

12 FSA038 – Volumes and Type of Business

Invested/uninvested funds

As far as possible, the amount reported should be a true reflection of the value of funds that are available to buy assets at the time of reporting, added to the value of the assets themselves. Funds 'in process' should not be included.

Discretionary/advisory clients

Firms should include any FUM relating to all investment management clients whether managed under a discretionary or an advisory arrangement.

Delegation and extent of delegation

- (a) FUM should exclude the value of those parts of the managed portfolios in respect of which the responsibility for the discretionary management has been formally delegated to another *firm* (and which *firm* will include the value of the assets in question in its own FUM total).
- (b) However, the *firm* should include FUM where:
 - (i) the *firm* to whom the management is delegated will not be reporting it – e.g. if it is not PRA-regulated, or is a non-UK firm; and
 - (ii) the reporting *firm* has discretion over the delegation or retains the right to terminate an arrangement for third party asset management, and the reporting *firm* may either bring the management of that FUM back in-house or delegate it to another party.
- (c) Funds under management should include the value of those parts of the managed portfolios in respect of which the responsibility for the discretionary management has been formally delegated **to** the *firm* (including delegations from non appropriate regulator regulated and non-UK firms).

Valuation issues

As a general rule, *firms* should apply a consistent basis for valuation across the range of clients in respect of which they are reporting. *Firms* should be able to express and justify the basis of valuation they select and should, as far as possible, consistently apply the methodology, such that time-series analysis is meaningful.

The PRA is encouraged by the ongoing development of industry standards in relation to valuation and encourages reporters to make use of any relevant industry-agreed standards.

Debt gearing

The value of assets purchased through borrowing should be reported as FUM, including any cash amount available for investment as a result of debt gearing.

Value of derivatives

The value of derivative instruments and other assets is calculated as the fair value (i.e. on a mark-to-market basis). This is not the exposure value. If the *firm* is managing an overlay portfolio where the *firm* does not manage the underlying assets, the *firm* should report the combined fair value of the overlay and the underlying investment portfolio.

Double-counting

Firms should make all reasonable efforts to eliminate double-counting in the submission of sums. However, it is accepted that reporting on the basis of our guidance may in certain circumstances lead to the overstatement of FUM.

Timing of calculation

In respect of the timing for calculating of total FUM, we expect *firms* to collect and aggregate the information to base their reporting on within a reasonable timeframe. However, the valuation point used for any client should be the last mandatory valuation point and the total valuation should not include the sum of valuations that are more than 30 days apart.

Client/fund domicile

The value of all clients' assets, regardless of domicile, should be included in the calculation.

Private equity and venture capital business

In relation to *investment management firms* carrying out *venture capital business*, those firms should report that element of their total FUM by reference to the value of their *drawn down capital* plus any remaining committed but un-drawn investor capital and loans. All the preceding guidelines apply to reporting by these firms.

Description	Data element	Guidance
Total funds under management	1A	This should be reported by all firms with permission of <i>managing investments</i> .
Of which drawn down capital	5A	All <i>firms</i> carrying out <i>venture capital business</i> should report here the amount of <i>drawn down capital</i> included within data element 1A above.
Do you conduct <i>designated investment business</i> with or for retail clients?	3A	<p>This data element in part helps us to differentiate between firms that have direct contact with retail clients in carrying on designated investment business services and firms which are operators, trustees or depositaries of Authorised Unit Trusts (AUTs), Open Ended Investment Companies (OEICs), Recognised schemes (RSs) and Unregulated collective investment schemes (UCISs) in which the unit/shareholders would be retail clients but the firms do not conduct designated investment business directly with or for them. So, a firm that is conducting designated investment business directly with or for an AUT, OEIC, RS or UCIS should, when answering the question in respect of those clients, have regard to how the AUT, OEIC, RS or UCIS has been classified by the firm and not the notional classification of the underlying unit/share holders. Clearly, where the firm has other clients, it will need to take into account their classification when answering the question.</p> <p>Where firms conduct non advised investment services (execution only services) for retail clients and are required to complete an</p>

		appropriateness test (under MiFID) for a retail client in relation to a transaction or service, please be aware that the outcome of that appropriateness test does not alter the classification of that client.
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<p>What is the current approximate percentage of your clients are retail clients?</p>	<p>4A</p>	<p>The purpose of this data element is to give supervisors an indication of the make up of the firm's client base. Whilst it is accepted that this question does not demonstrate a firm's compliance with a particular rule, it will assist supervisors in understanding the level of potential risk facing a firm from those risks that are specific to activities with private customers/retail clients. Firms should be aware that the PRA is not expecting firms to be able to determine an exact number of private customers/retail clients when answering this question, rather the PRA is asking for an approximate answer and is not explicitly or implicitly requiring firms to implement systems, or modify existing ones, to collate client classification and activity information. However, the PRA does expect firms to have adequate risk management systems and controls in place to manage their affairs and risks responsibly and would expect an authorised firm to be able to make a reasonable estimate in answer to this question within the bands specified.</p> <p>It is acknowledged that a client may have different accounts and be classified as a private customer/retail client in relation to one area of business and classified as an intermediate customer or market counterparty/professional client for another. It is acknowledged that this may lead to double counting of some clients between classifications. It is not envisaged that this situation will cause great anomalies in the information provided within the bands specified.</p> <p>The PRA will not expect firms to apply a stringent criteria to filter out customers that become inactive for the purpose of this question. The answer provided by the firm should, however reflect a firm's recent and ongoing activities. The PRA would expect a firm to have sufficient management information to be able to avoid a large discrepancy between the true current position and a distorted position through the inclusion of inactive clients, when answering this question.</p>
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FSA038 – Volumes and Type of Business validations

Internal validations

Data elements are referenced by row, then column.

Validation number	Data element	
1	2A	If 1A > 0, then ≥ 0 , else 0
2	4A	If 3A = Yes, then ≥ 0 , else, 0