

## FCA guidance on inducements for product providers and advisory firms

04 FEBRUARY 2014

Harvey Knight

PARTNER | UK

**CATEGORY:**  
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The FCA has published finalised guidance on inducements for product providers and advisory firms following its consultation (GC13/05) in September 2013. The guidance is relevant to all providers of retail investment products to be sold by advisers, as well as advisory firms providing personal recommendations for such products and payments made by providers to unregulated third party firms that are for the ultimate benefit of an advisory firm.

The FCA expects firms to review and if necessary revise their existing agreements in light of its finalised guidance within three months of its publication (i.e. by 16 April 2014). If the FCA finds that problems in this area continue it will consider further action.

The FCA emphasised that financial advisers and product providers share the responsibility of managing potential conflicts of interest when receiving and making payments under service and distribution agreements. If there is any doubt in relation to whether a payment complies with the inducement rules the payment should not be made or received

The finalised guidance identifies examples of good and poor practice that firms should be aware of. The FCA expects firms to carefully consider whether a benefit offered or accepted is designed to enhance the quality of service to customers and does not impair compliance with a firm's duty to act in the best interests of its customers. If firms are not clear whether making/receiving a payment will be in line with the inducement rules, the payment should not be made/received. Both the provider and advisory firm are responsible for making sure any payment is compliant with COBS and Principle 8. Firms should conduct their own assessment of any payment to ensure it does not breach FCA rules or guidance.

# Authors

Harvey Knight

PARTNER | LONDON

Litigation

 +44 20 7597 6199

 [harvey.knight@withersworldwide.com](mailto:harvey.knight@withersworldwide.com)