.2 {FCA} {PRA}	R	...	
		...	
2.	Business with UK clients from overseas establishments		
2.1 {FCA} {PRA}	R	(1)	...
		...	
2.2 {FCA} {PRA}	G	...	

Part 3: Guidance

1.	The main extensions and restrictions to the general application rule	
1.1 {FCA} {PRA}	G	...
1.2 {FCA} {PRA}	G	...
2.	The Single Market Directives and other directives	
2.1 {FCA} {PRA}	G	...
2.2 {FCA} {PRA}	G	...
2.3 {FCA} {PRA}	G	...
3.	MiFID: effect on territorial scope	
3.1 {FCA}	G	...
3.2 {FCA}	G	...
3.3 {FCA}	G	...
3.4 {FCA}	G	...
3.5 {FCA}	G	...
4.	Insurance Mediation Directive: effect on territorial scope	

4.1 {FCA}	G	...
4.2 {FCA}	G	...
		...
5.	Solvency II Directive: effect on territorial scope	
5.1 {FCA}	G	...
5.2 {FCA}	G	...
6.	Distance Marketing Directive: effect on territorial scope	
6.1 {FCA}	G	...
6.2 {FCA}	G	...
6.3 {FCA}	G	...
6.4 {FCA}	G	...
6.5 {FCA}	G	...
7.	Electronic Commerce Directive: effect on territorial scope	
7.1 {FCA}	G	...
7.2 {FCA}	G	...
7.3 {FCA}	G	...
7.4	G	...

{FCA}		
7.5 {FCA}	G	...
8.	Investor Compensation Directive	
8.1 {FCA}	G	...
9.	UCITS Directive: effect on territorial scope	
9.1 {FCA}	G	...
9.1A {FCA}	G	...
9.1B {FCA}	G	...
9.1C {FCA}	G	...
9.1D {FCA}	G	...
...		
9.3 {FCA}	G	...
10. {FCA}	AIFMD: effect on territorial scope	
...		

...

2 Conduct of business obligations

...

2.3 Inducements

...

Reasonable non-monetary benefits

2.3.14 G ...

2.3.15 G ~~Reasonable non-monetary benefits~~

...

...

18 Specialist Regimes

...

18.5 Residual CIS operators, UCITS management companies and AIFMs

...

18.5.1B R The following apply to a *full-scope UK AIFM* in relation to its ~~AIF~~
management functions *AIFM management functions*:

...

Annex I

Amendments to the Market Conduct sourcebook (MAR)

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

7 Disclosure of information on certain trades undertaken outside a regulated market or MTF

...

7.2 Making post-trade information public

...

Publication of results of calculations and estimates made by the FCA

- 7.2.13 G The information relating to ‘minimum qualifying size’ referred to in ~~Article~~ article 28 of the *MiFID Regulation* (see *MAR 7.2.6EU*) and the results of calculations and estimates required to be published as a result of ~~Articles~~ articles 33 and 34 of the *MiFID Regulation* are available at ~~www.fca.org.uk~~ and at ~~http://mifidatabase.esma.europa.eu/~~ https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_mifid_sha.

...

Annex J

Amendments to the Supervision manual (SUP)

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

Part 1: Comes into force on 5 November 2016

13A Qualifying for authorisation under the Act

...

SUP 13A Application of the Handbook to Incoming EEA firms
Annex 1G

...

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
<i>PRIN</i>	<p>The <i>Principles</i> apply only in so far as responsibility for the matter in question is not reserved by an <i>EU</i> instrument to the <i>firm's Home State regulator (PRIN 3.1.1R(1))</i>.</p> <p>For an <i>incoming EEA firm</i> which is a <i>CRD credit institution</i> without a <i>top-up permission</i>, <i>Principle 4</i> applies only in relation to the liquidity of a branch established in the <i>United Kingdom (PRIN 3.1.1 R (2))</i> <u>does not apply</u>.</p>	...
...		

...

15 Notifications to the FCA

...

15.2 Purpose

...

15.2.4 G ~~Schedule 2 contains a consolidated summary of all the notification rules applicable to firms set out in the Handbook. [deleted]~~

...

16 Reporting requirements

...

16.12 Integrated Regulatory Reporting

...

Regulated Activity Group 2.2

16.12.9 R ...

...	
Note 13	Only applicable to <i>firms</i> subject to <i>IPRU(INV) 5. FSA034</i> must be completed by a <i>firm</i> not subject to the exemption in <i>IPRU(INV) 5.2.3(2)R 5.4.2R</i> . FSA035 must be completed by a <i>firm</i> subject to the exemption in <i>IPRU(INV) 5.2.3(2)R 5.4.2R</i> .
...	

...

16.12.11 R ...

...	
Note 14	FSA035 4 must be completed by a <i>firm</i> not subject to the exemption in <i>IPRU(INV) 5.2.3(2)R 5.4.2R</i> . FSA035 must be completed by a <i>firm</i> subject to the exemption in <i>IPRU(INV) 5.2.3(2)R 5.4.2R</i> , unless it calculates its own funds requirement in accordance with IPRU(INV) rule 5.2.3(4)(a)(i) <i>IPRU(INV) 5.4.10R</i> , in which case FIN071 must be completed.
...	

...

16.12.15 R ...

...	
Note 14	<p>FSA034 must be completed by a <i>firm</i> not subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2) <u>5.4.2R</u>.</p> <p>FSA035 must be completed by a <i>firm</i> subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2) <u>5.4.2R</u>, unless it calculates its <i>own funds requirement</i> in accordance with <i>IPRU(INV)</i> rule 5.2.3(4)(a)(i) <i>IPRU(INV)</i> <u>5.4.10R</u>, in which case FIN071 must be completed.</p>
...	

...

16.12.19A R ...

...	
Note 4	<p>FSA034 must be completed by a <i>firm</i> not subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2) <u>5.4.2R</u>.</p> <p>FSA035 must be completed by a <i>firm</i> subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2) <u>5.4.2R</u>, unless (1) it calculates its <i>own funds requirement</i> in accordance with <i>IPRU(INV)</i> rule 5.2.3(4)(a)(i) <i>IPRU(INV)</i> <u>5.4.10R</u>, in which case FIN071 must be completed or (2) the <i>firm</i> is the depositary of a <i>UCITS scheme</i> in which case, FIN072 must be completed.</p>
...	

...

16.12.25A R ...

...	
Note 14	<p>FSA034 must be completed by a <i>firm</i> not subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2) <u>5.4.2R</u>.</p> <p>FSA035 must be completed by a <i>firm</i> subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2) <u>5.4.2R</u>, unless it calculates its <i>own funds requirement</i> in accordance with <i>IPRU(INV)</i> rule 5.2.3(4)(a)(i) <i>IPRU(INV)</i> <u>5.4.10R</u>, in which case FIN071 must be completed.</p>
...	

...

16 Annex 18BG Notes for Completion of the Retail Mediation Activities Return ('RMAR')

~~This annex consists only of one or more forms. Forms are to be found through the following address:~~

~~*Notes for Completion of the Retail Mediation Activities Return ('RMAR') – SUP Chapter 16 Annex 18BG*~~

The Notes for Completion of the Retail Mediation Activities Return ('RMAR') at SUP 16 Annex 18BG are deleted in their entirety and replaced with the following. All the text is new and is not underlined.

Introduction General notes on the RMAR

1. These notes aim to assist *firms* in completing and submitting the relevant sections of the **Retail Mediation Activities Return ('RMAR')**.
2. The purpose of the *RMAR* is to provide a framework for the collection of information required by the *FCA* as a basis for its supervision activities. It also has the purpose set out in *paragraph* 16.12.2G of the Supervision Manual, i.e. to help the *FCA* to monitor *firms'* capital adequacy and financial soundness.

Defined terms

3. *Handbook* terms are italicised in these notes.
4. Terms referred to in the *RMAR* and these notes, where defined by the Companies Acts 1985 or 2006, as appropriate, or other relevant accounting provisions, bear that meaning for these purposes. The descriptions indicated in these notes are designed simply to repeat, summarise or amplify the relevant statutory or other definitions and terminology without departing from their full meaning or effect.

Key abbreviations

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

APF	<i>Authorised professional firm</i>
AR	<i>Appointed representative</i>
CAD	The <i>Capital Adequacy Directive</i>
CASS	The Client Assets sourcebook, part of the <i>Handbook</i>
COBS	The Conduct of Business sourcebook, part of the <i>Handbook</i>

CREDS	The Credit unions sourcebook, part of the <i>Handbook</i>
DISP	Dispute resolution: Complaints sourcebook, part of the <i>Handbook</i>
EEA	The <i>European Economic Area</i>
ICOB	The Insurance: Conduct of Business sourcebook, part of the <i>Handbook</i>
IMD	The <i>Insurance Mediation Directive</i>
IPRU(INV)	The Interim Prudential sourcebook for investment businesses, part of the <i>Handbook</i>
ISD	The <i>Investment Services Directive</i>
LTCI	Long term care insurance
MCOB	The Mortgages and Home Finance: Conduct of Business sourcebook, part of the <i>Handbook</i>
MiFID	The <i>Markets in Financial Instruments Directive</i>
MIPRU	The Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries
PII	Professional indemnity insurance
RMAR	Retail Mediation Activities Return, i.e. the information requirements to which these notes refer.
SUP	The Supervision manual, part of the <i>Handbook</i>
TC	Training and Competence, part of the <i>Handbook</i>

Scope

6. The following *firms* are required to complete the sections of the *RMAR* applicable to the activities they undertake as set out in *SUP* 16.12:
- (a) *firms with permission to carry on insurance mediation activity in relation to non-investment insurance contracts.*

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

- (b) *firms with permission to carry on home finance mediation activity;*
- (c) *personal investment firms;*
- (d) *firms (defined as retail investment firms) that have retail clients, and have permission to carry on the following activities in relation to retail investment products:*

- (i) *advising on investments;*
- (ii) *arranging (bringing about) deals in investments;*
- (iii) *making arrangements with a view to transactions in investments;*

Retail investment products are defined as:

- (i) *a life policy;* or
- (ii) *a unit;* or
- (iii) *a stakeholder pensions scheme;* or
- (iv) *a personal pension scheme;* or
- (v) *an interest in an investment trust savings scheme;* or
- (vi) *a security in an investment trust;* or
- (vii) *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
- (viii) *a structured capital-at-risk product;*

whether or not any of (i) to (vii) are held within an *ISA* or a *CTF*; and

- (e) other investment *firms* that have *permission to advise on P2P agreements* and do not carry on that activity exclusively with or for *professional clients*.

For the purposes of completing the *RMAR* in relation to the activity of *advising on P2P agreements* only, ‘retail investments’ and ‘*retail investment products*’ should be understood as including *P2P agreements*, and references to retail investment advising and retail investment activity should be understood as including *advice on P2P agreements*.

The practical effect of the *retail client* limitation in the definition of *retail investment firms* is to exclude from the requirements *firms* that carry on *retail investment activities* exclusively with or for *professional clients* or *eligible counterparties*.

[**Note:** all *long-term care insurance contracts* are defined as *life policies*, and as such are included as *retail investment products*]

7. [deleted]

8. [deleted]

EEA firms

9. In accordance with the relevant directives, *incoming EEA firms* are not subject to all reporting requirements. In broad terms, this means that *incoming EEA firms* carrying on *regulated activities* by way of *cross border services* only are not required to complete the *RMAR*.
10. In broad terms, *incoming EEA firms* carrying on *regulated activities* through a branch in the *United Kingdom* are not required to complete the sections of the *RMAR* in the following table.

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

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

Authorised professional firms

12. *Authorised professional firms* ('APFs') that are subject to *IPRU(INV)* 2.1.3R (for their *investment activity*) or *MIPRU* 4.1.10R (for *insurance mediation activity* or *home finance mediation activity*) are not required to complete sections A, B2 or D. APFs that are members of the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland are also not required to complete section C (see below).
13. The application of the capital requirements to APFs is set out in *IPRU(INV)* 2.1.2R (for *retail investment activity*) and *MIPRU* 4.1.10R (for *home finance mediation activity* and *insurance mediation activity*).
14. Where APFs are required to submit financial information (i.e. sections A to E), they should do so in relation to all of their *regulated activities*. Sections F and K should also be completed in relation to all *regulated activities*. Other sections (G to I) need not include information in relation to *non-mainstream regulated activities*. However, APFs may complete all sections on the basis of all of their *regulated activities* if this approach is more cost effective.

Accounting principles

15. Subject to paragraph 15A below, which is in respect of section K only, the following principles should be adhered to by *firms* in the submission of financial information (sections A to E and section K).
- (a) Unless a rule requires otherwise, amounts to be reported within the *firm's* balance sheet and profit and loss account should be determined in accordance with:
 - (i) the requirements of all relevant statutory provisions (e.g. Companies Act 2006, and secondary legislation made under this Act) as appropriate;
 - (ii) UK generally accepted accounting practice (UK GAAP) or, where applicable, *international accounting standards*;
 - (iii) the provisions of (c) and (d) below.
 - (b) If the *firm* is a *body corporate* with one or more *subsidiaries*, its financial statements should be unconsolidated.
 - (c)
 - (i) With the exception of section J, and sections K from 31 December 2012, all amounts should be shown in one of the reporting currencies accepted by the GABRIEL system, unless otherwise specified in the *Handbook* (e.g. in *MIPRU* 3.2.7R). Section J, and sections K from 31 December 2012, must be completed in pounds sterling.
 - (ii) A *firm* should translate assets and liabilities denominated in other currencies into the chosen reporting currency using the closing mid-market rate of exchange.
 - (iii) Taxation, when reported at a quarter or half year end, should be based on an estimate of the likely effective tax rate for the year applied to the interim.
 - (iv) Balances on *client bank accounts* and related client accounts must not form part of the *firm's* own balance sheet.
 - (d) No netting is permitted (that is, amounts in respect of items representing assets or income may not be offset against amounts in respect of items representing liabilities or expenditure, as the case may be, or vice versa).
- 15A. For the completion of section K, all figures should be provided on an accruals basis in line with UK Generally Accepted Accounting Practice (UK GAAP) or International Accounting Standards (IAS), unless a *firm* elects to complete section K on a cash basis. A *firm* may elect to complete section K, and only section K, on a cash basis by selecting this as the accounting basis for section K on GABRIEL.
- Other
16. You will note that some questions in the *RMAR* refer to the “last reporting date”. If the *RMAR* is being completed for the first time, you should treat the date the *firm*

became authorised to carry on any of the relevant *regulated activities* as the “last reporting date”, except where otherwise indicated (e.g. in sections E & H).

Where questions in the *RMAR* refer to “as at the end of the reporting period”, you should treat the last day of the reporting period specified on GABRIEL as “as at the end of the reporting period”.

17. Unless otherwise indicated, the information submitted should cover all of the *firm’s* transactions in the relevant products, and all of its *customers* and *market counterparties* (where relevant).

NOTES FOR COMPLETION OF THE RMAR

Section A Balance sheet

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

Insurance intermediaries subject to *MIPRU* should, where debtors include amounts owed by their directors, *group undertakings* or *undertakings* in which the *firm* has a participating interest, enter the total amount falling due to the *firm* within one year in the data entry field entitled:

“Memo (1):

Total amount falling due within one year from directors, fellow group undertakings or undertakings in which the firm has a participating interest where included in Debtors.”

Insurance intermediaries subject to *MIPRU* should, where they include *shares* in *group undertakings* as part of their investments, where such investments are held as current assets, enter the total value to the *firm* in the data entry field entitled:

“Memo (2):

Value of shares in group undertakings where such investments are held as current assets.”

If further assistance is required in completing the balance sheet, professional guidance should be sought.

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

The frequency of reporting for this section is determined by *SUP* 16.12.

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

Section B Profit & loss account

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

B1 – regulated business revenue: covers the data required on the *firm's* revenue from its *regulated activities* within the scope of the *RMAR*.

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

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

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

[**Note:** *Home purchase, reversion and regulated sale and rent back activity* should be included under the existing mortgage headings in this section of the *RMAR*]

Guide for completion of individual fields

Commissions (gross)	<p>This should include all commission income in respect of the relevant regulated business:</p> <ul style="list-style-type: none"> • for <i>home finance transactions</i>, this includes commissions received for <i>advising on home finance transactions</i> and <i>arranging</i>, but not, providing and administration; • for <i>non-investment insurance contracts</i>, it should include commissions received for <i>advising, arranging</i> and <i>dealing</i> activities; • for <i>retail investments</i>, only commission received in relation to the relevant activities should be recorded here. <p>Gross commissions will include commission that is received and passed on to another <i>person</i>.</p> <p>Where commission is shared between two or more <i>firms</i>, the gross commission should not be double counted, i.e. each <i>firm</i> should report only the commission it has received.</p>
Commissions (net)	<p>This should be the amount of the gross commission figure that is retained by the <i>firm</i> and, where applicable, its <i>appointed representatives</i>, (i.e. not passed on to another <i>person</i>) in respect of each type of business.</p>
Fees/ Adviser charges / Consultancy charges	<p>You should record here <i>adviser charges</i> and <i>consultancy charges</i>, and net income received from <i>customers</i> or other</p>

	sources on a fixed fee rather than commission basis, but only in respect of the relevant <i>regulated activities</i> .
Other income from regulated activities	<p>You should record here any income that has derived from the relevant <i>regulated activities</i> during the reporting period, which has not been recorded under commissions or fees, <i>adviser charges</i> or <i>consultancy charges</i>.</p> <p>Such income may include interest on <i>client money</i>, where the <i>firm</i> is permitted to retain this, or payments made by product providers on a basis other than fees or commissions.</p>
Regulated business revenue	<p>This is the total of the <i>firm's</i> income during the reporting period in relation to its relevant <i>regulated activities</i>.</p> <p>For an <i>insurance intermediary</i> or a <i>home finance intermediary</i>, this should be calculated in the same way as 'annual income', as specified in <i>MIPRU</i> 4.3.3R (although in this context the period is not generally annual).</p> <p>This <i>rule</i> states: "For a firm which carries on <i>insurance mediation activity</i> or <i>home finance mediation activity</i>, annual income... is the amount of all brokerage, fees, <i>commissions</i> and other related income (for example, administration charges, overrides, profit shares) due to the <i>firm</i> in respect of or in relation to those activities".</p>
Income from other regulated activities	You should record here any income from other <i>regulated activities</i> outside the scope of the <i>RMAR</i> .
Other revenue (income from non-regulated activities)	Gross revenue arising from the <i>firm's</i> non- <i>regulated activities</i> , if any, should be entered here.

Section C Client money and assets

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

The *client money rules* define further what is and is not *client money*, and set out requirements on *firms* for the proper handling of and accounting for *client money*. If a *firm* holding *client money* fails there is a greater direct risk to consumers and a greater adverse impact on market confidence compared (for example) to a *firm* that only holds *money* under risk transfer arrangements.

Note 1: a *firm* should complete section C of the *RMAR* for the *money* it receives or holds in the course of, or in connection with, its *insurance mediation activity* (see *CASS* 5).

Note 2: *firms* that only carry on *insurance mediation activity* in respect of *reinsurance contracts* are exempt from the *client money rules*, and are not therefore required to complete section C of the *RMAR*. However, a *firm* may make an election under *CASS* 5.1.1R(3) to comply with *CASS* 5.1 to *CASS* 5.6 in respect of *client money* it receives in the course of carrying on *insurance mediation activity* in relation to *reinsurance contracts*. Where a *firm* has made such an election it should also complete section C of the *RMAR*.

Note 3: a *firm* that receives or holds money for its *MiFID business* or *designated investment business* that is not *MiFID business* and holds money to which CASS 5 applies, may make an election under CASS 7.10.3R(1) or (2) to comply with CASS 7 for money it receives in the course of, or in connection with, its *insurance mediation activity*. Where a *firm* has made such an election, it should not complete section C of the *RMAR*, except to confirm that it holds money in connection with *insurance mediation activities* and has elected to comply with CASS 7.

Note 4: a *firm* (e.g., a property management *firm*) that complies with the Royal Institute of Chartered Surveyors (RICS) Members' Accounts rules or, in relation to a service charge, the requirement to segregate such money in accordance with section 42 of the Landlord and Tenant Act (LTA) 1987 is deemed to comply with CASS 5.3 to CASS 5.6, provided that it satisfies the requirements of CASS 5.5.49R to the extent that the *firm* will hold money as trustee or otherwise on behalf of its clients. Such a *firm* should only complete the questions in section C of the *RMAR* indicated in the guide for completion of individual fields below.

Note 5: an *authorised professional firm* regulated by The Law Society (of England and Wales), The Law Society of Scotland or The Law Society of Northern Ireland must comply with the rules of its *designated professional body* as specified in CASS 5.1.4R, and if it does so, it will be deemed to comply with CASS 5.2 to CASS 5.6. These *firms* are not therefore required to complete section C of the *RMAR*.

Note 6: this *data item* does not apply to *firms* who only carry on *home finance mediation activities* exclusively in relation to *second charge regulated mortgage contracts* or *legacy CCA mortgage contracts* (or both) and who are not otherwise expected to complete it by virtue of carrying out other *regulated activities*: see SUP 16.12.28AR, Note 3.

Note 7: *firms* should complete all applicable fields.

Guide for completion of individual fields

Question	Guidance notes
Does your <i>firm</i> receive or hold <i>money</i> in the course of, or in connection with, its <i>insurance mediation activity</i> ?	<i>Firms</i> should answer 'yes' here if they hold <i>money</i> such that CASS 5.1 to CASS 5.6 applies (see CASS 5.1.1R). <i>Firms</i> to which note 4 applies should also answer 'yes'.
Has your <i>firm</i> elected under CASS 7.10.3R(1) or (2) to comply with CASS 7?	See note 3.
How does your <i>firm</i> hold <i>money</i> received in the course of, or in connection with, its <i>insurance mediation activity</i> ?	You should answer 'yes' or 'no' under each of the headings, as appropriate. <i>CASS 5 Client money</i> :

	<p>see CASS 5.1</p> <p>As agent of insurer:</p> <p>see CASS 5.1.5R and CASS 5.2 – holding money as agent of insurance undertaking under a written risk transfer agreement and not as <i>client money</i>.</p> <p><i>Firms</i> to which note 4 applies should select ‘no’ under each heading, unless they hold <i>money</i> when acting both in the capacity of an insurance broker and of a property management company.</p> <p>A <i>firm</i> may answer ‘yes’ under both headings.</p>
Is your <i>firm's</i> CASS 5 <i>client money</i> held under the CASS 5.3 statutory trust or under one or more CASS 5.4 non-statutory trusts?	<p>You should indicate here the type of trust under which <i>client money</i> is held:</p> <p>Statutory trust – see CASS 5.3</p> <p>Non-statutory trust – see CASS 5.4</p> <p>A <i>firm</i> may answer ‘yes’ under both headings.</p>
If non-statutory, has an auditor’s confirmation of systems and controls been obtained?	<p>This refers to the requirement in CASS 5.4.4R(2) that the <i>firm</i> must obtain and keep current, written confirmation from its auditor that the <i>firm</i> has adequate systems and controls in place to meet the requirements under CASS 5.4.4R(1).</p> <p>This requirement is separate to the annual audit requirement in SUP 3.10.</p>
Is <i>client money</i> invested or placed in anything other than a <i>client bank account</i> ?	<p>You should indicate ‘yes’ here if the <i>firm</i> has invested any <i>client money</i> other than in a <i>client bank account</i>.</p> <p>See CASS 5.5.14R which states that a <i>firm</i> may satisfy the requirement to segregate <i>client money</i> by segregating or arranging for the segregation of <i>designated investments</i> with a value at least equivalent to such <i>money</i> as would otherwise be segregated.</p> <p>This means of segregation is only permitted for <i>client money</i> held under a non-statutory trust.</p>
Highest <i>client money</i> requirement (for money held as <i>client money</i> , taken from the <i>firm's</i> <i>client money</i> calculations)	<p>See CASS 5.5.63R and CASS 5.5.66R to CASS 5.5.67R</p> <p>A <i>firm</i> should enter the highest <i>client money</i> requirement calculated during the period. This would be taken from the <i>firm's</i> <i>client money</i> calculations performed during the period.</p> <p>Only the single highest <i>client money</i> requirement figure should be entered, not the aggregate of the</p>

	<i>client money</i> requirements calculated during the period.
Highest account balance (for <i>money</i> held as <i>client money</i> , taken from the <i>firm's</i> records)	<p>This refers to <i>money</i> held as <i>CASS 5 client money</i> under a statutory trust or non-statutory trust(s). The amount should be taken from the <i>firm's</i> own records and should include <i>client money</i> held as agent of insurer which is co-mingled with other <i>client money</i> in a <i>client money</i> account (see <i>CASS 5.1.5AR</i>).</p> <p>If your <i>firm</i> segregates <i>designated investments</i> under a non-statutory trust (see <i>CASS 5.5.14R</i>), you should also include the value of these investments.</p> <p>If your <i>firm</i> operates both statutory and non-statutory trust accounts, you should enter two balances: one for the highest balance in statutory trust accounts and one for the highest balance in non-statutory trust accounts.</p>
Highest account balance for money held purely as agent of insurer (and not co-mingled with <i>client money</i>)	<p>This refers to money held purely as agent of insurer under risk transfer agreements (see <i>CASS 5.2</i>) and held separate to any <i>CASS 5 client money</i>. The amount should be taken from the <i>firm's</i> own records.</p> <p>If <i>money</i> held as agent of insurer is co-mingled with <i>CASS 5 client money</i> in a <i>client bank account</i> (see <i>CASS 5.1.5AR</i>), it should be reported in the previous field and therefore should not be reported in this field.</p> <p>The data reported in questions 20 to 23 should be taken from the <i>firm's client money</i> calculation performed closest, and prior, to the end of the reporting period.</p>
<i>Client money</i> requirement as at end of the reporting period	See <i>CASS 5.5.63R</i> and <i>CASS 5.5.66R</i> to <i>CASS 5.5.68R</i>
<i>Client money</i> resource as at end of the reporting period	See <i>CASS 5.5.63R</i> and <i>CASS 5.5.65R</i>
Surplus (+) or deficit (-) of <i>client money</i> resource against <i>client money</i> requirement	<p>See <i>CASS 5.5.63R</i></p> <p>This should be the difference between the <i>client money</i> requirement and the <i>client money</i> resource.</p>
Adjustments made to withdraw an excess or rectify a deficit	<p>See <i>CASS 5.5.63R</i></p> <p>This should be the amount of money paid into or</p>

	<p>withdrawn from the <i>client bank account</i> following the <i>client money</i> calculation performed closest, and prior, to the end of the reporting period.</p>
<p>Is your <i>firm</i> exempt from the client asset audit requirement?</p>	<p>See <i>SUP</i> 3.1.2R note 4</p> <p>If the <i>firm</i> does not hold <i>client money</i> or other client assets in relation to <i>insurance intermediation activities</i> or only holds up to, but not exceeding, £30,000 of <i>client money</i> under a statutory trust arising under <i>CASS</i> 5.3 state 'yes' here.</p> <p><i>Firms</i> to which note 4 applies should answer this question.</p>
<p>If not exempt, have you obtained a client assets audit in the last 12 months?</p>	<p>See <i>SUP</i> 3.1 to <i>SUP</i> 3.7 and <i>SUP</i> 3.11.</p> <p>If the <i>firm</i> has obtained a client assets audit in the last 12 months enter 'yes'. If it has not, enter 'no'.</p> <p><i>Firms</i> to which note 4 applies should answer this question.</p>
<p>What is the name of your <i>firm's</i> client assets auditor?</p>	<p>Enter the name of the <i>firm's</i> auditor as it appears on the Financial Reporting Council's register of statutory auditors.</p> <p><i>Firms</i> to which note 4 applies should answer this question.</p>
<p>According to your last client assets audit report, what was the auditor's opinion on your <i>firm's</i> compliance with the <i>client money rules</i> as at the period end date?</p>	<p>This refers to the opinion at the end of the audit period.</p> <p>The <i>firm</i> should select from 'clean', 'qualified' or 'adverse', as appropriate.</p> <p>In this question, the period end date refers to the period covered by the audit report and will therefore refer to a different period to the reporting period for this return.</p> <p><i>Firms</i> to which note 4 applies should answer this question.</p>
<p>Have any notifiable <i>client money</i> issues been raised, either in the <i>firm's</i> last client assets audit report or elsewhere, that have not been notified to the <i>FCA</i> since the last reporting period for this return?</p>	<p>Answer yes if the <i>firm</i> has not, since the last reporting period for this return, notified the <i>FCA</i> of any breaches in relation to the following notification requirements:</p> <p><i>CASS</i> 5.5.61R: failure of a bank, broker or <i>settlement agent</i>.</p> <p><i>CASS</i> 5.5.76R: failure to perform calculations or</p>

	reconciliation. <i>CASS 5.5.77R</i> : failure to make good a <i>shortfall</i> by the close of business on the day the calculation is performed.
Does your <i>firm</i> hold any client documents or other assets (other than <i>client money</i>) in accordance with <i>CASS 5.8</i> ?	If the <i>firm</i> is subject to the requirements of <i>CASS 5.8</i> , state 'yes' here.

Section D Regulatory Capital

[**Note:** *Home purchase, reversion and regulated sale and rent back activity* should be included under the heading of home finance in this section of the *RMAR*]

'Higher of' requirements

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

- (i) The left column of the form covers the appropriate capital resources and connected requirements in *MIPRU 4* for *firms* carrying on *home finance mediation activity* (save for *firms* carrying on *home finance mediation activities* exclusively in relation to *second charge regulated mortgage contracts* or *legacy CCA mortgage contracts*, or both) or *insurance mediation activity* relating to *non-investment insurance contracts* (the requirements have to be completed for all applicable categories), or both.
- (ii) For such a *firm* that is also subject to *IFPRU* or *GENPRU* and *BIPRU*, the requirement is the higher of the two capital resources requirements that apply (see *MIPRU 4.2.5R*) and is compared with the higher of the two capital resources calculations (see *MIPRU 4.4.1R*).
- (iii) For such a *firm* that is also subject to *IPRU(INV)*, the requirement is as computed in *IPRU(INV) 13.13.3R* and is compared with the higher of the two capital resources calculations (see *MIPRU 4.4.1R*).
- (iv) *Firms* that carry on *designated investment business* and are subject to the *RMAR*, but do not meet the definition of *personal investment firm* are not subject to the requirements of *IPRU(INV) 13*. Such *firms*, e.g., stockbrokers that advise on *retail investments* as an incidental part of their business, remain subject to the financial resources requirements associated with their principal *regulated activities*.

Guide for completion of individual fields

Is the firm exempt from these capital resources requirements in relation to any of its retail mediation activities?	<p>The <i>firm</i> should indicate here if any <i>Handbook</i> exemptions apply in relation to the capital resources requirements in <i>MIPRU</i> or <i>IPRU(INV)</i> 13. Examples of <i>firms</i> that may be subject to exemptions include:</p> <ul style="list-style-type: none"> • Lloyd’s <i>managing agents</i> (<i>MIPRU</i> 4.1.11R); • solo consolidated <i>subsidiaries of banks</i> or <i>building societies</i>; • small <i>credit unions</i> (as defined in <i>MIPRU</i> 4.1.8R); and • <i>investment firms</i> not subject to <i>IPRU(INV)</i> 13 (unless they additionally carry on <i>home finance mediation activity</i> or <i>insurance mediation activity</i> relating to <i>non-investment insurance contracts</i>).
Home finance and non-investment insurance mediation	
Base requirement	The minimum capital requirements for <i>firms</i> carrying on <i>home finance mediation activity</i> and for <i>insurance mediation activity</i> relating to <i>non-investment insurance contracts</i> are set out in <i>MIPRU</i> 4.2.11R.
5% of annual income (firms holding client money)	For <i>firms</i> that hold <i>client money</i> or other <i>client</i> assets in relation to <i>insurance mediation activity</i> or <i>home finance mediation activity</i> , this should be calculated as 5% of the annual income (see <i>MIPRU</i> 4.2.11R(2)) from the <i>firm</i> ’s <i>insurance mediation activity</i> , <i>home finance mediation activity</i> , or both.
2.5% of annual income (firms not holding client money)	For <i>firms</i> that do not hold <i>client money</i> or other <i>client</i> assets in relation to <i>insurance mediation activity</i> or <i>home finance mediation activity</i> , this should be calculated as 2.5% of the annual income (see <i>MIPRU</i> 4.2.11R(1)) from the <i>firm</i> ’s <i>insurance mediation activity</i> , <i>home finance mediation activity</i> , or both.
Capital requirements (higher of above)	The higher of the base requirement and 5% of annual income (<i>firms</i> that hold <i>client money</i> or other <i>client</i> assets), or the higher of the base requirement and 2.5% of annual income (<i>firms</i> that do not hold <i>client money</i> or other <i>client</i> assets)
Other <i>FCA</i> capital resources requirements (if applicable)	<p>The <i>FCA</i> may from time to time impose additional requirements on individual <i>firms</i>. If this is the case for your <i>firm</i>, you should enter the relevant amount here. This excludes capital resources requirements in relation to PII, which are recorded below.</p> <p>If the <i>firm</i> carries on <i>designated investment business</i> as well as <i>home finance mediation activity</i>, <i>insurance mediation activity</i> or both, requirements under <i>IPRU(INV)</i>, <i>IFPRU</i>, <i>GENPRU</i> or <i>BIPRU</i> and <i>MIPRU</i> must be considered to determine the appropriate requirement (see general notes (i) to (iii) above). If the resulting requirement for a firm is higher than the base <i>MIPRU</i> requirement then you should include the difference here.</p>
Additional capital resources requirements for PII (if applicable)	If the <i>firm</i> has any increased excesses on its PII policies, the total of the additional capital requirements required by the

	tables in <i>MIPRU</i> 3.2.13R or <i>MIPRU</i> 3.2.14R should be recorded here. See also section E of the <i>RMAR</i> .
Total capital resources requirement	Totals of lines 5, 6 and 7.
Capital resources	This should be the capital resources calculated in accordance with <i>MIPRU</i> 4 for incorporated or unincorporated <i>firms</i> as applicable. For <i>firms</i> that are additionally subject to <i>IPRU(INV)</i> , <i>IFPRU</i> , <i>GENPRU</i> or <i>CREDS</i> , this should be the higher of the capital resources per <i>MIPRU</i> 4 and the financial resources determined by <i>IPRU(INV)</i> , <i>IFPRU</i> , <i>GENPRU</i> or <i>CREDS</i> . See <i>MIPRU</i> 4.4.1R.
Capital resources excess/deficit	This should show the difference between the capital resources that the <i>firm</i> has and its capital resources requirement.
Personal investment firm (retail investment activities only) – IPRU(INV) 13	
Note: <i>Firms</i> that carry on <i>retail investment activities</i> , but no other <i>designated investment</i> business, are subject to this section.	
Category of personal investment firm	If the <i>firm</i> is subject to <i>IPRU(INV)</i> 13, it should enter here its category as defined in the <i>Glossary</i> , i.e., <i>category B1 firm</i> etc.
Capital resources requirement	The capital resources requirement should be calculated in accordance with <i>IPRU(INV)</i> 13.13.2R to <i>IPRU(INV)</i> 13.3.4G.
Additional capital resources requirement for PII (if applicable)	If the <i>firm</i> has increased excesses or exclusions on its PII policies, the total of the additional capital resources requirements required by <i>IPRU(INV)</i> 13.1 should be recorded here. See also Section E of the <i>RMAR</i> .
Other <i>FCA</i> capital resources requirements (if applicable)	The <i>FCA</i> may from time to time impose additional requirements on individual <i>firms</i> . If this is the case for your <i>firm</i> , you should enter the relevant amount here. This excludes capital resources requirements in relation to PII, which are recorded above. A <i>firm</i> that has a permission to operate a personal pension will be subject to an additional capital requirement under <i>IPRU(INV)</i> 5; this should be included here.
Total capital resources requirement	The total of lines 12, 13 and 14.
Capital resources	Capital resources should be calculated in accordance with <i>IPRU(INV)</i> 13.15.3R.
Surplus/deficit of capital resources	This is the difference between the capital resources (line 16) and the total capital resources requirement (line 15).
Capital resources per MIPRU 4 (home finance and non-investment insurance intermediation)	
Incorporated firms	

Share capital	Share capital in section A which is eligible for inclusion as regulatory capital.
Reserves	<p>These are the audited accumulated profits retained by the <i>firm</i> (after deduction of tax and dividends) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a <i>parent undertaking</i>.</p> <p>Any reserves that have not been audited should not be included in this field unless the <i>firm</i> is eligible to do so under <i>MIPRU</i> 4.4.2R(3).</p>
Interim net profits	<p>Interim net profits should be verified by the <i>firm's</i> external auditor, net of tax or anticipated dividends and other appropriations.</p> <p>Any interim net profits that have not been verified should not be included in this field unless the <i>firm</i> is eligible to do so under <i>MIPRU</i> 4.4.2R(3).</p>
Revaluation reserves	Revaluation reserves (unrealised reserves arising from revaluation of fixed assets) can only be included here if audited.
Eligible subordinated loans	Subordinated loans should be included in capital resources on the basis of the provisions in <i>MIPRU</i> 4.4.7R and <i>MIPRU</i> 4.4.8R.
Less investments in own shares	Amounts recorded in the balance sheet as investments which are invested in the <i>firm's</i> own shares should be entered here for deduction.
Less intangible assets	Any amounts recorded as intangible assets in section A above should be entered here for deduction.
Unincorporated firms and limited liability partnerships	
Capital of a sole trader or partnership or LLP members' capital	See <i>MIPRU</i> 4.4.2R
Eligible subordinated loans	Subordinated loans should be included in capital resources on the basis of the provisions in <i>MIPRU</i> 4.4.7R and <i>MIPRU</i> 4.4.8R.
Personal assets not needed to meet non-business liabilities	<p><i>MIPRU</i> 4.4.5R and 4.4.6G allow a <i>sole trader</i> or <i>partner</i> to use personal assets to cover liabilities incurred in the <i>firm's</i> business unless:</p> <p>(1) those assets are needed to meet other liabilities arising from:</p> <p>(a) personal activities; or</p> <p>(b) another business activity not regulated by the <i>FCA</i>; or</p> <p>(2) the <i>firm</i> holds <i>client money</i> or other <i>client</i> assets.</p> <p>This field may be left blank if the <i>firm</i> satisfies the capital resources requirements without relying on personal assets.</p>

Less intangible assets	Any amounts recorded as intangible assets in Section A above should be entered here for deduction.
Less interim net losses	Interim net losses should be reported where they have not already been incorporated. The figures do not have to be audited to be included.
Less excess of drawings over profits for a sole trader or partnership or LLP	Any excess of drawings over profits should be calculated in relation to the period following the date as at which the capital resources are being calculated. The figures do not have to be audited to be included.
Capital resources per IPRU(INV) 13.15.3R	
<p><i>IPRU(INV)</i> requires that all <i>personal investment firms</i> have financial resources of at least £20,000 at all times. This section is designed to evaluate <i>firms'</i> adherence to this requirement.</p> <p>The amounts entered here should be in accordance with <i>IPRU(INV)</i> 13.15.3R.</p>	

Section E Professional indemnity insurance

[**Note:** *Home purchase, reversion and sale and rent back activity* should be included under the existing mortgage headings in this section of the *RMAR*]

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

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

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

The PII requirements for *authorised professional firms* ('APFs') that carry on *retail investment activities* are set out in *IPRU(INV)* 2.3. APFs that carry on *home finance mediation activity* or *insurance mediation activity* are subject to the full requirements of *MIPRU* 3.

Firms which are subject to the requirements in both *IPRU(INV)* and *MIPRU* must apply the PII rules outlined in *IPRU(INV)* 13, not *MIPRU* 3.

Guide for completion of individual fields

Part 1

Does your firm hold a comparable guarantee or equivalent cover in lieu of PII, or is it otherwise exempt from holding PII in respect of any regulated activities	This question will establish whether a <i>firm</i> is exempt from the requirements and so is not required to hold PII.
--	--

(tick as appropriate)?	<p>The conditions for comparable guarantees and exemptions from the PII requirements for <i>firms</i> carrying on insurance or home finance mediation are set out in <i>MIPRU</i> 3.1.1R paragraphs (3) to (6).</p> <p>Personal investment firms can only be exempted by individual waiver granted by the <i>FCA</i> (unless <i>IPRU(INV)</i> 13.1.7R applies in respect of comparable guarantees).</p> <p>If the <i>firm</i> is required to hold PII – i.e. is not exempt from holding PII – you should enter 'no' in the data field.</p> <p>A <i>firm</i> is NOT exempt from holding PII if:</p> <ul style="list-style-type: none"> ▪ the <i>firm</i> has a group policy with an insurer; or ▪ the <i>firm</i> has permission for the regulated business that requires PII, but does not currently carry it out; or ▪ it is a <i>personal investment firm</i> meeting the exemption requirements for <i>mortgage intermediaries</i> and <i>insurance intermediaries</i> in <i>MIPRU</i> 3. <p><i>Retail investment firms</i> that do not meet the definition of <i>personal investment firm</i> are not required to complete this section of the <i>RMAR</i>.</p>
If the firm does not hold a comparable guarantee or equivalent cover and is not exempt, does the firm currently hold PII?	<p><i>Firms</i> are required to take out and maintain PII at all times.</p> <p>You should only enter 'n/a' if the <i>firm</i> is exempt from the PII requirements for all the <i>regulated activities</i> forming part of the <i>RMAR</i>.</p>
Has the firm renewed its PII cover since the last reporting date?	<p>This question will ensure that a <i>firm</i> does not fill in Part 2 of the PII section of the <i>RMAR</i> each time it reports, if the information only changes annually.</p> <p>If the <i>firm</i> is reporting for the first time, you should enter 'yes' here and complete the data fields.</p> <p>You should only enter 'n/a' if the <i>firm</i> is exempt from the PII requirements for all the <i>regulated activities</i> forming part of the <i>RMAR</i>.</p>

Part 2

What activities are covered by the policy(ies)?	You should indicate which <i>regulated activities</i> are covered by the <i>firm</i> 's PII policy or policies.
If your policy excludes all business activities carried on prior to a particular date (i.e. a retroactive start date), then insert the date here, if not please insert 'n/a'	<p>Required terms of PII are set out for <i>personal investment firms</i> in <i>IPRU(INV)</i> 13.1.5R and for <i>home finance intermediaries</i> and <i>insurance intermediaries</i> in <i>MIPRU</i> 3.2.4R.</p> <p>Examples of a retroactive start date:</p> <p>(1) A <i>firm</i> has a retroactive start date of 01/01/2005 on its policy if:</p> <p>A client is advised by the <i>firm</i> to purchase an XYZ policy on 01/03/2004 (i.e. before the retroactive start</p>

	<p>date).</p> <p>The client makes a formal complaint about the sale of XYZ policy to the <i>firm</i> on 01/04/2006 (i.e. while this PII cover is still in place).</p> <p>The complaint is upheld, but the <i>firm's</i> current PII Insurer will not pay out any redress for this claim as the transaction took place before 01/01/2005, the retroactive start date in the policy.</p> <p>Insert '01/01/05' for this question on the <i>RMAR</i>.</p> <p>(2) A <i>firm</i> does not have a retroactive start date if:</p> <ul style="list-style-type: none"> ▪ A client is advised by the <i>firm</i> to purchase an XYZ policy on 01/03/2006. ▪ The client makes a formal complaint about the sale of XYZ policy to the <i>firm</i> on 01/04/2006 (i.e. while this PII cover is still in place). ▪ The complaint is upheld, but the <i>firm's</i> current PII Insurer will pay out any redress owed by the <i>firm</i> to the client over any prescribed excess, and to the limit of indemnity provided for. There is no date in the policy before which any business transacted may not give rise to a valid claim. <p>Insert 'n/a' for this question on the <i>RMAR</i>.</p>
Annual premium	<p>This should be the annual premium that is paid by the <i>firm</i>, net of tax and any other add-ons.</p>
Limit of indemnity	<p>You should record here the indemnity limits on the <i>firm's</i> PII policy or policies, both in relation to single claims and in aggregate.</p> <p>Those firms subject to the <i>Mortgage Credit Directive (MCD)</i> (see <i>MIPRU</i> 3.2.9AR) or the <i>Insurance Mediation Directive (IMD)</i> requirements should state their limit in Euros; those that are not subject to the <i>MCD</i> or <i>IMD</i> should select 'Sterling' from the drop- down list.</p> <p><i>Insurance intermediaries</i>, see <i>MIPRU</i> 3.2.7R and select either 'Euros' or 'Sterling' as applicable. <i>Home finance intermediaries</i> that are not <i>MCD credit intermediaries</i> should state their limit in Sterling (see <i>MIPRU</i> 3.2.9R).</p> <p>For <i>personal investment firms</i>, see <i>IPRU(INV)</i> 13.1.9R and 13.1.13R and select either 'Euros' or 'Sterling' as applicable.</p> <p>If the <i>firm</i> is subject to more than one of the above limits (because of the scope of its <i>regulated activities</i>) and has one PII policy for all of its <i>regulated activities</i>, the different limits should be reflected in the policy documentation. If there is more than one limit, only the highest needs to be recorded in this field.</p>

Policy excess	For <i>insurance intermediaries</i> and <i>home finance intermediaries</i> , see MIPRU 3.2.10-14R For <i>personal investment firms</i> , see IPRU(INV) 13.1.25R.
Increased excess(es) for specific business types (only in relation to business you have undertaken in the past or will undertake during the period covered by the policy)	If the prescribed excess limit is exceeded for a type or types of business, the type(s) of business to which the increased excess applies and the amount(s) of the increased excess should be stated here. (Some typical business types include pensions, endowments, FCAVCs, splits/zeroes, precipice bonds, income drawdown, <i>lifetime mortgages</i> , discretionary management.)
Policy exclusion(s) (only in relation to exclusions you have had in the or will have during the period covered by the policy)	If there are any exclusions in the <i>firm's</i> PII policy which relate to any types of businesses or activities that the <i>firm</i> has carried out either in the past or during the lifetime of the policy, enter the business type(s) to which the exclusions relate here. (Some typical business types include pensions, endowments, FCAVCs, splits/zeroes, precipice bonds, income drawdown, <i>lifetime mortgages</i> , discretionary management.)
Start Date	The date the current cover began.
End Date	The date the current cover expires.
Insurer name (please select from the drop-down list)	The <i>firm</i> should select the name of the <i>insurance undertaking</i> or Lloyd's syndicate providing cover. If the PII provider is not listed you should select 'other' and enter the name of the <i>insurance undertaking</i> or Lloyd's syndicate providing cover in the free-text box. If a policy is underwritten by more than one <i>insurance undertaking</i> or Lloyd's syndicate, you should select 'multiple' and state the names of all the <i>insurance undertakings</i> or Lloyd's syndicates in the free-text box.
Annual income as stated on the most recent proposal form	This should be the income as stated on the <i>firm's</i> most recent PII proposal form. For a <i>personal investment firm</i> , this is relevant income arising from all of the <i>firm's</i> activities for the last accounting year before the policy began or was renewed (IPRU(INV) 13.1.8R). For <i>insurance intermediaries</i> and <i>home finance intermediaries</i> this is the annual income given in the <i>firm's</i> most recent annual financial statement from the relevant <i>regulated activity</i> or activities (MIPRU 4.3.1R to 4.3.3R).
Amount of additional capital required for increased excess(es) (where applicable, total amount for all PII policies)	This should be calculated using the tables in IPRU(INV) 13.119R or MIPRU 3.2.14 to 3.2.16R as applicable. The total of additional capital (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements

	for PII' and/or 'additional own funds for PII' in Section D.
Amount of additional own funds required for policy exclusion(s)	<i>Personal investment firms</i> only – this should be calculated in line with <i>IPRU(INV)</i> 13.1.23R. The total of additional capital resources (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional capital resources for PII' in section D.
Total of additional own funds required	<i>Personal investment firms</i> only – this is the same figure as in section D, representing the total of additional capital resources required under <i>IPRU(INV)</i> 13.1.23R to 13.1.27R for all of the <i>firm's</i> PII policies.

Section F Threshold conditions

Close links

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

Sole traders, firms which have *permission* to carry on *retail investment activities* only, *firms* with *permission* only to *advise on P2P agreements* (unless that activity is carried on exclusively with or for *professional clients*) or *firms* which have *permission* to carry on only one, or only both of:

- (a) *insurance mediation activity*; or
- (b) *home finance activity*;

and are not subject to the requirements of *SUP* 16.4 or *SUP* 16.5 (requirement to submit annual controllers report; or annual close links reports), will submit these reports in *RMAR* section F instead.

Controllers

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

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

- (1) a *person* acquiring *control* or ceasing to have *control*;
- (2) an existing *controller* acquiring an additional *kind of control* or ceasing to have a *kind of control*;
- (3) an existing *controller* increasing or decreasing a *kind of control* which he already has so that the percentage of shares or *voting power* concerned becomes or ceases to be

equal to or greater than 20%, 30% or 50%;

- (4) an existing *controller* becoming or ceasing to be a *parent undertaking*.

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

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

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

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

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

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

Guide for completion of individual fields

Close links	
Has there been a notifiable change to the firm's close links?	See <i>SUP</i> 11.9. All <i>firms</i> should have notified the <i>FCA</i> immediately if they have become aware that they have become or ceased to be closely linked with <i>another person</i> . If there have been any changes in <i>close links</i> that have not been notified to the <i>FCA</i> , you should do this now. For detailed <i>guidance</i> on what constitutes a <i>close link</i> , see <i>COND</i> 2.3.

If yes, has the FCA been notified of it?	See SUP 11.9. All <i>firms</i> should have notified the FCA immediately if they have become aware that they have become or ceased to be closely linked with <i>another person</i> . If there have been any changes in <i>close links</i> that have not been notified to the FCA, you should do this now. For detailed <i>guidance</i> on what constitutes a <i>close link</i> , see COND 2.3.
Controllers	
Has there been a notifiable change to the firm's controllers including changes to the percentage of shares or voting power they hold in your firm?	See SUP 11.4. If there have been any changes in <i>controllers</i> that have not been notified to the FCA, you should do this by means of your usual supervisory channels.
If yes, has the FCA been notified of it?	See SUP 11.4. If there have been any changes in <i>controllers</i> that have not been notified to the FCA, you should do this by means of your usual supervisory channels.

Section G Training and competence

[**Note:** *Home purchase, reversion and regulated sale and rent back activity* should be included under the existing mortgage headings in this section of the *RMAR*]

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

We will use the data we collect in this section to assess the nature of *firms'* compliance with training and competence requirements. It will also establish the extent and nature of *firms'* business, and thereby assess the potential risks posed by *firms'* business activities.

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

Guide for completion of individual fields

Total number of all staff	This should be the total number of staff that worked for the <i>firm</i> as at the end of the reporting period. Therefore, employees that may have advised during the period but were not employed as at the end date should not be included.
Of which:	
Number of staff that give advice	'Advice' is given where the sale of a product is based on a recommendation given to the <i>customer</i> on the merits of a particular product.

	<p>If staff advise in relation to more than one business type (i.e. <i>home finance transaction</i> advising, advising on <i>non-investment insurance contracts</i> or retail investment products), they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p> <p>Note: in relation to advising on <i>non-investment insurance contracts</i>, this total should not include employees that do not advise <i>retail customers</i>.</p>
Number of staff that give advice (Full time equivalent)	This should be the same data as above, but expressed in ‘full Time equivalent’ terms, e.g. if the firm has 20 part time staff that work 50% of normal hours, the figure would be 10.
Number of staff that supervise others to give advice	<p>Note the requirements in the Training and Competence Sourcebook (<i>TC 2.1.2R</i>, <i>TC 2.1.3G</i>, <i>TC 2.1.4G</i> and <i>TC 2.1.5R</i>) for employees to be appropriately supervised, and also the competencies that are required for those who supervise others.</p> <p>If any of these staff carries out supervisory activities in relation to more than one business type, they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
Number of advisers that have been assessed as competent	<p>This is a subset of the total of ‘number of staff that give advice’ above.</p> <p>See <i>TC Appendix 1.1R</i> for the detailed training & competence requirements relating to individual activities.</p> <p>If staff are competent in relation to more than one business type, they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
Number of advisers that have passed appropriate examinations	<p>This is a subset of the total in ‘number of staff that give advice’ above.</p> <p>In the case of certain activities, <i>TC 2</i> imposes requirements on <i>firms</i> in relation to their <i>employees</i> and passing examinations.</p> <p>The relevant activities to which <i>TC</i> applies and require <i>employees</i> to obtain appropriate qualifications can be found in <i>TC Appendix 1</i>. Then appropriate qualifications for these activities can be found in <i>TC Appendix 4E</i>.</p> <p>If staff have qualifications in relation to more than one business type, they should be counted in each applicable field. The ‘total’ in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
Number of advisers that have left since the last reporting date	<p>This is the total number of advisory staff that have left the <i>firm</i> during the current reporting period.</p> <p>If any of these staff used to carry out advisory activities in relation to more than one business type, they should be counted in each applicable field. The ‘total’ in the right hand</p>

	column field should be the actual number of applicable employees, however, rather than a total of the three columns.
What types of advice were provided?	For each type of advice, the <i>firm</i> should indicate whether or not staff have provided advice on that basis / business type. In relation to their <i>home finance mediation activities</i> , <i>firms</i> are not required by <i>MCOB 4.4A</i> to use a label to describe the service they provide to <i>customers</i> . In filling out this section they should simply answer 'no' for each category relating to their <i>home finance mediation activities</i> .
Independent	For a <i>retail investment firm</i> to provide <i>investment advice</i> its <i>personal recommendations</i> must be based on a comprehensive and fair analysis of the relevant market, and be unbiased and unrestricted (<i>COBS 6.2A.3R</i>).
Independent (whole of market plus option of fee-only)	To hold itself out as acting independently, a <i>firm</i> carrying on <i>home finance mediation activity</i> must consider products from across the whole of the market, and offer its <i>clients</i> the opportunity to pay by fee.
Whole of market (without fee-only option)	A <i>firm</i> carrying on <i>home finance mediation activity</i> provides whole of market recommendations when it has considered a large number of products that are generally available from the market as a whole.
On the basis of a fair analysis of the market	If an <i>insurance intermediary</i> informs a <i>customer</i> that it gives advice on the basis of a fair analysis of the market, it must give that advice on the basis of an analysis of a sufficiently large number of <i>contracts of insurance</i> available on the market to enable it to make a recommendation, in accordance with professional criteria, regarding which <i>contract of insurance</i> would be adequate to meet the <i>customer's</i> needs. (See <i>ICOBS 5.3.3R</i> , see also <i>ICOBS 4.1.6R</i> and <i>ICOBS 4.1.8G</i>).
Restricted /Multi-tie (the products of a limited number of providers)	A <i>firm</i> provides advice on products selected from a limited number of provider firms. <i>Restricted advice</i> applies to advice on <i>retail investment products</i> . <i>Multi-tie</i> applies to <i>insurance mediation activity</i> and <i>home finance mediation activity</i> .
Restricted /Single-tie (the products of one provider)	A <i>firm</i> provides advice on products selected from one provider firm only. <i>Restricted advice</i> applies to advice on <i>retail investment products</i> . <i>Single-tie</i> applies to <i>insurance mediation activity</i> and <i>home finance mediation activity</i> .
Restricted (limited types of products)	A <i>firm</i> provides advice on limited types of products.

Clawed back commission (retail investment firms only)

Commission is typically paid to advisers in two main ways:

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

Clawed back commission (retail investment firms only)	
Number	Number of policies where cancellations have led to commissions being clawed back during the reporting period.
Value	Total value of clawed back commission during the period.

Section H Conduct of business ('COBS') Data

In this section we are seeking data from *firms* in relation to general conduct of business and monitoring of appointed representatives.

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

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

General COBS data

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

Monitoring of appointed representatives

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

- (1) is a party to a contract with an *authorised person* who:
 - (a) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations*; and

- (b) complies with such requirements as are prescribed in those Regulations; and
- (2) is someone for whose activities in carrying on the whole or part of that business his *principal* has accepted responsibility in writing; and who is therefore an *exempt person* in relation to any *regulated activity* comprised in the carrying on of that business for which his *principal* has accepted responsibility.

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

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

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

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

Guide for completion of individual fields

General COBS data

Do regulated activities form the core business of the firm?	<p>‘Core business’ for these purposes is the activity from which the largest percentage of the <i>firm</i>’s gross income is derived.</p> <p>Note for an <i>authorised professional firm</i> (‘APF’) specifying that its core business is ‘professional services’: if the <i>firm</i>’s income from <i>regulated activities</i> is 50% or more of its total income (disregarding a temporary variation of not more than 5% over the preceding year’s figure), then it should have regard to <i>IPRU(INV)</i> 2.1.2R (4) and give notification to the <i>FCA</i>.</p>
If not, specify type of core business	<p>The <i>firm</i> should specify its core business from the drop-down list.</p> <p>You should select Other if none of the categories is applicable to the <i>firm</i>’s business, e.g. loss assessor, professional services provided by an APF.</p>
Monitoring of Appointed Representatives (‘ARs’)	
Number of ARs registered with the firm as at the end of the reporting period	Total number of ARs for which the <i>firm</i> has regulatory responsibility, as at the end of the reporting period.
Of which, number of ‘secondary’ ARs as at the end of the reporting period	<p>An AR is a secondary AR if:</p> <ul style="list-style-type: none"> • the activities for which it is exempt are limited to <i>insurance mediation activities</i> only; and • its principal purpose is to carry on activities other than <i>insurance mediation activities</i>.
Of which, number of introducer ARs as at the end of the reporting period	See <i>Glossary</i> definition
Number of advisers within ARs as at the end of the reporting period	<p>This should be the total of advisory staff across all of the <i>firm</i>’s <i>appointed representatives</i>. Advisory staff are those that advise <i>customers</i> on the merits of purchasing a particular product.</p> <p>By definition this total will not include staff at introducer ARs.</p>
Does the firm have appropriate systems and procedures in place to ensure that the activities of its ARs are effectively monitored and controlled?	<p>A summary of the <i>firm</i>’s responsibilities under <i>SUP 12</i> is set out under the sub-heading “monitoring of appointed representatives” above.</p> <p>The <i>firm</i> should be able to demonstrate that it has been in compliance with the requirements in <i>SUP 12</i> throughout the reporting period.</p>
Number of ARs that have been subject to monitoring visits by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under <i>SUP 12</i> .
Number of ARs that have been subject to file reviews by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under <i>SUP 12</i> .
Number of ARs that have been subject to financial checks by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under <i>SUP 12</i> .

Has any other monitoring of ARs by the <i>firm</i> taken place?	If the <i>firm</i> uses other methods to fulfil its monitoring responsibilities under SUP 12, you should state 'yes' here.
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Section I **Supplementary product sales data**

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

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

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

(i) **Non-investment insurance product information**

In this section *firms* are asked for aggregate data on their advising and arranging activities (for *non-investment insurance contracts* with *retail customers*). The information required is an indication of the product types in which the *firm* has been active during the reporting period, and a further indication of how significant this activity is (i.e. whether it forms more than 40% by premium of all of the *firm's* retail non-investment insurance activities).

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

Total non-investment insurance premium derived from retail customers (annualised)	Regular policy premiums received for a policy should be reported only once as an annualised figure in the return for the period that covers the date of the sale. There is then no need to report in subsequent returns. An annualised figure is also required if a policy premium is paid in one single payment.
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(ii) **non-investment insurance chains**

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

the following data in this section:

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

[**Note:** Lloyd’s brokers are exempt from the reporting requirement in this section]

Guide for completion of individual fields

(i) non-investment insurance contracts – product information	
Please indicate in column A each product type where the firm has advised or arranged transactions for retail customers during the reporting period	You should indicate in column A for each relevant product.
Please indicate in column B where the firm’s business for retail customers in the product type formed more than 40% by premium of all of its non-investment insurance activities.	You should indicate in column B for each relevant product, based on an estimate of the percentage of business. If you think the product might account for more than 40% of business but are not sure, you should indicate that it does.
(ii) non-investment insurance chains	
Total non-investment insurance premium derived from retail customers	You should state here the total of premiums payable by <i>Retail customers</i> during the reporting period in relation to non- investment insurance products.
Of this business, please indicate in column D where this business is significant (see notes above)	If this business is significant (see definition above) for one or more product types, this should be indicated in column D.
Product types:	The product types in this table are defined in the Interim Prudential sourcebook for insurers (<i>IPRU(INS)</i>).

Section J Data required for calculation of fees

[**Note:** *Home purchase, reversion and regulated sale and rent back activity* should be included under the home finance headings in this section of the *RMAR*]

This information is required so that we can calculate the fees payable by *firms* in respect of the *FCA*, *FOS* and the *FSCS*.

Data for fees calculations	<i>Firms</i> will need to report data for the purpose of
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	calculating <i>FCA</i> , <i>FOS</i> and <i>FSCS</i> levies.
FCA	The relevant information required is the tariff data set out in <i>FEES 4 Annex 1AR Part 3</i> under fee-blocks A.13, A.18 and A.19. Note that <i>firms</i> are required to report tariff data information relating to all business falling within fee blocks A.13/A.18/A.19 and not simply that relating to retail investments.
FOS	The relevant information required is the tariff data set out in <i>FEES 5 Annex 1R</i> industry blocks 8, 9, 16 and 17. Note that <i>firms</i> are required to report tariff data information relating to all business falling within industry blocks 8/9, 16 and 17.
FSCS	The relevant information required is the tariff data set out in classes B2, C2, D2, and E2, <i>FEES 6 Annex 3R</i> . Note that <i>firms</i> are required to report tariff data information relating to all business falling within classes B2, C2, D2 and E2, <i>FEES 6 Annex 3R</i> .

Personal investment firms and *firms* whose regulated activities are limited to one or more of: *insurance mediation activity*, *home finance mediation activity*, or *retail investment activity*, are required to complete section J of the *RMAR*.

Firms which do not yet have data for a full 12 months ending on their *accounting reference date* (for example if they have not traded for a complete financial year by the time of the *accounting reference date*) should complete Section J with an 'annualised' figure based on the actual income up to their *accounting reference date*. That is, such *firms* should pro-rate the actual figure as if the *firm* had been trading for 12 months up to the *accounting reference date*. So for a *firm* with 2 months of actual income of £5000 as at its *accounting reference date*, the 'annualised' figure that the *firm* should report is £30,000.

The *guidance* in the following table sets out the *rules* which related to the data required in Section J of *SUP 16 Annex 18AR*.

	FCA Annual Regulated Income (£s)	FOS Relevant Annual Income (£s)
Home finance Mediation	<i>FEES 4 Annex 11AR, 13G</i>	<i>FEES 5 Annex 1R industry block 16</i>
Non-investment insurance mediation	<i>FEES 4 Annex 11AR, 13G</i>	<i>FEES 5 Annex 1R industry block 17</i>
Life and pensions mediation	<i>FEES 4 Annex 11AR, 13G</i>	<i>FEES 5 Annex 1R industry block 8, 9</i>
Investment	<i>FEES 4 Annex</i>	<i>FEES 5 Annex 1R</i>

mediation	11AR, 13G	industry block 8, 9
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Section K Adviser charges

In this section we are seeking data from *firms* about *adviser charges* in respect of a *firm* providing a *personal recommendation* to a *retail client* on a *retail investment product* (COBS 6.1A and COBS 6.1B). We will use the data we collect to monitor and analyse the way these *firms* comply with the *rules on adviser charges*.

For the purposes of this *guidance* on section K and the field labels used on the data collection form, it has been assumed that the form will be completed on the default accruals basis set out in paragraph 15 in the accounting principles section of this Annex. Where a *firm* elects to report on a cash basis, in accordance with paragraph 15A in the accounting principles section of this Annex, references to the amount due within the reporting period should be read to mean the amount received within the reporting period.

The data in this section should only relate to the provision of a *personal recommendation* by the *firm* to a *retail client* for a *retail investment product* (or any related service provided by the *firm*).

Firms that have *appointed representatives* ('ARs') should include data from their ARs in the information submitted in this section.

Where *firms* are required to report data to two decimal places, *firms* should round the data to two decimal places (using a 5 in the third decimal place to round up) rather than report the data on a truncated basis. For example, two-thirds (2/3) should be reported as 0.67.

If a *firm* exclusively provides *independent advice* or *restricted advice*, the sections of the form not relevant to the *firm* should be left blank. This is illustrated in example 1.

Example 1 – Completing the form where the firm only provides either independent advice or restricted advice

A *firm* that exclusively provides *independent advice* would need to complete sections 1, 3 and 4 (columns A, B and E), leaving section 2 and columns C and D of section 4 blank.

A *firm* that exclusively provides *restricted advice* would need to complete sections 2, 3 and 4 (columns C, D and E), leaving section 1 and columns A and B of section 4 blank.

A *firm* providing both *independent* and *restricted advice* would need to complete sections 1 to 4 as appropriate.

Any revenue reported should be exclusive of VAT levied on the *retail client* (if applicable).

The way retail clients pay an adviser charge (columns A and B for rows 2 to 5 and 7 to 10)

Firms are required to provide a breakdown of the data provided in rows 2 to 5 and 7 to 10 based on the way in which a *retail client* pays their *adviser charge*.

Column A should include data on the *adviser charges* that are paid directly by the *retail client*. This would include, for example, where the *retail client* paid the *firm* directly through a cheque or bank transfer or where a payment was made on behalf of the *retail client* by the *retail client's* lawyer.

Where the *adviser charge* is facilitated by a *retail investment product* provider or *platform service provider*, this should be reported in column B.

Guide for completion of individual fields

In row 1, *firms* should select one of 'Independent/Restricted/Both' to indicate the type(s) of advice provided by the *firm*. *Firms* providing *independent advice* only should then complete sections 1, 3 and 4. *Firms* providing *restricted advice* only should then complete sections 2, 3 and 4. *Firms* providing both *independent advice* and *restricted advice* should complete all four sections.

Retail investment product revenue from adviser charges (rows 2, 3, 7 and 8)

<p>Revenue from all initial <i>adviser charges</i> including initial, one-off and ad hoc <i>adviser charges</i> (rows 2 and 7)</p>	<p><i>Firms</i> should report the total revenue from distinct one-off advice services, being those services that are not covered by an ongoing <i>adviser charge</i>, as at the end of the reporting period. This would include, for example, revenue from initial, one-off and ad hoc <i>adviser charges</i>, irrespective of whether the charge is paid as a single payment or through regular instalments.</p> <p>Where an initial <i>adviser charge</i> is paid through regular instalments, which is only permitted in limited cases (as set out in COBS 6.1A.22R), only the amounts due within the reporting period should be reported. This is illustrated in example 2.</p> <p>Example 2 - Reporting revenue from initial adviser charges payable in instalments</p> <p>A <i>firm</i> giving <i>independent advice</i> provides advice to a <i>retail client</i> about a <i>retail investment product</i> where regular contributions are being made and there is a £600 initial <i>adviser charge</i> payable in two equal amounts – now and in 12 months' time. <i>Firms</i> should report £300 in row 2, as this is the amount due from that <i>retail client</i> within the reporting period. The remaining £300 of the total <i>adviser charge</i> payable would be reported for a future reporting period when it is due from the <i>retail client</i>.</p>
<p>Revenue from ongoing <i>adviser charges</i> (rows 3 and 8)</p>	<p><i>Firms</i> should report the total revenue due within the reporting period for <i>adviser charges</i> for ongoing services which are not initial charges.</p>

Where a *firm* has an agreement to provide both initial and ongoing advice, the revenue for the

initial and ongoing advice services should be reported separately in rows 2 and 3 respectively for *independent advice*, and 7 and 8 for *restricted advice*.

Where a *firm* charges a *retail client* a fee for advice on a *retail investment product* and a *pure protection contract* or mortgage, *firms* should only report the *adviser charge* that relates to the *retail investment product*. This is illustrated in example 3.

Example 3 – Advice in relation to a retail investment product and non-investment product

A *firm* giving *independent advice* charges a *retail client* £1,000 for initial advice in relation to both a *retail investment product* and a *pure protection contract*. *Firms* should only report the *adviser charge* for the investment advice. In this case, the *firm's* charging structure quotes the cost of this investment advice as £600; therefore, £600 should be reported in row 2.

If a *firm* makes a management charge which covers *adviser charges* and charges for services that do not relate to a *personal recommendation on retail investment products*, then it should report the full amount of the management charge received. *Firms* should not differentiate between the amounts relevant to the different services. For example, if a *firm* makes a management charge for a non-discretionary management service that predominantly relates to advice on stocks and shares, but provides *personal recommendations on retail investment products* as part of this service, then it should report the whole of this charge.

If the *adviser charge* is partially paid directly by the *retail client* and partially facilitated by a *retail investment product* provider, the proportion of the *adviser charge* paid through each method should be reported separately on the form in the relevant columns. This is illustrated in example 4.

Example 4 – Reporting adviser charges that are paid by retail clients from more than one source

A *retail client* agrees to pay £1,000 for initial advice provided by a *firm* giving *independent advice* for a single contribution investment. The *retail client* pays £600 directly from their bank account, with £400 facilitated by a *platform service provider*. The form would be completed as follows:

Types of advice provided			A	
1	Indicate the type(s) of advice provided by the <i>firm</i>		Independent	
Section 1 – Independent advice				
			A	B
			<i>Adviser charges paid direct by retail clients</i>	<i>Adviser charges facilitated by product providers or platform service providers</i>
Retail investment products revenue from adviser charges (monetary amount)				
2	Revenue from all initial <i>adviser charges</i> including initial, one-off and ad hoc <i>adviser charges</i>		£600	£400

3	Revenue from ongoing <i>adviser charges</i>			
Payments of initial adviser charges (number)				
4	Aggregate number of initial <i>adviser charges</i> payable as lump-sum payments due from <i>retail clients</i> within the reporting period		0.60	0.40
5	Aggregate sum of the proportion of initial <i>adviser charges</i> , payable through regular instalments, due from <i>retail clients</i> within the reporting period			
Please note: for the purpose of this example, rows 4 to 5 are also completed.				

If a *firm* offsets the *adviser charge* due from the *retail client* with trail commission received from an investment *product provider* for investments held by that *retail client* before 31 December 2012, *firms* should report the total *adviser charge* that is agreed with the *retail client*. This is illustrated in example 5. The conditions under which a *firm* may receive such commission are set out in COBS 6.1A.4AR and there is further guidance at COBS 6.1A.4AAG.

Example 5 – Commission offset against an adviser charge

A *firm* giving *independent advice* enters into an agreement to provide a *retail client* with ongoing advice. The *firm* charges the *retail client* £500 for this ongoing advice, but receives £200 in trail commission for existing investments held by the *retail client*. This trail commission is used to reduce the actual amount due from the *retail client* to £300. *Firms* should report the full £500 *adviser charge* in row 3, as this is the total *adviser charge* agreed with the *retail client*.

Payments of initial adviser charges (rows 4, 5, 9 and 10)

The data reported in this section of the form relates to the number of initial advice services provided within the reporting period, as at the end of the reporting period. This would include the number of services for which there are initial, one-off and ad hoc *adviser charges*. The data provided should be reported to two decimal places.

Aggregate number of initial <i>adviser charges</i> payable as lump sum payments due from <i>retail clients</i> within the reporting period (rows 4 and 9)	<i>Firms</i> should report the total number of initial adviser services provided where the <i>adviser charge</i> is payable as a single payment and due from <i>retail clients</i> in the reporting period, i.e. the <i>retail client</i> pays the entire initial <i>adviser charge</i> in one payment. Data reported in this section should be broken down by the way the <i>adviser charge</i> is paid. Where an individual <i>retail client</i> pays the initial <i>adviser charge</i> through more than one source, the proportion of the total payment made by that individual <i>retail client</i> should be identified and reported as a fraction to two decimal places in the applicable columns, as in
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	<p>example 4 above.</p> <p>If an initial <i>adviser charge</i> is not paid in full, it should be recorded under row 5 where <i>independent advice</i> is provided or row 10 where <i>restricted advice</i> is given.</p>
<p>Aggregate sum of the proportion of initial <i>adviser charges</i>, payable through regular instalments, due from <i>retail clients</i> within the reporting period (rows 5 and 10)</p>	<p>An initial <i>adviser charge</i> may be structured to be payable over a period of time when it relates to a <i>retail investment product</i> for which an instruction from the <i>retail client</i> for regular payments is in place and the <i>firm</i> has disclosed that no ongoing <i>personal recommendations</i> or service will be provided (COBS 6.1A.22R(2)).</p> <p><i>Firms</i> should calculate the proportion of initial <i>adviser charges</i>, payable through regular instalments, that were due from each <i>retail client</i> within the reporting period. Each instalment due within the reporting period should be captured by the <i>firm</i> as a fraction expressed as a decimal, to two decimal places, representing the amount paid off as a proportion of the amount owed. The sum of these proportions should be reported in the appropriate data field (row 5 for <i>independent advice</i> and row 10 for <i>restricted advice</i>) to two decimal places.</p> <p>Data reported in this section should be broken down by the way the <i>adviser charge</i> is paid. Where the <i>retail client</i> pays an initial <i>adviser charge</i> through more than one source, the proportion of the charge paid through each source should be identified and reported in the applicable column.</p> <p>Data for rows 5 and 10 can be calculated either using (1) the length of the repayment period, if these instalments are of equal value or (2) the amount paid. These two methods are outlined below (both methods should arrive at the same answer).</p> <p>(1) For each <i>retail client</i> calculate the number of <i>months</i> in the reporting period in which equal instalments are made divided by the total number of <i>months</i> in which payments are due to be made. Report the sum of the proportions based on payment mechanism and type of advice in the appropriate field.</p> <p>(2) For each instalment calculate the amount paid divided by the total amount due. Report the sum of the proportions based on payment mechanism and type of advice in the appropriate field.</p> <p>This is illustrated in examples 6 and 7.</p>
<p>Example 6 – Reporting the number of initial adviser charges invoiced as regular payments</p> <p>An <i>firm</i> giving <i>independent advice</i> provides advice to <i>retail client</i> A about an investment where regular contributions are being made and a £600 initial <i>adviser charge</i> is payable in</p>	

two equal amounts – now and in 12 months' time. *Firms* should report 0.50 in row 5 for *retail client A*, as half the total initial *adviser charge* was payable within the reporting period. 0.50 would also be reported in a future reporting period, when the remaining *adviser charge* is due from *retail client A*.

The same *firm* provides advice to another *retail client B* about an investment where regular contributions are being made. A £900 initial *adviser charge*, payable in three equal instalments over the next three reporting periods, is agreed. 0.33 would be reported in row 5 for *retail client B*, as one-third of the total initial *adviser charge* is payable as at the end of the reporting period.

Reflecting the agreements with *retail clients A* and *B*, the form would be completed as follows:

Section 1 – Independent advice				
			A	B
			<i>Adviser charges paid direct by retail clients</i>	<i>Adviser charges facilitated by product providers or platform service providers</i>
Retail investment products revenue from adviser charges (monetary amount)				
2	Revenue from all initial <i>adviser charges</i> including initial, one-off and ad hoc <i>adviser charges</i>		£600	
3	Revenue from ongoing <i>adviser charges</i>			
Payments of initial adviser charges (number)				
4	Aggregate number of initial <i>adviser charges</i> payable as lump-sum payments due from <i>retail clients</i> within the reporting period			
5	Aggregate sum of the proportion of initial <i>adviser charges</i> , payable through regular instalments, due from <i>retail clients</i> within the reporting period		0.83	
This example assumes <i>retail clients A</i> and <i>B</i> both paid the <i>adviser charge</i> directly from their bank account.				
Field A2 includes the total due from <i>retail clients A</i> and <i>B</i> as at the end of the reporting period: For <i>retail client A</i> , £300 is due in the reporting period (half the £600 total <i>adviser charge</i> due from <i>retail client A</i>). For <i>retail client B</i> , £300 is due in the reporting period (one-third of the £900 total <i>adviser charge</i> due from <i>retail client B</i>).				
Field A5 includes 0.50 in respect of <i>retail client A</i> and 0.33 in respect of <i>retail client B</i> .				
This example assumes <i>retail clients A</i> and <i>B</i> both paid the <i>adviser charge</i> directly from their bank account.				
Field A2 includes the total due from <i>retail clients A</i> and <i>B</i> as at the end of the reporting period: For <i>retail client A</i> , £300 is due in the reporting period (half the £600 total <i>adviser charge</i> due from <i>retail client A</i>). For <i>retail client B</i> , £300 is due in the reporting period (one-third of the £900 total <i>adviser charge</i> due from <i>retail client B</i>).				
Example 7 – Further example of reporting the number of initial adviser charges invoiced as regular payments				
A <i>firm</i> giving <i>independent advice</i> provides advice to five <i>retail clients</i> about <i>retail investment products</i> where regular contributions are being made. In each case the initial <i>adviser charge</i> agreed is £100 and payable in				

instalments, although in each case the period over which these instalments are made differs. This is shown in the table below.

	Total initial <i>adviser charge</i> to be paid	Total initial <i>adviser charge</i> due in the reporting period	Proportion of initial <i>adviser charge</i> due in the reporting period
Client A	£100	£10	0.10
Client B	£100	£20	0.20
Client C	£100	£10	0.10
Client D	£100	£40	0.40
Client E	£100	£20	0.20
Total	£500	£100	1.00
		(reported in row 2 – or row 7 if <i>restricted advice</i> was provided)	(reported in row 5 – or row 10 if <i>restricted advice</i> was provided)

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

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

<p>Total number of initial advice services, including initial, one-off and ad hoc advice services, provided within the reporting period (rows 6 and 11)</p>	<p><i>Firms</i> should report the total number of distinct, chargeable one-off advice services provided to <i>retail clients</i> during the reporting period. This includes any advice given that was not funded through an ongoing <i>adviser charge</i>, which could include, for example, initial, one-off and ad hoc advice services for which there is a corresponding initial <i>adviser charge</i>.</p> <p>Rows 6 and 11 measure the number of one-off advice services provided to <i>retail clients</i> in the reporting period. Where the same <i>retail client</i> received more than one such advice service, such as an initial advice service and a separate ad hoc advice service that was funded through a separate <i>adviser charge</i>, this should be reported as two one-off advice services.</p> <p>Any advice agreements that were cancelled, with no initial <i>adviser charge</i> being paid, or where any initial charge paid was returned to the <i>retail client</i>, should not be reported. However, any initial advice services where the <i>retail client</i> paid an <i>adviser charge</i> to the adviser, even if the <i>retail client</i> did not act on the recommendations of that adviser, should be reported.</p>
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To illustrate the difference between data reported by an *independent advice firm* in row 6 and that previously provided in rows 4 and 5 (or where *restricted advice* has been provided, the difference between the data reported in row 11 and that previously provided in rows 9 and 10) please see example 8.

Example 8 – Information reported in row 6 compared to that previously reported in rows 4 and 5 where the advice provided is independent, or row 11 compared to rows 9 and 10 for restricted advice

A *firm* provides an initial advice service to five *retail clients* in the reporting period and an ad

hoc advice service to a further two *retail clients* that was not covered by an ongoing *adviser charge*.

Of the five *retail clients* that received an initial advice service, one of these services related to advice on an investment where regular contributions were being made, with the *adviser charge* payable in equal instalments split across two reporting periods.

In all cases, the *retail client* paid the *adviser charge* directly from their bank account and *independent advice* was given by the *firm*.

The table below and supplementary commentary illustrates how the form should be completed:

		A	B
		<i>Adviser charges</i> paid direct by <i>retail clients</i>	<i>Adviser charges</i> facilitated by product providers or <i>platform service providers</i>
Payments of initial adviser charges (number)			
4	Aggregate number of initial <i>adviser charges</i> payable as lump-sum payments due from <i>retail clients</i> within the reporting period	6.00	
5	Aggregate sum of the proportion of initial <i>adviser charges</i> , payable through regular instalments, due from <i>retail clients</i> within the reporting period	0.50	
Number of one-off advice services (number)		A	
6	Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period	7	
Field A4 includes the four initial advice services where the <i>adviser charge</i> is paid as a single payment and the two ad hoc services are also paid as a single payment.			
Field A5 includes the initial advice service where the <i>adviser charge</i> is paid in instalments. The proportion of the <i>adviser charge</i> due as at the end of the reporting period is 0.5.			
Field A6 includes the five initial advice services and the two ad hoc services provided in the reporting period.			
<p>To extend this example into the next reporting period (rp2):</p> <ul style="list-style-type: none"> Assume the same <i>firm</i> provided an initial advice service to four <i>retail clients</i> in the reporting period rp2 but did not provide any ad hoc services to any other <i>retail clients</i>. Each <i>retail client</i> paid the <i>adviser charges</i> for the initial advice services by a lump sum within the reporting period. The <i>retail client</i> that received an initial advice service on an investment where regular contributions were being made in the previous reporting period (rp1), and was paying their <i>adviser charge</i> in two equal instalments across two reporting periods, was due to pay the final instalment within the reporting period rp2. <p>Again assuming all <i>retail clients</i> paid the <i>adviser charge</i> directly from their bank account and <i>independent advice</i> was given by the <i>firm</i>, the form for reporting period rp2 would be completed as follows:</p>			
		A	B
		<i>Adviser charges</i> paid direct by <i>retail clients</i>	<i>Adviser charges</i> facilitated by product providers or <i>platform service providers</i>
Payments of initial adviser charges (number)			

4	Aggregate number of initial <i>adviser charges</i> payable as lump-sum payments due from <i>retail clients</i> within the reporting period		4.00	
5	Aggregate sum of the proportion of initial <i>adviser charges</i> , payable through regular instalments, due from <i>retail clients</i> within the reporting period		0.50	
Number of one-off advice services (number)			A	
6	Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period		4	
Field A4 includes the four initial advice services provided during the reporting period rp2 where the <i>adviser charge</i> is paid as a single payment.				
Field A5 includes the initial advice service provided in the previous reporting period (rp1) where the <i>adviser charge</i> is paid in instalments. The proportion of the <i>adviser charge</i> due as at the end of the reporting period rp2 is 0.5.				
Field A6 includes the four initial advice services provided within the reporting period rp2.				

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

Number of <i>retail clients</i> paying for ongoing advice services at the end of the reporting period (row 12)	<p><i>Firms</i> should report the number of <i>retail clients</i> paying for ongoing advice services (i.e. paying ongoing <i>adviser charges</i>) at the end of the reporting period.</p> <p>This would include any <i>retail clients</i> who have an ongoing adviser charging agreement, even if the <i>adviser charges</i> due are, fully or partially, offset with trail commission received from a <i>retail investment product</i> provider in respect of an investment held by that <i>retail client</i> before 31 December 2012. Any <i>retail clients</i> on a contract entered into before 31 December 2012, whereby the <i>retail client</i> has not entered into an ongoing adviser charging agreement and any ongoing advice received is fully funded through provider commission, should be excluded. Any such commission payments would need to meet the rules in <i>COBS</i> 6.1A.4AR and <i>COBS</i> 6.1A.4AAG.</p>
Number of <i>retail clients</i> who start paying for ongoing advice services during the reporting period (row 13)	<p><i>Firms</i> should report the number of <i>retail clients</i> that started paying for an ongoing advice service (i.e. paying ongoing <i>adviser charges</i>) within the reporting period. This could include:</p> <ul style="list-style-type: none"> • new <i>retail clients</i> to the <i>firm</i> that agreed to start paying for an ongoing advice service; • existing <i>retail clients</i> of the <i>firm</i> that may, for example, have previously received an initial advice service but had started paying for ongoing advice in the reporting period; <p>existing <i>retail clients</i> of the <i>firm</i> that were previously on</p>

	a commission-based agreement established before 31 December 2012, but moved to an adviser charging agreement and started paying ongoing <i>adviser charges</i> in the reporting period.
<i>Number of retail clients</i> who stop paying for ongoing advice services during the reporting period (row 14)	<i>Firms</i> should report the number of <i>retail clients</i> that were paying an <i>adviser charge</i> for ongoing advice during the reporting period, but stopped paying for ongoing advice by the end of the reporting period.

In completing rows 12 to 14, some *firms* may find it easier to report the number of ongoing advice agreements with *retail clients* rather than the number of *retail clients* receiving ongoing advice. For example, if a *firm* has a single advice agreement with a couple, this agreement can be reported as ‘1’ on the return even though, in effect, two *retail clients* are receiving advice. In contrast, if a *firm* has separate advice agreements for each individual member of the couple, this should be reported as ‘2’ on the return.

Types of adviser charging structures (rows 15 – 22)

Firms should provide data for all charging structures which are relevant to their *firm*, with those that are not relevant left blank. The minimum and maximum *adviser charge* reported should be reported to two decimal places.

Some *firms* may operate a range of different *adviser charges* relating to different advice services they offer or the amount invested by a *retail client*, such as 0.25% for a basic ongoing advice service and 0.75% for a premium ongoing service. In this example, 0.25% should be reported as the minimum *adviser charge* in row 20 and 0.75% as the maximum. Likewise, if 0.75% was charged for the first £50,000 under advice and 0.50% for amounts exceeding £50,000 – 0.50% should be reported as the minimum and 0.75% as the maximum.

Where a *firm* charges different hourly rates dependent on which individual in the *firm* undertakes work on behalf of the *retail client*, *firms* should ensure that their typical charging structure reflects, as closely as practicable, the total *adviser charge* the *retail client* will pay. So, for example, where it is unlikely that a *retail client* could simply pay for one hour of a paraplanner’s time, as an adviser would always need to be involved to provide a *personal recommendation*, it would be misleading to quote the paraplanner’s hourly rate as the minimum hourly *adviser charge* levied by the *firm*. Instead the minimum charge should be based on the total *adviser charge* payable for the service as a whole.

The data provided in this section can be based on the *firm*’s published tariff or price lists for disclosing the costs of adviser services to *retail clients* and will only require updating as and when the tariff is updated (although *firms* are required to resubmit this data in every reporting period). The only exception to this will be when the *firm* offers a combined charging structure (reported in rows 18 and 22), such as where there is a fixed fee and also a percentage of investment charge. Under these types of combined charging structure arrangements, *firms* should record the actual minimum and maximum charges charged in the reporting period. For example, where the *firm*’s charging structure is a combination of a fixed fee element and a percentage basis, the *firm* will need to work out what the actual maximum and minimum *adviser charges* charged in the reporting period were in order to report values as a monetary

amount.

Where a *firm* has no range in their charging structure, the minimum and maximum *adviser charges* should be recorded as the same.

Where a *retail client* agrees an initial *adviser charge* for a *retail investment product* for which an instruction for regular contributions is in place and the *adviser charge* is payable in instalments, to complete rows 15 to 22 *firms* should report the total *adviser charge*, even if that advice is paid over different reporting periods. This is illustrated in example 9.

Example 9 – Reporting the adviser charging structures invoiced as regular payments

A *firm* provides advice on a *retail investment product* where regular contributions are being made, with a 2% *adviser charge* payable in three equal instalments over different reporting periods. For the purpose of completing row 16, the *adviser charge* would be 2.00%.

Likewise, if the *adviser charge* was £600 as a fixed fee payable in three equal instalments over different reporting periods, for the purpose of completing row 17, the *adviser charge* would be £600.00.

Where an ongoing *adviser charge* is payable more frequently than once a year (e.g. the ongoing *adviser charge* is payable monthly, quarterly or six-monthly), the annualised amount due from the *retail clients* should be reported in rows 20 and 21. This is illustrated in example 10.

Example 10 – Reporting ongoing adviser charging structures where retail clients pay the ongoing adviser charge on a monthly, quarterly or six-monthly basis

A *firm* charges its *retail clients* between £20 and £50 per month for ongoing advice. For the purpose of completing row 21, the annual amount due from the *firm's retail clients* should be reported. So, in this example, the minimum ongoing *adviser charge* would be £240 and the maximum £600.

Another *firm* charges its *retail clients* a flat 0.5% of assets under advice for providing an ongoing advice service during the year. Even where this charge is levied monthly, quarterly or six-monthly, 0.50% should be reported in row 20.

Part 2: Comes into force on 1 January 2017

16 Reporting requirements

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16.6

...

16.6.10 G ...

- (2) A separate line should be entered for each *rule* breached. For example, a breach of the investment limits in ~~COLL 5.3.11R~~ 5.2.11R that results in incorrect *pricing* of the *scheme* contrary to ~~COLL 6.3.3R~~ should be recorded as two entries, with the same reference.

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Annex K

Amendments to the Compensation sourcebook (COMP)

In this Annex striking through indicates deleted text.

7.2 How does the assignment of rights work?

...

7.2.3A R [deleted] *{Editor's note: the text of this provision has been moved to new COMP 7.5.1R}*

...

7.2.3B R [deleted] *{Editor's note: the amended text of this provision has been moved to new COMP 7.5.2R}*

7.2.3C G [deleted] *{Editor's note: the text of this provision has been moved to new COMP 7.5.3G}*

7.2.3D G [deleted] *{Editor's note: the text of this provision has been moved to new COMP 7.5.4G}*

...

Annex L

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

Comes into force on 13 January 2017

4 Investor relations

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4.5 Reports and accounts

...

4.5.8-A G [deleted]

...

Annex M

Amendments to the Consumer Credit sourcebook (CONC)

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

8 Debt advice

...

8.5 Financial statements and debt repayment offers

...

- 8.5.5 G What are reasonable steps for verification of the identity, income and ~~ougoings~~ outgoings of a *customer* depends on the circumstances of the case and the type of service offered by the *firm*. Estimates of expenditure would be reasonable where precise figures are not readily available. The Common Financial Statement includes expenditure guidelines, but where a *firm* uses the Common Financial Statement or an equivalent or similar statement which includes such guidelines, the use of expenditure guidelines needs to take into account the individual circumstances of the *customer*.

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Annex N

Amendments to the Investment Funds sourcebook (FUND)

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

Comes into force on 5 November 2016

3 Requirements for alternative investment fund managers

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3.11 Depositaries

...

- 3.11.15 G For certain types of closed-ended *AIFs* (such as private equity, venture capital and real estate funds) a wider range of entities than those specified in *FUND* 3.11.10R may perform the relevant *depositary* functions. The *FCA* requires such entities to obtain authorisation as a *depositary* to demonstrate that they can meet the commitments inherent in those functions, but imposes a lower level of capital requirements in recognition of the difficult degree of risk implied by the characteristics of the *AIF*. The capital requirements of such *firms* are contained in *IPRU(INV)* 5 (particularly *IPRU-INV* ~~5.2.3R(a)(ia)~~ 5.4.3R (Own funds requirement)) but if the *firm* also undertakes *MiFID* business, its capital requirements will be contained in *IFPRU* and the *CRR* or in *GENPRU* and *BIPRU* depending on the scope of the *MiFID* business.

[**Note:** recital 34 of *AIFMD*]

Annex O

Amendments to the Regulated Covered Bonds sourcebook (RCB)

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

2 Annex 1D Application for the admission to the register of issuers and register of regulated covered bonds

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Sending the form

Send your application form to us by email to rcb@fca.org.uk. It is our preference for all correspondence to be submitted electronically. If this is not possible your application form may also be submitted by post or by hand to the address below:

Regulated Covered Bonds Team

~~Markets Division~~ Capital Markets, Infrastructure and Trading Firms
Department

The Financial Conduct Authority

25 The North Colonnade

Canary Wharf

London

E14 5HS

...

3 Annex 2D Asset pool notification form

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Sending the form

Send this form to ~~rcb@fca.org.uk~~ rcb@fca.org.uk. It is our preference for all correspondence to be submitted electronically. If this is not possible your form may also be submitted by post or by hand to the address below.

Regulated Covered Bonds Team

~~Markets Division~~ Capital Markets, Infrastructure and Trading Firms Department

The Financial Conduct Authority

25 The North Colonnade

Canary Wharf

London

E14 5HS

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**3 Annex
4D** **Indicative terms form**

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Sending the form

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Regulated Covered Bonds Team

~~Markets Division~~ Capital Markets, Infrastructure and Trading Firms Department

The Financial Conduct Authority

25 The North Colonnade

Canary Wharf

London

E14 5HS

...

**3 Annex
5D** **Issuance form**

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Sending the form

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Regulated Covered Bonds Team

~~Markets Division~~ Capital Markets, Infrastructure and Trading Firms Department

The Financial Conduct Authority

25 The North Colonnade

Canary Wharf

London

E14 5HS

...

**3 Annex
6D** **Cancellation form**

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Sending the form

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Regulated Covered Bonds Team

~~Markets Division~~ Capital Markets, Infrastructure and Trading Firms Department

The Financial Conduct Authority

25 The North Colonnade

Canary Wharf

London

E14 5HS

...

**3 Annex
7AD** **Loan level disclosure form**

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Sending the form

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Regulated Covered Bonds Team

~~Markets Division~~ Capital Markets, Infrastructure and Trading Firms Department

The Financial Conduct Authority

25 The North Colonnade

Canary Wharf

London

E14 5HS

...

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Annex P

Amendments to the Listing Rules sourcebook (LR)

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

App 1 Relevant definitions

App 1.1 Relevant definitions

App 1.1.1 ...

...	...
<i>inside information</i>	as defined in section 118C of the Act <u>described in article 7 of the <i>Market Abuse Regulation</i>.</u>
...	
<i>MAD</i>	<i>Market Abuse Directive</i>.
...	
<i>Market Abuse Directive</i>	Directive of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) (No 2003/6/EC).
<i>Market Abuse Regulation</i>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing the <i>Market Abuse Directive</i> <u>Market Abuse Directive</u> and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.
...	
<i>person discharging managerial responsibilities</i>	as defined in section 96B(1) of the Act <u>article 3(1)(25) of the <i>Market Abuse Regulation</i>.</u>
...	

Annex Q

Amendments to the Prospectus Rules sourcebook (PR)

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

App 3 Schedules and Building Blocks and Table of Combinations of Schedules and Building Blocks

3.1EU ...

	ANNEX XII		INSTRUCTIONS
...			
5.	TERMS AND CONDITIONS OF THE OFFER		
...			
5.3.1	...	...	...

	(iii)	indicate the amount of any expenses and taxes specifically charged to the subscriber or purchase <u>purchaser</u> .	Category C

...

Annex XXV

...	
16.	BOARD PRACTICES
...	
16.4	A statement as to whether or not the issuer complies to <u>with</u> its country's <u>country</u> of incorporation <u>incorporation</u> corporate <u>incorporation</u> <u>corporate</u> governance regime(s). In the event that the issuer does not comply with such a regime, a statement to that effect must be included together <u>together</u> with an explanation regarding why the issuer does not comply with such a regime.