NOTES FOR COMPLETION OF

THE RETAIL MEDIATION ACTIVITIES RETURN ('RMAR')

Contents

Introduction: general notes on the RMAR

1. These notes aim to assist *firm*s 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	*Authorised professional firm*
AR	*Appointed representative*
CAD	The *Capital Adequacy Directive*
CASS	The Client Assets sourcebook, part of the Handbook
COBS	The New Conduct of Business sourcebook, part of the FCA Handbook
CRED	The Credit unions sourcebook, part of the Handbook
DISP	Dispute resolution: the Complaints sourcebook, part of the Handbook
EEA	The *European Economic Area*
ICOB	The Insurance: Conduct of Business sourcebook, part of the Handbook
IMD	The *Insurance Mediation Directive*
IPRU(INV)	The Interim Prudential sourcebook for investment businesses, part of the Handbook
ISD	The *Investment Services Directive*
LTCI	Long term care insurance
MCOB	The Mortgages: Conduct of Business sourcebook, part of the 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 Handbook
T&C	Training and competence, part of the Handbook

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

(d) *personal investment firms.*

Retail investment products are defined as:

> (a) a *life policy*; or
> (b) a *unit*; or
> (c) a *stakeholder pension scheme;* or
> (d) a *personal pension scheme*; or
> (e) an interest in an *investment trust savings scheme;* or
> (f) a *security* in an *investment trust*; or
> (g) any other *designated investment* which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in the financial asset; or
> (h) a *structured capital-at-risk product*;
>
> whether or not any of (a) to (h) are held within an *ISA* or a *CTF*.

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 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 (*client money*)
	Section D (capital requirements)
	Section E (professional indemnity insurance)
Threshold conditions	Section F (save in relation to questions about *approved persons*)
Training & competence	Section G
Adviser charges	Section K

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

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 *authorised professional firms* 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, *authorised professional firms* 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 Acts 1985 to 2006, and secondary legislation made under the these Acts) 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 and L 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 and L 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 profitor 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).

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.

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 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, reversion* and *regulated sale and rent back 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)	This should include all commission income in respect of the relevant regulated business: • for *home finance transactions*, this includes commissions received for *advising on home finance transactions* and *arranging*, but not, providing and administration; • for *non-investment insurance contracts* , it should include commissions received for advising, *arranging* and dealing activities; • for *retail investments*, only commission received in relation to the relevant activities should be recorded here. Gross commissions will include commission that is received and passed on to another *person*. Where commission is shared between two or more *firms*, the gross commission should not be double counted, i.e. each *firm* should report only the commission it has received.
Commissions (net)	This should be the amount of the gross commission figure that is retained by the *firm* and, where applicable, its *appointed representatives*, (i.e. not passed on to another *person*) in respect of each type of business.
Fees/ *Adviser charges / Consultancy charges*	You should record here *adviser charges* and *consultancy charges*, and net income received from *customer*s or other sources on a fixed fee rather than commission basis, but only in respect of the relevant *regulated activities*.
Other income from regulated activities	You should record here any income that has derived from the relevant *regulated activities* during the reporting period, which has not been recorded under commissions or fees, *adviser charges* or *consultancy charges*. Such income may include interest on *client money*, where the *firm* is permitted to retain this, or payments made by product providers on a basis other than fees or commissions.
Regulated business revenue	This is the total of the *firm's* income during the reporting period in relation to its relevant *regulated activities*. For an *insurance intermediary* or a *home finance intermediary*, this should be calculated in the same way as 'annual income', as specified in *MIPRU* 4.3.3R (although in this context the period is not generally annual). This *rule* states: "For a firm which carries on *insurance mediation activity* or *home finance mediation activity*, annual income… is the amount of all brokerage, fees, *commissions* and other related income (for example, administration charges, overriders, profit shares) due to the *firm* in respect of or in relation to those activities".
Income from other regulated activities	You should record here any income from other *regulated activities* outside the scope of the *RMAR*.
Other Revenue (income from nonregulated activities)	Gross revenue arising from the *firm*'s non-*regulated activities*, if any, should be entered here.

Section C: Client Money and assets

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.

'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* 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 *insurance mediation activity* in respect of *reinsurance contracts* are exempt from the *client money rules*, and are not therefore required to complete this section 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 this section of the RMAR.

Note 2: 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 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 FCA?	*SUP* 3.10 sets out the requirement for auditors to report annually on the *firm*'s systems and controls in relation to *client money or custody assets*. Auditors and *firms* are required to report significant issues to the *FCA* (see *SUP* 3.8.10G and *SUP*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 *insurance undertaking*
Statutory Trust	*See CASS* 5.3 and *CASS* 7.7
Non-statutory Trust	See *CASS* 5.4
Client money credit total as at reporting date	This should be the total of credits on the *firm*'s *client money* account(s) as at the current date of return. These should be taken from the *firm's* ledgers.
Client money debit total as at reporting date	This should be the total of any debits on the *firm*'s *client money* account(s) as at the current date of return. These should be taken from the *firm's* ledgers.

Net client money balance as at reporting date	This should be the aggregate balance on the *firm*'s *client money* 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 *firm* must obtain and keep current, written confirmation from its auditor that the *firm* has adequate systems and controls in place to meet the requirements under *CASS* 5.4.4R(1).
Is any client money invested (other than on deposit)?	You should indicate 'yes' here if the *firm* has invested any *client money* other than in a bank account. See *CASS* 5.5.14R. (Note: this is only permitted for *client money* that is held in a non-statutory trust.)
Does the *firm* hold any client assets (other than client money)?	If the *firm* holds client assets and is subject to the requirements of *CASS* 5.8 or *CASS* 6, state 'yes' here.

Section D: Regulatory Capital

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.

'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 4.2.5*R, 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?	The *firm* should indicate here if any *Handbook* exemptions apply in relation to the capital requirements in *MIPRU* or *IPRU(INV)* Chapter 13. Examples of *firms* that may be subject to exemptions include • Lloyd's *managing agents* (*MIPRU* 4.1.11R*);* • solo consolidated *subsidiaries of banks* or *building societies*; • small *credit unions* (as defined in *MIPRU* 4.1.8R); and • *investment firms* not subject to *IPRU(INV)* Chapter 13 (unless they additionally carry on *home finance mediation activity* or *insurance mediation activity* relating to *non-investment insurance contracts*).
Home finance and non-investment insurance mediation (see sub paragraph (i) above)	
Base requirement	The minimum capital requirements for *firms* carrying on *home finance mediation activity* and for *insurance mediation activity* relating to *non-investment insurance contracts* are set out in *MIPRU 4.2.11*R. If the *firm* carries on *designated investment business* as well as *home finance mediation activity, insurance mediation activity* or both, requirements under both *IPRU(INV) and MIPRU* need to be considered, as it is the higher of the requirements that needs to be met (see general notes above).
5% of annual income (firms holding client money)	For *firms* that hold *client money* or other *client* assets in relation to *insurance mediation activity* or *home finance mediation activity*, this should be calculated as 5% of the annual income (see *MIPRU* 4.2.11R(2)) from the *firm's insurance mediation activity, home finance mediation activity*, or both.

2.5% of annual income (firms not holding client money)	For *firms* that do not hold *client money* or other *client* assets in relation to *insurance mediation activity* or *home finance mediation activity*, this should be calculated as 2.5% of the annual income (see *MIPRU* 4.2.11R(1)) from the *firm's insurance mediation activity*, *home finance mediation activity*, or both.
Capital requirements (higher of above)	The higher of the base requirement and 5% of annual income (*firms* that hold *client money* or other *client* assets), or the higher of the base requirement and 2.5% of annual income (*firms* that do not hold *client money* or other *client* assets)
Other *FCA* capital requirements (if applicable)	The *FCA* may from time to time impose additional requirements on individual *firms*. If this is the case for your *firm*, you should enter the relevant amount here. This excludes capital requirements in relation to PII, which are recorded below. There may be additional capital requirements imposed on *firms* that carry on a number of different *regulated activities*. For example, *firms* that carry on the activities of *home finance providing activity* or *administering a home finance transaction* in addition to *home finance mediation activity* and/or *insurance mediation activity*, and are not exempted under *MIPRU* 4.1.4R, may have an additional requirement under *MIPRU* 4.2.21R(2).
Additional capital requirements for PII (if applicable)	If the *firm* has any increased excesses on its PII policies, the total of the additional capital requirements required by the tables in *MIPRU* 3.2.13R or *MIPRU* 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 *MIPRU* 4 in this section (D1) for incorporated or unincorporated *firms* as applicable. For *firms* that are additionally subject to *IPRU(INV)* or *CRED*, this should be the higher of the amount calculated in this section ('total capital resources') and the financial resources determined by *IPRU(INV)* or *CRED.* See *MIPRU* 4.4.1R.
TOTAL CAPITAL EXCESS/DEFICIT	This should show the amount of capital resources that the *firm* has in relation to its capital requirement.
IPRU(INV) requirements for personal investment firms (retail investment activities only)	*Firms* that carry on *retail investment activities,* but no other *designated investment* business, are subject to this section. It is populated from section D2 (see sub paragraph (ii) above).
Category of personal investment firm under *IPRU(INV)*	If the *firm* is subject to Chapter 13 of *IPRU(INV)*, it should enter here its firm category as defined in *IPRU(INV)* Appendix 13(1), i.e. A1, A2, A3, B1, B2 or B3.
Own funds requirement	**See Section D2** The own funds requirement ('OFR') should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms. Non-*MiFID Firms* see section *IPRU (INV)* 13.10 For a *low resource firm*, the OFR is always £10,000.
Additional own funds requirement for PII (if applicable)	If the *firm* has increased excesses or exclusions on its PII policies, the total of the additional capital requirements required by *IPRU(INV)* 13.1.4 should be recorded here. See also section E of the RMAR.

Other *FCA* capital requirements (if applicable)	The *FCA* may from time to time impose additional requirements on individual *firms*. If this is the case for your *firm*, 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	**See Section D2** 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-*MiFID Firms* see *IPRU (INV)* 13.10 Source data for the own funds calculation should be entered in the separate financial resources section for non-*MiFID firm*.
Surplus/deficit of own funds	**See Section D2** 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 *firm*'s own funds in relation to its own funds requirement.
Adjusted net current assets requirement (if applicable)	**See Section D2** All *personal investment firms* except *low resource firms* should at all times have adjusted net current assets of at least £1. Low resource firms should enter 'n/a' here.
Adjusted net current assets (if applicable)	**See Section D2** All *personal investment firms* except *low resource firms* should at all times have adjusted net current assets of at least £1. *Low resource firms* should enter 'n/a' here. This field should be filled in using the figure for adjusted net current assets that is derived from the calculation in Section D2. Adjusted net current assets should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment *Firms*. Non-*MiFID Firms* see *IPRU (INV)*13.11
Surplus/deficit (if applicable)	**See Section D2** All *personal investment firms*, except *low resource firms*, should at all times have adjusted net current assets of at least £1. *Low resource firms* should enter 'n/a' here. 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. This shows whether the *firm*'s net current assets are positive.

Expenditure based requirement (if applicable)	**See Section D2** All *personal investment firms*, except *low resource firms*, should calculate their expenditure based requirement ('EBR') in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms. *Low resource firms* should enter 'n/a' here. Non-*MiFID Firms* see *IPRU (INV)* 13.12
Adjusted Capital/liquid capital (if applicable)	**See Section D2** This field should be filled in using the figure for adjusted capital/liquid capital that is derived from the calculation in Section D2. Adjusted/liquid capital should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms. Non-*MiFID Firms* see *IPRU (INV)* 13.12 *Low resource firms* should enter 'n/a' here.
Surplus/deficit (if applicable)	**See Section D2** This field should be filled in using the figure for surplus/deficit that is derived from the calculation in Section D2. This shows the amount of the *firm*'s adjusted/liquid capital in relation to its expenditure based requirement. *Low resource firms* should enter 'n/a' here.
Eligible capital (mortgage and non-investment insurance)	
Incorporated firms	
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 *firm* (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 *parent undertaking*. Any reserves that have not been audited should not be included in this field unless the *firm* is eligible to do so under *MIPRU* 4.4.2R(3).
Interim net profits	Interim net profits should be verified by the *firm's* 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 *firm* is eligible to do so under *MIPRU* 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 *PRU* 9.3.56R and *PRU* 9.3.57R.
Less investments in own shares	Amounts recorded in the balance sheet as investments which are invested in the *firm*'s 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. The balance sheet value for **goodwill** does not have to be deducted here until 14 January 2008. See *MIPRU* 4.4.4R
Less 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.
Unincorporated firms and limited liability partnerships	
Capital of a sole trader or partnership or LLP members' capital	See *MIPRU* 4.4.2R
Eligible subordinated loans	Subordinated loans should be included in capital on the basis of the provisions in *MIPRU* 4.4.7R and *MIPRU* 4.4.8R.
Personal assets not needed to meet non-business liabilities	*MIPRU* 4.4.5R and 4.4.6G state that a *sole trader* or *partner* may use personal assets to cover liabilities incurred in the *firm*'s 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 *appropriate regulator*; or (2) the *firm* holds *client money* or other *client* assets. This field may be left blank if the *firm* is able to satisfy the capital resources requirements without relying on personal assets.
Less intangible assets	Any amounts recorded as intangible assets in section A above should be entered here for deduction. The balance sheet value for **goodwill** does not have to be deducted here until 14 January 2008. See *MIPRU* 4.4.3R
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.

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, 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* and *MIPRU* must apply the PII rules outlined in *IPRU(INV)* 13, not *MIPRU* 3.

Section E: 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 (tick as appropriate)?	This question will establish whether a *firm* is exempt from the requirements and so is not required to hold PII. The conditions for comparable guarantees and exemptions from the PII requirements for *firms* carrying on ***insurance*** or ***home finance mediation*** are set out in *MIPRU* 3.1.1R paragraphs (3) to (6). ***Personal investment firms*** can only be exempted by individual waiver granted by the *FCA* (unless *IPRU(INV)* 13.1.7R applies in respect of comparable guarantees). If the *firm* is required to hold PII – i.e. is not exempt from holding PII – you should enter 'no' in the data field. A *firm* is NOT exempt from holding PII if: • the *firm* has a group policy with an insurer; or • the *firm* has permission for the regulated business that requires PII, but does not currently carry it out; or • it is a *personal investment firm* meeting the exemption requirements for *mortgage intermediaries* and *insurance intermediaries* in *MIPRU* 3. *Retail investment firms* that do not meet the definition of *personal investment firm* are not required to complete this section of the RMAR.
If the firm does not hold a comparable guarantee or equivalent cover and is not exempt, does the firm currently hold PII?	*Firms* are required to take out and maintain PII at all times. You should only enter 'n/a' if the *firm* is exempt from the PII requirements for all the *regulated activities* forming part of the RMAR.
Has the firm renewed its PII cover since the last reporting date?	This question will ensure that a *firm* does not fill in Part 2 of the PII section of the RMAR each time it reports, if the information only changes annually. If the *firm* is reporting for the first time, you should enter 'yes' here and complete the data fields. You should only enter 'n/a' if the *firm* is exempt from the PII requirements for all the *regulated activities* forming part of the RMAR.

Part 2

What activities are covered by the policy(ies)?	You should indicate which *regulated activities* are covered by the *firm'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’	Required terms of PII are set out for *personal investment firms* in *IPRU(INV)* 13.1.5R and for *home finance intermediaries* and *insurance intermediaries* in *MIPRU* 3.2.4R. Examples of a retroactive start date: (1) A *firm* has a retroactive start date of 01/01/2005 on its policy if: • A client is advised by the *firm* to purchase an XYZ policy on 01/03/2004 (i.e. before the retroactive start date). • The client makes a formal complaint about the sale of XYZ policy to the *firm* on 01/04/2006 (i.e. while this PII cover is still in place). • The complaint is upheld, but the *firm's* 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. Insert '01/01/05' for this question on the RMAR. (2) A *firm* does not have a retroactive start date if: • A client is advised by the *firm* to purchase an XYZ policy on 01/03/2006. • The client makes a formal complaint about the sale of XYZ policy to the *firm* on 01/04/2006 (i.e. while this PII cover is still in place). • The complaint is upheld, but the *firm's* 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. Insert 'n/a' for this question on the RMAR.
Annual premium	This should be the annual premium that is paid by the *firm*, net of tax and any other add-ons.

Limit of Indemnity	You should record here the indemnity limits on the *firm's* PII policy or policies, both in relation to single claims and in aggregate. Those firms subject to *Insurance Mediation Directive (IMD)* requirements should state their limit in Euros; those that are not subject to the *IMD* should select 'Sterling' from the drop-down list. *Insurance intermediaries*, see *MIPRU* 3.2.7R and select either 'Euros' or 'Sterling' as applicable. *Home finance intermediaries* should state their limit in Sterling (see *MIPRU* 3.2.9R). For *personal investment firms*, see *IPRU(INV)* 13.1.9R and 13.1.13R and select either 'Euros' or 'Sterling' as applicable. If the *firm* is subject to more than one of the above limits (because of the scope of its *regulated activities*) and has one PII policy for all of its *regulated activities*, 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.
Policy excess	For *insurance intermediaries* and *home finance intermediaries*, see *MIPRU* 3.2.10-14R For *personal investment firms*, 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, *lifetime mortgages*, 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 *firm's* 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, 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, lifetime mortgages, 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 *firm* should select the name of the *insurance undertaking* or Lloyd's syndicate providing cover. If the PII provider is not listed you should select ‘other’ and enter the name of the *insurance undertaking* or Lloyd’s syndicate providing cover in the free-text box. If a policy is underwritten by more than one *insurance undertaking* or Lloyd's syndicate, you should select 'multiple’ and state the names of all the *insurance undertakings* 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 *firm's* most recent PII proposal form. For a *personal investment firm*, this is relevant income arising from all of the *firm's* activities for the last accounting year before the policy began or was renewed (*IPRU(INV)* 13.1.8R). For *insurance intermediaries* and *home finance intermediaries* this is the annual income given in the *firm's* most recent annual financial statement from the relevant *regulated activity* 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 *firm's* PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional own funds for PII' in Section D1.
Amount of additional capital resources required for policy exclusion(s)	*Personal investment firms* only – this should be calculated in line with *IPRU(INV)* 13.1.23R. The total of additional capital resources (i.e. in relation to all of the *firm's* PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional capital resources for PII' in section D1.
Total of additional capital resources required	*Personal investment firms* only – this is the same figure as in section D1, representing the total of additional capital resources required under *IPRU(INV)* 13.1.23R to 13.1.27R for all of the *firm's* PII policies.
Total of readily realisable capital resources	*Personal investment firms* only – you should state here the total of the own funds reported in section D.
Excess/deficit of readily realisable own funds	This field is no longer relevant.

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*').

Sole traders and *firms* which have permission to carry on *retail investment activities* only, or *firms* which have *permission* to carry on only one, or only both of:

- *insurance mediation activity*; or
- *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.

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 *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.

Section F: guide for completion of individual fields

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

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

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.

*Firm*s 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 *firm* 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 *customer* on the merits of a particular product. If staff advise in relation to more than one business type (i.e. *home finance transaction* advising, advising on *non-investment insurance contracts* 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 *non-investment insurance contracts*, this total should **not** include employees that do not advise *retail customers.*
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* 2.1.2R, *TC* 2.1.3G, *TC* 2.1.4G and *TC* 2.1.5R) 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 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.
Number of advisers that have been assessed as competent	This is a subset of the total of 'number of staff that give advice' above. See *TC* Appendix 1.1R for the detailed training & competence requirements relating to individual activities. 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.
Number of advisers that have passed appropriate examinations	This is a subset of the total in 'number of staff that give advice' above. In the case of certain activities, *TC* 2 imposes requirements on *firms* in relation to their *employees* and passing examinations. The relevant activities to which *TC* applies and require *employees* to obtain appropriate qualifications can be found in *TC* Appendix 1. Then appropriate qualifications for these activities can be found in *TC* Appendix 4E. 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.
Number of advisers that have left since the last reporting date	This is the total number of advisory staff that have left the *firm* during the current reporting period. 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.
What types of advice were provided?	For each type of advice, the *firm* should indicate whether or not staff have provided advice on that basis / business type. In relation to their *home finance mediation activities*¸ *firms* are not required by *MCOB* 4.4A to use a label to describe the service they provide to *customers*. In filling out this section they should simply answer 'no' for each category relating to their *home finance mediation activities*.

Independent	For a *retail investment firm* to provide *independent advice* its *personal recommendations* must be based on a comprehensive and fair analysis of the relevant market, and be unbiased and unrestricted (*COBS* 6.2A.3R).
Independent (whole of market plus option of fee-only)	To hold itself out as acting independently, a *firm* carrying on *home finance mediation activity* must consider products from across the whole of the market, and offer its clients the opportunity to pay by fee.
Whole of market (without fee-only option)	A *firm* carrying on *home finance mediation activity* 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 *insurance intermediary* informs a *customer* 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 *contracts of insurance* available on the market to enable it to make a recommendation, in accordance with professional criteria, regarding which *contract of insurance* would be adequate to meet the *customer's* needs. (See *ICOBS* 5.3.3R, see also *ICOBS* 4.1.6R and *ICOBS* 4.1.8G).
Restricted /Multi-tie (the products of a limited number of providers)	A *firm* provides advice on products selected from a limited number of provider firms. *Restricted advice* applies to advice on *retail investment products*. Multi-tie applies to *insurance mediation activity* and *home finance mediation activity*.
Restricted /Single-tie (the products of one provider)	A *firm* provides advice on products selected from one provider firm only. *Restricted advice* applies to advice on *retail investment products*. Single-tie applies to *insurance mediation activity* and *home finance mediation activity*.
Restricted (limited types of products)	A *firm* provides advice on limited types of products.

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**'.

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.

*Firm*s 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

General COBS data	
Do regulated activities form the core business of the firm?	'Core business' for these purposes is the activity from which the largest percentage of the *firm*'s gross income is derived. Note for an *authorised professional firm* specifying that its core business is 'professional services': if the *firm's* income from *regulated activities* 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 *FCA*.
If not, specify type of core business	The *firm* should specify its core business from the drop-down list. You should select **Other** if none of the categories is applicable to the *firm*'s business, e.g. loss assessor, professional services provided by an *authorised professional firm*.
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 *firm* 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	An AR is a secondary AR if: • the activities for which it is exempt are limited to *insurance* *mediation activities* only; and • its principal purpose is to carry on activities other than *insurance mediation activities*.
Of which, number of introducer ARs as at the end of the reporting period	See *Glossary* definition

Number of advisers within ARs as at the end of the reporting period	This should be the total of advisory staff across all of the *firm*'s *appointed representatives.* Advisory staff are those that advise *customers* 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 *firm*'s responsibilities under *SUP* 12 is set out under the sub-heading "monitoring of appointed representatives" above. The *firm* 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 *firms* 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 *firms* 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 *firms* with ARs may fulfil their responsibilities under *SUP* 12.
Has any other monitoring of ARs by the *firm* taken place?	If the *firm* 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 *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.

*Firm*s 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.

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.

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 that 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.

Section I: 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 *Retail customers* 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 ('*IPRU(INS)*')

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	*Firms* will need to report data for the purpose of calculating *FCA*, *FOS* and *FSCS* levies.
FCA	The relevant information required is the tariff data set out in *FEES* 4 Annex 1AR Part 3 under fee-blocks A.13, A.18 and A.19. Note that *firms* 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 *FEES* 5 Annex 1R industry blocks 8, 9, 16 and 17. Note that *firms* 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, *FEES* 6 Annex 3R. Note that *firms* are required to report tariff data information relating to all business falling within classes B2, C2, D2 and E2, *FEES* 6 Annex 3R.

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)	FSCS Annual Eligible Income (£s)
Home finance Mediation	*FEES* 4 Annex 11AR, 13G	*FEES* 5 Annex 1R industry block 16	*FEES* 6 Annex 3R sub-class E2

Non-investment insurance mediation	*FEES* 4 Annex 11AR, 13G	*FEES* 5 Annex 1R industry block 17	*FEES* 6 Annex 3R sub-class B2
Life and pensions mediation	*FEES* 4 Annex 11AR, 13G	*FEES* 5 Annex 1R industry block 8, 9	*FEES* 6 Annex 3R sub-class C2
Investment mediation	*FEES* 4 Annex 11AR, 13G	*FEES* 5 Annex 1R industry block 8, 9	*FEES* 6 Annex 3AR sub-class D2

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

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

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

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

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

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

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

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

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

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

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

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

Guide for completion of individual fields

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

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

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

Where a *firm* has an agreement to provide both initial and ongoing advice, the revenue for the initial and ongoing advice services should be reported separately in rows 2 and 3 respectively for *independent advice,* and 7 and 8 for *restricted advice*.

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

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

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

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

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

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

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

Types of advice provided

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

Section 1 - Independent advice

		A	B
		Adviser charges paid direct by *retail clients*	*Adviser charges* facilitated by product providers or *platform service providers*
	Retail investment products revenue from adviser charges (monetary amount)		
2	Revenue from all initial *adviser charges* including initial, one-off and ad hoc *adviser charges*	£600	£400
3	Revenue from ongoing *adviser charges*		
	Payments of initial adviser charges (number)		
4	Aggregate number of initial *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period	0.60	0.40
5	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period		

Please note: for the purpose of this example, rows 4 to 5 are also completed.

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

Example 5 – Commission offset against an adviser charge

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

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

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

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

(2) For each instalment calculate the amount paid divided by the total amount due. Report the sum of the proportions based on payment mechanism and type of advice in the appropriate field.

This is illustrated in examples 6 and 7.

Example 6 – Reporting the number of initial adviser charges invoiced as regular payments

An *firm* giving *independent advice* provides advice to *retail client* A about an investment where regular contributions are being made and a £600 initial *adviser charge* is payable in two equal amounts – now and in 12 *months*' time. *Firms* should report 0.50 in row 5 for *retail client* A, as half the total initial *adviser charge* was payable within the reporting period. 0.50 would also be reported in a future reporting period, when the remaining *adviser charge* is due from *retail client* A.

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

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

Section 1 - Independent advice

		A	B
		Adviser charges paid direct by *retail clients*	*Adviser charges* facilitated by product providers or *platform service providers*
Retail investment products revenue from adviser charges (monetary amount)			
2	Revenue from all initial *adviser charges* including initial, one-off and ad hoc *adviser charges*	£600	
3	Revenue from ongoing *adviser charges*		
Payments of initial adviser charges (number)			
4	Aggregate number of initial *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period		
5	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period	0.83	

This example assumes *retail clients* A and B both paid the *adviser charge* directly from their bank account.
Field A2 includes the total due from *retail clients* A and B as at the end of the reporting period:.
For *retail client A*, £300 is due in the reporting period (half the £600 total *adviser charge* due from *retail client* A).
For *retail client* B, £300 is due in the reporting period (one-third of the £900 total *adviser charge* due from *retail client* B).
Field A5 includes 0.50 in respect of *retail client* A and 0.33 in respect of *retail client* B.

Example 7 – Further example of reporting the number of initial adviser charges invoiced as regular payments

A *firm* giving *independent advice* provides advice to five *retail clients* about *retail investment products* where regular contributions are being made. In each case the

	initial *adviser charge* agreed is £100 and payable in instalments, although in each case the period over which these instalments are made differs. This is shown in the table below. <table><tr><th></th><th>Total initial *adviser charge* to be paid</th><th>Total initial *adviser charge* due in the reporting period</th><th>Proportion of initial *adviser charge* due in the reporting period</th></tr><tr><td>Client A</td><td>£100</td><td>£10</td><td>0.10</td></tr><tr><td>Client B</td><td>£100</td><td>£20</td><td>0.20</td></tr><tr><td>Client C</td><td>£100</td><td>£10</td><td>0.10</td></tr><tr><td>Client D</td><td>£100</td><td>£40</td><td>0.40</td></tr><tr><td>Client E</td><td>£100</td><td>£20</td><td>0.20</td></tr><tr><td>Total</td><td>£500</td><td>**£100**</td><td>**1.00**</td></tr><tr><td></td><td></td><td>(reported in row 2 – or row 7 if *restricted advice* was provided)</td><td>(reported in row 5 – or row 10 if *restricted advice* was provided)</td></tr></table> In this example, £100 would be reported in row 2, as this is the amount due from *retail clients* in the reporting period. In row 5, the *firm* should report 1.00 as this is the sum of the proportion of initial *adviser charges*, payable through regular instalments, that are due from these *retail clients* in the reporting period.

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

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

To illustrate the difference between data reported by an *independent advice firm* in row 6 and that previously provided in rows 4 and 5 (or where *restricted advice* has been provided, the difference between the data reported in row 11 and that previously provided in rows 9 and 10) please see example 8.

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

A *firm* provides an initial advice service to five *retail clients* in the reporting period and an ad hoc advice service to a further two *retail clients* that was not covered by an ongoing *adviser charge*.

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

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

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

		A	B
		Adviser charges paid direct by *retail clients*	*Adviser charges* facilitated by product providers or *platform service providers*
	Payments of initial adviser charges (number)		
4	Aggregate number of initial *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period	6.00	
5	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period	0.50	

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

Field A4 includes the 4 initial advice services where the *adviser charge* is paid as a single payment and the two ad hoc services are also paid as a single payment.

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

Field A6 includes the 5 initial advice services and the 2 ad hoc services provided in the reporting period.

To extend this example into the next reporting period (rp2):

- Assume the same *firm* provided an initial advice service to four *retail clients* in the reporting period rp2 but did not provide any ad hoc services to any other *retail clients*.
- Each *retail client* paid the *adviser charges* for the initial advice services by a lump sum within the reporting period.
- The *retail client* that received an initial advice service on an investment where regular contributions were being made in the previous reporting period (rp1), and was paying their *adviser charge* in two equal instalments across two reporting periods, was due to pay the final instalment within the reporting period rp2.

Again assuming all *retail clients* paid the *adviser charge* directly from their bank account and *independent advice* was given by the *firm*, the form for reporting period rp2 would be completed as follows:

		A	B
		Adviser charges paid direct by *retail clients*	*Adviser charges* facilitated by product providers or *platform service providers*
	Payments of initial adviser charges (number)		
4	Aggregate number of initial *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period	4.00	
5	Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period	0.50	

		A
	Number of one-off advice services (number)	
6	Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period	4

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

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

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

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

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

Number of *retail clients* paying for ongoing advice	*Firms* should report the number of *retail clients* paying for ongoing advice services (i.e. paying ongoing *adviser charges*) at

services at the end of the reporting period (row 12)	the end of the reporting period. This would include any *retail clients* who have an ongoing adviser charging agreement, even if the *adviser charges* due are, fully or partially, offset with trail commission received from a *retail investment product* provider in respective of an investment held by that *retail client* before 31 December 2012. Any *retail clients* on a contract entered into before 31 December 2012, whereby the *retail client* has not entered into an ongoing adviser charging agreement and any ongoing advice received is fully funded through provider commission, should be excluded. Any such commission payments would need to meet the rules in *COBS* 6.1A.4AR and *COBS* 6.1A.4AAG.
Number of *retail clients* who start paying for ongoing advice services during the reporting period (row 13)	*Firms* should report the number of *retail clients* that started paying for an ongoing advice service (i.e. paying ongoing *adviser charges*) within the reporting period. This could include: • new *retail clients* to the *firm* that agreed to start paying for an ongoing advice service; • existing *retail clients* of the *firm* that may, for example, have previously received an initial advice service but had started paying for ongoing advice in the reporting period; • existing *retail clients* of the *firm* that were previously on a commission-based agreement established before 31 December 2012, but moved to an adviser charging agreement and started paying ongoing *adviser charges* in the reporting period.
Number of retail clients who stop paying for ongoing advice services during the reporting period (row 14)	*Firms* should report the number of *retail clients* that were paying an *adviser charge* for ongoing advice during the reporting period, but stopped paying for ongoing advice by the end of the reporting period.

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

Types of adviser charging structures (rows 15 – 22)

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

If a *firm* has more than one charging structure, it should report all charging structures and indicate what the typical charging structure is for initial and ongoing services. A *firm* should therefore indicate, as appropriate, at least one initial and one ongoing adviser charging structure that is representative of that most commonly used by the *firm*. If the adviser charging structures typically offered are split evenly between the different charging types (per hour, percentage of investment, fixed fee or combined) for initial and/or ongoing advice services, answer 'yes' for the charging structures that are relevant.

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

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

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

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

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

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

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

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

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

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

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

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