

Wealth management firms and private banks – Suitability of investment portfolios

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

Under the Markets in Financial Instruments Directive, FCA regulated firms providing discretionary or advisory portfolio management services to retail customers must ensure they can demonstrate that their customer portfolios are suitable. The FCA conducted a review of the suitability of retail investment portfolios across a sample of firms and published a report in December 2015. The report contained examples of good and poor practices to help firms better understand the expected standards.

Impacts of the measure

The assessment sets out that the publication is relevant to approximately 230 FCA regulated firms that provide discretionary or advisory portfolio management services to retail customers. The assessment explains that any changes that firms need to make as a result of the review are limited to getting firms up to the required level of compliance. However, firms may have incurred costs as a result of the need to familiarise themselves with the report and undertaking gap analysis to verify their compliance in the light of the report. The FCA explains that when the report was issued, it was not required to collect data on costs and it does not consider it to be proportionate to collect the information retrospectively.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million.

Quality of submission

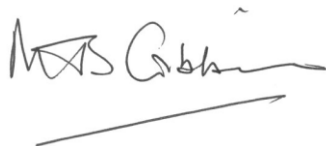
The FCA has provided sufficient information for the RPC to confirm that the measure will not have a significant impact on business and that the EANDCB figure rounds to zero. The RPC recognises that it would be disproportionate to consult with relevant firms retrospectively. However, the FCA could have conducted a light-touch appraisal of potential familiarisation costs, for instance using typical reading speeds and average wage rates. This should be reflected in future FCA assessments concerning new or amended guidance.

Regulator assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.0 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ¹	£0.0 million
Business Impact Target (BIT) Score ¹	£0.0 million



Michael Gibbons CBE, Chairman

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