

## **SUPERVISION MANUAL (AMENDMENT NO 19) INSTRUMENT 2014**

### **Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137A (The FCA’s general rules);
    - (b) 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 FCA’s 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 as follows:
- (1) Part 1 of the Annex to this instrument comes into force on 1 October 2014;
  - (2) Part 3 of the Annex to this instrument comes into force on 1 January 2015; and
  - (3) the remainder of this instrument comes into force on 31 December 2014.

### **Amendments to the FCA 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 Supervision Manual (Amendment No 19) Instrument 2014.

By order of the Board of the Financial Conduct Authority  
25 September 2014

## Annex

## Amendments to the Supervision manual (SUP)

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

## Part 1: Comes into force on 1 October 2014

## 16 Reporting requirements

...

## 16.11 Product Sales Data Reporting

...

Reporting requirement

16.11.3 R ...

(3) ~~A firm need not submit a data report if no relevant sales have occurred in the quarter. [deleted]~~

(3A) A firm must submit a nil return if no relevant sales have occurred in the quarter.

...

## Part 2: Comes into force on 31 December 2014

## 16.12 Integrated Regulatory Reporting

...

Regulated Activity Group 7

...

16.12.23 R The applicable reporting frequencies for *data items* referred to in SUP 16.12.22AR are set out in the table below. Reporting frequencies are calculated from a *firm's* accounting reference date, unless indicated otherwise.

<i>Data item</i>	Frequency				
	Unconsolidated <i>BIPRU</i> <i>investment firm</i> and <i>IFPRU</i>	Solo consolidated <i>BIPRU</i> <i>investment firm</i>	<i>UK</i> <i>Consolidation</i> <i>Group</i> or <i>defined liquidity</i>	Annual regulated business revenue up to	Annual regulated business revenue over £5 million

	<i>investment firm</i>	and <i>IFPRU investment firm</i>	<i>group</i>	and including £5 million	
COREP/ FINREP	Refer to <i>EU CRR</i> and applicable technical standards				
...					
Section K RMAR	<del>Half yearly</del> <u>Annually</u>	<del>Half yearly</del> <u>Annually</u>	<del>Half yearly</del> <u>Annually</u>	<del>Half yearly</del> <u>Annually</u>	<del>Half yearly</del> <u>Annually</u>
Note 1	...				
...					

...

**16 Annex 18AR Retail Mediation Activities Return ('RMAR')**

...

**SECTION K: Adviser charges**

**A B C D E F G**

**Retail investment product revenue from adviser charges**

		<i>Independent advice</i>			<i>Restricted advice</i>		Total
		<i>Adviser charges invoiced directly to retail clients</i>	<i>Adviser charges invoiced via product providers</i>	<i>Adviser charges invoiced via platform service providers</i>	<i>Adviser charges invoiced directly to retail clients</i>	<i>Adviser charges invoiced via product providers</i>	
1	Revenue from initial <i>adviser charges</i>						
2	Revenue from ongoing <i>adviser charges</i>						
3	TOTAL						

**Payments of initial adviser charges**

		<i>Independent advice</i>			<i>Restricted advice</i>		Total
		<i>Adviser charges invoiced directly to retail clients</i>	<i>Adviser charges invoiced via product providers</i>	<i>Adviser charges invoiced via platform service providers</i>	<i>Adviser charges invoiced directly to retail clients</i>	<i>Adviser charges invoiced via product providers</i>	
4	Aggregate of initial <i>adviser charges</i> invoiced as lump-sum payments						

5	Aggregate of initial <i>adviser charges</i> invoiced as regular payments						
6	Aggregate of initial <i>adviser charges</i> (invoiced as either a lump sum or regular payments)						

**Number of one-off advice services**

*Independent advice*      *Restricted advice*      Total

7	Number of one-off advice services			
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**Retail clients paying for ongoing advice services**

- 8 *Retail clients* paying for ongoing advice services at the end of the reporting period
- 9 *Retail clients* who started paying for ongoing advice services during the reporting period
- 10 *Retail clients* who stopped paying for ongoing advice services during the reporting period


**What types of adviser charging structures are offered?**

	<i>Independent Advice</i>		<i>Restricted Advice</i>		Typical charging structure (tick all that apply)
	Minimum	Maximum	Minimum	Maximum	
11 Initial adviser charge per hour (£)					Yes / No
12 Initial adviser charge as percentage of investment (%)					Yes / No
13 Initial adviser charge as a fixed fee (£)					Yes / No
14 Initial adviser charge as a combined charging structure (£)					Yes / No
15 Ongoing adviser charges per hour (£)					Yes / No
16 Ongoing adviser charge as percentage of investment (%)					Yes / No
17 Ongoing adviser charge as a fixed fee (£)					Yes / No
18 Ongoing adviser charge as a combined charging structure (£)					Yes / No

**SECTION K: Adviser charges**

**Types of advice provided**

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

<b>A</b>
Independent / Restricted / Both

**Section 1 - Independent advice**

**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*

3 Revenue from ongoing *adviser charges*

<b>A</b>	<b>B</b>
<i>Adviser charges paid direct by retail clients</i>	<i>Adviser charges facilitated by product providers or platform service providers</i>

**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


**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

<b>A</b>

**Section 2 - Restricted advice**

**Retail investment products revenue from adviser charges (monetary amount)**

7 Revenue from all initial *adviser charges* including initial, one-off and ad hoc *adviser charges*

8 Revenue from ongoing *adviser charges*

<b>A</b>	<b>B</b>
<i>Adviser charges paid direct by retail clients</i>	<i>Adviser charges facilitated by product providers or platform service providers</i>

**Payments of initial adviser charges (number)**

9 Aggregate number of initial *adviser charges* payable as lump-sum payments due from *retail clients* within the reporting period

10 Aggregate sum of the proportion of initial *adviser charges*, payable through regular instalments, due from *retail clients* within the reporting period


**Number of one-off advice services (number)**

11 Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period

<b>A</b>

**Section 3 - Number of ongoing services provided including both independent and restricted advice**

**Retail clients paying for ongoing advice services (number)**

- 12** Number of retail clients paying for ongoing advice services at the end of the reporting period
- 13** Number of retail clients who started paying for ongoing advice services during the reporting period
- 14** Number of retail clients who stopped paying for ongoing advice services during the reporting period

A

**Section 4 - Typical charging for both independent and restricted advice**

**What types of adviser charging structures are offered?**

- 15** Initial adviser charge per hour (monetary amount)
- 16** Initial adviser charge as percentage of investment (%)
- 17** Initial adviser charge as a fixed fee (monetary amount)
- 18** Initial adviser charge as a combined charging structure (monetary amount)
- 19** Ongoing adviser charge per hour (monetary amount)
- 20** Ongoing adviser charge as percentage of investment (%)
- 21** Ongoing adviser charge as a fixed fee (monetary amount)
- 22** Ongoing adviser charge as a combined charging structure (monetary amount)

	A	B	C		D	E
	Independent advice		Restricted advice		Typical charging structure	
	Minimum	Maximum	Minimum	Maximum		
<b>15</b> <u>Initial adviser charge per hour (monetary amount)</u>						Yes / No
<b>16</b> <u>Initial adviser charge as percentage of investment (%)</u>						Yes / No
<b>17</b> <u>Initial adviser charge as a fixed fee (monetary amount)</u>						Yes / No
<b>18</b> <u>Initial adviser charge as a combined charging structure (monetary amount)</u>						Yes / No
<b>19</b> <u>Ongoing adviser charge per hour (monetary amount)</u>						Yes / No
<b>20</b> <u>Ongoing adviser charge as percentage of investment (%)</u>						Yes / No
<b>21</b> <u>Ongoing adviser charge as a fixed fee (monetary amount)</u>						Yes / No
<b>22</b> <u>Ongoing adviser charge as a combined charging structure (monetary amount)</u>						Yes / No

Has this section been completed on an accruals or cash accounting basis?

## 16 Annex 18BG Notes for Completion of the Retail Mediation Activities Return ('RMAR')

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### Accounting principles

15. ~~The 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 sections section K and L).~~

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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.

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### Section K: Adviser charges

~~In this section we are seeking data from firms in relation to adviser charges (COBS 6.1A and COBS 6.1B). We will use the data we collect to monitor and analyse the way retail investment firms implement the rules on adviser charges.~~

~~Data in this section should be reported on a cumulative basis throughout the firm's financial year, with the exception of the minimum and maximum adviser charges, which are the costs of advice services that a firm discloses to a retail client in writing, in good time before making the personal recommendation (or providing any related service) (COBS 6.1A.17R). The firm's charging structure can be based on published tariffs or price lists and only needs to be updated as and when the tariffs or prices lists are updated.~~

~~All the data in this section should only be in relation to the provision of a personal recommendation by the firm in respect of a retail investment product (or any related service provided by the firm). Firms that have appointed representatives should include their appointed representatives as well as the firm itself in the information submitted in this section.~~

~~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 firms 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 in section K.~~

~~In most cases, firms are asked to split the data based on whether the advice was independent or restricted. Independent advice is a personal recommendation to a retail client in relation to a retail investment product which is based on a comprehensive and fair analysis of the relevant market, and is unbiased and unrestricted (COBS 6.2A.3R). Restricted advice is advice which is not independent advice. Restricted advice includes basic advice, but the rules on adviser charges do not apply to a firm when it gives basic advice, so revenue from basic advice should not be captured here.~~

For revenue from *adviser charges* and payments of initial *adviser charges*, firms are also asked to split the data based on the payment mechanism, i.e. whether the *adviser charges* have been received directly from *retail clients*, via *product providers*, or via *platform service providers*. COBS 6.1B.9R allows for firms to facilitate the payment of *adviser charges* from a *retail investment product* or otherwise by means of a *platform service*.

Data elements are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

### Section K: guide for completion of individual fields

<b>Adviser charge revenue</b>	
Initial <i>adviser charges</i> (row 1)	These are all <i>adviser charges</i> invoiced to <i>retail clients</i> during the reporting period for services that are not ongoing.  These charges may be paid as a one-off lump sum, or as regular contributions over a period of time if the <i>adviser charge</i> relates to a <i>retail investment product</i> for which an instruction from the <i>retail client</i> for regular payments is in place and the <i>firm</i> has disclosed that no ongoing <i>personal recommendations</i> or service will be provided (COBS 6.1A.22R (2)).
Ongoing <i>adviser charges</i> (row 2)	These are all <i>adviser charges</i> , which are not initial charges, invoiced to <i>retail clients</i> during the reporting period for an ongoing service (COBS 6.1A.22R (1)).
<i>Adviser charges</i> invoiced directly to <i>retail clients</i> (column A, data elements 1A to 6A)	These are all <i>adviser charges</i> invoiced directly to <i>retail clients</i> .
<i>Adviser charges</i> invoiced via <i>product providers</i> (column A, data elements 1B to 6B)	These are all <i>adviser charges</i> invoiced via <i>retail investment product providers</i> who facilitate, directly or through a third party, the payment of <i>adviser charges</i> from a <i>retail client's retail investment product</i> .
<i>Adviser charges</i> invoiced via <i>platform service providers</i> (column C, data elements 1C to 6C)	These are all <i>adviser charges</i> invoiced via <i>platform service providers</i> who facilitate, directly or through a third party, the payment of <i>adviser charges</i> by means of a <i>platform service</i> .
TOTAL (row 3)	Row 3 equals row 1 plus row 2
<b>Payments of initial adviser charges</b> (See above three rows for an explanation of the different payment mechanisms.)	
Aggregate of initial adviser charges invoiced as lump sum payments (row 4)	This is the number of initial <i>adviser charge</i> payments invoiced as a lump sum during the reporting period, i.e. the <i>client</i> pays the entire initial <i>adviser charge</i> in one payment.

	If an initial charge is not paid in full, we expect it to be recorded under row 5 of Section K as 'Regular instalments as proportion of the total due.'
Aggregate of initial adviser charges invoiced as regular payments (row 5)	<p>An initial <i>adviser charge</i> may be structured to be payable over a period of time when it relates to a <i>retail investment product</i> for which an instruction from the <i>retail client</i> for regular payments is in place and the <i>firm</i> has disclosed that no ongoing <i>personal recommendations</i> or service will be provided (COBS 6.1A.22R(2)). Each instalment should be captured by the <i>firm</i> as a fraction, to two decimal places, representing the amount paid off as a proportion of the amount owed. The sum of these fractions should be reported in the appropriate data field in row 5 to two decimal places.</p> <p>This could 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).</p> <p>(1) For each <i>retail client</i> calculate the number of <i>months</i> in the reporting period in which equal instalments are made divided by the total number of <i>months</i> in which payments are due to be made. Sum up fractions based on payment mechanism and type of advice and report in the appropriate field.</p> <p>(2) For each instalment calculate the amount paid divided by the total amount due. Sum up fractions based on payment mechanism and type of advice and report in the appropriate field.</p>
Aggregate of initial adviser charges (invoiced as either a lump sum or regular payment) (row 6)	Row 6 equals row 4 plus row 5.
Number of one-off advice services (row 7)	This should be the number of one-off advice services provided during the reporting period, to which there is a corresponding initial <i>adviser charge</i> .
<b>Retail clients paying for ongoing advice services</b>	
<i>Retail clients</i> paying for ongoing advice services (row 8)	This should be the number of <i>retail clients</i> paying for ongoing advice services (i.e. paying ongoing <i>adviser charges</i> ) at the end of the reporting period.
<i>Retail clients</i> who start paying for ongoing advice services (row 9)	This should be the number of <i>retail clients</i> who began paying for an ongoing advice service (i.e. paying ongoing <i>adviser charges</i> ) during the reporting period.
<i>Retail clients</i> who stop paying for ongoing advice services (row 10)	This should be the number of <i>retail clients</i> who stopped paying for ongoing advice service (i.e. paying ongoing <i>adviser charges</i> ) during the reporting period.

<b>Charging structure</b>	
What types of adviser charging structures are offered?	Only those fields relevant to the <i>firm's</i> charging structure should be completed.
Combined charging structure (£)	When a <i>firm</i> operates charging structures which are a combination of per hour, percentage of investment and/or fixed fee, <i>firms</i> should record the actual minimum and maximum charges charged in the reporting period and not the published tariff or price list for that combined charging structure. For example, where the <i>firm's</i> charging structure is a combination of a fixed fee element and a percentage basis the <i>firm</i> will need to work out what the actual maximum and minimum <i>adviser charges</i> charged in the reporting period were in order to report values in UK Sterling (£).
Minimum and maximum <i>adviser charges</i>	Where a <i>firm</i> has no range in their charging structure, the minimum and maximum <i>adviser charges</i> should be recorded as the same.
Typical charging structure (tick all that apply)	If a <i>firm</i> 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. 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, tick the charging structures that are relevant.

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)**

<p><u>Revenue from all initial adviser charges including initial, one-off and ad hoc adviser charges (rows 2 and 7)</u></p>	<p><u>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</u></p>
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	<p><u>single payment or through regular instalments.</u></p> <p><u>Where an initial <i>adviser charge</i> is paid through regular instalments, which is only permitted in limited cases (as set out in <i>COBS</i> 6.1A.22R), only the amounts due within the reporting period should be reported. This is illustrated in example 2.</u></p> <p><b><u>Example 2 - Reporting revenue from initial adviser charges payable in instalments</u></b></p> <p><u>A firm giving <i>independent advice</i> provides advice to a <i>retail client</i> about a <i>retail investment product</i> where regular contributions are being made and there is a £600 initial <i>adviser charge</i> 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 <i>retail client</i> within the reporting period. The remaining £300 of the total <i>adviser charge</i> payable would be reported for a future reporting period when it is due from the <i>retail client</i>.</u></p>
<p><u>Revenue from ongoing <i>adviser charges</i> (rows 3 and 8)</u></p>	<p><u>Firms should report the total revenue due within the reporting period for <i>adviser charges</i> for ongoing services which are not initial charges.</u></p>

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**

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

A
Independent

**Section 1 - Independent advice**

A	B
<i>Adviser charges paid direct by retail clients</i>	<i>Adviser charges facilitated by product providers or platform service providers</i>

**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
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3 Revenue from ongoing adviser charges

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**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
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5 Aggregate sum of the proportion of initial adviser charges, payable through regular instalments, due from retail clients within the reporting period

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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	Firms should report the total number of initial adviser services provided where the
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<p><u>number of initial adviser charges payable as lump sum payments due from retail clients within the reporting period (rows 4 and 9)</u></p>	<p><u>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.</u></p> <p><u>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.</u></p>
<p><u>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)</u></p>	<p><u>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)).</u></p> <p><u>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.</u></p> <p><u>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.</u></p> <p><u>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).</u></p> <p><u>(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.</u></p> <p><u>(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.</u></p> <p><u>This is illustrated in examples 6 and 7.</u></p>
	<p><b><u>Example 6 – Reporting the number of initial adviser charges invoiced as regular payments</u></b></p> <p><u>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</u></p>

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**

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

	<u>Total initial adviser charge to be paid</u>	<u>Total initial adviser charge due in the reporting period</u>	<u>Proportion of initial adviser charge due in the reporting period</u>
Client A	£100	£10	0.10
Client B	£100	£20	0.20
Client C	£100	£10	0.10
Client D	£100	£40	0.40
Client E	£100	£20	0.20
<b>Total</b>	<b>£500</b>	<b>£100</b>	<b>1.00</b>
		(reported in row 2 – or	(reported in row 5 – or

		row 7 if <i>restricted advice</i> was provided)	row 10 if <i>restricted advice</i> was provided)
<p>In this example, £100 would be reported in row 2, as this is the amount due from <i>retail clients</i> in the reporting period. In row 5, the <i>firm</i> should report 1.00 as this is the sum of the proportion of initial <i>adviser charges</i>, payable through regular instalments, that are due from these <i>retail clients</i> in the reporting period.</p>			

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

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

	<u>A</u>	<u>B</u>
	<i>Adviser charges paid direct by retail clients</i>	<i>Adviser charges facilitated by product providers or platform service providers</i>

**Payments of initial adviser charges (number)**

<b>4</b>	<u>Aggregate number of initial adviser charges payable as lump-sum payments due from retail clients within the reporting period</u>	6.00	-
<b>5</b>	<u>Aggregate sum of the proportion of initial adviser charges, payable through regular instalments, due from retail clients within the reporting period</u>	0.50	-

**Number of one-off advice services (number)**

	<u>A</u>	
<b>6</b>	<u>Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period</u>	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:

	<u>A</u>	<u>B</u>

	<u>Adviser charges paid direct by retail clients</u>	<u>Adviser charges facilitated by product providers or platform service providers</u>
<b>Payments of initial adviser charges (number)</b>		
<b>4</b> <u>Aggregate number of initial adviser charges payable as lump-sum payments due from retail clients within the reporting period</u>	4.00	-
<b>5</b> <u>Aggregate sum of the proportion of initial adviser charges, payable through regular instalments, due from retail clients within the reporting period</u>	0.50	-
<b>Number of one-off advice services (number)</b>		
<b>6</b> <u>Total number of initial advice services including distinct initial, one-off and ad hoc advice services, provided within the reporting period</u>	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)**

<u>Number of retail clients paying for ongoing advice services at the end of the reporting period (row 12)</u>	<p><i>Firms</i> should report the number of <i>retail clients</i> paying for ongoing advice services (i.e. paying ongoing <i>adviser charges</i>) at the end of the reporting period.</p> <p>This would include any <i>retail clients</i> who have an ongoing adviser charging agreement, even if the <i>adviser charges</i> due are, fully or partially, offset with trail commission received from a <i>retail investment product</i> provider in respect of an investment held by that <i>retail client</i> before 31 December 2012. Any <i>retail clients</i> on a contract entered into before 31 December 2012, whereby the <i>retail client</i> 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 <i>COBS 6.1A.4AR</i> and <i>COBS 6.1A.4AAG</i>.</p>
<u>Number of retail clients who start paying for ongoing advice services during the reporting period (row 13)</u>	<p><i>Firms</i> should report the number of <i>retail clients</i> that started paying for an ongoing advice service (i.e. paying ongoing <i>adviser charges</i>) within the reporting period. This could include:</p> <ul style="list-style-type: none"> <li>new <i>retail clients</i> to the firm that agreed to start paying for an</li> </ul>

	<p><u>ongoing advice service:</u></p> <ul style="list-style-type: none"> <li>• <u>existing <i>retail clients</i> of the <i>firm</i> that may, for example, have previously received an initial advice service but had started paying for ongoing advice in the reporting period;</u></li> <li>• <u>existing <i>retail clients</i> of the <i>firm</i> that were previously on a commission-based agreement established before 31 December 2012, but moved to an adviser charging agreement and started paying ongoing <i>adviser charges</i> in the reporting period.</u></li> </ul>
<u>Number of retail clients who stop paying for ongoing advice services during the reporting period (row 14)</u>	<u>Firms should report the number of <i>retail clients</i> that were paying an <i>adviser charge</i> for ongoing advice during the reporting period, but stopped paying for ongoing advice by the end of the reporting period.</u>

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.

**Part 3: Comes into force on 1 January 2015**

[*Editor's Note:* The changes shown below are to the text of SUP 16.11.3R as amended by the Supervision Manual (Product Sales Data and Mortgage Lenders and Administrators Return) (Amendment) Instrument 2013 (FCA 2013/83) which comes into force on 1 January 2015, and by Part 1 of this Annex which comes into force on 1 October 2014.]

**16 Reporting requirements**

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**16.11 Product Sales Data Reporting**

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## Reporting requirement

- 16.11.3 R (1) A *firm* must submit a report (a 'data report') containing the information required by:
- (a) SUP 16.11.5R (a 'sales data report') within 20 *business days* of the end of the reporting period; and
  - (b) for *regulated mortgage contracts*, SUP 16.11.5AR (a 'performance data report'), within 30 *business days* of the end of the reporting period;
- unless ~~(3)~~, (3A) or (4) applies.

...

(3) [deleted]

(3A) A *firm* must submit a nil return:

- (a) in the case of a sales data report, if no relevant sales of ~~regulated mortgage contracts~~ *regulated mortgage contracts* have occurred in the quarter; and

...

...