

Guidance factsheet

Accounting to clients for remuneration received

The Chartered Certified Accountants' Designated Professional Body Regulations set out the requirements for accounting to clients for remuneration received from investment business activities. Requirements for accounting to clients for commissions and benefits are also contained in the ACCA Code of Ethics and Conduct.

This factsheet has no regulatory status. It is issued for guidance purposes only, and in the event of any conflict between the content of this factsheet and the content of the ACCA Rulebook, the latter shall at all times take precedence. Therefore, this factsheet should not be regarded by a member as a substitute for familiarising themselves with the appropriate regulations or, where necessary, obtaining specific advice concerning a specific situation.

INTRODUCTION

As a Designated Professional Body (DPB) under Part XX of the Financial Services and Markets Act 2000 (the Act), ACCA is required to satisfy its duties and functions under the Act and secure an appropriate degree of protection for clients of members and firms carrying on exempt regulated activities in the UK.

In particular, s 327(3) of the Act states that members and firms carrying on exempt regulated activities in the UK *"must not receive from a person other than his client any pecuniary reward or other advantage, for which he does not account to his client, arising out of his carrying on of any of the activities."*

ACCA has adopted a principles-based approach to the guidance on accounting to clients for remuneration received which allows practitioners flexibility to determine how to meet the regulatory requirements.

TYPES OF REMUNERATION RECEIVED

Remuneration arising from regulated activities (ie investment business activities)

Remuneration arising from regulated activities (ie investment business activities) is subject to the requirements set out in **regulation 3(7)** of the Designated Professional Body Regulations (DPBRs).

Examples of the types of commissions, fees, charges or other payments arising from investment business activities that would be subject to the requirements set out in the DPBRs include:

- Arranging funding – typically under £500, but there may be recurring monthly income of up to £50 per month
- Mortgage broker – typically £100 to £400 for recommending a client that takes out a mortgage through the broker.

Commissions/fees arising from other business activities

Members and firms receiving commissions/fees from other business activities are required to comply with the Fundamental Principles of ethics set out in the ACCA Code of Ethics and Conduct (the Code). In addition, Sections 310 (Conflicts of Interest), 330 (Fees and Other Types of Remuneration), and 350 (Custody of Client Assets) of the Code set out possible safeguards in relation to commissions/fees arising from other business activities.

Examples of the types of commissions, fees, charges or other payments arising from other business activities that would be subject to the requirements set out in the Code include:

- Banks on opening a bank account – typically less than £50
- HR Services on recommending a monthly subscription – normally 10% to 20%, typically £100 per quarter
- Tax Specialist services – typically up to 20% but can be higher eg £2,000 on a £10,000 fee
- App providers – up to 20% of the monthly fee charged to the client, typically £10 to £50 per month.

ACCOUNTING TO THE CLIENT

Members and firms are required to **account to the client** for remuneration arising from exempt regulated activities, or commissions/fees (and other benefits) received from other business activities. “Accounting to the client” includes issuing written agreements; obtaining client consent for the retention of commissions received; maintaining accounting records; informing the client; and identifying, evaluating, and addressing threats to ethical principles.

WRITTEN AGREEMENTS

Firms should provide information in an engagement letter to the client on commissions/fees received (and other benefits receivable), and how and when the firm will account for commissions/fees received to the client. The client should be asked to agree to the scope and terms of the engagement in writing.

Further information on Engagement letters is available on our website at [Technical factsheet: Engagement letters for practitioners – accounts production | ACCA Global](#). In the Technical factsheet we provide example engagement letters, guidance notes to the appendices, covering letter, privacy notice, schedules of services, standard terms and conditions of business

and disengagement letter wording. The template engagement letter for practitioners includes paragraphs on commissions and other benefits for introductions to other professionals or in respect of transactions that the firm arranges for the client.

The template engagement letter is a general engagement letter for firms that are not regulated or licensed by ACCA in respect of investment business, and the guidance covers general information on commissions and other benefits. It does **not** specifically cover investment business engagement letters, or provide example wording for investment business and related issues such as insurance mediation and referrals to third parties.

If you carry on exempt regulated activities in the UK you should seek further guidance on engagements under your DPB authorisation from the [UK Technical Advisory team](#), or refer to the DPB requirements in the [ACCA Rulebook](#) or the [FCA Handbook](#).

RETENTION OF COMMISSIONS RECEIVED

Members and firms must obtain the client's written consent to retain remuneration, including anticipated remuneration, arising (or anticipated to arise) from exempt regulated activities, and any commissions/fees arising from other business activities.

In securing the consent of the client, you must clearly inform them of the nature of the remuneration, including its amount and frequency. It's not sufficient to obtain the client's general consent to the firm's retention of such remuneration. If the client does not provide consent, you cannot retain the remuneration.

MAINTAINING RECORDS

Members and firms must maintain records of the remuneration arising out of carrying on exempt regulated activities, and all commissions/fees arising from other business activities.

You should ensure that sufficient information is recorded and retained to enable you to demonstrate compliance with the regulatory system. The records will be subject to monitoring by ACCA and should be retained for a minimum of six years.

INFORMING THE CLIENT

Members and firms should inform the client of all remuneration arising from exempt regulated activities, and any commissions/fees arising from other business activities, **at least annually**.

If you receive small amounts of commissions from multiple sources, it would be sufficient to issue an annual report to the client highlighting the amount of remuneration received and from whom.

The option for more frequent reporting is available where it is in the interest of, or desired by, the client. In particular, if you receive remuneration that is material and/or creates a threat to the fundamental principles, you should consider informing the client at the earliest opportunity.

THREATS TO ETHICAL PRINCIPLES

Members and firms should follow the requirements regarding conflicts of interest, fees and other types of remuneration, and the custody of client assets under the Code of Ethics and Conduct.

You should remain alert to situations that may threaten the fundamental principles of ethics. Identified threats to compliance with the fundamental principles arising from commissions/fees received need to be evaluated and addressed, to ensure that they are either eliminated or reduced to an acceptable level. You are also encouraged to document the substance of the threat, the details of any discussions, the decisions made, and the rationale for these decisions.