

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

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## Introduction: general notes on the RMAR

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

## Defined terms

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

## Key abbreviations

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

APF	<i>Authorised professional firm</i>
AR	<i>Appointed representative</i>
CAD	The <i>Capital Adequacy Directive</i>
CASS	The Client Assets sourcebook, part of the FSA Handbook
COBS	The New Conduct of Business sourcebook, part of the FSA Handbook
CRED	The Credit unions sourcebook, part of the FSA Handbook
DISP	Dispute resolution: the Complaints sourcebook, part of the FSA Handbook
EEA	The <i>European Economic Area</i>
ICOB	The Insurance: Conduct of Business sourcebook, part of the FSA Handbook
IMD	The <i>Insurance Mediation Directive</i>
IPRU(INV)	The Interim Prudential sourcebook for investment businesses, part of the FSA Handbook
ISD	The <i>Investment Services Directive</i>
LTCI	Long term care insurance
MCOB	The Mortgages: Conduct of Business sourcebook, part of the FSA Handbook
PII	Professional indemnity insurance
MIPRU	The Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries

RMAR	Retail Mediation Activities Return, i.e. the information requirements to which these notes refer.
SUP	The Supervision Manual, part of the FSA Handbook
T&C	Training and competence, part of the FSA Handbook

## Scope

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

(a) *firms* with *permission* to carry on *insurance mediation activity* in relation to *noninvestment 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) *firms* (defined as *retail investment firms*) that have *retail customers*, and have *permission* to carry on the following activities in relation to *retail investments*:

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

(d) *personal investment firms*.

*Retail investments* are defined as:

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

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

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

## Application of RMAR sections

7. *Firms* conducting *home finance providing activity* or *administering a home finance transaction* (including those that carry on an activity that is treated as arranging in COBS – see MCOB 1.2.12) that also conduct the above activities are required to complete the *RMAR* in addition to other data requirements.

8. However, these *firms* are not required to complete all sections of the *RMAR*. Certain data requirements will be de-duplicated because of the separate reporting requirements imposed in relation to other *regulated activities* in the form of the *MLAR*. Broadly, a *firm* that has the *permission* to carry on *home finance providing activity* or *administering a home finance transaction* will not be subject to our proposed data requirements for financial reporting in the *RMAR* (*RMAR* sections A, B, C, D & E) For details, see *SUP* 16.7.

### EEA Firms

9. In accordance with the relevant directives, *incoming EEA firms* are not subject to all reporting requirements. In broad terms, this means that *incoming EEA firms* carrying on *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)
	Section E (professional indemnity insurance)
Threshold conditions	Section F (save in relation to questions about <i>approved persons</i> )
Training & competence	Section G

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

## Authorised professional firms

12. APFs that are subject to *IPRU (INV)* 2.1.3R (for their *investment activity*) or *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*. Section F should also be completed in relation to all *regulated activities*. Other sections (G to I) need not include information in relation to *non-mainstream regulated activities*. However, APFs may complete all sections on the basis of all of their *regulated activities* if this approach is more cost effective.

## Accounting Principles

15. The following principles should be adhered to by *firms* in the submission of financial information (sections A to E).

(a) Unless a rule requires otherwise, amounts to be reported within the *firm's* balance sheet and profit and loss account should be determined in accordance with:

(i) the requirements of all relevant statutory provisions (e.g. Companies Act 1985);

(ii) UK generally accepted accounting practice (UK GAAP) 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) All amounts should be shown in pounds sterling, unless otherwise specified in the *Handbook* (e.g. in *MIPRU* 3.2.7R).

(ii) A *firm* should translate assets and liabilities denominated in other currencies into pounds sterling using the closing mid-market rate of exchange.

(iii) Taxation, when reported at a quarter or half year end, should be based on an estimate of the likely effective tax rate for the year applied to the interim profit or loss arising.

(iv) Balances on *client bank accounts* and related client accounts must not form part of the *firm's* own balance sheet.

(d) No netting is permitted (that is, amounts in respect of items representing assets or income may not be offset against amounts in respect of items representing liabilities or expenditure, as the case may be, or vice versa).

### **Other**

16. You will note that some questions in the RMAR refer to the “last reporting date”. If the RMAR is being completed for the first time, you should treat the date the *firm* became authorised to carry on any of the relevant *regulated activities* as the “last reporting date”, except where otherwise indicated (e.g. in sections E & H).

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

## **NOTES FOR COMPLETION OF THE RMAR**

### **Section A: Balance sheet**

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

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

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

*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.

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

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

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

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

Note: *Home purchase* and *reversion activity* should be included under the existing mortgage headings in this section of the RMAR.

## Section B: 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"> <li>• 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;</li> <li>• for <i>non-investment insurance contracts</i>, it should include commissions received for <i>advising, arranging</i> and <i>dealing</i> activities;</li> <li>• for <i>retail investments</i>, only commission received in relation to the relevant activities should be recorded here.</li> </ul> <p>Gross commissions will include commission that is received and passed on to another <i>person</i>.</p> <p>Where commission is shared between two or more <i>firms</i>, the gross commission should not be double counted, i.e. each <i>firm</i> should report only the commission it has received.</p>
Commissions (net)	<p>This should be the amount of the gross commission figure that is retained by the <i>firm</i> and, where applicable, its <i>appointed representatives</i>, (i.e. not passed on to another <i>person</i>) in respect of each type of business.</p>
Fees	<p>You should record here net income received from <i>customers</i> or other sources on a fixed fee rather than commission basis, but only in respect of the relevant <i>regulated activities</i>.</p>
Other income from regulated activities	<p>You should record here any income that has derived from the relevant <i>regulated activities</i> during the reporting period, which has not been recorded under commissions or fees.</p> <p>Such income may include interest on <i>client money</i>, where the <i>firm</i> is permitted to retain this, or payments made by product providers on a basis other than fees or commissions.</p>
Regulated business revenue	<p>This is the total of the <i>firm's</i> income during the reporting period in relation to its relevant <i>regulated activities</i>.</p> <p>For an <i>insurance intermediary</i> or a <i>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	<p>You should record here any income from other <i>regulated activities</i> outside the scope of the <i>RMAR</i>.</p>
Other Revenue (income from nonregulated activities)	<p>Gross revenue arising from the <i>firm's</i> non-<i>regulated activities</i>, if any, should be entered here.</p>



## Section C: Client Money and assets

Note: *Home purchase* and *reversion activity* should be included under the existing mortgage headings in this section of the RMAR.

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

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

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

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

**Note 3:** *firms* should complete all applicable fields.

### Section C: guide for completion of individual fields

Have any notifiable issues been raised in relation to client money or other assets, either in the firm's last client assets audit report or elsewhere, that have not previously been notified to the FSA?	<i>SUP</i> 3.10 sets out the requirement for auditors to report annually on the <i>firm's</i> systems and controls in relation to <i>client money</i> or <i>custody assets</i> .  Auditors and <i>firms</i> are required to report significant issues to the <i>FSA</i> (see <i>SUP</i> 3.8.10G and <i>SUP</i> 15.3). Therefore, if you answer 'yes' here, you should ensure that the relevant issues are notified to us.
Risk transfer	See CASS 5.2 – holding money as agent of <i>insurance undertaking</i>
Statutory Trust	See CASS 4.2 and 5.3
Non-statutory Trust	See CASS 5.4
Client money credit total as at reporting date	This should be the total of credits on the <i>firm's</i> <i>client money</i> account(s) as at the current date of return. These should be taken from the <i>firm's</i> ledgers.
Client money debit total as at reporting date	This should be the total of any debits on the <i>firm's</i> <i>client money</i> account(s) as at the current date of return. These should be taken from the <i>firm's</i> ledgers.
Net client money balance as at reporting date	This should be the aggregate balance on the <i>firm's</i> <i>client money</i> account(s).
If non-statutory, has auditor's confirmation of systems and controls been obtained?	This refers to the requirement in CASS 5.4.4R(2) that the <i>firm</i> should obtain written confirmation from its auditor that adequate systems and controls are in place.
Is any client money invested (other than on deposit)?	You should indicate 'yes' here if the <i>firm</i> has invested any <i>client money</i> other than in a bank account. See CASS

	5.5.14. (Note: this is only permitted for <i>client money</i> that is held in a nonstatutory trust.)
Does the <i>firm</i> hold any client assets (other than client money)?	If the <i>firm</i> holds client assets and is subject to the requirements of either <i>CASS 2</i> or <i>CASS 5.8</i> , state 'yes' here.

## Section D: Regulatory Capital

Note: *Home purchase* and *reversion activity* should be included under the existing mortgage headings 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*.

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

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

and additionally carries on

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

then a '**higher of**' requirement applies. This is set out in *MIPRU 4.2.5R*, which provides that in these circumstances, the higher of the capital resources requirements relating to the respective activities should apply.

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

(i) *firms* carrying on *home finance mediation activity*, and/or *insurance mediation activity* relating to *non-investment insurance contracts* (the capital requirements are the same for both activities, calculated in section D1);

(ii) *personal investment firms* that carry on *retail investment activities*, but no other *designated investment business*. Capital requirements are calculated in section D2;

(iii) other *personal investment firms*, and *firms* that are subject to *MIPRU*, but are also subject to *IPRU(INV)* or *CRED* (see below). These additional capital requirements are not calculated as part of the *RMAR*.

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

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

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

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

**D1:** in this sub-section, *firms* are required to complete the regulatory capital sections that are applicable for the types of business undertaken. The *personal investment firms* referred to in

(ii) above are required to complete section D2 to arrive at the totals required in D1.

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

## Section D1: guide for completion of individual fields

Is the firm exempt from these capital requirements in relation to any of its retail mediation activities?	<p>The <i>firm</i> should indicate here if any <i>Handbook</i> exemptions apply in relation to the capital requirements in <i>MIPRU</i> or <i>IPRU(INV)</i> Chapter 13. Examples of <i>firms</i> that may be subject to exemptions include</p> <ul style="list-style-type: none"> <li>• Lloyd’s <i>managing agents</i> (<i>MIPRU</i> 4.1.11R);</li> <li>• solo consolidated <i>subsidiaries of banks</i> or <i>building societies</i>;</li> <li>• small <i>credit unions</i> (as defined in <i>MIPRU</i> 4.1.8R); and</li> <li>• <i>investment firms</i> not subject to <i>IPRU(INV)</i> Chapter 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>).</li> </ul>
<b>Home finance and non-investment insurance mediation</b> (see sub paragraph (i) above)	
Base requirement	<p>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.</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 both <i>IPRU(INV)</i> and <i>MIPRU</i> need to be considered, as it is the higher of the requirements that needs to be met (see general notes above).</p>
5% of annual income (firms holding client money)	For <i>firms</i> that hold <i>client money</i> or other <i>client</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>FSA</i> capital requirements (if applicable)	<p>The <i>FSA</i> may from time to time impose additional requirements on individual <i>firms</i>. If this is the case for your <i>firm</i>, you should enter the relevant amount here. This excludes capital requirements in relation to PII, which are recorded below.</p> <p>There may be additional capital requirements imposed on <i>firms</i> that carry on a number of different <i>regulated activities</i>. For example, <i>firms</i> that carry on the activities of <i>home finance providing activity</i> or <i>administering a home finance transaction</i> in addition to <i>home finance mediation activity</i> and/or <i>insurance mediation activity</i>, and are not exempted under <i>MIPRU</i> 4.1.4R, may have an additional requirement under <i>MIPRU</i> 4.2.21R(2).</p>
Additional capital requirements for PII (if applicable)	If the <i>firm</i> has any increased excesses on its PII policies, the total of the additional capital requirements required by the tables in <i>MIPRU</i> 3.2.13R or <i>MIPRU</i> 3.2.14R should be recorded here. See also section E of the RMAR.

TOTAL CAPITAL REQUIREMENT	Appropriate totals from above
TOTAL CAPITAL RESOURCES	This should be the total of capital resources calculated in accordance with <i>MIPRU</i> 4 in this section (D1) for incorporated or unincorporated <i>firms</i> as applicable.  For <i>firms</i> that are additionally subject to <i>IPRU(INV)</i> or <i>CRED</i> , this should be the higher of the amount calculated in this section ('total capital resources') and the financial resources determined by <i>IPRU(INV)</i> or <i>CRED</i> . See <i>MIPRU</i> 4.4.1R.
TOTAL CAPITAL EXCESS/DEFICIT	This should show the amount of capital resources that the <i>firm</i> has in relation to its capital requirement.
<b>IPRU(INV) requirements for personal investment firms (retail investment activities only)</b>	<i>Firms</i> that carry on <i>retail investment activities</i> , but no other <i>designated investment</i> business, are subject to this section. It is populated from section D2 (see sub paragraph (ii) above).
Category of personal investment firm under <i>IPRU(INV)</i>	If the <i>firm</i> is subject to Chapter 13 of <i>IPRU(INV)</i> , it should enter here its firm category as defined in <i>IPRU(INV)</i> Appendix 13(1), i.e. A1, A2, A3, B1, B2 or B3.
Own funds requirement	<b>See Section D2</b> The own funds requirement ('OFR') should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms.  Non- <i>MiFID Firms</i> see section <i>IPRU (INV)</i> 13.10  For a <i>low resource firm</i> , the OFR is always £10,000.
Additional own funds 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 requirements required by <i>IPRU(INV)</i> 13.1.4 should be recorded here. See also section E of the RMAR.
Other <i>FSA</i> capital requirements (if applicable)	The <i>FSA</i> may from time to time impose additional requirements on individual <i>firms</i> . If this is the case for your <i>firm</i> , you should enter the relevant amount here. This excludes capital requirements in relation to PII, which are recorded above.
Total own funds requirement	Appropriate totals from above.
Own funds	<b>See Section D2</b> This field should be filled in using the figure for own funds that is derived from the calculation in Section D2.  Own funds should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms.  Non- <i>MiFID Firms</i> see <i>IPRU (INV)</i> 13.10  Source data for the own funds calculation should be entered in the separate financial resources section for non- <i>MiFID firm</i> .
Surplus/deficit of own funds	<b>See Section D2</b> This field should be filled in using the figure for surplus/deficit that is derived from the calculation in Section D2.  This should show the amount of the <i>firm's</i> own funds in relation to its own funds requirement.
Adjusted net current assets requirement (if applicable)	<b>See Section D2</b> All <i>personal investment firms</i> except <i>low resource firms</i> should at all times have adjusted net current assets of at least

	<p>£1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p>
Adjusted net current assets (if applicable)	<p><b>See Section D2</b>  All <i>personal investment firms</i> except <i>low resource firms</i> should at all times have adjusted net current assets of at least £1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p>This field should be filled in using the figure for adjusted net current assets that is derived from the calculation in Section D2.</p> <p>Adjusted net current assets should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment <i>Firms</i>.</p> <p>Non-MiFID <i>Firms</i> see IPRU (INV)13.11</p>
Surplus/deficit (if applicable)	<p><b>See Section D2</b>  All <i>personal investment firms</i>, except <i>low resource firms</i>, should at all times have adjusted net current assets of at least £1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p>This field should be filled in using the figure for surplus/deficit that is derived from the calculation in section D2 of the data requirements.</p> <p>This shows whether the <i>firm's</i> net current assets are positive.</p>
Expenditure based requirement (if applicable)	<p><b>See Section D2</b>  All <i>personal investment firms</i>, except <i>low resource firms</i>, should calculate their expenditure based requirement ('EBR') in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment <i>Firms</i>.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p>Non-MiFID <i>Firms</i> see IPRU (INV) 13.12</p>
Adjusted Capital/liquid capital (if applicable)	<p><b>See Section D2</b>  This field should be filled in using the figure for adjusted capital/liquid capital that is derived from the calculation in Section D2.</p> <p>Adjusted/liquid capital should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment <i>Firms</i>.</p> <p>Non-MiFID <i>Firms</i> see IPRU (INV) 13.12</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p>
Surplus/deficit (if applicable)	<p><b>See Section D2</b>  This field should be filled in using the figure for surplus/deficit that is derived from the calculation in Section D2.</p> <p>This shows the amount of the <i>firm's</i> adjusted/liquid capital in relation to its expenditure based requirement.</p>

	<i>Low resource firms</i> should enter 'n/a' here.
<b>Eligible capital (mortgage and non-investment insurance)</b>	
<b>Incorporated firms</b>	
Share capital	Share capital in section A which is eligible for inclusion as regulatory capital.
Reserves	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> . 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).
Interim net profits	Interim net profits should be verified by the <i>firm's</i> external auditor, net of tax or anticipated dividends and other appropriations to be included as capital. 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).
Revaluation reserves	Revaluation reserves (unrealised reserves arising from revaluation of fixed assets) can only be included here if audited.
Eligible subordinated loans	Subordinated loans should be included in capital on the basis of the provisions in <i>PRU</i> 9.3.56R and <i>PRU</i> 9.3.57R.
<b>Less</b> 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.
<b>Less</b> intangible assets	Any amounts recorded as intangible assets in section A above should be entered here for deduction.  The balance sheet value for <b>goodwill</b> does not have to be deducted here until 14 January 2008. See <i>MIPRU</i> 4.4.4R
<b>Less</b> interim net losses	Interim net losses should be reported where they have not already been incorporated into audited reserves. The figures do not have to be audited to be included.
<b>Unincorporated firms and limited liability partnerships</b>	
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 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	<i>MIPRU</i> 4.4.5R and 4.4.6G state that a <i>sole trader</i> or <i>partner</i> may use personal assets to cover liabilities incurred in the <i>firm's</i> business unless:  (1) those assets are needed to meet other liabilities arising from: (a) personal activities; or (b) another business activity not regulated by the <i>FSA</i> ; or (2) the <i>firm</i> holds <i>client money</i> or other <i>client</i> assets.  This field may be left blank if the <i>firm</i> is able to satisfy the capital resources requirements without relying on personal assets.
<b>Less</b> intangible assets	Any amounts recorded as intangible assets in section A above should be entered here for deduction.  The balance sheet value for <b>goodwill</b> does not have to be deducted here until 14 January 2008. See <i>MIPRU</i> 4.4.3R
<b>Less</b> 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.
<b>Less</b> 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.

### **Section D2: non-ISD personal investment firms**

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

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

#### **Own Funds (test 1)**

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

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

#### **Adjusted Net Current Assets (test 1A)**

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

- (1) excluding assets which cannot be realised or recovered within twelve months;
- (2) excluding amounts receivable from *connected persons* (to the extent that they are not properly secured, except certain allowable deposits);
- (3) valuing *investments* at current market value.

The resulting balance should be at least £1.



## **Expenditure Based Requirement (test 2)**

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

## **Section E: Professional Indemnity Insurance**

Note: *Home purchase* and *reversion 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. 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 *PRU* and *IPRU* must apply the PII rules outlined in *IPRU(INV)* 13.1.4(1), not *MIPRU* 3.

## Section E: guide for completion of individual fields

### Part 1

<p>Does your firm hold a comparable guarantee or equivalent cover in lieu of PII, or is it otherwise exempt from any holding PII in respect of any regulated activities (tick as appropriate)?</p>	<p>This question will establish whether a <i>firm</i> is exempt from the requirements and so is not required to hold PII.</p> <p>The conditions for comparable guarantees and exemptions from the PII requirements for <i>firms</i> carrying on <b>insurance</b> or <b>home finance mediation</b> are set out in <i>MIPRU</i> 3.1.1R paragraphs (3) to (6).</p> <p><b>Personal investment firms</b> can only be exempted by individual waiver granted by the <i>FSA</i> (unless <i>IPRU(INV)</i> 13.1.5R applies in respect of comparable guarantees).</p> <p>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"> <li>• the <i>firm</i> has a group policy with an insurer; or</li> <li>• the <i>firm</i> has permission for the regulated business that requires PII, but does not currently carry it out; or</li> <li>• 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.</li> </ul> <p><i>Retail investment firms</i> that do not meet the definition of <i>personal investment firm</i> are not required to complete this section of the RMAR.</p>
<p>If the firm does not hold a comparable guarantee or equivalent cover and is not exempt, does the firm currently hold PII?</p>	<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 RMAR.</p>
<p>Has the firm renewed its PII cover since the last reporting date?</p>	<p>This question will ensure that a <i>firm</i> does not fill in PII basic and detailed information 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 RMAR.</p>

### Part 2

At this point, if the *firm* has PII policy details to report, it should do so. You may enter one policy per line in the PII basic information table (up to a maximum of ten) and policy excess and exclusions in the PII detailed information table (up to a maximum of ten per policy).

#### PII Basic information

<p>Activities are covered by the policy?</p>	<p>You should indicate which <i>regulated activities</i> are covered by the <i>firm's</i> PII policy or policies.</p>
<p>If your policy excludes all business activities carried on prior to a</p>	<p>Required terms of PII are set out for <i>personal investment firms</i> in <i>IPRU(INV)</i> 13.1.4 and for <i>mortgage intermediaries</i></p>

<p>particular date (i.e. a retroactive start date), then insert the date here, if not please insert 'n/a'</p>	<p>and general <i>insurance intermediaries</i> in PRU 9.2.10.</p> <p>Examples of a retroactive start date:  (1) A <i>firm</i> has a retroactive start date of 01/01/2005 on its policy if:</p> <ul style="list-style-type: none"> <li>• A client is advised by the <i>firm</i> to purchase an XYZ policy on 01/03/2004 (i.e. before the retroactive start date).</li> <li>• 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).</li> <li>• 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.</li> </ul> <p>Insert '01/01/05' for this question on the RMAR.</p> <p>(2) A <i>firm</i> does not have a retroactive start date if:</p> <ul style="list-style-type: none"> <li>• A client is advised by the <i>firm</i> to purchase an XYZ policy on 01/03/2006.</li> <li>• 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).</li> <li>• The complaint is upheld, but the <i>firm's</i> current PII Insurer will pay out any redress owed by the firm 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.</li> </ul> <p>Insert 'n/a' for this question on the RMAR.</p>
<p>Annualised premium</p>	<p>This should be the annual premium that is paid by the <i>firm</i>, net of tax and any other add-ons.</p>
<p>Insurer name (please select from the drop-down list)</p>	<p>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 'Multiple/Other'.</p>
<p>Start date</p>	<p>The date the current cover began.</p>
<p>End date</p>	<p>The date the current cover expires</p>
<p>Limit of indemnity received</p>	<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 <i>Insurance Mediation Directive (IMD)</i> requirements should state their limit in Euros; those that are not subject to the <i>IMD</i> should select 'Sterling' from the drop-down list.</p> <p><i>Insurance intermediaries</i>, see MIPRU 3.2.7R and select either 'Euros' or 'Sterling' as applicable.  <i>Home finance intermediaries</i> should state their limit in Sterling (see MIPRU 3.2.9R).  For <i>personal investment firms</i>, see IPRU(INV) 13.1.4(2)R and 13.1.4(5)E 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</p>

	<p>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>
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PII detailed information

Business line	<p>Business lines for policy excesses should only be selected for FSA regulated business that you have undertaken in the past or will undertake during the period covered by the policy.</p> <p>Each such business line that has a policy excess should be selected from the drop-down list.</p> <p>If the <i>firm</i> has only one excess for all business lines, then you should select 'All'.</p> <p>If the <i>firm</i> has a policy excess for one specific business line (e.g. Endowments), it should select it from the drop-down list, and in the line beneath select 'All other' for the <i>firm's</i> remaining business lines.</p> <p>If the <i>firm</i> has a policy excess for a business line that is not in the drop-down list, then the most relevant 'other' should be selected.</p>
Policy excess	<p>For <i>insurance intermediaries</i> and <i>home finance intermediaries</i>, see <i>MIPRU</i> 3.2.10-14R. For <i>personal investment firms</i>, see <i>IPRU(INV)</i> 13.1.4E.</p> <p>The amount of the excess relating to the business line selected should be entered here. If the policy has more than ten excesses, you should report only on the ten largest by excess.</p>
Policy exclusions 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)	<p>Select from the drop-down list any exclusions in the <i>firm's</i> PII policy which relate to any types of businesses or activities that the firm has carried out either in the past or during the lifetime of the policy.</p> <p>If the <i>firm</i> has a policy exclusion for a business line that is not in the drop-down list, then the most relevant 'other' should be selected.</p>

Annual income as stated on the most recent proposal form	<p>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 (<i>IPRU(INV)</i> 13.1.3.(3)R). For <i>insurance intermediaries</i> and <i>mortgage 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 (<i>MIPRU</i> 4.3.1R to 4.3.3R).</p>
Amount of additional capital required for increased excess(es) (where applicable, total)	<p>This should be calculated using the tables in <i>IPRU(INV)</i> 13.1.4(12)E or <i>MIPRU</i> 3.2.14-16R as</p>

amount for all PII policies)	applicable. The total of additional capital (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional own funds for PII' in Section D1.
Total 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> 13.1.14(13)R. The total of additional own funds (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional own funds for PII' in section D1.
Total of additional own funds required	<i>Personal investment firms only</i> – this is the same figure as in section D1, representing the total of additional own funds required under <i>IPRU(INV)</i> 13.1.4(8)R to 13.1.4(13)G for all of the <i>firm's</i> PII policies.
Total of readily realisable own funds	<i>Personal investment firms</i> only – you should state here the total of the own funds reported in section D that are classed as 'readily realisable' under the terms of <i>IPRU(INV)</i> 13.1.4(4)R.
Excess/deficit of readily realisable own funds	In this field, enter the result of the 'total of the additional own funds required' less the 'total of readily realisable own funds'.

## Section F: the *threshold conditions*

### Sub-heading: close links

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

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

### Sub-heading: approved persons

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

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

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

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

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

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

## Sub-heading: controllers

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

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

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

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

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

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

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

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

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

## Section F: guide for completion of individual fields

<b>Close Links</b>	
Has there been a notifiable change to the firm's close links?	See <i>SUP 11.9</i> . All <i>firms</i> should have notified the <i>FSA</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>FSA</i> , you should do this now. For detailed <i>guidance</i> on what constitutes a <i>close link</i> , see <i>COND 2.3</i> .
If yes, has the <i>FSA</i> been notified of it?	See <i>SUP 11.9</i> . All <i>firms</i> should have notified the <i>FSA</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>FSA</i> , you should do this now. For detailed <i>guidance</i> on what constitutes a <i>close link</i> , see <i>COND 2.3</i> .
<b>Controllers</b>	
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 <i>SUP 11.4</i> . If there have been any changes in <i>controllers</i> that have not been notified to the <i>FSA</i> , you should do this by means of your usual supervisory channels.
If yes, has the <i>FSA</i> been notified of it?	See <i>SUP 11.4</i> . If there have been any changes in <i>controllers</i> that have not been notified to the <i>FSA</i> , you should do this by means of your usual supervisory channels

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

Note: *Home purchase* and *reversion 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.

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

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

Chapter 2 (specific requirements for particular activities) – for those *firms* indicated in



TC 2.1.1R who are involved in specified activities, such as *advising on investments* or on *home finance transactions* (see, generally, TC 2.1.4R), we have set additional training and competence requirements over and above the Commitments. These extra requirements cover recruitment, training, attaining competence, (in some cases this includes a requirement for individuals to pass an examination), maintaining competence, and the supervision of individuals.

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

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

### Section G: 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 <b>not</b> 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.  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.  Note: in relation to advising on <i>non-investment insurance contracts</i> , this total should <b>not</b> include employees that do not advise <i>retail customers</i> .
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	Note the requirements in the Training & Competence Sourcebook (TC 2.4, 2.6 and 2.7) for employees to be appropriately supervised, and also the competencies that are required for those who supervise others.  If any of these staff carries out supervisory activities in relation

	<p>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 2.1.4R</i> for the detailed training &amp; 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. See, for example, requirements relating to <i>employees</i> engaged in <i>advising a customer on a home finance transaction</i> other than a <i>home finance transaction</i> that the firm has concluded solely for a business purpose (Table <i>TC 2.1.4R (1)(p)</i>), and requirements relating to <i>employees</i> engaged in <i>advising on investments</i> which are <i>packaged products</i> (Table <i>TC 2.1.4R (1)(f)</i>).</p> <p>If staff have qualifications in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
Number of advisers that have left since the last reporting date	<p>This is the total number of advisory staff that have left the <i>firm</i> during the current reporting period.</p> <p>If any of these staff used to carry out advisory activities in relation to more than one business type, they should be counted in each applicable field. The 'total' in the right hand column field should be the actual number of applicable employees, however, rather than a total of the three columns.</p>
What types of advice were provided? (tick all that apply)	<p>If staff provide more than one type of advice, or in relation to more than one business type (i.e. home finance transaction advising, advising on <i>non-investment insurance contracts</i>, or <i>retail investment products</i>), tick all that apply.</p>
Independent (whole of market plus option of fee-only)	<p>To provide independent advice, a <i>firm</i> must consider products from across the whole of the market, and offer its clients the opportunity to pay by fee (<i>MCOB 4.3.7R</i>, <i>COBS 6.2.15R</i>).</p>
Whole of market (without fee-only option)	<p>A <i>firm</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.</p>
On the basis of a fair analysis of the market	<p>A <i>firm</i> gives recommendations on a fair analysis of the market when it has considered a large number of providers in the relevant sector(s) of the market (<i>ICOB 4.2.11R</i>).</p>
Multi-tie / the products of a limited number of providers	<p>A <i>firm</i> provides multi-tie advice when it recommends products</p>

	selected from a limited number of provider firms only.
Single-tie / the products of one provider	A <i>firm</i> provides single-tie advice when it recommends products selected from one provider firm only.

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

Commission is typically paid to advisers in two main ways:

- non-indemnity commission – this is where payments from providers/lenders to advisers are non-refundable should the policy lapse, cancel or be surrendered.
- indemnity commission – this is colloquially 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**'.

<b>Clawed back commission (<i>retail investment firms</i> only)</b>	
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**

Note: *Home purchase* and *reversion activity* should be included under the existing mortgage headings in this section of the RMAR.

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.

**Sub-heading: general COBS data**

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

**Sub-heading: monitoring of *appointed representatives***

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

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

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

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

- (1) the appointment does not prevent the *firm* from satisfying and continuing to satisfy the *threshold conditions*;

(2) the *person*:

- (a) is solvent;
- (b) is suitable to act for the *firm* in that capacity; and
- (c) has no *close links* which would be likely to prevent the effective supervision of the *person* by the *firm*; and

(3) the *firm* has adequate:

- (a) controls over the *person's regulated activities* for which the *firm* has responsibility (see SYSC 3.1); and
- (b) resources to monitor and enforce compliance by the *person* with the relevant requirements applying to the *regulated activities* for which the *firm* is responsible and with which the *person* is required to comply under its contract with the *firm*. Accordingly, *firms* are required to monitor and oversee the activities of their ARs. It is the *firm's* responsibility to be able to demonstrate that it has adequate procedures and resources in place to monitor these activities.

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

## Section H: guide for completion of individual fields

<b>General COBS data</b>	
Do regulated activities form the core business of the firm?	'Core business' for these purposes is the activity from which the largest percentage of the <i>firm's</i> gross income is derived.  Note for an <i>authorised professional firm</i> specifying that its core business is 'professional services': if the <i>firm's</i> income from <i>regulated activities</i> is 50% or more of its total income (disregarding a temporary variation of not more than 5% over the preceding year's figure), then it should have regard to IPRU(INV) 2.1.2R (4) and give notification to the FSA.
If not, specify type of core business	The <i>firm</i> should specify its core business from the drop-down list.  You should select <b>Other</b> if none of the categories is applicable to the <i>firm's</i> business, e.g. loss assessor, professional services provided by an <i>authorised professional firm</i> .
Do you give independent advice?	You should state 'yes' if the <i>firm</i> gives advice on regulated products or services that is independent of product providers or marketing groups.
<b>Monitoring of Appointed Representatives ('ARs')</b>	
Number of ARs registered with the firm	Total number of ARs for which the <i>firm</i> has regulatory responsibility, as at the reporting date.
Of which, number of 'secondary' ARs	An AR is a secondary AR if: <ul style="list-style-type: none"> <li>• the activities for which it is exempt are limited to <i>insurance mediation activities</i> only; and</li> <li>• its principal purpose is to carry on activities other than <i>insurance mediation activities</i>.</li> </ul>
Of which, number of introducer ARs	See <i>Glossary</i> definition

Number of advisers within ARs	This should be the total of advisory staff across all of the <i>firm's appointed representatives</i> . Advisory staff are those that advise <i>customers</i> on the merits of purchasing a particular product.  By definition this total will not include staff at introducer ARs.
Does the firm have appropriate systems and procedures in place to ensure that the activities of its ARs are effectively monitored and controlled?	A summary of the <i>firm's</i> responsibilities under SUP 12 is set out under the sub-heading "monitoring of appointed representatives" above. The <i>firm</i> should be able to demonstrate that it has been in compliance with the requirements in SUP 12 throughout the reporting period.
Number of ARs that have been subject to monitoring visits by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12.
Number of ARs that have been subject to file reviews by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12.
Number of ARs that have been subject to financial checks by the firm during the reporting period.	This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12.
Has any other monitoring of ARs by the <i>firm</i> taken place?	If the <i>firm</i> uses other methods to fulfil its monitoring responsibilities under SUP 12, you should state 'yes' here.

## Section I: supplementary product sales data

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

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

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

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

In this section *firms* are asked for aggregate data on their 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.

<p>Total non-investment insurance premium derived from retail customers (annualised)</p>	<p>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.</p>
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**Sub-heading: (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 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.

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

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

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

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

**Sub-heading: (iv) claims handling**

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

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

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

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



## Section I: guide for completion of individual fields

<b>(i) non-investment insurance contracts - product information</b>	
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.
<b>(ii) non-investment insurance chains</b>	
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 C the products where retail sales were passed up a chain and in column D where this business is significant (see notes above) Please also indicate in column E where the firm has dealt directly with the retail customer within the chain	You should indicate in column C for each product in which transactions have been passed up a chain.  If this business is significant (see definition above) for one or more product types, this should be indicated in column D.  <i>Firms</i> should also indicate in column E the product types for which they transact business in a chain, but directly with the <i>customer</i> .
<b>(iii) dealing as agent</b>	
Number of sales to retail customers during the reporting period where the firm dealt as agent	You should state here the number of sales during the reporting period where the <i>firm</i> dealt as agent of a product provider (i.e. with delegated authority).
Premium paid by retail customers during the reporting period where the firm dealt as agent	You should state here the total value of premiums payable by <i>retail customers</i> during the reporting period, whether annual or one-off, where the <i>firm</i> dealt as agent of a product provider (i.e. with delegated authority).
Of the total of these sales, please indicate in column F the products where the firm dealt as agent, and in column G where this business is significant (see notes above)	You should indicate in column F for each product in which the <i>firm</i> has dealt as agent, and also in column G for each product type where this business is significant.
<b>(iv) claims handling</b>	
If you assist in the administration and performance of contracts of insurance: Please provide: Number of claims handled on behalf of customers during the reporting period	If you are authorised to <i>assist in the administration and performance of a contract of insurance</i> on behalf of <i>customers</i> , you should state here the number of new insurance claims that have been handled on <i>customers'</i> behalf during the reporting period.
<b>(v) Lloyd's brokers - product sales data</b>	
% of regulated business revenue	This should be a summary of the percentages of the <i>firm's</i> revenue in relation to retail, commercial and reinsurance business: <b>Retail:</b> insurance offered to individuals as opposed to commercial entities. <b>Commercial:</b> insurance taken out by a commercial entity (as opposed to an individual). <b>Reinsurance:</b> insurance protection taken out by an insurer

	to limit its aggregation of exposure on business written. Figures may be rounded to the nearest 20%, but the total should be 100%.
Product types:	The product types in this table are defined in the Interim Prudential sourcebook for insurers ('IPRU(INS)')

## Section J: data required for calculation of fees

Note: *Home purchase* and *reversion activity* should be included under the existing mortgage 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 *FSA* and the *FSCS*.

<b>Data for fees calculations</b>	<i>Firms</i> will need to report data for the purpose of calculating <i>FSA</i> , <i>FOS</i> and <i>FSCS</i> levies.
FSA	The relevant information required is the tariff data set out in <i>FEES</i> 4 Annex 1R Part 2 under fee blocks A 12/13, 18 and 19. Note that <i>firms</i> are required to report tariff data information relating to all business falling within fee blocks A18/19 and not simply that relating to retail investments.
FOS	The relevant information required is the tariff data set out in <i>FEES</i> 4 Annex 1R 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 investments.
FSCS	The relevant information required is the tariff data set out in <i>COMP</i> 13.6.9R contribution groups A12/13, <i>FEES</i> 6.5.10R and <i>FEES</i> 6.5.11R. Note that <i>firms</i> are required to report tariff data information relating to all business falling within <i>FEES</i> 6.5.11R and not simply that relating to retail investments.

*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*.

For reporting dates after end February 2008, *firms* should report the information in their year end *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.