

**NOTES FOR COMPLETION OF
THE RETAIL MEDIATION ACTIVITIES RETURN ('RMAR')**

Contents

| | |
|--------------|---------------------------------------|
| Introduction | General notes on the RMAR |
| Section A: | Balance Sheet |
| Section B: | Profit & Loss Account |
| Section C: | Client Money |
| Section D: | Regulatory Capital |
| Section E: | Professional Indemnity Insurance |
| Section F: | Threshold Conditions |
| Section G: | Training & Competence |
| Section H: | Conduct of Business |
| Section I: | Supplementary product sales data |
| Section J: | Data required for calculation of fees |
| Section K: | Adviser charges |

Introduction: general notes on the RMAR

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

Defined terms

3. *Handbook* terms are italicised in these notes.
4. Terms referred to in the RMAR and these notes, where defined by the Companies Acts 1985 or 2006, as appropriate, or other relevant accounting provisions, bear that meaning for these purposes. The descriptions indicated in these notes are designed simply to repeat, summarise or amplify the relevant statutory or other definitions and terminology without departing from their full meaning or effect.

Key abbreviations

5. The following table summarises the key abbreviations that are used in these notes:

| | |
|-----------|---|
| APF | <i>Authorised professional firm</i> |
| AR | <i>Appointed representative</i> |
| CAD | <i>The Capital Adequacy Directive</i> |
| CASS | The Client Assets sourcebook, part of the Handbook |
| COBS | The New Conduct of Business sourcebook, part of the FCA Handbook |
| CRED | The Credit unions sourcebook, part of the Handbook |
| DISP | Dispute resolution: the Complaints sourcebook, part of the Handbook |
| EEA | <i>The European Economic Area</i> |
| ICOB | The Insurance: Conduct of Business sourcebook, part of the Handbook |
| IMD | <i>The Insurance Mediation Directive</i> |
| IPRU(INV) | The Interim Prudential sourcebook for investment businesses, part of the Handbook |
| ISD | <i>The Investment Services Directive</i> |
| LTCI | Long term care insurance |
| MCOB | The Mortgages: Conduct of Business sourcebook, part of the Handbook |
| PII | Professional indemnity insurance |
| MIPRU | The Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries |
| RMAR | Retail Mediation Activities Return, i.e. the information requirements to which these notes refer. |
| SUP | The Supervision Manual, part of the Handbook |
| T&C | Training and competence, part of the Handbook |

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:

(a) *firms* with *permission* to carry on *insurance mediation activity* in relation to *noninvestment insurance contracts*.

By way of example, this would include a broker advising on private motor insurance, household insurance or critical illness cover. It would not though include *advice* on a *life policy*;

(b) *firms* with *permission* to carry on *home finance mediation activity*;

(c) *firms* (defined as *retail investment firms*) that have *retail customers*, and have *permission* to carry on the following activities in relation to *retail investment products*:

- *Advising on investments*;
- *Arranging (bringing about) deals in investments*;
- *Making arrangements with a view to transactions in investments*; and

(d) *personal investment firms*.

Retail investment products are defined as:

- (a) a *life policy*; or
- (b) a *unit*; or
- (c) a *stakeholder pension scheme*; or
- (d) a *personal pension scheme*; or
- (e) an interest in an *investment trust savings scheme*; or
- (f) a *security* in an *investment trust*; or
- (g) any other *designated investment* which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in the financial asset; or
- (h) a *structured capital-at-risk product*;

whether or not any of (a) to (h) are held within an *ISA* or a *CTF*.

The practical effect of the *retail customer* limitation in the definition of *retail investment firms* is to exclude from the requirements *firms* that carry on *retail investment activities* exclusively with or for *professional customers* or *eligible counterparties*.

Note also that all *long-term care insurance contracts* are defined as *life policies*, and as such are included as *retail investment products*.

7. [deleted]

8. [deleted]

EEA Firms

9. In accordance with the relevant directives, *incoming EEA firms* are not subject to all reporting requirements. In broad terms, this means that *incoming EEA firms* carrying on *regulated activities* by way of *cross border services* only are not required to complete the RMAR.

10. In broad terms, *incoming EEA firms* carrying on *regulated activities* through a branch in the *United Kingdom* are not required to complete the sections of the RMAR in the following table.

| | |
|-----------------------------------|--|
| Prudential reporting requirements | Section A (balance sheet) |
| | Section B (profit & loss) |
| | Section C (<i>client money</i>) |
| | Section D (capital requirements) |
| | Section E (professional indemnity insurance) |
| Threshold conditions | Section F (save in relation to questions about <i>approved persons</i>) |
| Training & competence | Section G |
| <i>Adviser charges</i> | Section K |

11. *Firms* that only carry on *reinsurance mediation* are not required to complete sections C or K.

Authorised professional firms

12. APFs that are subject to *IPRU (INV)* 2.1.3R (for their *investment activity*) or *MIPRU* 4.1.10R (for *insurance mediation activity* or *home finance mediation activity*) are not required to complete sections A, B2 or D. APFs that are members of the Law Society of England and Wales, the Law Society of Scotland or the Law Society of Northern Ireland are also not required to complete section C (see below).

13. The application of the capital requirements to APFs is set out in *IPRU(INV)* 2.1.2R (for *retail investment activity*) and *MIPRU* 4.1.10R (for *home finance mediation activity* and *insurance mediation activity*).

14. Where *authorised professional firms* are required to submit financial information (i.e. sections A to E), they should do so in relation to all of their *regulated activities*. Sections F and K should also be completed in relation to all *regulated activities*. Other sections (G to I) need not include information in relation to *non-mainstream regulated activities*. However, *authorised professional firms* may complete all sections on the basis of all of their *regulated activities* if this approach is more cost effective.

Accounting Principles

15. The following principles should be adhered to by *firms* in the submission of

financial information (sections A to E and sections K and L).

(a) Unless a rule requires otherwise, amounts to be reported within the *firm's* balance sheet and profit and loss account should be determined in accordance with:

(i) the requirements of all relevant statutory provisions (e.g. Companies Acts 1985 to 2006, and secondary legislation made under the these Acts) as appropriate;

(ii) UK generally accepted accounting practice (UK GAAP) or, where applicable, *international accounting standards*;

(iii) the provisions of (c) and (d) below.

(b) If the *firm* is a *body corporate* with one or more *subsidiaries*, its financial statements should be unconsolidated.

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

(iii) Taxation, when reported at a quarter or half year end, should be based on an estimate of the likely effective tax rate for the year applied to the interim profit or loss arising.

(iv) Balances on *client bank accounts* and related client accounts must not form part of the *firm's* own balance sheet.

(d) No netting is permitted (that is, amounts in respect of items representing assets or income may not be offset against amounts in respect of items representing liabilities or expenditure, as the case may be, or vice versa).

Other

16. You will note that some questions in the RMAR refer to the “last reporting date”. If the RMAR is being completed for the first time, you should treat the date the *firm* became authorised to carry on any of the relevant *regulated activities* as the “last reporting date”, except where otherwise indicated (e.g. in sections E & H).

Where questions in the RMAR refer to “as at the end of the reporting period”, you should treat the last day of the reporting period specified on GABRIEL as “as at the end of the reporting period”.

17. Unless otherwise indicated, the information submitted should cover all of the *firm's* transactions in the relevant products, and all of its *customers* and *market counterparties* (where relevant).

NOTES FOR COMPLETION OF THE RMAR

Section A: Balance sheet

The balance sheet data should be compiled in accordance with generally accepted accounting practice. Incorporated *firms* will already be submitting this information to Companies House under Companies Act requirements, and it would normally be expected that non-incorporated *firms* would compile this data for management purposes.

Insurance intermediaries subject to *MIPRU* should, where debtors include amounts owed by their directors, *group undertakings* or *undertakings* in which the *firm* has a participating interest, enter the total amount falling due to the *firm* within one year in the data entry field entitled:

“Memo (1):

Total amount falling due within one year from directors, fellow group undertakings or undertakings in which the firm has a participating interest where included in Debtors.”

Insurance intermediaries subject to *MIPRU* should, where they include *shares* in *group undertakings* as part of their investments, where such investments are held as current assets, enter the total value to the *firm* in the data entry field entitled:

“Memo (2):

Value of shares in group undertakings where such investments are held as current assets.”

If further assistance is required in completing the balance sheet, professional guidance should be sought.

This information will be used by the *FCA* to monitor the *firm's* financial position and satisfy itself as to the *firm's* ongoing solvency. Aggregated data may also be used to inform our supervision activities.

The frequency of reporting for this section is determined by *SUP* 16.12.

Firms that have *appointed representatives* (‘ARs’) should note that balance sheet data should be submitted for the *firm* only, not its ARs.

Section B: Profit & Loss Account

Profit & loss (‘P&L’) should be reported on a cumulative basis throughout the *firm's* financial year.

Sub-section B1 – regulated business revenue: covers the data required on the *firm's* revenue from its *regulated activities*.

Sub-section B2 – other P&L: incorporates the remainder of the profit & loss data requirements.

Firms that receive combined income in relation to both regulated and non-regulated activities 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.

In section B1, a *firm* that has *appointed representatives* ('ARs'), including a *network*, should ensure that the figures submitted for income are calculated before deducting any commissions shared with its ARs in respect of the *regulated activities* for which the *firm* has accepted responsibility as *principal*.

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.

Section B: guide for completion of individual fields

| | |
|---|--|
| Commissions (gross) | <p>This should include all commission income in respect of the relevant regulated business:</p> <ul style="list-style-type: none"> • for <i>home finance transactions</i>, this includes commissions received for <i>advising on home finance transactions</i> and <i>arranging</i>, but not, providing and administration; • for <i>non-investment insurance contracts</i>, it should include commissions received for <i>advising, arranging</i> and <i>dealing</i> activities; • for <i>retail investments</i>, only commission received in relation to the relevant activities should be recorded here. <p>Gross commissions will include commission that is received and passed on to another <i>person</i>.</p> <p>Where commission is shared between two or more <i>firms</i>, the gross commission should not be double counted, i.e. each <i>firm</i> should report only the commission it has received.</p> |
| Commissions (net) | <p>This should be the amount of the gross commission figure that is retained by the <i>firm</i> and, where applicable, its <i>appointed representatives</i>, (i.e. not passed on to another <i>person</i>) in respect of each type of business.</p> |
| Fees/ Adviser charges / Consultancy charges | <p>You should record here <i>adviser charges</i> and <i>consultancy charges</i>, and net income received from <i>customers</i> or other sources on a fixed fee rather than commission basis, but only in respect of the relevant <i>regulated activities</i>.</p> |
| Other income from regulated activities | <p>You should record here any income that has derived from the relevant <i>regulated activities</i> during the reporting period, which has not been recorded under commissions or fees, <i>adviser charges</i> or <i>consultancy charges</i>.</p> <p>Such income may include interest on <i>client money</i>, where the <i>firm</i> is permitted to retain this, or payments made by product providers on a basis other than fees or commissions.</p> |
| Regulated business revenue | <p>This is the total of the <i>firm's</i> income during the reporting period in relation to its relevant <i>regulated activities</i>.</p> <p>For an <i>insurance intermediary</i> or a <i>home finance intermediary</i>, this should be calculated in the same way as 'annual income', as specified in <i>MIPRU</i> 4.3.3R (although in this context the period is not generally annual).</p> <p>This <i>rule</i> states: "For a firm which carries on <i>insurance mediation activity</i> or <i>home finance mediation activity</i>, annual income... is the amount of all brokerage, fees, <i>commissions</i> and other related income (for example, administration charges, overrides, profit shares) due to the <i>firm</i> in respect of or in relation to those activities".</p> |
| Income from other regulated activities | <p>You should record here any income from other <i>regulated activities</i> outside the scope of the <i>RMAR</i>.</p> |
| Other Revenue (income from nonregulated activities) | <p>Gross revenue arising from the <i>firm's</i> non-<i>regulated activities</i>, if any, should be entered here.</p> |

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 *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. 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 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 its *designated professional body* as specified in CASS 5.1.4R, and if it does so, it will be deemed to comply with 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 FCA? | <i>SUP</i> 3.10 sets out the requirement for auditors to report annually on the <i>firm</i> ’s systems and controls in relation to <i>client money or custody assets</i> . Auditors and <i>firms</i> are required to report significant issues to the <i>FCA</i> (see <i>SUP</i> 3.8.10G and <i>SUP</i> 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 <i>insurance undertaking</i> |
| Statutory Trust | See CASS 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 <i>firm</i> ’s <i>client money</i> account(s) as at the current date of return. These should be taken from the <i>firm</i> ’s ledgers. |
| Client money debit total as at reporting date | This should be the total of any debits on the <i>firm</i> ’s <i>client money</i> account(s) as at the current date of return. These should be taken from the <i>firm</i> ’s ledgers. |

| | |
|---|--|
| Net client money balance as at reporting date | This should be the aggregate balance on the <i>firm's client money</i> 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 <i>firm</i> must obtain and keep current, written confirmation from its auditor that the <i>firm</i> has adequate systems and controls 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 <i>firm</i> has invested any <i>client money</i> other than in a bank account. See CASS 5.5.14R. (Note: this is only permitted for <i>client money</i> that is held in a non-statutory trust.) |
| Does the <i>firm</i> hold any client assets (other than client money)? | If the <i>firm</i> holds client assets and is subject to the requirements of CASS 5.8 or CASS 6, state 'yes' here. |

Section D: Regulatory Capital

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.

‘Higher of’ requirements

In this section there are separate calculations of regulatory capital and capital resources requirements for the different types of business covered by the data requirements. The calculations are the same, however, for both *home finance mediation activity* and *insurance mediation activity* relating to *non-investment insurance contracts*.

If a *firm* carries on one or both of:

- *home finance mediation activity*, and/or
- *insurance mediation activity* relating to *non-investment insurance contracts*

, and additionally carries on

- *designated investment business* (i.e. is subject to *IPRU(INV)*);

then a ‘**higher of**’ requirement applies. This is set out in *MIPRU 4.2.5R*, which provides that in these circumstances, the higher of the capital resources requirements relating to the respective activities should apply.

In section **D1**, therefore, there are separate reporting requirements to establish the appropriate capital requirements for the following groups of activities and/or *firms* (the requirements have to be completed for all applicable categories) :

- firms* carrying on *home finance mediation activity*, and/or *insurance mediation activity* relating to *non-investment insurance contracts* (the capital requirements are the same for both activities, calculated in section D1);
- personal investment firms* that carry on *retail investment activities*, but no other *designated investment business*. Capital requirements are calculated in section D2;
- other *personal investment firms*, and *firms* that are subject to *MIPRU*, but are also subject to *IPRU(INV)* or *CRED* (see below). These additional capital requirements are not calculated as part of the *RMAR*.

In each case, it is the higher of the capital requirements that applies and is compared with the applicable calculation of financial resources.

Standard ‘version 1’ credit unions are exempt from the capital requirements in *MIPRU*, although they have capital requirements under the Credit Unions sourcebook (‘*CRED*’). For other credit unions, the capital resources requirement should be the higher of the amounts required under *MIPRU* or *CRED*.

Note on the scope of Sections D2: *firms* that carry on *designated investment business* and are subject to the RMAR, but do not meet the definition of *personal investment firm*, i.e. are not subject to *IPRU(INV)* Chapter 13, will **not** be subject to this section. Such *firms*, e.g. smaller stockbrokers that advise on *retail investments* as an incidental part of their business, remain subject to the financial resources requirements associated with their principal *regulated activities*.

Sub-sections: this section is sub-divided as follows:

D1: in this sub-section, *firms* are required to complete the regulatory capital sections that are applicable for the types of business undertaken. The *personal investment firms* referred to in

(ii) above are required to complete section D2 to arrive at the totals required in D1.

D2: this section is completed by *personal investment firms* that are **not** subject to the requirements of *MiFID* and the *Capital Adequacy Directive (CAD)*. It is used to calculate the financial resources and financial resources requirements set out in Chapter 13.10-12 of the Interim Prudential Sourcebook for Investment Businesses (*IPRU(INV)*). This in turn will provide the totals to be submitted in the D1 fields marked A to I as applicable.

Section D1: guide for completion of individual fields

| | |
|---|--|
| Is the firm exempt from these capital requirements in relation to any of its retail mediation activities? | The <i>firm</i> should indicate here if any <i>Handbook</i> exemptions apply in relation to the capital requirements in <i>MIPRU</i> or <i>IPRU(INV)</i> Chapter 13. Examples of <i>firms</i> that may be subject to exemptions include <ul style="list-style-type: none"> • Lloyd’s <i>managing agents</i> (<i>MIPRU</i> 4.1.11R); • solo consolidated <i>subsidiaries of banks</i> or <i>building societies</i>; • small <i>credit unions</i> (as defined in <i>MIPRU</i> 4.1.8R); and • <i>investment firms</i> not subject to <i>IPRU(INV)</i> Chapter 13 (unless they additionally carry on <i>home finance mediation activity</i> or <i>insurance mediation activity</i> relating to <i>non-investment insurance contracts</i>). |
| Home finance and non-investment insurance mediation (see sub paragraph (i) above) | |
| Base requirement | The minimum capital requirements for <i>firms</i> carrying on <i>home finance mediation activity</i> and for <i>insurance mediation activity</i> relating to <i>non-investment insurance contracts</i> are set out in <i>MIPRU</i> 4.2.11R. If the <i>firm</i> carries on <i>designated investment business</i> as well as <i>home finance mediation activity</i> , <i>insurance mediation activity</i> or both, requirements under both <i>IPRU(INV)</i> and <i>MIPRU</i> need to be considered, as it is the higher of the requirements that needs to be met (see general notes above). |
| 5% of annual income (firms holding client money) | For <i>firms</i> that hold <i>client money</i> or other <i>client</i> assets in relation to <i>insurance mediation activity</i> or <i>home finance mediation activity</i> , this should be calculated as 5% of the annual income (see <i>MIPRU</i> 4.2.11R(2)) from the <i>firm</i> ’s <i>insurance mediation activity</i> , <i>home finance mediation activity</i> , or both. |

| | |
|---|--|
| 2.5% of annual income (firms not holding client money) | For <i>firms</i> that do not hold <i>client money</i> or other <i>client</i> assets in relation to <i>insurance mediation activity</i> or <i>home finance mediation activity</i> , this should be calculated as 2.5% of the annual income (see <i>MIPRU</i> 4.2.11R(1)) from the <i>firm's insurance mediation activity, home finance mediation activity, or both.</i> |
| Capital requirements (higher of above) | The higher of the base requirement and 5% of annual income (<i>firms</i> that hold <i>client money</i> or other <i>client</i> assets), or the higher of the base requirement and 2.5% of annual income (<i>firms</i> that do not hold <i>client money</i> or other <i>client</i> assets) |
| Other <i>FCA</i> capital requirements (if applicable) | The <i>FCA</i> may from time to time impose additional requirements on individual <i>firms</i> . If this is the case for your <i>firm</i> , you should enter the relevant amount here. This excludes capital requirements in relation to PII, which are recorded below. There may be additional capital requirements imposed on <i>firms</i> that carry on a number of different <i>regulated activities</i> . For example, <i>firms</i> that carry on the activities of <i>home finance providing activity</i> or <i>administering a home finance transaction</i> in addition to <i>home finance mediation activity</i> and/or <i>insurance mediation activity</i> , and are not exempted under <i>MIPRU</i> 4.1.4R, may have an additional requirement under <i>MIPRU</i> 4.2.21R(2). |
| Additional capital requirements for PII (if applicable) | If the <i>firm</i> has any increased excesses on its PII policies, the total of the additional capital requirements required by the tables in <i>MIPRU</i> 3.2.13R or <i>MIPRU</i> 3.2.14R should be recorded here. See also section E of the RMAR. |
| TOTAL CAPITAL REQUIREMENT | Appropriate totals from above |
| TOTAL CAPITAL RESOURCES | This should be the total of capital resources calculated in accordance with <i>MIPRU</i> 4 in this section (D1) for incorporated or unincorporated <i>firms</i> as applicable. For <i>firms</i> that are additionally subject to <i>IPRU(INV)</i> or <i>CRED</i> , this should be the higher of the amount calculated in this section ('total capital resources') and the financial resources determined by <i>IPRU(INV)</i> or <i>CRED</i> . See <i>MIPRU</i> 4.4.1R. |
| TOTAL CAPITAL EXCESS/DEFICIT | This should show the amount of capital resources that the <i>firm</i> has in relation to its capital requirement. |
| IPRU(INV) requirements for personal investment firms (retail investment activities only) | <i>Firms</i> that carry on <i>retail investment activities</i> , but no other <i>designated investment</i> business, are subject to this section. It is populated from section D2 (see sub paragraph (ii) above). |
| Category of personal investment firm under <i>IPRU(INV)</i> | If the <i>firm</i> is subject to Chapter 13 of <i>IPRU(INV)</i> , it should enter here its firm category as defined in <i>IPRU(INV)</i> Appendix 13(1), i.e. A1, A2, A3, B1, B2 or B3. |
| Own funds requirement | See Section D2 The own funds requirement ('OFR') should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms. Non- <i>MiFID Firms</i> see section <i>IPRU (INV)</i> 13.10 For a <i>low resource firm</i> , the OFR is always £10,000. |
| Additional own funds requirement for PII (if applicable) | If the <i>firm</i> has increased excesses or exclusions on its PII policies, the total of the additional capital requirements required by <i>IPRU(INV)</i> 13.1.4 should be recorded here. See also section E of the RMAR. |

| | |
|---|---|
| Other <i>FCA</i> capital requirements (if applicable) | The <i>FCA</i> may from time to time impose additional requirements on individual <i>firms</i> . If this is the case for your <i>firm</i> , you should enter the relevant amount here. This excludes capital requirements in relation to PII, which are recorded above. |
| Total own funds requirement | Appropriate totals from above. |
| Own funds | <p>See Section D2 This field should be filled in using the figure for own funds that is derived from the calculation in Section D2.</p> <p>Own funds should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms.</p> <p>Non-<i>MiFID Firms</i> see <i>IPRU (INV)</i> 13.10</p> <p>Source data for the own funds calculation should be entered in the separate financial resources section for non-<i>MiFID firm</i>.</p> |
| Surplus/deficit of own funds | <p>See Section D2 This field should be filled in using the figure for surplus/deficit that is derived from the calculation in Section D2.</p> <p>This should show the amount of the <i>firm's</i> own funds in relation to its own funds requirement.</p> |
| Adjusted net current assets requirement (if applicable) | <p>See Section D2 All <i>personal investment firms</i> except <i>low resource firms</i> should at all times have adjusted net current assets of at least £1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> |
| Adjusted net current assets (if applicable) | <p>See Section D2 All <i>personal investment firms</i> except <i>low resource firms</i> should at all times have adjusted net current assets of at least £1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p>This field should be filled in using the figure for adjusted net current assets that is derived from the calculation in Section D2.</p> <p>Adjusted net current assets should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment <i>Firms</i>.</p> <p>Non-<i>MiFID Firms</i> see <i>IPRU (INV)</i>13.11</p> |
| Surplus/deficit (if applicable) | <p>See Section D2 All <i>personal investment firms</i>, except <i>low resource firms</i>, should at all times have adjusted net current assets of at least £1.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p>This field should be filled in using the figure for surplus/deficit that is derived from the calculation in section D2 of the data requirements.</p> <p>This shows whether the <i>firm's</i> net current assets are positive.</p> |

| | |
|---|--|
| Expenditure based requirement (if applicable) | <p>See Section D2 All <i>personal investment firms</i>, except <i>low resource firms</i>, should calculate their expenditure based requirement ('EBR') in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> <p>Non-MiFID Firms see IPRU (INV) 13.12</p> |
| Adjusted Capital/liquid capital (if applicable) | <p>See Section D2 This field should be filled in using the figure for adjusted capital/liquid capital that is derived from the calculation in Section D2.</p> <p>Adjusted/liquid capital should be calculated in accordance with Chapter 13 of the Interim Prudential Sourcebook for Investment Firms.</p> <p>Non-MiFID Firms see IPRU (INV) 13.12</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> |
| Surplus/deficit (if applicable) | <p>See Section D2 This field should be filled in using the figure for surplus/deficit that is derived from the calculation in Section D2.</p> <p>This shows the amount of the <i>firm's</i> adjusted/liquid capital in relation to its expenditure based requirement.</p> <p><i>Low resource firms</i> should enter 'n/a' here.</p> |
| Eligible capital (mortgage and non-investment insurance) | |
| Incorporated firms | |
| Share capital | Share capital in section A which is eligible for inclusion as regulatory capital. |
| Reserves | These are the audited accumulated profits retained by the <i>firm</i> (after deduction of tax and dividends) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a <i>parent undertaking</i> . Any reserves that have not been audited should not be included in this field unless the <i>firm</i> is eligible to do so under MIPRU 4.4.2R(3). |
| Interim net profits | Interim net profits should be verified by the <i>firm's</i> external auditor, net of tax or anticipated dividends and other appropriations to be included as capital. Any interim net profits that have not been verified should not be included in this field unless the <i>firm</i> is eligible to do so under MIPRU 4.4.2R(3), |
| Revaluation reserves | Revaluation reserves (unrealised reserves arising from revaluation of fixed assets) can only be included here if audited. |
| Eligible subordinated loans | Subordinated loans should be included in capital on the basis of the provisions in PRU 9.3.56R and PRU 9.3.57R. |
| Less investments in own shares | Amounts recorded in the balance sheet as investments which are invested in the <i>firm's</i> own shares should be entered here for deduction. |

| | |
|---|--|
| Less intangible assets | Any amounts recorded as intangible assets in section A above should be entered here for deduction. The balance sheet value for goodwill does not have to be deducted here until 14 January 2008. See <i>MIPRU 4.4.4R</i> |
| Less interim net losses | Interim net losses should be reported where they have not already been incorporated into audited reserves. The figures do not have to be audited to be included. |
| Unincorporated firms and limited liability partnerships | |
| Capital of a sole trader or partnership or LLP members' capital | See <i>MIPRU 4.4.2R</i> |
| Eligible subordinated loans | Subordinated loans should be included in capital on the basis of the provisions in <i>MIPRU 4.4.7R</i> and <i>MIPRU 4.4.8R</i> . |
| Personal assets not needed to meet non-business liabilities | <i>MIPRU 4.4.5R</i> and <i>4.4.6G</i> state that a <i>sole trader</i> or <i>partner</i> may use personal assets to cover liabilities incurred in the <i>firm's</i> business unless: (1) those assets are needed to meet other liabilities arising from: (a) personal activities; or (b) another business activity not regulated by the <i>appropriate regulator</i> ; or (2) the <i>firm</i> holds <i>client money</i> or other <i>client</i> assets. This field may be left blank if the <i>firm</i> is able to satisfy the capital resources requirements without relying on personal assets. |
| Less intangible assets | Any amounts recorded as intangible assets in section A above should be entered here for deduction. The balance sheet value for goodwill does not have to be deducted here until 14 January 2008. See <i>MIPRU 4.4.3R</i> |
| Less interim net losses | Interim net losses should be reported where they have not already been incorporated. The figures do not have to be audited to be included. |
| Less excess of drawings over profits for a sole trader or partnership or LLP | Any excess of drawings over profits should be calculated in relation to the period following the date as at which the capital resources are being calculated. The figures do not have to be audited to be included. |

Section D2: non-ISD *personal investment firms*

This section is for non-*MiFID personal investment firms*. Its purpose is to assist in calculating the financial resources data that is required in section D1 above, based on the requirements of *IPRU(INV)* 13.10 to 13.12.

All non-*MiFID personal investment firms* are required to meet the Own Funds financial resources test as follows:

Own Funds (test 1)

IPRU(INV) requires that all non-*MiFID personal investment firms* have financial resources of at least £10,000 at all times. The Own Funds test is designed to evaluate *firms'* adherence to this requirement.

In addition, *firms* that do not fall within the definition of a *low resource firm*

are required to meet the following additional financial resources tests.

Adjusted Net Current Assets (test 1A)

The purpose of this test is to ensure that the *firm* has adequate working capital to be able to meet its liabilities as and when they fall due. It does this by taking the *firm's* net current assets (from the balance sheet), and applying the following actions:

- (1) excluding assets which cannot be realised or recovered within twelve months;
- (2) excluding amounts receivable from *connected persons* (to the extent that they are not properly secured, except certain allowable deposits);
- (3) valuing *investments* at current market value. The resulting balance should be at least £1.

Expenditure Based Requirement (test 2)

This is a capital requirement for *personal investment firms* that are not *low resource firms*, based on a *firm's* overall audited expenditure. The Expenditure Based Requirement is calculated as a fraction of the *firm's* annual fixed costs which, for this purpose, are based upon the *firm's* annual expenditure and, in general terms, exclude cost items that would not be incurred were there no income. Thus staff bonuses and *partners'* profit shares (unless guaranteed) and any shared commissions are not treated as fixed costs for the purposes of the calculation.

Section E: Professional Indemnity Insurance

Note: *Home purchase, reversion and sale and rent back activity* should be included under the existing mortgage headings in this section of the RMAR.

This section requires *firms* to confirm that they are in compliance with the prudential requirements in relation to professional indemnity insurance (PII).

Data is required in relation to all PII policies that a *firm* has in place, up to a limit of ten (the system will prompt you to submit data on all applicable policies). If a *firm* has more than ten policies, it should report only on the ten largest policies by premium.

Note on the scope of Section E: *retail investment firms* that fall within the scope of these data requirements, but do not meet the definition of *personal investment firm*, i.e. are not subject to *IPRU(INV)* 13, will **not** be subject to this section.

The PII requirements for *authorised professional firms* ('APFs') that carry on *retail investment activities* are set out in *IPRU(INV)* 2.3. APFs that carry on *home finance mediation activity* or *insurance mediation activity* are subject to the full requirements of *MIPRU* 3.

Firms which are subject to the requirements in both *IPRU* and *MIPRU* must apply the PII rules outlined in *IPRU(INV)* 13, not *MIPRU* 3.

Section E: guide for completion of individual fields

Part 1

| | |
|--|--|
| <p>Does your firm hold a comparable guarantee or equivalent cover in lieu of PII, or is it otherwise exempt from holding PII in respect of any regulated activities (tick as appropriate)?</p> | <p>This question will establish whether a <i>firm</i> is exempt from the requirements and so is not required to hold PII.</p> <p>The conditions for comparable guarantees and exemptions from the PII requirements for <i>firms</i> carrying on insurance or home finance mediation are set out in <i>MIPRU</i> 3.1.1R paragraphs (3) to (6).</p> <p>Personal investment firms can only be exempted by individual waiver granted by the <i>FCA</i> (unless <i>IPRU(INV)</i> 13.1.7R applies in respect of comparable guarantees).</p> <p>If the <i>firm</i> is required to hold PII – i.e. is not exempt from holding PII – you should enter 'no' in the data field.</p> <p>A <i>firm</i> is NOT exempt from holding PII if:</p> <ul style="list-style-type: none"> • the <i>firm</i> has a group policy with an insurer; or • the <i>firm</i> has permission for the regulated business that requires PII, but does not currently carry it out; or • it is a <i>personal investment firm</i> meeting the exemption requirements for <i>mortgage intermediaries</i> and <i>insurance intermediaries</i> in <i>MIPRU</i> 3. <p><i>Retail investment firms</i> that do not meet the definition of <i>personal investment firm</i> are not required to complete this section of the RMAR.</p> |
| <p>If the firm does not hold a comparable guarantee or equivalent cover and is not exempt, does the firm currently hold PII?</p> | <p><i>Firms</i> are required to take out and maintain PII at all times.</p> <p>You should only enter 'n/a' if the <i>firm</i> is exempt from the PII requirements for all the <i>regulated activities</i> forming part of the RMAR.</p> |
| <p>Has the firm renewed its PII cover since the last reporting date?</p> | <p>This question will ensure that a <i>firm</i> does not fill in Part 2 of the PII section of the RMAR each time it reports, if the information only changes annually.</p> <p>If the <i>firm</i> is reporting for the first time, you should enter 'yes' here and complete the data fields.</p> <p>You should only enter 'n/a' if the <i>firm</i> is exempt from the PII requirements for all the <i>regulated activities</i> forming part of the RMAR.</p> |

Part 2

| | |
|--|---|
| <p>What activities are covered by the policy(ies)?</p> | <p>You should indicate which <i>regulated activities</i> are covered by the <i>firm</i>'s PII policy or policies.</p> |
|--|---|

| | |
|---|--|
| <p>If your policy excludes all business activities carried on prior to a particular date (i.e. a retroactive start date), then insert the date here, if not please insert 'n/a'</p> | <p>Required terms of PII are set out for <i>personal investment firms</i> in IPRU(INV) 13.1.5R and for <i>home finance intermediaries</i> and <i>insurance intermediaries</i> in MIPRU 3.2.4R.</p> <p>Examples of a retroactive start date: (1) A <i>firm</i> has a retroactive start date of 01/01/2005 on its policy if:</p> <ul style="list-style-type: none"> • A client is advised by the <i>firm</i> to purchase an XYZ policy on 01/03/2004 (i.e. before the retroactive start date). • The client makes a formal complaint about the sale of XYZ policy to the <i>firm</i> on 01/04/2006 (i.e. while this PII cover is still in place). • The complaint is upheld, but the <i>firm's</i> current PII Insurer will not pay out any redress for this claim as the transaction took place before 01/01/2005, the retroactive start date in the policy. <p>Insert '01/01/05' for this question on the RMAR.</p> <p>(2) A <i>firm</i> does not have a retroactive start date if:</p> <ul style="list-style-type: none"> • A client is advised by the <i>firm</i> to purchase an XYZ policy on 01/03/2006. • The client makes a formal complaint about the sale of XYZ policy to the <i>firm</i> on 01/04/2006 (i.e. while this PII cover is still in place). • The complaint is upheld, but the <i>firm's</i> current PII Insurer will pay out any redress owed by the firm to the client over any prescribed excess, and to the limit of indemnity provided for. There is no date in the policy before which any business transacted may not give rise to a valid claim. <p>Insert 'n/a' for this question on the RMAR.</p> |
| <p>Annual premium</p> | <p>This should be the annual premium that is paid by the <i>firm</i>, net of tax and any other add-ons.</p> |

| | |
|---|--|
| Limit of Indemnity | <p>You should record here the indemnity limits on the <i>firm's</i> PII policy or policies, both in relation to single claims and in aggregate.</p> <p>Those firms subject to <i>Insurance Mediation Directive (IMD)</i> requirements should state their limit in Euros; those that are not subject to the <i>IMD</i> should select 'Sterling' from the drop-down list.</p> <p><i>Insurance intermediaries</i>, see <i>MIPRU 3.2.7R</i> and select either 'Euros' or 'Sterling' as applicable. <i>Home finance intermediaries</i> should state their limit in Sterling (see <i>MIPRU 3.2.9R</i>).</p> <p>For <i>personal investment firms</i>, see <i>IPRU(INV) 13.1.9R</i> and <i>13.1.13R</i> and select either 'Euros' or 'Sterling' as applicable.</p> <p>If the <i>firm</i> is subject to more than one of the above limits (because of the scope of its <i>regulated activities</i>) and has one PII policy for all of its <i>regulated activities</i>, the different limits should be reflected in the policy documentation. If there is more than one limit, only the highest needs to be recorded in this field.</p> |
| Policy excess | <p>For <i>insurance intermediaries</i> and <i>home finance intermediaries</i>, see <i>MIPRU 3.2.10-14R</i></p> <p>For <i>personal investment firms</i>, see <i>IPRU(INV) 13.1.25R..</i></p> |
| Increased excess(es) for specific business types (only in relation to business you have undertaken in the past or will undertake during the period covered by the policy) | <p>If the prescribed excess limit is exceeded for a type or types of business, the type(s) of business to which the increased excess applies and the amount(s) of the increased excess should be stated here (Some typical business types include pensions, endowments, FCAVCs, splits/zeros, precipice bonds, income drawdown, <i>lifetime mortgages</i>, discretionary management.)</p> |
| Policy exclusion(s) (only in relation to exclusions you have had in the or will have during the period covered by the policy) | <p>If there are any exclusions in the <i>firm's</i> PII policy which relate to any types of businesses or activities that the <i>firm</i> has carried out either in the past or during the lifetime of the policy, enter the business type(s) to which the exclusions relate here.</p> <p>(Some typical business types include pensions, endowments, FCAVCs, splits/zeros, precipice bonds, income drawdown, lifetime mortgages, discretionary management.)</p> |
| Start Date | The date the current cover began. |
| End Date | The date the current cover expires |

| | |
|--|--|
| Insurer name (please select from the drop-down list) | <p>The <i>firm</i> should select the name of the <i>insurance undertaking</i> or Lloyd's syndicate providing cover. If the PII provider is not listed you should select 'other' and enter the name of the <i>insurance undertaking</i> or Lloyd's syndicate providing cover in the free-text box.</p> <p>If a policy is underwritten by more than one <i>insurance undertaking</i> or Lloyd's syndicate, you should select 'multiple' and state the names of all the <i>insurance undertakings</i> or Lloyd's syndicates in the free-text box.</p> |
| Annual income as stated on the most recent proposal form | <p>This should be the income as stated on the <i>firm's</i> most recent PII proposal form. For a <i>personal investment firm</i>, this is relevant income arising from all of the <i>firm's</i> activities for the last accounting year before the policy began or was renewed (<i>IPRU(INV)</i> 13.1.8R). For <i>insurance intermediaries</i> and <i>home finance intermediaries</i> this is the annual income given in the <i>firm's</i> most recent annual financial statement from the relevant <i>regulated activity</i> or activities (<i>MIPRU</i> 4.3.1R to 4.3.3R).</p> |
| Amount of additional capital required for increased excess(es) (where applicable, total amount for all PII policies) | <p>This should be calculated using the tables in <i>IPRU(INV)</i> 13.119R or <i>MIPRU</i> 3.2.14 to 3.2.16R as applicable. The total of additional capital (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional own funds for PII' in Section D1.</p> |
| Amount of additional capital resources required for policy exclusion(s) | <p><i>Personal investment firms</i> only – this should be calculated in line with <i>IPRU(INV)</i> 13.1.23R. The total of additional capital resources (i.e. in relation to all of the <i>firm's</i> PII policies) should have been reported under 'additional capital requirements for PII' and/or 'additional capital resources for PII' in section D1.</p> |
| Total of additional capital resources required | <p><i>Personal investment firms</i> only – this is the same figure as in section D1, representing the total of additional capital resources required under <i>IPRU(INV)</i> 13.1.23R to 13.1.27R for all of the <i>firm's</i> PII policies.</p> |
| Total of readily realisable capital resources | <p><i>Personal investment firms</i> only – you should state here the total of the own funds reported in section D.</p> |
| Excess/deficit of readily realisable own funds | <p>This field is no longer relevant.</p> |

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*').

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

In very broad terms, so far as those required to fill in this part of the return are concerned, the *Handbook* requires notification of changes in a *firm's controllers* as follows:

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

- (1) a *person* acquiring *control* or ceasing to have *control*;
- (2) an existing *controller* acquiring an additional *kind of control* or ceasing to have a *kind of control*;
- (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%, 30% or 50%;
- (4) an existing *controller* becoming or ceasing to be a *parent undertaking*.

An *overseas firm* must notify the *FCA* of any of the following events concerning the *firm*:

- (1) a *person* acquiring *control* or ceasing to have *control*;
- (2) an existing *controller* becoming or ceasing to be a *parent undertaking*.

A *UK insurance intermediary* must notify the *FCA* of any of the following events concerning the *firm*:

- (1) a *person* acquiring *control*;
- (2) a *controller*:
 - (a) decreasing the percentage of shares held in the *firm* from 20% or more to less than 20%; or
 - (b) decreasing the percentage of shares held in a *parent undertaking* of the *firm* from 20% or more to less than 20%; or
 - (c) decreasing the percentage of voting power which it is entitled to exercise,

or

control the exercise of, in the *firm* from 20% or more to less than 20%; or
 (d) decreasing the percentage of voting power which it is entitled to exercise, or control the exercise of, in a *parent undertaking* of the *firm* from 20% or more to less than 20%;

(3) an existing *controller* becoming or ceasing to be a *parent undertaking*.

A summary of these notification requirements is provided in Annex 1G of SUP 11.

This section of the return replaces the annual *controllers* reporting requirement in SUP 16.4.5R, which does not now apply to those *firms* subject only to the RMAR for the purposes of regulatory reporting. Moreover, the exemptions for certain other *firms* from the existing reporting requirement in SUP 16.4.1G are retained.

Section F: guide for completion of individual fields

| | |
|--|--|
| Close Links | |
| Has there been a notifiable change to the firm's close links? | See SUP 11.9. All <i>firms</i> should have notified the <i>FCA</i> immediately if they have become aware that they have become or ceased to be closely linked with <i>another person</i> . If there have been any changes in <i>close links</i> that have not been notified to the <i>FCA</i> , you should do this now. For detailed <i>guidance</i> on what constitutes a <i>close link</i> , see <i>COND 2.3</i> . |
| If yes, has the <i>FCA</i> been notified of it? | See SUP 11.9. All <i>firms</i> should have notified the <i>FCA</i> immediately if they have become aware that they have become or ceased to be closely linked with <i>another person</i> . If there have been any changes in <i>close links</i> that have not been notified to the <i>FCA</i> , you should do this now. For detailed <i>guidance</i> on what constitutes a <i>close link</i> , see <i>COND 2.3</i> . |
| Controllers | |
| Has there been a notifiable change to the firm's controllers including changes to the percentage of shares or voting power they hold in your firm? | See SUP 11.4. If there have been any changes in <i>controllers</i> that have not been notified to the <i>FCA</i> , you should do this by means of your usual supervisory channels. |
| If yes, has the <i>FCA</i> been notified of it? | See SUP 11.4. If there have been any changes in <i>controllers</i> that have not been notified to the <i>FCA</i> , you should do this by means of your usual supervisory channels |

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

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.

Principle 3 of the *Principles for Businesses* requires *firms* to take reasonable care to organise and control their affairs responsibly and effectively, with adequate risk management systems. This includes making proper arrangements for individuals associated with a *regulated activity* carried on by a *firm* to achieve and maintain competence.

We will use the data we collect in this section to assess the nature of *firms'* compliance with training and competence requirements. It will also establish the extent and nature of *firms'* business, and thereby assess the potential risks posed by *firms'* business activities.

Firms that have *appointed representatives* ('ARs') should note that the information submitted in this section should include its ARs as well as the *firm* itself.

Section G: guide for completion of individual fields

| | |
|---|--|
| Total number of all staff | This should be the total number of staff that worked for the <i>firm</i> as at the end of the reporting period. Therefore, employees that may have advised during the period but were not employed as at the end date should not be included. |
| Of which: | |
| Number of staff that give advice | 'Advice' is given where the sale of a product is based on a recommendation given to the <i>customer</i> on the merits of a particular product. If staff advise in relation to more than one business type (i.e. <i>home finance transaction</i> advising, advising on <i>non-investment insurance contracts</i> or retail investment products), 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. Note: in relation to advising on <i>non-investment insurance contracts</i> , this total should not include employees that do not advise <i>retail customers</i> . |
| Number of staff that give advice (Full time equivalent) | This should be the same data as above, but expressed in 'full Time equivalent' terms, e.g. if the firm has 20 part time staff that work 50% of normal hours, the figure would be 10. |

| | |
|--|--|
| <p>Number of staff that supervise others to give advice</p> | <p>Note the requirements in the Training & Competence Sourcebook (<i>TC 2.1.2R, TC 2.1.3G, TC 2.1.4G and TC 2.1.5R</i>) for employees to be appropriately supervised, and also the competencies that are required for those who supervise others.</p> <p>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.</p> |
| <p>Number of advisers that have been assessed as competent</p> | <p>This is a subset of the total of ‘number of staff that give advice’ above.</p> <p>See <i>TC Appendix 1.1R</i> for the detailed training & competence requirements relating to individual activities.</p> <p>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.</p> |
| <p>Number of advisers that have passed appropriate examinations</p> | <p>This is a subset of the total in ‘number of staff that give advice’ above.</p> <p>In the case of certain activities, <i>TC 2</i> imposes requirements on <i>firms</i> in relation to their <i>employees</i> and passing examinations.</p> <p>The relevant activities to which <i>TC</i> applies and require <i>employees</i> to obtain appropriate qualifications can be found in <i>TC Appendix 1</i>. Then appropriate qualifications for these activities can be found in <i>TC Appendix 4E</i>.</p> <p>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.</p> |
| <p>Number of advisers that have left since the last reporting date</p> | <p>This is the total number of advisory staff that have left the <i>firm</i> during the current reporting period.</p> <p>If any of these staff used to carry out advisory 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.</p> |
| <p>What types of advice were provided?</p> | <p>For each type of advice, the <i>firm</i> should indicate whether or not staff have provided advice on that basis / business type.</p> <p>In relation to their <i>home finance mediation activities</i>, <i>firms</i> are not required by <i>MCOB 4.4A</i> to use a label to describe the service they provide to <i>customers</i>. In filling out this section they should simply answer ‘no’ for each category relating to their <i>home finance mediation activities</i>.</p> |

| | |
|---|---|
| Independent | For a <i>retail investment firm</i> to provide <i>independent advice</i> its <i>personal recommendations</i> must be based on a comprehensive and fair analysis of the relevant market, and be unbiased and unrestricted (COBS 6.2A.3R). |
| Independent (whole of market plus option of fee-only) | To hold itself out as acting independently, a <i>firm</i> carrying on <i>home finance mediation activity</i> must consider products from across the whole of the market, and offer its clients the opportunity to pay by fee. |
| Whole of market (without fee-only option) | A <i>firm</i> carrying on <i>home finance mediation activity</i> provides whole of market recommendations when it has considered a large number of products that are generally available from the market as a whole. |
| On the basis of a fair analysis of the market | If an <i>insurance intermediary</i> informs a <i>customer</i> that it gives advice on the basis of a fair analysis of the market, it must give that advice on the basis of an analysis of a sufficiently large number of <i>contracts of insurance</i> available on the market to enable it to make a recommendation, in accordance with professional criteria, regarding which <i>contract of insurance</i> would be adequate to meet the <i>customer's</i> needs. (See ICOPS 5.3.3R, see also ICOPS 4.1.6R and ICOPS 4.1.8G). |
| Restricted /Multi-tie (the products of a limited number of providers) | A <i>firm</i> provides advice on products selected from a limited number of provider firms. <i>Restricted advice</i> applies to advice on <i>retail investment products</i> . Multi-tie applies to <i>insurance mediation activity</i> and <i>home finance mediation activity</i> . |
| Restricted /Single-tie (the products of one provider) | A <i>firm</i> provides advice on products selected from one provider firm only. <i>Restricted advice</i> applies to advice on <i>retail investment products</i> . Single-tie applies to <i>insurance mediation activity</i> and <i>home finance mediation activity</i> . |
| Restricted (limited types of products) | A <i>firm</i> provides advice on limited types of products. |

Sub heading: Clawed back commission (*retail investment firms only*)

Commission is typically paid to advisers in two main ways:

- non-indemnity commission – this is where payments from providers/lenders to advisers are non-refundable should the policy lapse, cancel or be surrendered.
- indemnity commission – this is colloquially known as 'up-front' commission and describes the situation where a provider would pay an adviser an amount of money based on a percentage of the first year's premiums for a regular premium contract. This sum is paid immediately on commencement, on the assumption that the policy will stay in force for a number of months/years ('the earnings period'). Should the customer stop paying premiums within the 'earnings period' (generally between 24 and 48 months), then the provider would ask the adviser to repay the 'unearned' commission. This is known as '**clawback**'.

| | |
|--|---|
| Clawed back commission (retail investment firms only) | |
| Number | Number of policies where cancellations have led to commissions being clawed back during the reporting period. |
| Value | Total value of clawed back commission during the period. |

Section H: Conduct of Business ('COBS') Data

In this section we are seeking data from *firms* in relation to general conduct of business and monitoring of appointed representatives.

We will use the data collected in this section to establish the extent and nature of *firms'* business, and thereby assess the potential risks posed by *firms'* business activities.

Firms that have *appointed representatives* ('ARs') should note that the information submitted in this section should take account of the business generated by its ARs as well as the *firm* itself.

Sub-heading: general COBS data

In this sub-section we are requesting general information on the *firm's* conduct of business.

Sub-heading: monitoring of *appointed representatives*

An appointed representative ('AR') is a *person* (other than an *authorised person*) who:

- (a) is a party to a contract with an *authorised person* (his *principal*) which:
 - (i) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations*; and
 - (ii) complies with such requirements as are prescribed in those Regulations; and
- (b) is someone for whose activities in carrying on the whole or part of that business his *principal* has accepted responsibility in writing; and who is therefore an *exempt person* in relation to any *regulated activity* comprised in the carrying on of that business for which his *principal* has accepted responsibility.

A *firm* has significant responsibilities in relation to an AR that it has appointed, which are set out in detail in SUP 12. In summary, the *firm* is responsible, to the same extent as if it had expressly permitted it, for anything the *appointed representative* does or omits to do, in carrying on the business for which the *firm* has accepted responsibility.

Before a *firm* appoints a *person* as an *appointed representative*, and afterwards **on a continuing basis**, it should take reasonable care to ensure that:

(1) the appointment does not prevent the *firm* from satisfying and continuing to satisfy the *threshold conditions*;

(2) the *person*:

- (a) is solvent;
- (b) is suitable to act for the *firm* in that capacity; and
- (c) has no *close links* which would be likely to prevent the effective

supervision of the *person* by the *firm*; and

(3) the *firm* has adequate:

(a) controls over the *person's regulated activities* for which the *firm* has responsibility (see SYSC 3.1); and

(b) resources to monitor and enforce compliance by the *person* with the relevant requirements applying to the *regulated activities* for which the *firm* is responsible and with which the *person* is required to comply under its contract with the *firm*. Accordingly, *firms* are required to monitor and oversee the activities of their ARs. It is the *firm's* responsibility to be able to demonstrate that it has adequate procedures and resources in place to monitor these activities.

By collecting the high level data required in this sub-section, we will be able to gain an understanding of the methods that *firms* are employing to remain in compliance with the monitoring requirements. This will be used to inform thematic and/or *firm*-specific work in this area.

Section H: guide for completion of individual fields

| General COBS data | |
|--|--|
| Do regulated activities form the core business of the firm? | <p>'Core business' for these purposes is the activity from which the largest percentage of the <i>firm's</i> gross income is derived.</p> <p>Note for an <i>authorised professional firm</i> specifying that its core business is 'professional services': if the <i>firm's</i> income from <i>regulated activities</i> is 50% or more of its total income (disregarding a temporary variation of not more than 5% over the preceding year's figure), then it should have regard to <i>IPRU(INV) 2.1.2R (4)</i> and give notification to the <i>FCA</i>.</p> |
| If not, specify type of core business | <p>The <i>firm</i> should specify its core business from the drop-down list.</p> <p>You should select Other if none of the categories is applicable to the <i>firm's</i> business, e.g. loss assessor, professional services provided by an <i>authorised professional firm</i>.</p> |
| Monitoring of Appointed Representatives ('ARs') | |
| Number of ARs registered with the firm as at the end of the reporting period | Total number of ARs for which the <i>firm</i> has regulatory responsibility, as at the end of the reporting period. |
| Of which, number of 'secondary' ARs as at the end of the reporting period | <p>An AR is a secondary AR if:</p> <ul style="list-style-type: none"> • the activities for which it is exempt are limited to <i>insurance mediation activities</i> only; and • its principal purpose is to carry on activities other than <i>insurance mediation activities</i>. |
| Of which, number of introducer ARs as at the end of the reporting period | See <i>Glossary</i> definition |

| | |
|---|--|
| Number of advisers within ARs as at the end of the reporting period | <p>This should be the total of advisory staff across all of the <i>firm's appointed representatives</i>. Advisory staff are those that advise <i>customers</i> on the merits of purchasing a particular product.</p> <p>By definition this total will not include staff at introducer ARs.</p> |
| Does the firm have appropriate systems and procedures in place to ensure that the activities of its ARs are effectively monitored and controlled? | <p>A summary of the <i>firm's</i> responsibilities under SUP 12 is set out under the sub-heading "monitoring of appointed representatives" above.</p> <p>The <i>firm</i> should be able to demonstrate that it has been in compliance with the requirements in SUP 12 throughout the reporting period.</p> |
| Number of ARs that have been subject to monitoring visits by the firm during the reporting period. | This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12. |
| Number of ARs that have been subject to file reviews by the firm during the reporting period. | This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12. |
| Number of ARs that have been subject to financial checks by the firm during the reporting period. | This is one of the ways in which <i>firms</i> with ARs may fulfil their responsibilities under SUP 12. |
| Has any other monitoring of ARs by the <i>firm</i> taken place? | If the <i>firm</i> uses other methods to fulfil its monitoring responsibilities under SUP 12, you should state 'yes' here. |

Section I: supplementary product sales data

Most of the product sales data ('PSD') required by the *FCA* is collected quarterly from product providers. However, this process does not include all types of *non-investment insurance contract*, and also leaves other gaps in data on sales, which we aim to fill by means of the data collected in this section.

We use this data in conjunction with PSD to identify market trends and thus inform our thematic supervision work. In addition to this, we may use the combined sales data to form a view about the state of affairs of individual *firms*, which may inform supervisory or other action.

Firms that have *appointed representatives* ('ARs') should note that the information submitted in this section should also take account of the business of its ARs as well as the *firm* itself.

Sub-heading: (i) non-investment insurance product information

In this section *firms* are asked for aggregate data on their advising and arranging activities (for *non-investment insurance contracts* with *retail customers*). The information required is an indication of the product types in which the *firm* has been active during the reporting period, and a further indication of how significant this activity is (i.e. whether it forms more than 40% by premium of all of the *firm's* retail non-investment insurance activities)

This information enables us to ascertain the importance of each product type to the *firm* and to target thematic work in this area.

| | |
|---|---|
| Total non-investment insurance premium derived from retail customers (annualised) | Regular policy premiums received for a policy should be reported only once as an annualised figure in the return for the period that covers the date of the sale. There is then no need to report in subsequent returns. An annualised figure is also required if a policy premium is paid in one single payment. |
|---|---|

Sub-heading: (ii) non-investment insurance chains

It is common practice in the non-investment insurance market for some *firms* to pass their business to another intermediary rather than directly to the product provider, forming a ‘chain’. Product Sales Data only identifies the *firm* that has submitted the business to the product provider, although this may not necessarily be the intermediary that originated the sale. This section captures data on sales that form part of chains. Collecting information on gross and net brokerage (as outlined in section B1 above) gives us some information about the extent to which a *firm* is part of a chain, and to supplement this, we are requesting the following data in this section:

- (1) whether transactions in the listed product types have been passed up a chain; (2) whether this business is significant. ‘Significant’, in this context, is where the premium collected in relation to business forming part of a chain amounts to (a) more than 40% of premium collected for all non-investment insurance business, or (b) more than 40% of premium collected for all retail business in a particular product; and
- (3) whether, in relation to this business, the *firm* has dealt directly with the *customer* during the reporting period (i.e. has been the first intermediary in the chain). Note:

Lloyd’s brokers are exempt from the reporting requirement in this section.

Section I: guide for completion of individual fields

| (i) non-investment insurance contracts - product information | |
|---|---|
| Please indicate in column A each product type where the firm has advised or arranged transactions for retail customers during the reporting period | You should indicate in column A for each relevant product. |
| Please indicate in column B where the firm’s business for retail customers in the product type formed more than 40% by premium of all of its non-investment insurance activities. | You should indicate in column B for each relevant product, based on an estimate of the percentage of business. If you think the product might account for more than 40% of business but are not sure, you should indicate that it does. |
| (ii) non-investment insurance chains | |
| Total non-investment insurance premium derived from retail customers | You should state here the total of premiums payable by <i>Retail customers</i> during the reporting period in relation to non- investment insurance products. |
| Of this business, please indicate in column D where this business is significant (see notes above) | If this business is significant (see definition above) for one or more product types, this should be indicated in column D. |
| Product types: | The product types in this table are defined in the Interim Prudential sourcebook for insurers (<i>IPRU(INS)</i>) |

Section J: data required for calculation of fees

Note: *Home purchase, reversion and regulated sale and rent back activity* should be included under the home finance headings in this section of the RMAR.

This information is required so that we can calculate the fees payable by *firms* in respect of the *FCA*, *FOS* and the *FSCS*.

| | |
|-----------------------------------|--|
| Data for fees calculations | <i>Firms</i> will need to report data for the purpose of calculating <i>FCA</i> , <i>FOS</i> and <i>FSCS</i> levies. |
| FCA | The relevant information required is the tariff data set out in <i>FEES 4 Annex 1AR Part 3</i> under fee-blocks A.13, A.18 and A.19. Note that <i>firms</i> are required to report tariff data information relating to all business falling within fee blocks 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 <i>FEES 5 Annex 1R industry blocks 8, 9, 16 and 17</i> . Note that <i>firms</i> 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 classes B2, C2, D2, and E2, <i>FEES 6 Annex 3R</i> . Note that <i>firms</i> are required to report tariff data information relating to all business falling within classes B2, C2, D2 and E2, <i>FEES 6 Annex 3R</i> . |

Personal investment firms and *firms* whose regulated activities are limited to one or more of: *insurance mediation activity*, *home finance mediation activity*, or *retail investment activity*, are required to complete section J of the 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.

The *guidance* in the following table sets out the *rules* which related to the data required in Section J of *SUP 16 Annex 18AR*.

| | FCA Annual Regulated Income (£s) | FOS Relevant Annual Income (£s) | FSCS Annual Eligible Income (£s) |
|---------------------------|---|--|---|
| Home finance Mediation | <i>FEES 4 Annex 11AR, 13G</i> | <i>FEES 5 Annex 1R industry block 16</i> | <i>FEES 6 Annex 3R sub-class E2</i> |

| | | | |
|------------------------------------|-------------------------------|--|--------------------------------------|
| Non-investment insurance mediation | <i>FEES 4 Annex 11AR, 13G</i> | <i>FEES 5 Annex 1R industry block 17</i> | <i>FEES 6 Annex 3R sub-class B2</i> |
| Life and pensions mediation | <i>FEES 4 Annex 11AR, 13G</i> | <i>FEES 5 Annex 1R industry block 8, 9</i> | <i>FEES 6 Annex 3R sub-class C2</i> |
| Investment mediation | <i>FEES 4 Annex 11AR, 13G</i> | <i>FEES 5 Annex 1R industry block 8, 9</i> | <i>FEES 6 Annex 3AR sub-class D2</i> |

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*).

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*.

Firms that have *appointed representatives* should include their *appointed representatives* as well as the *firm* itself in the information submitted in this section.

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

| Adviser charge revenue | |
|--|---|
| Initial <i>adviser charges</i> (row 1) | <p>These are all <i>adviser charges</i> invoiced to <i>retail clients</i> during the reporting period for services that are not ongoing.</p> <p>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 (<i>COBS</i> 6.1A.22R (2)).</p> |
| 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 (<i>COBS</i> 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 |
| Payments of initial adviser charges | |
| (See above three rows for an explanation of the different payment mechanisms.) | |
| Aggregate of initial <i>adviser chares</i> invoiced as lump sum payments (row 4) | <p>This is the sum of initial <i>adviser charges</i> 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.</p> <p>If an initial charge is not paid in full, we expect it to be recorded under row 5 of Section K as the 'Aggregate of initial <i>adviser charges</i> invoiced as regular payments'.</p> |

| | |
|---|--|
| <p>Aggregate of initial <i>adviser charges</i> invoiced as regular payments (row 5)</p> | <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 (<i>COBS</i> 6.1A.22R(2)). Each instalment should be captured by the <i>firm</i>, to two decimal places, representing the amount invoiced as a proportion of the amount owed for each <i>retail client</i> this applies to. The aggregation of these sums 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 being invoiced and then divide it by the total number of <i>months</i> in which payments are due to be made. Sum up these individual calculations for each <i>retail client</i> this applies to based on payment mechanism and type of advice and report in the appropriate field.</p> <p>(2) For each <i>retail client</i> calculate the amount of <i>adviser charge</i> in the reporting period being invoiced and then divide it by the total amount due. Sum up these individual calculations for each retail client this applies to based on payment mechanism and type of advice and report in the appropriate field.</p> |
| <p>Aggregate of initial <i>adviser charges</i> (invoiced as either a lump sum of regular payment) (row 6)</p> | <p>Row 6 equals row 4 plus row 5.</p> |
| <p>Number of one-off advice services (row 7)</p> | <p>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>.</p> |
| <p>Retail clients paying for ongoing advice services</p> | |
| <p>Number of <i>retail clients</i> paying for ongoing advice services (row 8)</p> | <p>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.</p> |

| | |
|---|---|
| Number of <i>retail clients</i> who started 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. |
| Number of <i>retail clients</i> who stopped 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. |
| Charging structure | |
| 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 | 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. |