



Regulatory Roundup

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Issue 55



In Brief:

Changes to Dealing Commission Rules:

The FCA publishes Policy Statement PS14/7 containing feedback on previous proposals together with the final rules.

Submission of Annual Accounts:

FCA proposes automating the submission of annual reports and accounts through GABRIEL

Country by Country Reporting:

A reminder to CRD IV firms of the 1 July deadline in respect of the first 'Country by Country' disclosure.

AIFMD: Authorisation Deadline Approaches:

A reminder that the submission deadline for AIFMD authorisation is 22 July 2014

MiFID II:

MiFID II and the Regulation (MiFIR) texts agreed by both the European Parliament and the European Council.

Remuneration under CRD 4:

EU Official Journal publishes criteria identifying staff subject to CRD 4 remuneration requirements

Complyport's New COREP Reporting Service:

Complyport launches XBRL reporting service for IFPRU firms.

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If any of the topics discussed above raise questions or a need for guidance or support, please feel free to contact [Peter Carlisle](#).

Changes to Dealing Commission Rules



Useful links:

[Regulatory Roundup 52](#)

[PS14/7](#)

Regulatory Roundup 52 included an article on the FCA's consultation (CP13/17) on proposed **changes** to the rules on the **use of dealing commission** (COBS 11.6). The recently published Policy Statement PS14/7 contains feedback on the proposals together with the final rules.

As a reminder, investment managers are **prohibited** from accepting goods or services when arranging execution of orders through a broker etc. **unless** the investment manager is 'reasonably satisfied' that said goods or services are related to the execution of trades or comprise the provision of research (the precise wording can be found in COBS 11.6.3).

Brief highlights of changes to rules include:

- The 'provision of research' exemption to the prohibition now refers to '**substantive** research'
- The evidential provisions relating to substantive research includes presenting an investment manager with '**meaningful conclusions**'
- As flagged up in CP13/17, '**corporate access services**' will **not** pass the 'execution of trades' or the 'substantive research' test
- Any charges passed on to customer should **not be greater** than the cost charged by the broker etc. (and disaggregated where necessary)
- With respect to the above, **where not distinctly priced** then the investment manager must 'make a fair assessment of the charge'
- A new **record keeping** requirement on why it is concluded that a particular good or service may be received

The FCA are 'not minded' to provide a detailed taxonomy of goods and services on what is acceptable under these rules, but has left the door open if other bodies (the IMA and AFME are mentioned) to develop a common taxonomy by expressing a willingness to engage in any such initiative.

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COMPLYPORT
COMPLIANCE LEADERSHIP

Complyport Limited

4 Millbank, Westminster, London SW1P 3JA

t: +44 (0) 20 7399 4980

e: info@complyport.co.uk

f: +44 (0) 20 7629 8002

w: www.complyport.com

Changes to Dealing Commission Rules (Cont)

Submission of Annual Accounts



The final rules, which came into force on **2 June 2014**, can be found in the Appendix within PS14/7.

We would recommend that firms review their current policies and procedures in the light of the above to ensure that they will be compliant with the revised rules.

Useful links: [CP14/8](#)

Under SUP 16.12 firms are required to send various data item returns to the FCA, most of which are submitted electronically.

Annual report and accounts are an exception in that while they appear on GABRIEL (as NGP003) they have to be submitted manually to the Regulator.

The FCA propose **automating** this process through GABRIEL by way of uploading a **new data item - FIN-A**. It is intended that this will apply to returns with a reporting period ending on or after **31 December 2014**. As part of the changes, the reference to submission of a firm's annual report and accounts will be moved from SUP 16.12 a new section of the Handbook being **SUP 16.7A**.

Details can be found in the FCA's Quarterly Consultation CP14/8. The new annex in SUP 16 '16 Annex 1AR' provides an example of FIN-A. Note that:

- it requires a firm to confirm the accounting standard under which the accounts have been prepared
- the attestation on FIN-A in respect of the Immigration Act 2014 is only applicable to banks and building societies (see chapter 5 of CP14/8)

The consultation period ends 6 August.



Country by Country Reporting

AIFMD: Authorisation Deadline Approaches



Useful links:

[Regulatory Roundup 52](#)

[HMT Guidance December 2013](#)

[Country-by-Country Regulations 2013](#)

A reminder to those firms subject to CRD IV of the **1 July 2014 deadline** in respect of the first '**Country by Country**' disclosure – see Regulatory Roundup 52. This initial disclosure (which does **not** need to be audited) is limited to turnover, number of employees and name, nature of activities and geographic location; full disclosures (which **must** be **audited**) need to be made annually on or before 31 December each year. For the avoidance of doubt, the **first full** disclosure must be made on or before 31 December **2015** (there are more stringent requirements for global systemically important institutions).

The disclosure can be made in the firm's annual report or on a freely accessible website. However, if the latter route is chosen then a link to that website must be included in the annual report.

Further details can be found in HM Treasury Guidance (the link to the Guidance provided in Regulatory Roundup 52 is no longer up to date) and The Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Useful links:

[Regulatory Roundup 52](#)

[FCA: AIFMD News](#)

[AIFMD](#)

Alternative Investment Fund Managers making use of the transitional provisions within the AIFMD are reminded that the deadline for the submission of an **application** for authorisation is **22 July 2014**. Note that such firms must comply with all relevant AIFMD requirements from that date, notwithstanding that their applications haven't been determined by the FCA.

It will be recalled that this application deadline arose from a volte-face by HM Treasury/FCA (see Regulatory Roundup 52) – the **earlier view** was that firms had to be **authorised** by 22 July (albeit that this view did not seem in accord with the wording in Article 61(1) of the AIFMD).

Complyport has considerable experience of the FCA authorisation process, including authorisations under the AIFMD. Should firms require any assistance with their AIFMD authorisation then please contact us at info@complyport.co.uk.





Useful links:

[MiFID II](#)

Back in November 2011, Regulatory Roundup 36 contained an article on the long-awaited draft for a revised MiFID.

[MiFIR](#)

Around two and a half years later we have now reached the stage where final texts to MiFID II and the Regulation (MiFIR) have been agreed by both the European Parliament and the European Council.

[FCA: MiFID II](#)

[Regulatory Roundup 36](#)

The combined publications total around 550 pages although fortunately the FCA has produced a very useful, and readable, summary of the most significant changes (see link).

[Discussion Paper MiFID
MiFIR](#)

ESMA has now issued a consultation paper and a discussion paper on the implementation of MiFID II.

[Consultation Paper MiFID
MiFIR](#)

There is no immediate need for panic as the revised MiFID is not expected to come into application until late 2016/early 2017. Aside from consultations (although bear in mind that a Regulation, as opposed to a Directive, is directly applicable and does not need to be converted into domestic laws and regulation) the FCA anticipate establishing a range of events to support firms in implementing MiFID II.

Once the consultative process is complete, Complyport will be engaging with its clients to ensure that they will be compliant with MiFID II. Having said that, we would recommend that firms take the opportunity to review the above mentioned FCA summary to gain a high level understanding of the impact that MiFID II may have on their business.



Remuneration under CRD 4



Useful links:

[Regulatory Roundup 53](#)

[Remuneration: 604/2014](#)

As will be known, SYSC 19A concerns the 'CRD 4 Remuneration Code' which applies to the category of staff set out in SYSC19A.3.4 e.g. staff engaged in control functions - not to be confused with the approved persons control functions regime in SUP 10A - or those whose total remuneration that takes them into the same remuneration bracket as senior management. SYSC19A.3.6 sets out the FCA's views on staff that would fall within the definition of 'Remuneration Code staff'.

Regulatory Roundup 53 included an article on Regulatory Technical Standards (RTS) and the **identification** of those staff whose professional activities have a material impact on a firm's risk profile for the purposes of the remuneration obligations under CRD4. The article contained a link to the RTS adopted by the European Commission.

On 6 June the EU Official Journal published 'Commission Delegated Regulation 604/2014' setting out the criteria for identifying the staff subject to CRD 4 remuneration requirements. Note that the latter will apply to staff that meet either **qualitative criteria** (Article 3) e.g. those that head a material business unit or **quantitative criteria** (Article 4) e.g. where a member of staff is within 0.3% of the number of staff who have been awarded the highest total remuneration in the preceding financial year (but subject to the remaining paragraphs of that Article). The Regulation comes into force on **26 June**.



Complyport's COREP Reporting Service



Useful links:

[Regulatory Roundup 54](#)

As a consequence of falling under CRD IV, **IFPRU** firms have to submit their COREP returns to the FCA in **XBRL** format in line with European requirements. The first submission deadline, for the period to 31 March 2014, is **June 30** (see regulatory Roundup 54).

Responding to demand from our clients, Complyport recognises that XBRL production can be a challenge and that many firms are unprepared for this task. To complement its financial returns review service, Complyport is pleased to announce its standalone XBRL Reporting Service.

We offer a full process service for a per submission or annual fee that will cover:

- Advice on COREP data sourcing
- Customised Excel templates for data collection
- Advice on data items and Excel template completion
- Review of data to be submitted
- Full data validation against EBA and FCA business rules
- In-house creation of XBRL return files from Excel data templates
- Instruction and help on final submission procedures

The service builds on Complyport's expertise and experience in helping firms with their **GABRIEL** returns and aims to combine a dedicated software solution with the knowledge and guidance of our consultants.

For further information, please contact us at info@complyport.co.uk.





Useful links:

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[Searchable archive](#)

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You can access a searchable version of our Regulatory Roundup archive by clicking on the link.

The Regulatory Roundup archive allows search in three modes: by topic; by issue number; or by text search.

If you are using the text search for more than one word or a consecutive phrase the use of " " will help speed your search e.g. a search for "regulatory fees" will ensure that only articles that contain that term are found (rather than articles containing the words 'regulatory' and/or 'fees').

Please note that there is a small time-delay between the publication of the latest Regulatory Roundup and its availability in the searchable archive.



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If any of the topics discussed above raise questions or a need for guidance or support, please feel free to contact

[Peter Carlisle](#)

Or for details of any other of Complyport's services, please contact us at info@complyport.co.uk

Complyport is always interested to receive feedback and general comments on either the Regulatory Roundup or the Complyport website. Comments can be sent to info@complyport.co.uk

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