

**RETAIL DISTRIBUTION REVIEW (ADVISER CHARGING NO 7)  
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 (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 31 December 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 Retail Distribution Review (Adviser Charging No 7) Instrument 2014.

By order of the Board of the Financial Conduct Authority  
30 January 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

Application – Who? What?

6.1A.1 R (1) This section applies to a *firm* which makes ~~a *personal recommendation*~~ personal recommendations to a *retail client* *retail clients* in relation to ~~a *retail investment product*~~ *retail investment products*.

...

...

Requirement to be paid through adviser charges

6.1A.4 R Except as specified in *COBS* 6.1A.4AR, *COBS* 6.1A.4ABR, *COBS* 6.1A.4ACG and *COBS* 6.1A.4BR, a *firm* must:

...

...

6.1A.4AA G ...

6.1A.4AB R A *firm* and its *associates* may solicit and accept a commission, remuneration or benefit of any kind from a *discretionary investment manager* in the circumstances in *COBS* 6.1A.4R if:

- (1) the *firm* or its *associates* recommended the *discretionary investment manager* to a *retail client* on or before 30 December 2012;
- (2) the solicitation and acceptance of the commission, remuneration or benefit of any kind was permitted by the *rules* in force on 30 December 2012;
- (3) the contract under which the right to receive the commission, remuneration or benefit of any kind was entered into on or before 30 December 2012;
- (4) the terms of that contract as at 30 December 2012 included the right to receive the commission, remuneration or benefit of any kind; and
- (5) the *retail client* agreed an investment mandate with the *discretionary investment manager* within a reasonable time of the

recommendation to use the *discretionary investment manager* being made.

- 6.1A.4AC    G    (1) If a *firm* makes a recommendation of a *discretionary investment manager* to a *retail client* and wishes to:
- (a) receive remuneration for that recommendation in addition to any commission, remuneration or benefit of any kind it receives in the circumstances contemplated by *COBS* 6.1A.4ABR; or
- (b) be paid additional amounts for any actions linked to a new amount invested by the *retail client* through the same *discretionary investment manager*;
- it should only be paid those additional amounts for that recommendation or for those actions by *adviser charges*.
- (2) A *firm* may offset against any *adviser charges* which are payable by the *retail client* any commission, remuneration or benefit of any kind it receives in the circumstances contemplated in *COBS* 6.1A.4ABR.

...

6.1A.6        R    ‘Related service(s)’ for the purposes of *COBS* 6.1A includes:

...

- (3) recommending a *discretionary investment manager* to a *retail client* (to whom the *firm* provides *personal recommendations* ~~or~~ or other services in relation to *retail investment products*).

6.1A.6A        G    ‘Other services’ in *COBS* 6.1A.6R(3) includes:

- (1) providing information relating to *retail investment products* to the *retail client*, for example, general market research; or
- (2) passing on information from the *discretionary investment manager* to the *retail client*.