

**CONDUCT OF BUSINESS SOURCEBOOK (PLATFORMS) (AMENDMENT)
INSTRUMENT 2013**

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers); and
 - (c) section 139A (Power of the FCA to give guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. Annex B to this instrument comes into force on 1 May 2013.
- D. Annex A and Annex C to this instrument come into force on 6 April 2014.

Amendments to the Handbook

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

Notes

- G. In Annex B to this instrument, the “note” (indicated by “**Note:**” is included for the convenience of readers but does not form part of the legislative text.

Citation

- H. This instrument may be cited as the Conduct of Business Sourcebook (Platforms) (Amendment) Instrument 2013.

By order of the Board
25 April 2013

Annex A**Amendments to the Glossary of definitions**

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

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

platform charge any form of charge payable by or on behalf of a *retail client* to a *firm* in relation to the provision of a *platform service* and which is agreed between the *platform service provider* and the *retail client*.

Annex B**Amendments to the Glossary of definitions**

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

platform service

a service which:

- (a) involves *arranging* and *safeguarding and administering ~~assets~~ investments*; and
- (b) distributes *retail investment products* which are offered to *retail clients* by more than one product provider;

but is neither:

- (c) solely paid for by *adviser charges*; nor
- (d) ancillary to the activity of *managing investments* for the *retail client*.

[Note: This definition applies only within the *FCA Handbook*.]

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

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

6.1A Adviser charging and remuneration

...

6.1A.14A R A firm must not make a personal recommendation to a retail client in relation to a retail investment product if it knows, or ought to know, that:

- (1) the product's charges or the platform service provider's charges are presented in a way that offsets or may appear to offset any adviser charges or platform charges that are payable by that retail client; or
- (2) the product's charges or other payments are maintained by the retail investment product provider at a level such that a cash rebate, other than a cash rebate permitted by COBS 6.1E.10R(2), is payable to the retail client.

...

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

...

Requirement not to offer commissions

...

6.1B.6 G ~~The requirement not to offer or pay commission does not prevent a firm from making a payment to a third party in respect of administration or other charges incurred, for example a payment to a platform service provider or third party administrator. [deleted]~~

Distinguishing product charges from adviser charges

- 6.1B.7 R A firm must:
- (1) take reasonable steps to ensure that its retail investment product charges are not structured so that they could mislead or conceal from a retail client the distinction between those charges and any adviser charges payable in respect of its retail investment products; ~~and~~
 - (2) not include in any marketing materials in respect of its retail investment products or facilities for collecting adviser charges any statements about the appropriateness of levels of adviser charges that a

firm could charge in making *personal recommendations* or providing related services in relation to its *retail investment products*; and

- (3) not defer, discount or rebate *retail investment product* charges in a way that offsets or may appear to offset any *adviser charges* or *platform charges* that are payable, including by maintaining *retail investment product* charges at a level such that a cash rebate, other than a cash rebate permitted by *COBS 6.1E.10R(2)*, is payable to the *retail client*.

- 6.1B.8 G *COBS 6.1B.7R* does not prevent a *firm* from offering a promotional discount to a *retail client* in the form of extra *units* or additional investment, but a *firm* should not offer to invest more than 100% of the *retail client's* investment.

...

6.1E Platform service providers: platform charges and using a platform service for advising

Platform service providers: ~~fees and commission~~ platform charges

- 6.1E.-1 R This section does not apply if the *retail client* is outside the *United Kingdom*.

- 6.1E.1 R (1) ~~If, in relation to a *retail investment product*, a *platform service provider* arranges to accept a fee or commission paid by a third party or a person acting on behalf of a third party, it must clearly disclose the amount of that fee or commission~~ total *platform charge* to the *professional client* or *retail client* *customer* in a durable medium in good time before the provision of *designated investment business*.
- (2) In the event that it is not possible to make the disclosure in (1) in good time before the provision of *designated investment business*, the disclosure must be made as soon as practicable thereafter.

- 6.1E.2 G ~~If a *platform service provider* accepts a fee or commission referred to in *COBS 6.1E.1R*, it should pay due regard to its obligations under *Principle 6* (Customers' interests), *Principle 7* (Communications with clients) and the *client's best interests rule*, and ensure that it presents *retail investment products* to *professional clients* and *retail clients*~~ *customers* without bias.

- 6.1E.3 G A *platform service provider* should pay due regard to its obligations under *Principle 6* (Customers' interests) and the *client's best interests rule* and not vary its *platform charges* inappropriately according to provider or, for substitutable and competing *retail investment products*, the type of *retail investment product*.

Requirement to be paid through platform charges

- 6.1E.4 R Except as specified in *COBS 6.1E.6R* and *COBS 6.1E.7R*, a *platform service*

provider must:

- (1) only be remunerated for its *platform service* (and any other related services it provides), by *platform charges*; and
- (2) ensure that none of its *associates* accepts any remuneration in respect of those services.

6.1E.5 G Examples of remuneration that should not be accepted by a *platform service provider* or its *associates* include (but are not limited to):

- (1) a share of an annual management charge; and
- (2) any payment (other than a product charge or a *platform charge*) made to a *platform service provider* in its capacity as a *retail investment product provider* where the relevant *retail investment product* is distributed to *retail clients* by its *platform service*.

Exceptions

6.1E.6 R A *platform service provider* or its *associates* may solicit and accept payments from:

- (1) a *firm*, other than a *retail investment product provider*, which is in the business of making *personal recommendations* to *retail clients* in relation to *retail investment products*; and/or
- (2) a *firm*, other than a *retail investment product provider*, which is in the business of *arranging* or *dealing* *retail investment products* for *retail clients*.

6.1E.7 R A *platform service provider* or its *associates* may solicit and accept payments from a *firm*, which are only for:

- (1) pricing error corrections;
- (2) administering corporate actions;
- (3) research carried out by the *platform service provider* and management information; and
- (4) advertising;

provided that:

- (5) the services are available to *firms* at a price which does not vary inappropriately according to *firm*;
- (6) the payments are reasonable and proportionate for the service; and
- (7) the payments or service could not reasonably be expected to result in a channelling of business to the *firm* other than through the normal effect

of general advertising.

Distinguishing platform charges from product charges and adviser charges

- 6.1E.8 R A platform service provider must not arrange for a retail client to buy a retail investment product if:
- (1) the product's charges are presented in a way that offsets or may appear to offset any adviser charges or platform charges that are payable by that retail client; or
 - (2) the platform service provider's charges are presented in a way that offsets or may appear to offset any product charges or adviser charges that are payable by the retail client; or
 - (3) the product's charges or other payments are maintained by the retail investment product provider at a level such that a cash rebate, other than a cash rebate permitted by COBS 6.1E.10R(2), is payable to the retail client.

Using a platform service when advising

- 6.1E.9 R A firm must not use a platform service as part of a personal recommendation to a retail client in relation to a retail investment product unless it has satisfied itself that the platform service provider, and its associates, only receive remuneration for business carried on in the UK which is permitted by the rules in this section.

Providing additional units or payment in cash to a retail client

- 6.1E.10 R COBS 6.1E.4R does not prevent a platform service provider receiving a share of an annual management charge from an authorised fund manager if the platform service provider passes that share on to the retail client in the form of:
- (1) additional units; or
 - (2) cash, provided that it does not offset or appear to offset any adviser charges or platform charges.
- 6.1E.11 G Examples of a cash share of an annual management charge that would not offset or appear to offset any adviser charges or platform charges are:
- (1) where the retail client has redeemed his retail investment product; or
 - (2) where the value of the payment made to the retail client in each month does not exceed £1 for each fund.

- 6.1E.12 G If a platform service provider passes a share of an annual management charge on to a retail client by way of additional units or cash, it should pay due

regard to its obligations under *Principle 7 (Communications with clients)*.

6.1F Using a platform service for arranging and advising

Client's best interests rule and using a platform service

6.1F.-1 R This section does not apply if the *retail client* is outside the *United Kingdom*.

6.1F.1 R A *firm* (~~other than a *platform service provider*~~) which:

(1) ~~arranges for a *retail client* *clients* to buy a *retail investment product* *products* or makes a *personal recommendation* *recommendations* to a *retail client* *clients* in relation to a *retail investment product* *products*;~~
and

(2) uses a *platform service* for that purpose;

must take reasonable steps to ensure that it uses a *platform service* which presents its *retail investment products* without bias.

...

TP 2 Other Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
...					
<u>2.2A</u>	<u>COBS 6.1E</u>	R	<u>A <i>platform service provider</i> may continue to accept remuneration in relation to a <i>retail investment product</i> transaction which was executed on or before 5 April 2014:</u>	<u>From 6 April 2014 to 5 April 2016</u>	<u>6 April 2014</u>
			(1) <u>if, after 5 April</u>		

				<u>2014, no change is made to that product or the investment held in that product;</u> <u>or</u>		
			(2)	<u>where there is such a change on or after 6 April 2014, only in relation to the unchanged part of that product.</u>		
<u>2.2AA</u>	<u>COBS 6.1E</u>	<u>G</u>		<u>The <i>platform service provider</i> may be remunerated by way of a <i>platform charge</i> for the <u>changed part of that product.</u></u>	<u>From 6 April 2014 to 5 April 2016</u>	<u>From 6 April 2014 to 5 April 2016</u>
<u>2.2AB</u>	<u>COBS 6.1E</u>	<u>G</u>		<u>The following examples do not entail changes to the <i>retail investment product</i>:</u>	<u>From 6 April 2014 to 5 April 2016</u>	<u>From 6 April 2014 to 5 April 2016</u>
			(1)	<u>regular contributions to or a reinvestment of dividends from a <i>retail investment product</i> following instructions given on or before 5 April 2014;</u>		
			(2)	<u>a rebalancing of the <i>retail investment product</i> following instructions given on or before 5 April 2014.</u>		
<u>2.2AC</u>	<u>COBS 6.1E</u>	<u>G</u>		<u>Examples of changes to the <i>retail investment</i></u>	<u>From 6 April 2014 to 5 April 2016</u>	<u>From 6 April 2014 to 5 April 2016</u>

			<u>product are:</u>		
			(1) <u>the retail client's investment in, or regular contribution to the relevant retail investment product is increased following instructions given on or after 6 April 2014. The platform service provider can continue to receive remuneration in relation to the amounts invested by the retail client following instructions given on or before 5 April 2014 but not in relation to any additional amounts invested by the retail client following instructions given on or after 6 April 2014.</u>		
			(2) <u>the retail client's investment is switched between retail investment products held by the platform service provider following instructions given on or after 6 April 2014. This includes switching between funds within a retail investment product</u>		

				such as a <i>SIPP</i> or a <i>retail investment product wrapper</i> such as an <i>ISA</i> .		
			(3)	the re-registration of the <i>retail client's retail investment product</i> to another <i>platform service provider</i> following instructions given on or after 6 April 2014.		
...						