INTEGRATED REGULATORY REPORTING (AMENDMENT NO 13) INSTRUMENT 2012

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 138 (General rule-making power);
(2) section 156 (General supplementary powers); and
(3) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 27 April 2012.

Amendments to the Handbook

D. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Integrated Regulatory Reporting (Amendment No 13) Instrument 2012.

By order of the Board
26 April 2012

Annex

Amendments to the Supervision manual (SUP)

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

16 Annex 18BG NOTES FOR COMPLETION OF THE RETAIL MEDIATION ACTIVITIES RETURN ('RMAR')

…

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 *FSA* as a basis for its supervision activities. It also has the purpose set out in paragraph ~~16.7.3G~~ 16.12.2G of the Supervision Manual, i.e. to help the *FSA* to monitor *firms'* capital adequacy and financial soundness.

...

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:

…

~~**Application of RMAR sections**~~

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

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

…

Accounting Principles

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

…

(c) (i) With the exception of section J, and sections K and L from 31 December 2012, all ~~All~~ amounts should be shown in ~~pounds sterling~~ 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 ~~pounds sterling~~ the chosen reporting currency using the closing mid-market rate of exchange.

…

Section B: Profit & Loss Account

…

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

…

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 ~~*reinsurance mediation*~~ *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 ~~(unless, in the case of reinsurance mediation, the *firm* has made an election under *CASS* 5.1.1R(3)(a))~~. 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* ~~*firms*~~ *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 ~~their~~ its *designated professional body* as specified in *CASS* 5.1.4R, and if

~~they do~~ it does so, ~~they~~ it will be deemed to comply with ~~the relevant sections of~~ *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 FSA?	*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 *FSA* (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* ~~4.2 and~~ 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* ~~should~~ must obtain and keep current, written confirmation from its auditor that the *firm* has adequate systems and controls ~~are~~ 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 ~~either *CASS* 2 or~~ *CASS* 5.8 or *CASS* 6, state 'yes' here.

…

Section E: Professional Indemnity Insurance

…

Part 2

~~At this point, if the *firm* has PII policy details to report, it should do so by clicking on the 'add PII policy' button in the summary screen. This will then prompt you to name the sub-section, e.g. 'policy1'. You may also add further sub-sections if the *firm* has two or more policies (up to a maximum of ten).~~

…

Section F: the *threshold conditions*

Sub-heading: close links

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

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

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

…

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

…

(3) an existing *controller* increasing or decreasing a *kind of control* which he already has so that the percentage of shares or *voting power* concerned becomes or ceases to be equal to or greater than 20%, ~~33~~30% or 50%;

…

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

…

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

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

~~Chapter 2 (specific requirements for particular activities) – for those *firms* indicated in *TC* 2.1.1R who are involved in specified activities, such as *advising on investments* or on *home finance transactions* (see, generally, *TC* 2.1.4R), we have set additional training and~~

~~competence requirements over and above the Commitments. These extra requirements cover recruitment, training, attaining competence, (in some cases this includes a requirement for individuals to pass an examination), maintaining competence, and the supervision of individuals.~~

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

…

Section G: guide for completion of individual fields

…	
Number of staff that supervise others to give advice	Note the requirements in the Training & Competence Sourcebook (~~*TC* 2.4, 2.6 and 2.7~~ <u>*TC* 2.1.2R, *TC* 2.1.3G, *TC* 2.1.4G and *TC* 2.1.5R</u>) 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* ~~2.1.4R~~ <u>Appendix 1.1R</u> 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. ~~See, for example, requirements relating to *employees* engaged in *advising* a *customer on* a *regulated mortgage contract* for a non-business purpose (*TC* Appendix 1.1.1(20)), and requirements relating to *employees* engaged in *advising on investments* which are *packaged products* (*TC* appendix 1.1.1(4)).~~ <u>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.</u> 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.
…	
On the basis of a fair analysis of the market	A *firm* gives recommendations on a fair analysis of the market when it has considered a sufficiently large number of ~~providers in the relevant sector(s) of~~ *contracts of insurance* available on the market (~~*ICOB* 4.2.11R~~ *ICOBS* 5.3.3R).
…	

…

Section H: guide for completion of individual fields

…	
~~Do you give independent advice?~~	~~You should state 'yes' if the *firm* gives advice on regulated products or services that is independent of product providers or marketing groups.~~
…	

…

Section I: guide for completion of individual fields

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

	~~business:~~ ~~**Retail**: insurance offered to individuals as opposed to commercial entities.~~ ~~**Commercial**: insurance taken out by a commercial entity (as opposed to an individual).~~ ~~**Reinsurance**: insurance protection taken out by an insurer to limit its aggregation of exposure on business written.~~ ~~Figures may be rounded to the nearest 20%, but the total should be 100%.~~
…	

Section J: data required for calculation of fees

…

Data for fees calculations	*Firms* will need to report data for the purpose of calculating *FSA*, *FOS* and *FSCS* levies.
FSA	The relevant information required is the tariff data set out in *FEES* 4 Annex 1R Part 2 under fee blocks <u>A.12, A.13,</u> A<u>.</u>18 and <u>A.</u>19 and, in respect of fee-blocks A.12 and A.13, the tariff data set out under the definition of “annual income” in Section J of *SUP* 16 Annex 18AR as read together with the guidance on calculating and apportioning annual income below. Note that *firms* are required to report tariff data information relating to all business falling within fee blocks A.12/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 and, in respect of industry blocks 16 and 17, the tariff data set out under the definition of “annual income” in Section J of *SUP* 16 Annex 18AR as read together with the guidance on calculating and apportioning annual income below.. 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 sub-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 <u>sub-classes B2, C2, D2 and E2,</u> *FEES* 6 Annex 3R ~~and not simply that relating to retail investments~~.

…

F~~or reporting dates after end February 2008, *firms* should report the information in their year end *RMAR*.~~ *Firms* which do not yet have data for a full 12 months ending on their *accounting reference date* (for example if they have not traded for a complete financial year by the time of the *accounting reference date*) should complete Section J with an 'annualised' figure based on the actual income up to their *accounting reference date*. That is, such *firms* should pro-rate the actual figure as if the *firm* had been trading for 12 months up to the *accounting reference date*. So for a *firm* with 2 months of actual income of £5000 as at its *accounting reference date*, the 'annualised' figure that the *firm* should report is £30,000.

16 Annex 24R Data items for SUP 16.12

…

FSA018 UK Integrated Groups – large exposures

Exposures at the reporting date to the diverse blocks and residual block

		A
1	~~Identify the Integrated Group~~ [deleted]	

…

…

FSA028 Non-EEA sub-groups

		Yes/No
27	Do you have a non-EEA sub-group which you are reporting on behalf of?	

If the answer to 27~~A~~ above is ~~no~~ 'No', then you do not have to complete any more of this data item, but it still needs to be submitted to the FSA.

1	Is your non-EEA sub-group reporting requirement satisfied by a UK consolidated reporting requirement FSA003~~/FSA009~~?	

If the answer to 1~~A~~ is *'Yes'*, you do not have to complete the rest of this data item.

2	Is your non-EEA sub-group reporting requirement satisfied by a UK consolidation group FSA003~~/FSA009~~?	
~~3~~	~~If the answer to 2A is '*Yes*', what is the reference number of the UK consolidation group?~~	

…

…

16 Annex 25G Guidance notes for data items in SUP 16 Annex 24R

…

FSA003 – Capital Adequacy validations

Internal validations

…

Validation number	Data element		
…			
122	144A	=	108A = 0 then 144A = 0, else 144A = 15A - 108A - 142A
123	145A	=	109A = 0 then 145A = 0, else 145A = 57A - 109A – 142A

…

FSA004 – Credit risk

…

Column F

Firms should report here ~~any other credit valuation adjustments for the given exposure class~~ fair value adjustments which do not relate to impairments. An example is: if a firm makes an acquisition, then the firm must make a fair value adjustment for the acquired entity. The fair value adjustment is triggered by the acquired firm's assets being valued at current fair value as a result of the acquisition. The acquired assets can be any type of asset where held on an amortised cost accounting basis.

FSA004 – Credit risk validations

Internal validations

…

Validation number	Data element		
…			
24	~~21A~~	≥	~~22A + 39A~~ [deleted]
25	~~21B~~	≥	~~22B + 39B~~ [deleted]
26	~~21C~~	≥	~~22C + 39C~~ [deleted]
27	~~21D~~	≥	~~22D + 39D~~ [deleted]
28	~~21E~~	≥	~~22E + 39E~~ [deleted]
29	~~21F~~	≥	~~22F + 39F~~ [deleted]
38	~~31A~~	≥	~~32A + 40A~~ [deleted]
39	~~31B~~	≥	~~32B + 40B~~ [deleted]
40	~~31C~~	≥	~~32C + 40C~~ [deleted]
41	~~31D~~	≥	~~32D + 40D~~ [deleted]

42	~~31E~~	≥	~~32E + 40E~~ [deleted]
43	~~31F~~	≥	~~32F + 40F~~ [deleted]
…			

…

FSA018 UK Integrated Groups – large exposures

…

General

1 ~~Identify the UK integrated group~~

~~[To follow]~~ [deleted]

…

FSA028 – Non-EEA sub-groups

…

1A Is your non-EEA sub-group reporting requirement satisfied by your solo-consolidated FSA003~~/FSA009~~?

The diagrams in *BIPRU* 8 Annex 3G, in conjunction with *BIPRU* 8.3, should assist firms in identifying those circumstances when a *non-EEA sub-group* exists and when a solo-consolidated FSA003 ~~or FSA009~~ will satisfy the reporting requirement. Firms should answer Yes or No. Firms answering Yes do not need to complete the rest of the data elements.

2A Is your non-EEA sub-group reporting requirement satisfied by your UK consolidation group FSA003~~/FSA009~~?

The diagrams in *BIPRU* 8 Annex 3G, in conjunction with *BIPRU* 8.3, should assist firms in identifying those circumstances when a *UK consolidation group* exists and when a *UK consolidation group* FSA003 ~~or FSA009~~ will satisfy the reporting requirement. Firms should answer Yes or No. Firms answering Yes should complete 3A, and then do not need to complete the rest of the data elements.

3A ~~If the answer to 2A is 'Yes', what is the reference number of the UK consolidation group~~

~~Firms should enter the reference number used for the submission of the UK consolidation group FSA003/FSA009.~~ [deleted]

…

FSA038 – Volumes and Type of Business

…

Delegation and extent of delegation

…

(c) Funds under management should include the value of those parts of the managed portfolios in respect of which the responsibility for the discretionary management has been formally delegated **to** the *firm* (including delegations from non FSA regulated and non-UK firms).

…

Value of derivatives

The value of derivative instruments and other assets is calculated as the fair value (i.e. on a mark-to-market basis). This is not the exposure value. If the *firm* is managing an overlay portfolio where the *firm* does not manage the underlying assets, the *firm* should report the combined fair value of the overlay and the underlying investment portfolio.

…