



SUPERVISION (SUP)

2. Supervision (SUP)

2.1 The Supervision Framework

The FCA aims to carry out in-depth, structured supervision work with firms that they consider to pose the greatest risks to FCA objectives. Therefore the extent of the FCA supervisory relationship with the firm will depend upon:

- their assessment of the potential impact to consumers and other market participants, of the risks posed by the firm; and
- the probability that these risks will materialise.

The combination of impact and probability factors provides a measure of the overall risk posed to the statutory objectives. This is subsequently used to prioritise risks and reach decisions on what, if anything, the regulatory response should be.

If you are deemed high risk then it is likely that there will be a continuous regulatory relationship. This is so that the FCA can develop and sustain a detailed understanding of the risks posed. This will include risk assessment, visits, and “skilled person” reports, together with ad hoc and regulatory reporting.

The majority of firms are likely to pose low risk individually, however collectively the risk posed may be higher. The FCA has therefore decided to introduce baseline monitoring to collect information required on individual firms and at industry level. This will involve obtaining standard information from firms on a regular basis.

The FCA will adopt a pre-emptive approach, based on making forward-looking judgments about firms’ business models, product strategy and how they run their businesses.

The overall approach in the FCA supervision model is based on the following principles:

1. Ensuring fair outcomes for consumers;
2. Being forward looking and pre-emptive;
3. Being focused on the big issues and causes of problems;
4. Taking a judgement based approach;
5. Ensuring firms act in the right spirit;
6. Examining business models and culture;
7. An emphasis on individual accountability;
8. Being robust when things go wrong;
9. Communicating openly; and
10. Having a joined up approach.

Firm Categorisation

The FCA has divided firms into four supervisory groups (C1-C4) and how a firm is supervised is dependent upon this categorisation.

C1 Firms: include banking and insurance groups with a very large number of retail customers and universal/investment banks with very large client assets and trading operations. These firms will have proactive supervision on a one year cycle with two deep dives during the period. At the end of each one year cycle the firm will receive a letter, setting out the FCA view of the firm and the risks it poses to the objectives.

C2 Firms: include firms across all sectors with a substantial number of retail customers and/or large wholesale firms. These firms will also have proactive supervision but on a two year cycle. A C2 firm should expect two deep dives during this period. At the end of each two year cycle the firm will receive a letter, setting out the FCA view of the firm and the risks it poses to the FCA objectives.

C3 Firms: include firms across all sectors with retail customers and/or a significant wholesale presence. These firms are classed as 'flexible portfolio' which means they will be supervised by a team of sector specialists and not have a dedicated supervisor. Focus is on which firms are outliers compared to their peers and a review of how businesses are run and controlled. Assessments are followed by a feedback letter setting out key findings and actions to be taken. Firm specific assessments will be on a four year cycle, but interim reviews will be performed if there is any indication that the risk they represent is significantly changing.

C4 firms: these are smaller firms, including almost all intermediaries. They are also classed as 'flexible portfolio' firms. This means they will be supervised by a team of sector specialists and not have a dedicated supervisor. A C4 firm will be subject to a 'touch point' once during a four year cycle to determine how it runs its business. This could take the form of a roadshow, an interview, a telephone call, an online assessment, or a combination of these. The exact interaction will depend on the FCA assessment of the risk such firms pose to their objectives. C4 firms posing a high risk to FCA objectives will be subject to further firm specific proactive work.

The supervision framework is based on 3 pillars and for C4 firms it includes:

1. Proactive firm supervision – the FCA will engage with firms to assess whether they have the interests of customers and the integrity of the market at the heart of their business. This will be a forward looking approach using their judgement to address issues that could lead to damage to consumers or markets with clear personal accountability for the firms senior management.

2. Event-driven, reactive work – dealing faster and more decisively with problems that are emerging or have happened, and securing customer redress or other remedial work where necessary. This will include ensuring that there are mitigating actions in place to prevent further damage and address the root causes of problems. If necessary the FCA will use their powers to hold the firm and individuals accountable and to gain redress for unfair treatment to customers. This will cover issues that occur outside the firm assessment cycle, and will use better data monitoring and intelligence.
3. Issues and products – fast, intensive campaigns on sectors of the market or products within a sector that are putting or may put consumers at risk. These could be issues like a trend for a particular business practice or problem with a certain product.

2.1.1. Proactive Firm Supervision

Firms will be assessed every four years to understand how the business is run and the impact this has on consumers and markets. C4 firms are split into 12 geographical regions and the FCA will assess three regions each year. The format will be:-

1. Workshop designed to help the firm identify risks
2. Firm review by means of either a face to face interview or telephone interview or on line assessment. The review content is the same irrespective of the method of conducting it and immediate feedback is provided.
3. Supervisory visit should the firm pose significant risks. Following this detailed feedback will be provided about any actions that need to be taken.

Further details on the current business risk assessments can be found in Section 6 – Special Topics chapter 4.

2.1.2 Event Driven, Reactive Supervision

FCA's approach is identify and prevent consumer detriment and threats to the market before they happen. Event-driven work focuses on situations in firms which have resulted in creating a heightened risk to consumers; or where consumers have already experienced some loss and swift action is required to prevent the situation from worsening. The FCA will take swift and robust action including securing redress for consumers.

The FCA uses a number of sources to identify potential risks or problems including:-

- Information received from the firm itself either via regular base line reporting or ad hoc reporting on changes or significant events;
- Data analysis;
- Whistleblowers; and
- Consumer complaints.

The FCA's response to an event will depend on the nature and size of the problem including skilled persons reports. If it is evident that the risk has occurred in more than one firm then the FCA will engage with the industry as a whole to ensure all firms mitigate the risk, consumers are protected and poor behaviour is rectified.

Should an event occur in your firm then the FCA will expect you to fix the cause of the issue as well as the symptom and to have a comprehensive and credible plan of action to mitigate the risk. In some cases the firm may need to formally attest that risks have been addressed and demonstrate that appropriate outcomes have been achieved.

2.1.3 Issues and products

This work is based around the FCA thematic reviews, where they examine emerging risks, new products and other issues that are common to multiple firms or sectors.

These are identified through analysis of each sector and the proactive supervision work.

Where an issue is identified then the FCA will conduct a thematic review with a number of firms to assess the issues and respond accordingly. Following on from the review the FCA will issue results of the review and guidance to firms in the industry or sector. The FCA expect firms to consider and take action as necessary as a result of their findings.

The FCA will also carry out studies to analysis the effectiveness of competition in different markets and may where necessary intervene to promote more effective competition.

2.2 Reporting to the FCA

The base line reporting is linked to the firm's annual reporting period. For insurance intermediaries there are 3 sets of data that need to be collected:

- **Standing data** –information that the FCA holds on all firms that are regulated by them, not just general insurance firms and it is this information that is held on the FCA register.
- **Retail Mediation Activities Return (RMAR)** - information which relates to general insurance firms only and includes financial data, compliance with threshold conditions, information on insurance conduct of business rules (ICOB), training and competence, supplementary product sales data and information required to calculate fees for FOS and FSCS.
- **Complaints information** – standard information that the FCA collects for all firms regulated by them.

The reporting is based on firms' regulated activities rather than firm type. There are some data items which are common to all firms and others which are just specific to one or more regulated activity. Each regulated activity has specific reporting requirements and wherever possible a firm will not be required to submit the same information more than once.

In practical terms this will mean that the FCA reporting is tailored to each firm and the firm will only be presented with the information they will need to submit.

2.2.1 Submission of returns

Firms are required to submit data electronically using the FCA's secure internet site. The firm will complete an on-line set of data items which it can access via GABRIEL on the FCA website.

Once logged onto GABRIEL you will be taken into a reporting schedule screen. All present and future returns will be listed on this screen with the date that they needed to be submitted by. The status will also be indicated in the far right column. Red indicates overdue and green indicates ready to complete.

You must complete each data item in your return. Data items A, B, D1 and E will need to be cross validated before they can be submitted. Once completed, each data item maybe submitted separately.

The frequency and timing of the reporting is determined by both the size of the firm (i.e. whether its turnover is more or less than £5m) and by its accounting reference date, e.g. financial year end. For firms with a turnover of less than £5m returns need to be submitted every 6 months. For firms with an annual turnover of more than £5m a full submission needs to be made every 6 months and in addition financial information needs to be submitted every quarter.

A firm will have 30 business days from the reporting date to submit the return. So, for example a firm with a turnover of under £5m with an accounting reference date of 31 January will need to submit 2 returns for the following reporting periods:

- 1 February to 31 July and
- 1 August to 31 January.

The firm will have 30 business days after 31 July and 31 January to complete the return and submit it to the FCA.

The FCA requires firms to submit data items in section J once a year in their year end return. This will be a separate form. This information is used to calculate the fee that the firm will need to make to the FCA, FOS and FSCS.

Complaints returns are submitted at the same time as the RMAR and this again will be a separate data item on the full return.

The FCA attaches considerable importance to the timely submission of information. The FCA charges a £250 administration fee for any late submissions of the RMAR. If the firm still does not submit the required information the FCA may take enforcement action, which can result in the firm losing its permission to carry on regulated activities.

Firms should check the accuracy of the standing data on a regular basis as this is the information on which the FCA will base the rest of their reporting requirements. Standing data can be found on "Firms Online" Regulatory Transactions under "Firm Profile". Firms must however check and confirm that it is correct within 30 business days of their accounting reference date. Any corrections should be submitted using the appropriate form on "Firms Online".

2.2.2 Data collection

In the template section at the end of this chapter are example returns identifying all the data fields required for the RMAR and complaints reporting data sets. These identify all the data items the FCA may require from a firm and therefore the returns that a firm will actually get will not be identical to these templates. The table below provides more detail on the actual fields needing to be completed and should be read in conjunction with the templates.

The RMAR needs to be completed by all firms whether its customers are consumers or commercial. However if a firm's customers are solely commercial it will not need to complete all of sections G or I.

When completing the financial information of the RMAR sections A to E, you should adhere to the following principles:

1. 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:
 - a. the requirements of all relevant statutory provisions, e.g. Companies Act 1985;
 - b. UK generally accepted accounting practice (UK GAAP). This is set out in the Financial Reporting Standards and Statements of Standard Accounting Practice issued or adopted by the Accounting Standards Board or where applicable international accounting standards; and
 - c. the provisions of (3) and (4) below.
2. If the firm is a body corporate with one or more subsidiaries, its financial statements should be unconsolidated.
3. All amounts should be shown in pounds sterling, unless otherwise specified in the Handbook (e.g. in MIPRU 3.2.7R).
 - a. A firm should translate assets and liabilities denominated in other currencies into pounds sterling using the closing mid-market rate of exchange.
 - b. 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.
 - c. Balances on client bank accounts and related client accounts must not form part of the firm's own balance sheet.
4. 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).

Note:

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 out any of the relevant regulated activities as the “last reporting date”, except where otherwise indicated (e.g. in Sections E and H).

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).

Information to be captured and reported	Information required
Standing data set	<p>The firm will be required to check the following information:</p> <ul style="list-style-type: none"> • Name of firm; • Accounting reference date; • Legal status; • Website address; • Firm contact details including the Compliance contact and Complaints contact; • Firm address details; • Auditor; • Locum; and • Trading names of the firm.
RMAR – Section A financial information – balance sheet	<p>This information will be used by the FCA to monitor the firm’s financial position and satisfy itself of the firm’s ongoing solvency. It should be compiled in accordance with generally accepted accounting practice (UK GAAP) or International Accounting Standards (IAS) and should be completed to reflect the firm’s financial position as at the last day of the reporting period.</p> <p>Client money should not form part of the balance sheet as it is not the firm’s money. Related balancing accounts should also be excluded.</p> <p>Balance sheet data should not include appointed representatives (ARS).</p> <p>Where a material event occurs during the reporting period which effects a material change to a firm’s capital excess e.g. higher than expected dividend payments or adverse assessment of reported assets, the firm should notify the appropriate regulator at once.</p> <p><u>Fixed Assets</u> Tangible assets are assets that have physical substances, e.g. buildings and equipment.</p>

Information to be captured and reported	Information required
	<p>Intangible assets are not physical e.g. copyrights, patents and goodwill. Firms that report an intangible assets figure should remember to deduct this amount when calculating their total capital resources. They cannot be included as part of a firm's capital resource as they cannot be realised immediately.</p> <p>Investments that cannot be turned into cash within 90 days are considered to be fixed assets.</p> <p>Total fixed assets is the sum of intangible assets + Tangible assets + Investments.</p> <p><u>Current Assets</u></p> <p>Stocks is all stocks that are expected to be realised in cash, sold or consumed within the current financial year</p> <p>Debtors is total realisable debts owed to your firm by other firms and individuals. Debts must be recoverable and able to be turned into cash within 90 days (readily realisable). Firms should exclude debts which they believe may not be repaid in full, not repaid at all or will be difficult to recover.</p> <p>Investments held as current assets are all that are expected to be realised in cash, sold or consumed within the current financial year.</p> <p>Cash in hand at banks is the business account/s bank balance as of the reporting period end date. Where the firm is using an overdraft facility, the figure recorded here should be 0 (zero) and the amount of money owed on the overdraft recorded in bank loans and overdrafts.</p> <p>Other assets are all other assets that are expected to be realised in cash, sold or consumed within the current financial year.</p> <p>Total current assets is the sum of stocks + debtors + investments held as current assets + cash in hand at bank + other assets.</p> <p><u>Liabilities: Amounts falling due within one year</u></p> <p>Bank loans and overdrafts is the total of all bank loans and overdrafts repayable within one year. Do not include client money here or anywhere else on the firm's balance sheet.</p> <p>Other liabilities falling due within one year. Examples of this are creditors, unpaid bill and unpaid claw back commission.</p> <p>Total liabilities falling due within one year is the sum of bank loans and overdrafts + other liabilities falling due within one year.</p>

Information to be captured and reported	Information required
	<p>Net current assets are “total current assets” minus “total amounts falling due within one year”.</p> <p>Total assets less current liabilities is net current assets + total fixed assets.</p> <p>Other liabilities falling due after more than one year are long-term liabilities such as a mortgage or bank loans that are due to be repaid after more than one year.</p> <p>Provisions for liabilities and charges is money held to pay for something in the future for which the timing and amount is not clear.</p> <p>Net assets is net current capital position of the firm. The formula to calculate this is total assets less current liabilities minus other liabilities falling due after more than one year minus provisions for liabilities and charges. The net assets must be the same as the total capital figure.</p> <p>Memo (guarantees provided by firm) is supplementary capital not included in the balance sheet such as personal assets.</p> <p><u>Capital Account</u></p> <p>Ordinary share capital is the face value of shares issued for which cash has been received.</p> <p>Preference share capital is the face value of shares issued, for which cash has been received and that have preferential rights over the holders of ordinary shares.</p> <p>Share premium account is the difference between cash received for ordinary share capital and the face value of the shares issued.</p> <p>Profit and loss account is the accumulation of all previously retained profit/losses since the birth of the firm</p> <p>Other reserves are those not already covered under the previous headings such as revaluation reserves.</p> <p>Total capital and reserves is the total sum of ordinary share capital + preference share capital + share premium account + profit and loss account + other reserves. Note, the balance sheet will not balance if this figure is not the same as the net assets figure.</p>

Information to be captured and reported	Information required
<p>RMAR – Section B financial information – profit and loss</p>	<p>P&L should be reported on a cumulative (year to date) basis throughout the firm's financial year, e.g. for the first 6 months of the firm's financial year only 6 months' data will be required, however the second report in the financial year will contain a year's worth of data. P&L should also be reported in line with UKGAAP or IAS on an accruals basis (as opposed to cash).</p> <p>The year end return should report the total regulated business revenue for the whole year. It is therefore expected to be greater than the value entered on previous submission for the same financial year.</p> <p>If the firm has combined regulated and non-regulated income and it is difficult to split it out, they should in the first instance request an indication of the split from the income provider. If this is not available then an estimate will suffice.</p> <p>If it is difficult to identify the business to which commission relates e.g. trail commission income from provider firms, it is acceptable to estimate the split e.g. between investment and insurance business.</p> <p>If the firm does not have precise figures for the split between income from fees and income from commission, this may also be estimated, but the information is required to monitor trends in the market between fees and commission.</p> <p>Unpaid commission or Claw backs need to be reflected in RMA-A under other liabilities and not deducted from the firm's regulated business revenue figure in RMA-B.</p> <p>Sub section BI - Regulated Business Revenue: covers data required on the firm's revenue from its regulated activities. Revenue generated from ARs should be included here as business undertaken by them is the responsibility of the firm. Appointed representatives are expected to maintain appropriate records and to report their income to the principal.</p> <p>Gross Commission</p> <ul style="list-style-type: none"> • Commissions received for advising, arranging and dealing activities with non-investment insurance contracts. • This should include commission received and passed on to another person. • When commission is shared with more than one firm then each firm should report only the commission they receive. <p>Net Commission is the amount of the gross commission kept by the firm and its appointed reps e.g. not passed onto another person.</p> <p>Fees are net income received from customers or other sources in respect of regulated activities on a fixed fee basis rather than commission.</p> <p>Other income is any income that has been derived from a regulated activity not recorded under commission or fees e.g. interest on client money.</p>

Information to be captured and reported	Information required
	<p>Regulated business revenue is the total of the firm's income e.g. gross commission, fees and other income.</p> <p>Income from other regulated activities is income outside the scope of RMAR.</p> <p>Other revenue is gross revenue arising from the firm's other non-regulated activities, if any.</p> <p>Sub section B2 – Other P&L: covers the remainder of the profit and loss data requirements. This should be produced using data from the principal firm only, e.g. excluding ARs. The firm should estimate the tax payable on the business profits and provide for it in the accounts. Partnerships should do the same.</p> <p>Income from other FCA and PRA regulated activities. Record any income from regulated activities other than retail investment, home finance or insurance mediation activities.</p> <p>Other revenue (income from non-regulated activities) Enter details of gross revenues from the firm's non-regulated activities.</p> <p>Total revenue is the sum of total regulated business revenue+ income from other FCA and PRA regulated activities + other revenue.</p> <p>Total expenditure is the total expenditure of the firm both in relation to its regulated and non-regulated activities (excluding tax). Commissions paid to AR's are recorded here.</p> <p>Profit and loss on ordinary activities before taxation. This figure is produced by deducting the total expenditure from both regulated non-regulated ordinary activities from the total revenue (both regulated and non-regulated). If the firm has not undertaken any extraordinary activities, the formula is total revenue minus total expenditure.</p> <p>Profit and loss on extraordinary activities before taxation. An extraordinary event is a one off event that has either generated a significant profit or loss such as the sale or purchase of a building or premises. To calculate this figure, deduct the total expenditure caused as a result of extraordinary activities from the proportion of total revenue obtained as a result of the extraordinary activities.</p> <p>Taxation. The firm should estimate the tax that it will be payable on its profits:</p> <ul style="list-style-type: none"> • Profit/Loss for the period before dividends and appropriations is the total revenue minus total expenditure minus taxation; • Dividends and other appropriations. Includes dividends paid to shareholders, staff bonuses, wages paid to self (sole trader), etc. • Retained profit is calculated using the following formula: Profit/Loss for the period before dividends and appropriations (minus dividends and other appropriations)

Information to be captured and reported	Information required
RMAR- Section C-client money and assets	<p>Property management firms that comply with the Royal Institute of Chartered Surveyors (RICS) Members' Accounts rules or the client money scheme that exists under Section 42 of the Landlord and Tenant Act (LTA) 1987 are not required to comply with the detailed requirements of the FCA client money rules, provided that they satisfy the requirements of CASS 5.5.49R to the extent that the firm will hold money as trustee or otherwise on behalf of its clients. As such, they are permitted to enter zero balances into the fields for client money credit/debit totals.</p> <p>If your firm does not hold client money you are still required to complete the final question regarding client assets. The question asks for information on:</p> <ol style="list-style-type: none"> 1. Notifiable events. Issues that have been raised in relation to client money but have not already been notified to the FCA – for example from an auditor's report of systems and controls (if applicable). 2. How client money is held: <ul style="list-style-type: none"> ○ <i>Risk Transfer (insurance mediation activities only)</i> where the intermediary firm and the product provider have signed an agreement allowing for the product provider to treat the premium held by the intermediary as if it is already in their possession; ○ <i>Statutory trust.</i> A client money account that the firm uses to segregate and safeguard client money prior to passing these funds to the client or the client's product provider as payment for a product/service; ○ <i>Non-statutory trust (insurance mediation activities only).</i> A client money account that authorises a firm to make credits to clients and or product providers, before actually receiving the client money. <p>Note. Where a firm is co-mingling risk transfer money in a client money bank account, the risk transfer money needs to be included in the client money totals. All monies held in this way are subject to CASS requirements. Firms should tick the boxes for both risk transfer and statutory/non-statutory</p> 3. Client money totals. The reportable totals are the client money cash balances as at the last day of the reporting period, taken from the firm's ledgers. They are not the monetary total of the entries over the course of the reporting period. <ul style="list-style-type: none"> ○ <i>Credits</i> - money paid by a customer into a client money account which has not, as of the reporting period end date, been forwarded on to a product provider for payment and any undrawn commission due to the firm; ○ <i>Debits</i> - Money owed to the client money account as payment has been made before the corresponding 'credit' has been received from the customer/product provider. Accordingly, the element 'net client money balance as at reporting date' should show the net balances (credit less debits). A debit total should not normally arise in relation to a statutory trust, but may occur on a non-statutory trust, where advances of credit are permissible; and

Information to be captured and reported	Information required
	<ul style="list-style-type: none"> ○ <i>Net client money balance</i> - the client money account balance as at the reporting date. This figure should be the total of the client money credit total less client money debit total. <p>4. Auditor's Confirmation. Firms that have held more than £30,000 at any time during the reporting period in a statutory account or who hold client money in a non-statutory trust must obtain written confirmation from an independent auditor that their client money system and controls are adequate. The audit report can cover any time period, but the period must not be more than 53 weeks from the last report, or if it is the first report not more than 53 weeks from the date the firm became authorised. (See section 2.2 below for more details).</p> <p>5. Is any client money invested other than on deposit? You should answer "yes" here if the firm has invested any client money other than in a bank account. This is only permitted for client money held in a non-statutory trust.</p> <p>6. Does the firm hold any client assets other than client money e.g. policy documents or wills?</p>
<p>RMAR Section D1 – regulatory capital and financial resources</p>	<p>This section will be used to identify whether the firm has sufficient capital resources in relation to its capital requirements.</p> <p>This only outlines the capital requirements for non-investment insurances. If the firm also carries on retail investment or mortgage, there will be additional capital requirements and the highest capital requirement will apply.</p> <p>Is the firm exempt from these capital requirements in relation to any of its retail mediation activities? Normally the answer to this is "no".</p> <p>Base requirement – minimum capital requirements for firms (e.g. £5k if not holding client money or £10K if holding client money in a statutory trust or commercial client money only in a non-statutory trust and £50k if holding consumer client money in a non-statutory bank account).</p> <p>5% of annual income, from retail mediation activities, if holding client money or client assets. 2.5% of annual income, from retail mediation activities, if not holding client money or client assets.</p> <p>Capital requirements – this is the higher of the base requirement or 5% of annual income (if holding client money) or 2.5% annual income (if not holding client money).</p> <p>Other FCA capital requirements (if applicable) – the FCA may impose additional capital requirements on individual firms. If this is the case then you need to enter the relevant amount. This excludes any additional PII capital requirements.</p>

Information to be captured and reported	Information required
	<p>Additional capital requirements for PII – if you have increased your excesses on your PII policy then the additional capital requirements should be inserted.</p> <p>“Total Capital Requirement” – appropriate totals from the above.</p> <p>“Total Capital Resources” – appropriate amount from the eligible capital (see notes below). This is asked twice on D1 and needs to contain the same figure.</p> <p>“Total Capital Excess/Deficit” – amount of capital resources the firm has in relation to its capital requirement.</p> <p>Eligible capital resources</p> <p>Incorporated firms</p> <p>Share capital – as reported in section A, which is eligible for inclusion as regulatory capital.</p> <p>Reserves – these are the audited accumulated profits retained by the firm (after deduction of tax and dividends) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves will also include gifts of capital, for example from a parent undertaking. Any reserves that have not been audited should not be included in this field unless the firm is eligible to do so under MIPRU 4.4.2R(3) i.e. firms that are exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (Exemptions from audit)) or where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts.</p> <p>Interim Net Profits - should have been verified by the firm’s 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 unless the firm is eligible to do so under MIPRU 4.4.2R(3) i.e. firms that are exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (Exemptions from audit)) or where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts.</p> <p>Revaluation reserves – can only be included if they have been audited.</p>

Information to be captured and reported	Information required
	<p>Eligible subordinated loans.</p> <p>A subordinated loan can only be used as eligible capital to meet FCA statutory capital requirements if it meets all of the conditions as stated in the Financial Services Handbook which include:</p> <ol style="list-style-type: none"> 1. A maturity date of two years (or two years notice of repayment if it does not have a fixed term). 2. It cannot be repaid until a firm has 120% of its capital requirement after the repayment has been made. 3. The subordinated loan agreement must be drafted using the FCA standard template. <p>Less investments in own shares – amounts that have been recorded in the balance sheet as investments invested in the firm’s own shares.</p> <p>Less intangible assets – as in section A.</p> <p>Less interim net losses – reported where they have not already been incorporated into audited reserves. The figures do not have to be audited to be included.</p> <p>NB The balance sheet evaluation of goodwill now needs to be deducted.</p> <p>Unincorporated firms</p> <p>Capital of a sole trader or partnership or LLP members’ capital.</p> <p>Eligible subordinated loan.</p> <p>Personal assets not needed to meet non business liabilities – these can be used unless:</p> <ol style="list-style-type: none"> 1. those assets are needed to meet other liabilities arising from: <ol style="list-style-type: none"> i. personal activities; or ii. another business not regulated by FCA. 2. the firm holds client money or other client assets. <p>This field may be left blank if the firm is able to satisfy the capital resource requirements without relying on personal assets.</p> <p>Less intangible assets – as in section A.</p> <p>Less interim net losses – reported where they have not already been incorporated into audited reserves. The figures do not have to be audited to be included.</p> <p>Less excess of drawings over profits - calculated in relation to the period following the date as at which the capital resources are being calculated – this figure does not need to be audited to be included.</p> <p>NB The balance sheet evaluation of goodwill now needs to be deducted.</p>

Information to be captured and reported	Information required
RMAR Section E – PII self certification	<p>This section provides details on the PII cover that the firm has.</p> <p>Part 1 – information on whether you have PII cover and whether the policy has been renewed including:</p> <ul style="list-style-type: none"> • whether the firm exempt from PII requirements, e.g. if the firm has a comparable guarantee; • (if not exempt), whether the firm has renewed its PII cover since the last reporting date – this will ensure that you do not need to fill in the same information each time you report when the information only changes annually. If you are reporting for the first time or if the Policy details have changed within the reporting period you should answer “yes” and then complete the data fields. If you answer “no” then you will not need to answer any further questions. <p>Part 2 – policy details</p> <p>At this point if the firm has policy details to report then it should do so. You may enter one policy per line in the PII basic information table up to a maximum of ten and policy excesses and exclusions in the PII detailed information up to a maximum of ten.</p> <p>PII Basic Information</p> <ul style="list-style-type: none"> • what activities are covered by the policy(ies) – indicate the regulated activities covered; • Retroactive start date (if any) – it is very unlikely that you will have a retroactive start date if you do then insert the date. If not then you should leave this blank; • Annualised premium – annual premium paid net of tax and any other add-ons; • Insurer name – use drop down list; • Start date – date the current cover began; • End date – date the current cover expires; • the limit of indemnity – for single and aggregate claims <p>PII detailed information</p> <ul style="list-style-type: none"> • Business line – indicate the policy excess for each business line. If the firm only has one policy excess for all business lines they should select “All”. • Policy excess – the amount for the business line selected should be entered; • Policy exclusions – for specific business types; • Annual income as stated on the most recent proposal form; • Amount of additional capital required for increased excesses.

Information to be captured and reported	Information required
RMAR Section F – Threshold Conditions	<p>This section requires the firm to confirm that it is adhering to the threshold conditions. The firm should notify the FCA separately of these changes, when they occur and should not rely on FCA reporting to notify the FCA.</p> <p>Therefore if you have not already notified the FCA of changes, then as well as indicating a change has been made on the return, the firm should also notify the FCA, providing details of the specific change, separately.</p> <p>Close links</p> <ul style="list-style-type: none"> • Has there been a notifiable change to the firm’s close links? • If “yes”, has the FCA been notified of it?. <p>Controllers</p> <p>Whether the firm is:</p> <ul style="list-style-type: none"> • Has there been a notifiable change to the firm’s controllers? • If “yes”, has the FCA been notified of it?.
RMAR Section G - Training & Competence	<p>This section should include appointed representative information as well as the principal firm.</p> <p>Total number of staff as at the end of the reporting date. This should include self employed staff, employed staff and staff dealing with regulated and non-regulated activities. If a member of staff left during the reporting period they should not be included.</p> <p>The rest of the totals apply to regulated activities, where staff are advising consumers.</p> <p>Number of staff that give advice – consumers only (if you are a sole trader who gives advice to consumers you should include yourself in this section).</p> <p>Number of staff that give advice (Full time equivalent).</p> <p>Number of staff that supervise others to give advice. This is staff who have been assessed as competent who can supervise non-competent staff. If you are a sole trader you should not count yourself in this section.</p> <p>Number of advisers that have been assessed as competent.</p> <p>Number of advisers that have left since the last reporting date.</p> <p>What type of advice was provided? (tick all that apply)</p> <ul style="list-style-type: none"> • On the basis of a fair analysis of the market • Multi-tie/the products of a limited number of providers • Single-tie/products of one provider

Information to be captured and reported	Information required
RMAR Section H - COB data	<p>General COB data</p> <p>Do FCA regulated activities form the core activity of the firm (that activity which generates the largest percentage of the firm's gross income)? If not specify the type of core business from a drop down list:</p> <p>Monitoring of appointed representatives</p> <p>A firm has significant responsibilities in relation to an AR that it has appointed (SUP 12). In summary, the firm is responsible, to the same extent as if it had expressly permitted it, for anything the AR does or omits to do, in carrying on the business for which the firm has accepted responsibility.</p> <p>Before a firm appoints a person as an AR, and afterwards on a continuing basis, it should take reasonable care to ensure that:</p> <ul style="list-style-type: none"> • the appointment does not prevent the firm from satisfying and continuing to satisfy the threshold conditions; • the person: <ul style="list-style-type: none"> ○ is solvent; ○ is suitable to act for the firm in that capacity; and ○ has no close links which would be likely to prevent the effective supervision of the person by the firm; and • the firm has adequate: <ul style="list-style-type: none"> ○ controls over the person's regulated activities for which the firm has responsibility; and ○ resources to monitor and enforce compliance by the person. <p>Number of ARs registered with the firm. From this, the number of secondary ARs – e.g. if the AR is a motor dealer or property management company. From this, the number of introducer ARs. Number of advisers within the ARs – total of those advising on sales and therefore will not include introducing ARs.</p> <p>Information on how the firm monitors its ARs:</p> <ul style="list-style-type: none"> • Does the firm have appropriate systems and procedures in place to ensure that the activities of the AR are effectively monitored and controlled? • Number of ARs that have been subject to monitoring visits by the firm during the reporting period. • Number of ARs that have been subject to file review by the firm during the reporting period. • Number of ARs that have been subject to financial checks by the firm during the reporting period. • Has any other monitoring of ARs by the firm taken place?

Information to be captured and reported	Information required
<p>RMAR Section I – supplementary product sales data.</p>	<p>Most of the product sales data will be collected quarterly from product providers. However this process does not include all types of non-investment contract. Therefore information on the following will also need to be collected:</p> <ul style="list-style-type: none"> • non–investment insurance contract - product information (consumers); • non- investment insurance chains (consumers); <p>Only data on new sales should be reported - not renewals or top ups. Chains are where the intermediary does not deal directly with a consumer and/or insurer.</p> <p>Total non-investment premium derived from retail customers – total premiums paid by consumers during the reporting period. Regular policy premiums received should be reported only once as an annualised figure in the return for the period that covers the date of the sale, so if you sell a policy for £100 per month then you would report £1200 in the initial reporting period and £0 in the following period. An annualised figure is also required if the premium is paid in one single payment. If you are not dealing directly with the consumer then the amount should not be reported.</p>
<p>RMAR section J – data required for collection of fees</p>	<p>The information required to identify the fees for FCA, Money Advice Service (MAS), FOS and FSCS.</p> <p>All fields are mandatory and need to be completed with the relevant figure e.g. if all your regulated income is eligible for FSCS and FOS, the full regulated income should be entered in each field respectively.</p> <p>Please note that FSCS fee information needs to be split between protection products and general insurance products. Pure protection business should be reported under the Life and pensions intermediation class (SC02).</p> <p>Please note that you can no longer submit the return leaving a field blank .</p> <p>For further information on this see note 1 below and the FCA fees web pages. http://www.fca.org.uk/firms/being-regulated/fees</p>

Information to be captured and reported	Information required
<p>Complaints information for eligible complainants (consumers, and commercial customers with annual income of <£1m).</p>	<p>Complaints will not need to be reported if:</p> <ol style="list-style-type: none"> 1. The complaint has been resolved by close of business on the day following its receipt; or 2. You have taken reasonable steps to ensure: <ol style="list-style-type: none"> a. The complaint is not made by an eligible person. An eligible complainant must be a person that is: <ol style="list-style-type: none"> i. a consumer; ii. a micro-enterprise; iii. in relation to a complaint relating wholly or partly to payment services, either at the time of the conclusion of the payment service contract or at the time the complainant refers the complaint to the respondent; or iv. otherwise, at the time the complainant refers the complaint to the respondent; v. a charity which has an annual income of less than £1 million at the time the complainant refers the complaint to the respondent; or vi. a trustee of a trust which has a net asset value of less than £1 million at the time the complainant refers the complaint to the respondent. b. the complaint does not relate to an activity which comes under the jurisdiction of the FOS (regulated activities); and c. the complaint does not involve an allegation that the complainant has suffered, or may suffer, financial loss, material distress or material inconvenience. <p>The complaints return will need to be submitted every 6 months.</p> <p>Group Reporting</p> <p>Group reporting – indicate whether the data reported covers more than one entity. If you state yes then you will need to list Firm Reference Number (FRN) for each of the entities.</p> <p>Nil Return Declaration</p> <p>Nil return declaration – you can only declare a nil return if you have not received any complaints in the reporting period and there were no complaints outstanding at the beginning of the period. If you declare a nil return then no further information needs to be completed.</p> <p>Return Details Required</p> <p>Total Complaints outstanding at the start of the reporting period.</p>

Information to be captured and reported	Information required
	<p>Complaints closed during the reporting period</p> <p>Number of complaints closed – these are complaints where a final response has been sent or the complainant has indicated in writing their acceptance of the firm’s earlier response:</p> <ol style="list-style-type: none"> within 4 weeks; >4 weeks but < 8 weeks; > 8 weeks. Total complaints upheld by the firm Total redress paid (single units) <p>You will complete the General insurance and pure protection line</p> <p>Complaints Opened</p> <p>Complete the General insurance section of the table indicating the type of product and the category of complaint.</p> <p>Products include: Payment protection insurance, other general insurance, critical illness, Income protection and Other pure protection.</p> <p>There are 5 categories of complaint including advising, selling and arranging, terms and disputed sums/charges, general admin/customer service, arrears related and other.</p>

Note 1

Section J allows firms to provide tailored information for income relating to FSCS and FOS. For FSCS this relates to income generated from eligible claimants.

Eligible claimant income has three component parts:

1. Commissions and fees earned in respect of individuals;
2. Commissions and fees earned in respect of businesses with a turnover of under £1m; and
3. Commissions and fees earned in respect of the two compulsory classes (third party motor and employers’ liability).

Whilst the FCA are not necessarily looking for penny-accurate figures, they would expect a reasonably scientific approach to the calculation.

For FOS firms will need to provide the income from firms who would be eligible to make a complaint to FOS.

2.3 Auditors

A client assets audit is required for firms who:

- hold client money in a non-statutory trust; or
- have held more than £30,000 in a statutory trust at any time, even if only for one day, in the reporting period.

In these circumstances the firm needs to appoint an auditor. The auditor will need to complete a client assets report, within 53 weeks of the last report, or date authorised if this is the first report. The report needs to be addressed to the FCA and submitted to the firm within 4 months of the end of the relevant reporting period. The auditor does not need to send the report to the FCA but the FCA may request to see it.

The client asset report covers the systems and controls a firm operates to handle client money. It is not an audit of the actual client accounts. It must be submitted in the form prescribed by SUP3 Annex 1R and must be signed by the individual with primary responsibility for a firm's client asset report in the individual's own name. It should cover:

- the firm has maintained systems adequate to enable to comply with CASS 5; and
- the firm has been compliant with the rules in CASS 5 during the reporting period and was compliant at the date on which the report was made.

2.4 Notification of changes to the FCA

A firm should notify the FCA of changes to the firm. Most notifications may be made via the Online Notification and Applications System (ONA). See below for further information.

2.4.1 General notification requirements

These can be categorised as follows:

1. Matters having a serious regulatory impact

A firm must notify the FCA immediately if it becomes aware or has information that suggests that the following may happen:

- Failure to satisfy one or more threshold conditions.
- Any matter which may have a significant adverse impact on the firm's reputation.
- Any matter which could affect the firm's ability to continue to provide adequate services to its customers.
- Any matter which could result in serious financial consequences to the financial system or other firms.

2. Communication with the FCA in accordance with Principle 11

Principle 11 requires a firm to disclose to the FCA appropriately, anything relating to the firm that the FCA would reasonably expect notice. This would include, but would not be limited to:

- Restructuring, reorganisation or business expansion, e.g. setting up a new undertaking or branch, commencing cross border activities, introducing new types of products or services or ceasing to undertake a regulated activity;
- Any significant failure in a firm's systems and controls including those reported by the firm's auditors;
- any action which a firm proposes to take which could result in a material change in the capital adequacy or solvency, e.g. significant losses, payment of a special or unusual dividend, repayment of share capital or a subordinated loan.
- Changes in control of the firm. These notifications should be made within 14 days of the firm becoming aware of the planned change of control. A firm must seek prior approval of a change in control and the controller should complete the appropriate controller form. The FCA can take up to 3 months to approve a change in control.

The FCA would expect the firm to discuss relevant changes at an early stage before making any internal or external commitments.

3. Significant breaches of rules and other requirements under the Act

In deciding whether a breach would be deemed as significant the firm should assess:

- the potential financial losses to customers;
- the frequency of the breach;
- implications as to the adequacy of systems and controls; and
- if there were delays in identifying or rectifying the breach.

4. Civil, criminal or disciplinary proceedings against a firm

5. Fraud, errors and other irregularities

This should include situations where:

- an employee has committed fraud against a customer;
- actual or potential frauds against the firm;
- irregularities in accounting; or
- employees who may be guilty of serious misconduct concerning honesty or integrity connected to a regulated activity.

6. Insolvency, bankruptcy and winding up

2.4.2 Core information requirements

A firm should give the FCA reasonable advance notice of changes of:

- name;
- address;
- legal status;
- other regulators – specifically where it will become subject to, or ceases to be subject to, supervisions by any overseas regulator.

2.4.3 Inaccurate, false or misleading information

A firm should take reasonable steps to ensure any information that it provides to the FCA is factually accurate and complete. If the firm becomes aware that it has provided inaccurate, false, misleading or incomplete information it should inform the FCA immediately.

2.5 On Line Notifications and Applications

“On Line Notifications and Applications” (ONA) has now replaced the paper based forms for the following:

- Approved Persons
- Appointed Representatives
- Variations of permissions
- Passports
- Cancellations
- Waivers
- Standing data

Before using the system firms will need to register. This needs to be undertaken by someone holding a controlled function.

2.6 Applications to vary permissions, changes to approved persons and cancel permissions

The FCA expects firms, businesses and personnel to change. The most common changes can now be notified by completion of an on line application using ONA.

2.6.1 Applications to vary permissions

A firm's permission should reflect the activities it actually carries out.

So if a firm decides to start:

- a new line of business;
- undertake a new regulated activity; or
- extend a business line into a new product or to a new class of people

then it should review its permissions and decide whether it needs to vary it.

If a firm wishes to make any changes to its business activities that alter its permission on the FCA Register, then they must complete and submit a 'variation of Part IV permission' application form (VOP). The firm cannot undertake the new activity until they have received a decision on the application from the FCA.

If the variation of permission also requires changes to approved persons including any changes to controlled functions then the relevant approved person form must be submitted at the same time. See section 2.5.2 below.

Fees

Generally, the FCA charge a fee if the variation of permission will increase the firm's permitted business activities.

- If the application means the firm moves into a new fee block, they will pay the fee for the new fee block. If the firm will move into more than one new fee block, they will pay the higher of any relevant fees.
- If the application will not mean the firm moves a fee block, then the FCA charges a fee of £250.

The FCA does not charge a fee for applications to reduce a firm's permitted business activities.

What will happen

The FCA acknowledges all applications and may ask for additional information to help them consider your application.

The FCA will make a decision within:

- six months of receiving your complete application, or
- 12 months of receiving an incomplete application.

These are the statutory time limits and applications may take less time to process.

The FCA will send the firm a written notice when they grant the application. They will send a warning notice if they propose to:

- reject the application;
- impose other requirements; or
- if they want to make other modifications to the application to which the firm has not agreed.

Before sending a warning notice the FCA will discuss their concerns about the application with the firm.

If a firm receives a warning notice, then the FCA will tell the firm what they can do next.

If, at any time, a firm wishes to withdraw its application before the FCA has made a decision, the firm must write to the FCA.

2.6.2 Changes to approved persons

An approved person may end up performing different controlled functions from the ones they have approval for if their job responsibilities or a firm's regulated activities change. In this case, the firm must apply to the FCA for prior approval for the person to perform those different controlled functions.

Forms to fill in and send to the FCA:

Form A: increasing an approved person's controlled functions

Form B: withdrawing approval to be an approved person

Form C: reducing an approved person's controlled functions

Form E: internal transfer of an approved person

Emergency situations

Individuals may perform a significant influence function for up to 12 weeks in any consecutive 12 month period without requiring prior approval from the FCA. However, if it becomes clear to that the individual will perform the function on a permanent basis, the firm must apply for approval using the approved persons Form A.

Individuals cannot perform the customer function on a continuing basis without approval

2.6.3 Cancelling your permissions

A firm which has a Part IV permission/authorisation to carry on regulated activities and wants to have that permission/authorisation cancelled/ended must apply to the FCA.

Cancellation applies to the firm's entire Part IV permission. If the firm only requires changes to the individual elements of its permission then they should apply for a variation of permission, see section 2.5.1 above.

Before applying to cancel, the firm must either:

- have ceased carrying on regulated activities; or
- plan to cease carrying on regulated activities within six months of the application.

The firm should have also:

- told its clients and its approved persons of its intention to cancel its permission;
- paid all its outstanding fees;
- filed any regulatory returns that are due;
- resolved any complaints against it; and
- have suitable arrangements to deal with any subsequent complaints and liabilities that might arise.

It is essential that the firm meet these conditions, otherwise the FCA may not grant the application to cancel.

FCA using 'own initiative' to cancel

If the FCA feels that a firm is unable to meet its threshold conditions or that consumer interests need protecting then it can cancel a firm's permission itself.

Suspending Authorisation

A firm cannot suspend its authorised status, it will either need to cancel or continue trading. If a firm decides to cancel its authorisation and then wishes to continue trading it will need to reapply and pay the appropriate authorisation fee.

Fees

The FCA fee year runs from 1st April to 31st March.

If a firm wants to cancel its authorisation it must apply using the appropriate form before 31 March to avoid paying annual fees for the following year.

If the application is made after 31 March, then the firm will need to pay the full annual fee and the application will not be approved until the fee has been paid.

Process

Once the FCA have received an application to cancel they will send an acknowledgement and allocate a case officer.

If the application meets all of the conditions, then the FCA will try to make a decision within two weeks of receiving the application. However, during busy periods (usually the end of March) it may take longer.

If the application does not meet all the conditions it will take longer to process. However the FCA will provide a decision within either six months of receiving a completed application or within 12 months of receiving an incomplete application.

The FCA may refuse to cancel a permission if it appears that cancellation would not be in the interests of the firm's customers. Or they may require the firm to carry out additional procedures or provide more information before they grant the cancellation.

The firm will be notified in writing if the application is granted.

If the FCA propose to reject the application they will send the firm a warning notice. The firm may then appeal the decision, in which case the FCA have a duty to consider any written or oral representations the firm makes before making a final decision.

If the firm decides to withdraw its application before the FCA have made a decision, then this must be put in writing.

2.7 Close Links Reporting

A firm must notify the FCA if it has become or ceased to become closely linked with any person. The notification must be made by completing the Close Links Notification Form (see SUP 11.9.3A G) and must include the information set out in SUP 16.5.4R (4).

If a group includes more than one firm, a single close links notification can be made for the whole group completing the Close Links Notification Form. The responsibility to satisfy the requirement to notify remains with each firm in the group.

Timing of the submission of the close links notification

Firms or groups must notify the FCA on the following basis:

- Event driven – as soon as reasonably practicable and no later than one month after a firm or group becomes aware that it has become or ceased to be closely linked with any person.
- Monthly - where a firm or group has elected to report on a monthly basis, within fifteen business days of the end of each month.
- Annual (applicable for event-driven reporters only) – within four months of the firm or group's accounting reference date.

Requirement to submit an organisational chart

The firm must submit an organisational chart with the Close Links Notification Form as follows:

- Event driven – with every notification.
- Monthly – every notification (unless no changes have occurred since the last reporting period).
- Annual – every notification (unless no changes have occurred since the last reporting period).
- The organisational chart must show all of the firm's or group's close links.