**Compliance Checklist**

**Developing your adviser charging model**

The following questions will help you address these issues.

|  |  |
| --- | --- |
| **Question** | **Yes / No / Comment** |
| * Which clients do you want to provide advice to?
 |  |
| * Have you documented your decision?
 |  |
| * Do you intend to segment your clients for the purpose of identifying the appropriate charging structure for different classes of client?
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| * If so, on what basis will you divide them?
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| * Will some clients need a continuing service or only a transactional service?
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| * How will you ensure you apply the right charging model for the service you provide?
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| * How much will your clients be willing and able to pay?
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| * What are your fixed and variable costs and overheads?
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| * What level of charges are necessary to cover these?
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| * Will you charge an hourly rate, a fixed fee, a percentage of assets under management, ad hoc charges, or a mixture of the above?
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Before finalising your charging model, you may also wish to:

* Assess the impact different models will have on your revenues and your clients, both in the short and longer term.
* Consider discussing your proposed charging structure with your clients to hear their views
* How you evidence that you do not recommend distributor influenced funds (DIFs) over collective investment scheme (CISs), or any other potentially substitutable product? (This has disclosure implications for charging).

**Adviser charging requirements for firms that give advice**

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| --- | --- |
| **Question** | **Yes / No / Comment** |
| * Do you have procedures in place to ensure that you agree charges with your clients before you give advice?
 |  |
| * How do you ensure and document that you use an appropriate charging structure for each client?
 |  |
| * Do you have in place processes that ensure you are not receiving commissions from product providers (whether monetary or nonmonetary), even if you intend to rebate these payments to the client?
 |  |
| * Are your charging structures product neutral and do they focus on the service that you provide to your clients? In creating a structure, you should consider:
	+ Are you going to charge a separate price for initial discussions, or meetings before you give the personal recommendation? If so, is this charge reasonable?
	+ Will you have a policy for clients who choose not to go ahead with the recommendation.
	+ Will you still charge these clients?
	+ Will you have a policy for clients who choose to go ahead with the personal recommendation, but change their minds and cancel the product during its cooling off period?
 |  |
| * Have you ensured that your adviser charges are not payable over time unless you offer ongoing services, or the charges relate to a retail investment product that the client has contracted to provide regular contributions to and you have disclosed that you will not provide an ongoing service for this product?
 |  |
| * Is your charging structure written in clear and plain language and, as far as practicable, does it express fees payable as a cash amount? If you charge as a percentage, do you provide cash examples?
 |  |
| * Is your charging structure sufficiently clear for the client to understand the total likely costs?
 |  |
| * Do you include examples that the client could easily apply to their own financial situation?
 |  |
| * If you charge an hourly rate, do you provide an estimated indication of the number of hours it will take to provide the service?
 |  |
| * Do you use contingent charging? If so, have you put in place strong systems and controls to mitigate the risk of sales being driven by the desire to generate a charge?
 |  |
| * How do you assess whether the advice you give is likely to be of value to the client once you consider the total charges the client is likely to have to pay?
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**Ongoing services and charges including the right to cancel**

If you offer an ongoing or continuing service to your clients (for example, regular reviews of the performance of their investment and a rebalancing of investments) you should consider:

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| **Question** | **Yes / No / Comment** |
| * What are you doing to ensure that your advisers explain the details of the ongoing service in a way that is clear, fair, and not misleading, and so that the client appreciates that ongoing services are optional?
 |  |
| * Is it clear what the review involves?
 |  |
| * Is it clear whether the adviser or client needs to instigate the review?
 |  |
| * If there are continuing charges, do your advisers clearly confirm the details of what is included in the ongoing service, its associated charges, and how the client can cancel the service and stop the associated charges if they wish?
 |  |
| * Do your advisers make it clear that a client can cancel a continuing advice service without penalty, at any time, and without giving a reason for the cancellation?
 |  |
| * Is the notice period for cancellation reasonable?
 |  |
| * Have you ensured that you do not make any charges due to the cancellation, except an amount proportionate to the service provided up to the date of the cancellation?
 |  |
| * Have you made it clear to your clients that the cancellation is not conditional?
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**Facilitation of adviser charges**

If you offer to facilitate, directly or through a third party, paying adviser charges or consultancy charges, do you have processes in place to ensure that you disclose to your clients:

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| --- | --- |
| **Question** | **Yes / No / Comment** |
| * That they may be liable to pay any outstanding adviser or consultancy charges?
 |  |
| * If the client requires facilitation services, will the product providers you are likely to recommend offer such services?
 |  |
| * Will your charging model expose you to credit risk, and if so, what will you do about it?
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**Investment amounts and recording adviser and consultancy** **charges**

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| --- | --- |
| **Question** | **Yes / No / Comment** |
| * Do you make it clear to your clients how much of the actual amount they pay will be invested in the product?
 |  |
| * Will your back-office systems be able to accommodate any changes you make to your charging structure?
 |  |
| * Have you considered how you will collect and record fees from clients in your charging model?
 |  |

**Disclosure of adviser charge**

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| --- | --- |
| **Question** | **Yes / No / Comment** |
| * Do you disclose (and evidence that you disclose) your charging structure to a client in writing, in good time, before providing advice or related services? Firms are required to create and use some form of price tariff at the outset of their client relationship (for example, at the end of the first meeting or shortly afterwards).
 |  |
| * Do you disclose your charging structure before the client incurs any charges?
 |  |
| * Do you make it clear to the client at what stage of the advice process charges begin to accrue?
 |  |
| * Do you ensure that the client has agreed to the method to be used to pay the charge?
 |  |
| * How do you evidence that you agree with and disclose to your clients the total adviser charge payable? Firms are required to disclose the actual price the client will pay, once known, as early as is reasonably possible.
 |  |
| * How do you comply with the detailed requirements for the disclosure of total adviser charges? In particular, that these must be in cash terms (with noncash terms to be converted into illustrative cash equivalents).
 |  |
| * Have you considered what changes you may need to make to your disclosure documents and, if applicable, the fee agreement?
 |  |

**Inducements**

What are you doing to ensure that:

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| --- | --- |
| **Question** | **Yes / No / Comment** |
| * All payments made (and benefits passed) between you and a third party are designed to improve the quality of the service to your client?
 |  |
| * You comply on an ongoing basis with the rules on inducements in the FCA Handbook?
 |  |
| * You do not accept benefits from provider firms on which you will need to rely for a period of time or on an ongoing basis (for example, receiving important software needed for your business to operate)?
 |  |

**Legacy business**

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| --- | --- |
| **Question** | **Yes / No / Comment** |
| * How do you show that you distinguish properly between different types of legacy payments? Where the product in question is essentially unchanged you can still charge commission. However, where a change leads to the product becoming a different product, or needing a new contract with your client, you cannot charge a commission.
 |  |
| * Are you ensuring that you do not renegotiate commission payable, or seek to impose a charge for a service that has already been paid for through commission?
 |  |

**Record keeping**

Do you keep records of:

|  |  |
| --- | --- |
| **Question** | **Yes / No / Comment** |
| * Your charging structure?
 |  |
| * The total adviser charge payable for each client?
 |  |
| * The reasons for any difference between the total adviser charge paid by the client and the charge indicated in the charging structure, where the difference is material?
 |  |