

**CONDUCT OF BUSINESS SOURCEBOOK (PLATFORMS) (AMENDMENT NO 2)
INSTRUMENT 2014**

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(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 6 April 2014.

Amendments to the FCA Handbook

- D. The Conduct of Business sourcebook (COBS) is amended in accordance with the Annex to this instrument

Citation

- E. This instrument may be cited as the Conduct of Business Sourcebook (Platforms) (Amendment No 2) Instrument 2014.

By order of the Board of the Financial Conduct Authority
27 February 2014

Annex

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

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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) ...

(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 6.1B.7AR or COBS 6.1E.10R(2), is payable to the *retail client*.

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

Application – Who? What?

6.1B.1 R (1) This section applies to:

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in circumstances where a *retail client* receives a *personal recommendation* in relation to a *retail investment product* and also where a *retail investment product* transaction is executed by a *platform service provider* and no *personal recommendation* has been made.

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Distinguishing product charges from adviser charges

6.1B.7 R A *firm* must:

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(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 6.1B.7AR or COBS 6.1E.10R(2), is payable to the *retail client*.

- 6.1B.7A R A retail investment product provider may maintain retail investment product charges at a level such that a cash rebate is payable to the retail client if:
- (1) the retail investment product transaction was agreed on or before 5 April 2014 and executed within a reasonable time of that agreement; and
 - (2) the retail client's right to receive the cash rebate arose on or before 5 April 2014; and
 - (3) on or after 6 April 2014 no change is made to that product, or, where there is such a change on or after 6 April 2014, only in relation to the unchanged part of that product.
- 6.1B.7B G In the FCA's view, if the platform service provider retained any part of a rebate on or before 5 April 2014, the retail client is unlikely to have had a right to receive that part of the rebate.
- 6.1B.7C G The following examples do not entail changes to the retail investment product:
- (1) no change is made to the retail client's investment in the relevant product or to the level of the retail client's regular contributions into that product;
 - (2) the retail client's investment in, or regular contribution to, the relevant product is reduced: the retail investment product provider may continue to pay the cash rebate associated with the reduced investment amount;
 - (3) the retail client's investment in the relevant product is transferred from accumulation units to income units or vice versa;
 - (4) part of the retail client's investment is switched between funds within a retail investment product, such as a SIPP, or a retail investment product wrapper, such as an ISA: the retail investment product provider may continue to pay the cash rebate associated with the part of the retail client's investment which has not been switched into another fund;
 - (5) the level of cash rebate payable to the retail client is reduced;
 - (6) the product is converted to a share class which does not pay a commission, remuneration or benefit of any kind to a firm and is otherwise unchanged.

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

Platform service providers: platform charges

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6.1E.1 R (1) *A platform service provider must clearly disclose the total platform charge to the ~~customer~~ retail client in a durable medium in good time before the provision of designated investment business.*

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6.1E.2 G *A platform service provider 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 customers~~ without bias.*

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Exceptions

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6.1E.7 R *A Other than in COBS 6.1E.6R, a platform service provider or its associates may solicit and accept payments from a any firm, including a retail investment product provider, which are only for:*

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