

**Thematic review: Inducements and conflicts of interest**  
**Financial Conduct Authority (FCA)**  
**RPC rating: validated**

**Description of the measure**

In April 2016, the FCA published a webpage setting out the key findings of a thematic review that assessed payments and benefits provided to retail investment advisers by providers of retail investment products. The review assessed the standard of compliance with existing regulatory requirements. Firms were asked to consider the findings of the review, as set out on the webpage, in order to ensure they met the current requirements.

**Impacts of the measure**

The FCA estimates that the webpage would need to be considered by around 8,000 financial services firms, and that the webpage would take eight minutes for one person to read (based on an average reading speed of 100 words per minute). Using an industry-specific hourly wage rate of £48 per hour, the FCA estimates the total familiarisation cost to business to be £51,000.

In addition, the FCA estimates that it would take each firm six hours to review the relevant sections of its procedures documents and make minor clarifications to internal guidance. This estimate is based on the FCA's supervisory knowledge and conversations with firms. Using a wage rate of £48 per hour, the FCA estimates that this imposes a total cost across all 8,000 firms of £2.3 million.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.3 million. This is a qualifying regulatory provision that will score under the business impact target.

**Quality of submission**

The FCA has provided sufficient evidence to support its estimate of the impact of the measure. Nonetheless, the assessment would have benefited from a more detailed explanation of how it has derived the estimate of the time taken by firms to review and update documents.

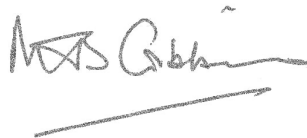
The RPC are pleased to see the use of appropriate industry-specific wage rates, though it would have been more helpful still had the FCA stated explicitly whether non-wage labour costs were included in the rate.

### Regulator assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.3 million
Business net present value	-£2.3 million

### RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated <sup>1</sup>	£0.3 million
Business Impact Target (BIT) Score <sup>1</sup>	£1.5 million



**Michael Gibbons CBE**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.