

# **FCA regulated fees and levies: Rates proposals 2018/19**

**Consultation Paper**

CP18/10 \*\*

April 2018

## How to respond

We are asking for comments on this Consultation Paper (CP) by 1 June 2018.

You can send them to us using the form on our website at: [www.fca.org.uk/cp18-10-response-form](http://www.fca.org.uk/cp18-10-response-form).

### Or in writing to:

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### How to navigate this document onscreen



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- 4** Fees (Tariff data for insurers from 2018/19) Instrument 2018  
(made rules)
- 5** Fees (Consumer Financial Education Body Levy) Instrument  
2018 (made rules)



# 1 Summary

## Why we are consulting

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- 1.1** This Consultation Paper (CP) enables us to raise 2018/19 regulatory fees and levies to fund the:
- Financial Conduct Authority (FCA)
  - Financial Ombudsman Service
  - Money Advice Service<sup>1</sup>
  - Pension Wise service,
  - Single Financial Guidance Body, and
  - Illegal money lending (IML) expenses of HM Treasury

## Who this applies to

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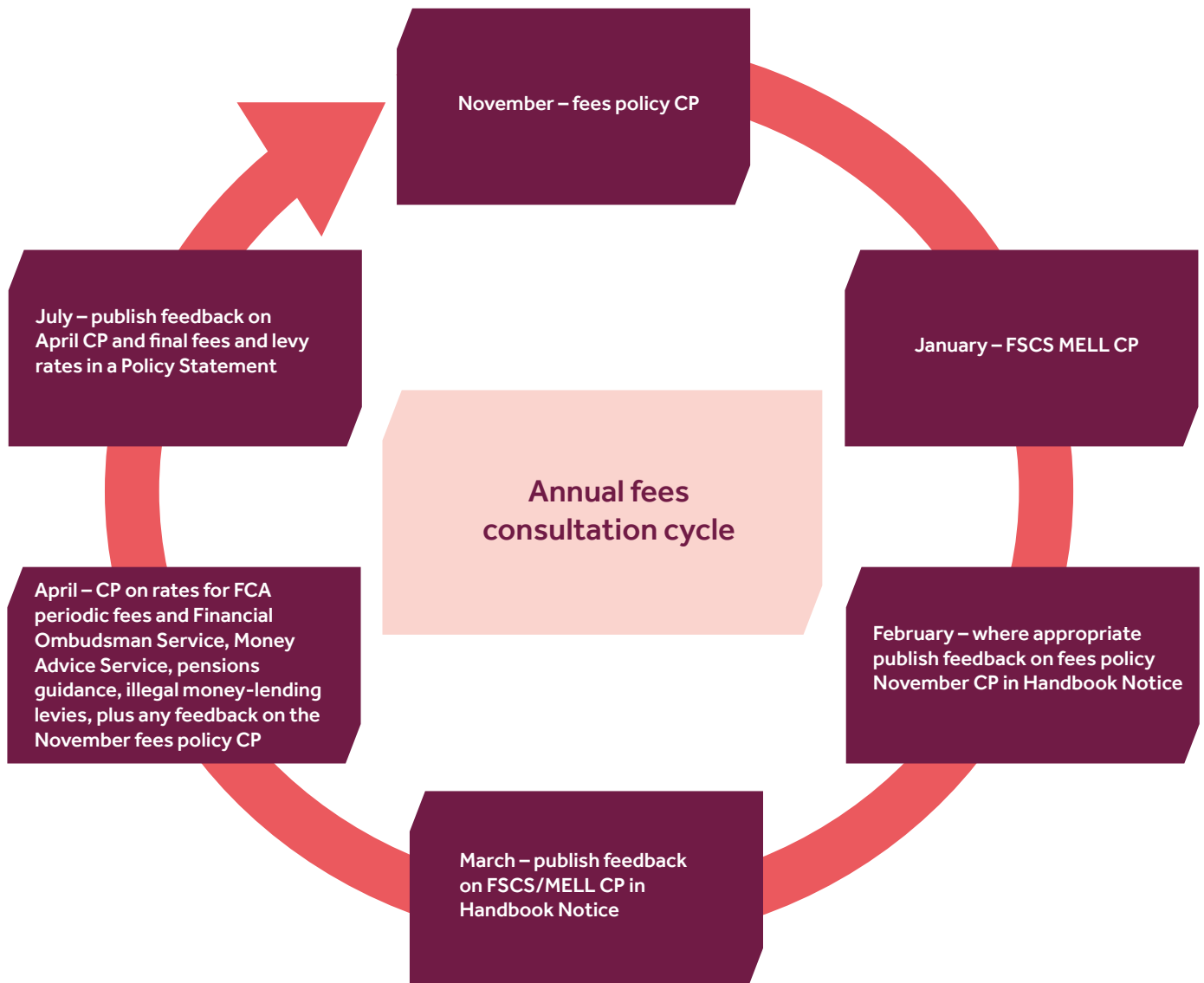
- 1.2** All fee payers will be affected by this CP. We have provided two tables at the end of this chapter to help fee payers identify which chapters relate to them:
- Table 1.1: Fee payers affected by the 2018/19 fees and rates proposals in this CP
  - Table 1.2: Fee payers affected by our response to the feedback we received on our fees policy proposals in CP17/38<sup>2</sup>
- 1.3** This CP contains no material directly relevant to retail financial services consumers or consumer groups, although fees are indirectly met by financial services consumers.

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<sup>1</sup> The Money Advice Service is referred to in the legislation and our FEES manual as the Consumer Financial Education Body (CFEB)  
<sup>2</sup> [www.fca.org.uk/publication/consultation/cp17-38.pdf](http://www.fca.org.uk/publication/consultation/cp17-38.pdf)

## The wider context of this consultation

1.4 Generally, our annual fees consultation follows this cycle:



- November - we consult on any changes to the policy on how fees and levies are raised. We provide feedback on the responses received to this consultation in the following February Handbook Notice or the April CP.
- January - we consult on the Financial Services Compensation Scheme (FSCS) management expenses levy limit (MELL). This is a joint consultation with the Prudential Regulation Authority (PRA). We provide feedback on responses received in the March Handbook Notice.
- April - we consult on FCA periodic fees rates for the next financial year (1 April to 31 March) and any proposed changes to application fees or other fees. We also consult on the Financial Ombudsman Service general levy, Money Advice Service, pensions guidance and illegal money-lending levies for the next financial year.



- July - we publish feedback on the responses received to the April CP together with final fees and levy rates in a policy statement.

## What we want to change

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### FCA 2018/19 fees

- 1.5** We published our 2018/19 Business Plan on 9 April 2017, setting out how we plan to promote our vision and achieve our objectives during 2018/19.
- 1.6** Our annual funding requirement (AFR) for 2018/19 is £543.9m, an increase of 3.2%. Our AFR includes our ongoing regulatory activities (ORA) budget costs, the costs we need to recover for changes to our regulated activities (scope change) and EU withdrawal.
- 1.7** Our policy for allocating the AFR recovery across fee-blocks is to maintain an even distribution of increases/decreases other than where for individual fee-blocks there have been material and explainable exceptions (allocation by exception). The exceptions to an even distribution of the 3.2% increase in our 2018/19 AFR cover:
- additional ongoing regulatory responsibilities relating to payment services and OPBAS
  - EU withdrawal costs
  - scope change recovery
- 1.8** We provide details of these exceptions in Chapter 2 and set out the impact on allocations across fee-blocks in Table 2.3.
- 1.9** Chapter 3 covers the proposed fee rates for authorised firms in the A fee-blocks and CC1 and CC2 Consumer Credit fee-blocks, which account for 92% of our AFR. Our policy is that minimum fees and flat fees are linked to movements in our ORA budget. We are therefore proposing to increase the 2018/19 minimum fees and flat fees by 3%. Tables 3.1 and 3.2 set out the proposed changes in minimum and flat fees.
- 1.10** For firms of a size that triggers variable fees in the A fee-blocks, Table 3.3 in Chapter 3 sets out the year-on-year movements in the draft 2018/19 fee rates for each fee-block. The draft fee rates take into account changes in the number of fee payers and tariff data from 2017/18, as these can have a significant effect on the fee rates that firms will pay when compared to the AFR allocated to particular fee-blocks set out in Table 2.2 in Chapter 2. We are proposing to keep variable fee rates for the consumer credit firms that pay fees above their minimum fees unchanged for 2018/19. This is the same as in 2017/18 and will allow further planned over collection to support the reduction of the consumer credit scope change deficit more quickly.
- 1.11** Chapter 4 covers proposed periodic fees for other bodies (B to G fee-blocks) and shows where fee rates differ substantially from the movement in the AFR allocations.

**1.12** After taking into account rebates resulting from retained financial penalties, total fees collected from fee payers in 2018/19 will reduce by £48.2m. How we apply the financial penalty rebate is set out in Chapter 5 together with our proposals to revise the underlying Financial Penalty Scheme.

**1.13** All proposed fee rates are included in the draft instrument in Appendix 1.

#### **Ring-fencing implementation fee**

**1.14** In Chapter 6 we consult on the 2018/19 ring-fencing implementation fee (RFIF). The RFIF will apply to firms that are ring-fencing their core activities in line with the requirements of the Financial Services (Banking Reform) Act 2013 before the 1 January 2019 deadline.

**1.15** Our budgeted costs for this work in 2018/19 are £2.7m. In 2017/18 we raised £5.8m and we estimate there will be an underspend of £1.0m which we will return to firms in proportion to the RFIF they paid for that year.

#### **Further FCA fees policy proposals**

**1.16** In Chapter 8 we consult on the following further FCA fees policy proposals for 2018/19:

- special project fees – scope, hourly rates and threshold
- consumer credit – definition of income for consumer hire agreements
- clarifications of definition of income:
  - recognised investment exchanges
  - benchmark administrators
- payment of fees – removal of credit card charges

**1.17** We also note the clarification of the valuation date for firms in fee-block A.9 (Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes). This does not require consultation.

#### **Financial Ombudsman Service general levy**

**1.18** In Chapter 9 we consult on allocating the Financial Ombudsman Service general levy between industry blocks. The Financial Ombudsman Service has asked us to recover £24.5m. The allocation across the industry blocks is in similar proportions to previous years, and reflects the Financial Ombudsman Service's forecast that complaint volumes (excluding payment protection insurance complaints) will remain broadly stable.

#### **Money Advice Service levies**

**1.19** In Chapter 10 we consult on the levies proposed for the Money Advice Service. The total budget for the Money Advice Service is £83.5m (£75m in 2017/18). This is split:

- £27.2m in 2018/19 (£27m in 2017/18) to fund the delivery of money advice, and
- £56.3m in 2018/19 (£48m in 2017/18) to fund the coordination and provision of debt advice



### **Pension Wise pensions guidance levies**

- 1.20** The Department for Work and Pensions has notified us that the 2018/19 funding requirement for providing Pension Wise will be £20.3m (£17.2m in 2017/18). This is an estimate and may be revised when the pensions guidance levy (PGL) rates are finalised in June 2018. We are proposing the same allocation of this funding requirement across the five PGL fee-blocks as in 2017/18, as set out in Table 11.2 in Chapter 11.

### **Single Financial Guidance Body**

- 1.21** The new Single Financial Guidance Body (SFGB) will bring together the Money Advice Service, The Pensions Advisory Service, and Pension Wise. On 22 June 2017 the Government introduced the Financial Guidance and Claims Bill (FG & C Bill) in the House of Lords. Royal Assent is expected to be in April 2018. The Government anticipates that the SFGB will be launched no earlier than autumn 2018. It will be funded by levies on firms regulated by the FCA and through the General levy on pensions schemes. We are proposing new rules in FEES 7A to raise levies for these SFGB functions, which mirror existing Money Advice Service money advice and debt advice rules, and Pension Wise pensions guidance rules.
- 1.22** To setup the SFGB, the Government has instructed the FCA to collect £3.6m which will be used to fund the creation of the new body, transfer of staff from the Money Advice Service and Pension Wise and the transfer of assets to the new body from the existing services. This value is in addition to the current business plans of the existing services.
- 1.23** We are proposing to recover the £3.6m SFGB funding requirement in proportion to the 2018/19 funding requirements for the Money Advice Service money advice levy and debt advice levy (Chapter 10) and the Pension Wise pensions guidance levy (Chapter 11). The SFGB money advice levy, debt advice levy and pensions guidance levy will be allocated to the same fee-blocks and in the same proportions used for the Money Advice Service and Pension Wise levies.
- 1.24** **Illegal money lending (IML) levy**  
The Treasury have notified us that their 2018/19 illegal money lending expenses will be £5.6m (£5.0m in 2017/18). This is an estimate and may be revised when the IML levy rates are finalised in June 2018. The IML levy rates to recover this amount from consumer credit firms are set out in Chapter 12.

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2018/19, which will be made by our Board in June 2018, could vary from those in this CP.



## Our response to feedback received to CP17/38

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- 1.25** In Chapter 7 we provide feedback on the responses we received to the following proposals consulted on or discussed in our 2018/19 fees policy CP17/38<sup>3</sup> published in November 2017:
- insurers' tariff data from 2018/19
  - Financial Penalty Scheme
  - consumer credit, definition of income for consumer hire agreements
  - mandatory online invoicing from 2019/20
  - amending the way we collect the Money Advice Service debt advice levy from 2018/19
- 1.26** The non-confidential respondents to the CP17/38 proposals are listed in Annex 6.

## Equality and diversity implications

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- 1.27** Overall we do not think that the proposals in this CP adversely impact any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules. In the meantime we welcome your comments on any equality and diversity considerations you believe may arise.

## Next steps

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### What do you need to do next?

- 1.28** We want to know what you think of our proposed 2018/19 rates for the FCA periodic fees and ring-fencing implementation fee; the Financial Ombudsman Service, Money Advice Service, Pension Wise, SFGb, and illegal money lending levies; and the FCA further policy proposals.

- 1.29** Please let us have your comments by **1 June 2018**.

### How?

- 1.30** Use the online response form on our website or write to us at the address on page 2.

### What will we do?

- 1.31** We provide a Fees Calculator facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA periodic fees and the Financial Ombudsman Service, Money Advice Service, Pension Wise pensions guidance and illegal money lending levy consultative rates in Appendix 1 of this CP.

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3 [www.fca.org.uk/publication/consultation/cp17-38.pdf](http://www.fca.org.uk/publication/consultation/cp17-38.pdf)



- 1.32** The Fees Calculator will combine: the SFGB money advice levy with the Money Advice Service money advice levy; the SFGB debt advice levy with the Money Advice Service debt advice levy; and the SFGB pensions guidance levy with the Pension Wise pensions guidance levy.
- 1.33** The fees calculator will also cover Prudential Regulation Authority (PRA) (where applicable) fees and FSCS levies (FSCS levies will not be available until early May when the FSCS are expecting to publish their funding requirements for 2018/19). Firms 2018/19 invoice will also show the SFGB levies combined with Money Advice Service and Pension Wise levies.
- 1.34** We will consider your comments and, subject to FCA Board approval in June 2018, plan to publish a PS in July, which will include our feedback on your comments and the final rules.
- 1.35** Certain fee payers have been invoiced from February 2018 for 'on-account' payments, and other firms will be invoiced from July 2018, on the basis of the new fees and levies.

**Table 1.1: Fee payers affected by the 2018/19 fees and levies rates proposals in this CP**

Issue	Fee payers affected	Chapter
<b>FCA</b>		
Periodic fee rates	Authorised firms – the 'A' and 'CC' (consumer credit) fee blocks	2 and 3
	All fee payers in fee-blocks B to G	2 and 4
Applying financial penalties and revising the Financial Penalty Scheme	Fee payers listed in Table 5.1 in Chapter 5	5
Ring-fencing implementation fee	A.1 deposit acceptors subject to the ring-fencing regime for the UK's largest banks from 1 January 2019	6

<b>Further FCA fees policy proposals:</b>		
Special project fees – scope, hourly rates and threshold	Fee payers in the 'A', 'B' and 'G3' fee-blocks	8
Consumer credit - definition of income for consumer hire agreements	All firms in fee-blocks CC1 and CC2, especially those which undertake consumer hire agreements	
Clarifications of definition of income	<ul style="list-style-type: none"> <li>• Recognised investment exchanges</li> <li>• Benchmark administrators</li> </ul>	
Payment of fees - removal of credit card charges	All fee-payers	
Fee-block A.9 – valuation date	Firms in the A.9 (Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes) fee-block	
<b>Financial Ombudsman Service</b>		
General levy rates	Firms subject to the Financial Ombudsman Service general levy	9
<b>Money Advice Service</b>		
Money Advice Service levy rates (including the recovery of part of the 2018/19 funding requirement for new Single Financial Guidance Body)	<ul style="list-style-type: none"> <li>• Firms subject to money advice levies – authorised firms, payment institutions and electronic money issuers</li> <li>• Firms subject to debt advice levies – firms in fee-blocks A.2 (home finance providers and administrators) and CC3 (consumer credit lending)</li> <li>• Consumer credit firms in the CC1(limited permission) and CC2(full permission) fee-blocks</li> </ul>	10
<b>Pensions guidance levies</b>		
Pensions guidance levy (PGL) rates (including the recovery of part of the 2018/19 funding requirement for new Single Financial Guidance Body)	Firms in the following fee blocks: <ul style="list-style-type: none"> <li>• A.4 insurers – life</li> <li>• A.7 portfolio managers</li> <li>• A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes</li> <li>• A.13 advisors, arrangers, dealers or brokers</li> </ul>	11
Pensions guidance providers' levy rates	Designated guidance providers	
<b>Illegal money lending levy</b>		
Recovering the Treasury's expenses for tackling illegal money lending	All firms with credit-related permissions	12



**Table 1.2: Fee payers affected by our response to feedback to CP17/38**

Issue consulted on	Fee-payers affected	Chapter
Tariff measures for insurers	General insurers in fee-block A.3 and life insurers in fee-block A.4, including both Solvency II firms and non-Directive Firms. Firms in the equivalent Financial Ombudsman Service blocks.	7
Update scope of Financial Penalty Scheme	All fee payers	7
Possible changes to definition of consumer hire income	All firms in fee-blocks CC1 and CC2, especially those which undertake consumer hire agreements	7
Charge for firms that do not use online invoicing	All fee payers	7
Money Advice Service – debt advice levy	Deposit takers in fee-block A.1, home finance providers in fee-block A.2, consumer credit firms that undertake lending (new fee-block CC3) and all consumer credit firms in fee-blocks CC1(limited permission) and CC2 (full permission)	7

## 2 FCA annual funding requirement and allocation to fee-blocks

**2.1** In this chapter we set out our annual funding requirement (AFR) for 2018/19 and the allocations to fee-blocks.

### AFR

**2.2** We published our 2018/19 Business Plan on 9 April 2018, setting out how we plan to promote our vision and achieve our objectives during the next financial year.

**2.3** Our AFR for 2018/19 is £543.9m, an increase of 3.2%. Our AFR includes our ongoing regulatory activities (ORA) budget costs, the costs we need to recover for changes to our regulated activities (scope change) and EU withdrawal.

**2.4** We are committed to delivering an ORA budget that is flat in real terms, subject to any changes in our wider ongoing regulatory responsibilities. Our 2018/19 budget reflects the following changes in the scope of our work:

- additional regulatory responsibilities around payments following the introduction of the Payment Services Directive (PSD) 2 and
- the formation of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), with £0.3m of set up costs reflected in scope change recovery

We are utilising £5m of our ORA reserves to mitigate the impact on fee-payers. In addition, scope change recovery costs have been maintained at the 2017/18 level. Table 2.1 shows the breakdown of our 2018/19 AFR compared with that for 2017/18 and the impact of estimated financial penalty rebates.

**Table 2.1: 2018/19 AFR breakdown**

	2018/19	2017/18	Movement	
	£m	£m	£m	%
Base ORA budget	523.2	508.0	15.2	3.0%
Additional ongoing regulatory responsibilities:				
Payments services	2.0		2.0	
OPBAS	2.0		2.0	
<b>Rebased ORA budget</b>	<b>527.2</b>	<b>508.0</b>	<b>19.2</b>	<b>3.8%</b>
EU withdrawal costs	5.0	2.5	2.5	100.0%
Scope change recovery	16.4	16.4	0.0	0.0%
OPBAS set-up recovery	0.3		0.3	
ORA reserves utilised	(5.0)		(5.0)	
<b>AFR</b>	<b>543.9</b>	<b>526.9</b>	<b>17.0</b>	<b>3.2%</b>

<i>Financial penalty rebate (i)</i>	<i>(48.2)</i>	<i>(46.1)</i>	<i>(2.1)</i>	4.6%
<i>Fees payable</i>	<b>495.7</b>	<b>480.8</b>	<b>14.9</b>	<b>3.1%</b>

**Note:**

(i) The £48.2m rebate in 2018/19 represents an estimate of the 2017/18 financial penalties we can retain to cover 2017/18 enforcement costs.

**2.5** We are currently forecasting to end 2017/18 with an underspend in our ORA budget. We will use £5.0m to reduce the 2018/19 AFR recovery as indicated in Table 2.1. In line with last year, we will retain any remaining underspend to continue to mitigate the costs of our move to The International Quarter (Stratford) in 2018/19 and other future costs, in particular any further EU withdrawal costs.

**2.6** We must pay all the financial penalties we receive to the Exchequer (net of certain enforcement costs incurred in generating these penalties) in the same year. Any retained penalties are used to reduce our fees in the following year, other than for the fees levied on the penalty payers themselves. We currently estimate the financial penalty rebate to be £48.2m in 2018/19 (£46.1m in 2017/18). Taking into account this rebate, the overall total fees collected from fee payers in 2018/19 will be reduced by £48.2m to £495.7m.

**2.7** The application across fee payers of the financial penalty rebate is set out Chapter 5. Chapter 5 also includes our proposals for revising our Financial Penalty Scheme.

### AFR allocation across fee-blocks

**2.8** The allocation of the £543.9m AFR is set out in Table 2.3 at the end of this chapter.

**2.9** Our policy for allocating the AFR across fee-blocks is to maintain an even distribution of increases/decreases other than where for individual fee-blocks there have been material and explainable exceptions (allocation by exception).

**2.10** The exceptions to an even distribution of the 3.2% increase in our 2018/19 AFR cover:

- additional ongoing regulatory responsibilities relating to payment services and OPBAS
- EU withdrawal costs
- Scope change recovery

### Payment services

**2.11** We have allocated £2m to the sub-sets of the G fee-block that recover costs from payment services firms including banks and credit card companies. These costs relate to the additional focus of our resources on these firms following the implementation of the Payment Services Directive (PSD) 2.

**2.12** Given the increase in fees last year (associated with the PSD2 implementation costs recovery) we are proposing that the allocation of the costs covering the additional focus of our resources on payment services and the further recovery of PSD2 implementation costs (£1m in 2018/19), should not result in any PSD2-related increase in 2018/19 fees for payment services firms above the inflation-linked increase in ORA.

The remaining estimated £0.5m PSD2 implementation costs will be recovered in 2019/20.

### OPBAS

**2.13** We are proposing to use the D fee-block to recover the costs of establishing and running OPBAS, which the Government decided should be the regulatory responsibility of the FCA. For 2018/19 we are recovering £2.0m in ongoing costs for OPBAS. The estimated set-up costs of £500,000 will be recovered over two years, with £250,000 recovered in 2018/19 and the balance in 2019/20.

**2.14** These OPBAS costs will be recovered from professional body supervisors listed in Schedule 1 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the MLRs). In CP17/35 (October 2017)<sup>4</sup> we consulted on the structure of the periodic fees (annual fees) that will be used to recover these costs. We also consulted on the application fees we proposed to charge for reviewing applications received from professional bodies who wish to be added to the list of professional body supervisors in Schedule 1 to the MLRs. We will be providing feedback on the responses to this consultation later in April 2018 and will also consult on the fee rates later in the year.

**2.15** The D fee-block also recovers our costs for supervising the designated professional bodies (DPBs) such as the Law Society of England and Wales. DPBs regulate the incidental investment business carried out by their members. For 2018/19 the allocation of our AFR to the DPBs, as a sub-set of the D, fee-block has increased by 3% in line with the increase in ORA. The 973.5% movement in the D fee-block from 2017/18 included in Table 2.3 reflects this 3% increase in the 2018/19 AFR allocation to DPBs plus the £2.25m for 2018/19 OPBAS costs included in this fee-block for the first time.

### EU withdrawal costs

**2.16** Notwithstanding considerable reprioritisation, we propose allocating the £5.0m cost of additional funding for our 2018/19 work relating to EU withdrawal across the fee-blocks that include banks (A.1 fee-block), insurers (A.3, A.4, A.5 and A.6 fee-blocks), fund managers (A.7 fee-block) and proprietary traders (A.10 fee-block). We believe that the types of firms in these fee-blocks are most likely to be affected by EU withdrawal. This is the same basis of allocation as we used for 2017/18.

### Scope change costs

**2.17** The breakdown of the 2018/19 £16.4m scope change costs is set out in Table 2.2.

**Table 2.2: Breakdown of 2018/19 £16.4m scope change costs**

£m	Scope change
(0.6)	<b>Senior Managers and Certification Regime(SM&amp;CR) for banks.</b> Relates to the A.1 deposit acceptors fee-block (see note (i) to this table).
(0.2)	<b>Mortgage Credit Directive (MCD).</b> Relates to the A.2 and A.18 fee-blocks covering mortgage providers and advisers (See note (i) to this table).
11.0	<b>Markets in Financial Instruments Directive II (MiFID II)</b> – continuation of the recovery commenced in 2017/18 (see paragraphs 2.17 to 2.21)
6.2	<b>Consumer Credit</b> - continuation of the recovery commenced in 2016/17 (see paragraphs 2.22 and 2.23)

<sup>4</sup> [www.fca.org.uk/publication/consultation/cp17-35.pdf](http://www.fca.org.uk/publication/consultation/cp17-35.pdf)



16.4	Total
<b>Note:</b>	
(i) Scope change implementation costs can start to be recovered before the project is complete. Such early recovery is based on estimates of project costs. Where actual project costs are less than estimated, any earlier over recovery is adjusted in subsequent AFR allocations. The figures in brackets indicate such adjustments made in the case of SM&CR and MCD.	

### **MiFID II**

- 2.18** We have allocated the £11.0m 2018/19 recovery of scope-change costs for implementing MiFID II to the fee-blocks most directly impacted by the MiFID II regulatory regime and market data reporting.
- 2.19** Within the A fee-block these are:
- A.7 Portfolio managers
  - A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes
  - A.10 Firms dealing as principal
  - A.13 Advisors, arrangers, dealers or brokers
  - A.14 Corporate finance advisers
- 2.20** Within the B fee-block these are operators of Multilateral Trading Facilities (MTFs), Organised Trading Facilities (OTFs) and Recognised Investment Exchanges (RIEs).
- 2.21** In Chapter 3 of CP16/33<sup>5</sup> (November 2016) we consulted on targeting the recovery of MiFID II scope change costs to these A and B fee-blocks and provisionally distributed the costs across these fee-blocks in proportion to their overall share of the AFR. We used this provisional basis to allocate the £9.2m interim MiFID II scope-change costs in 2017/18.
- 2.22** This provisional basis was pending our expectation that for 2018/19 we would have sufficient information to moderate the allocations for fee-blocks with low proportions of firms benefiting directly from MiFID II. We have now reviewed the number of MiFID II firms in each fee-block and using the FCA fees they pay in the respective fee-blocks as a proxy for size, we are now able to allocate MiFID II costs to the fee-blocks based on the value of total FCA fees paid by MiFID II firms. The effect of this revised allocation basis is mainly to reduce the allocation to the A.9 fee-block with related adjustments made to the other MiFID II impacted A and the B fee-blocks. Since our allocation for 2017/18 was on a provisional basis we have also applied these adjustments to the £9.2m allocated in 2017/18 within the overall 2018/19 cost allocation.
- Consumer Credit**
- 2.23** The £6.2m set against consumer credit in Table 2.2 is the 2018/19 contribution to recovering the scope-change deficit for bringing consumer credit firms within our regulatory regime. We had planned to recover these costs over 10 years from 2016/17. The 2018/19 £6.2m recovery is included in the AFR allocation to the CC1 and CC2 consumer credit fee-blocks.

<sup>5</sup> [www.fca.org.uk/publication/consultation/cp16-33.pdf](http://www.fca.org.uk/publication/consultation/cp16-33.pdf)



**2.24** In Chapter 3 we consult on keeping the fee rates for the CC1 and CC2 consumer credit fee-blocks unchanged from 2017/18. This will have the effect of eliminating the consumer credit scope-change deficit more quickly.

#### Fee-block A.0 FCA minimum fee

**2.25** Minimum fees are fixed amounts that each firm pays. The amount of AFR we recover from the A.0 FCA minimum fee fee-block depends on the number of existing firms that remain authorised at the beginning of the fee year (1 April) and the number of new firms that become authorised during the forthcoming year.

**2.26** As we state in Chapter 3 (which covers proposed periodic fees for authorised firms), we propose increasing the minimum fees and flat fees for 2018/19 by 3% to reflect the increase in our ORA. We also propose the same 3% increase for minimum and flat fees in Chapter 4 (which covers proposed periodic fees for other bodies). We anticipate that the number of firms that will pay these minimum fees in 2018/19 will result in an AFR recovery of £21.0m. The 6.6% movement in Table 2.3 for the A.0 fee-block reflects the 3% increase in the minimum fee itself and our estimate that there will overall be more firms paying this minimum fee in 2018/19 than in 2017/18 so the amount we raise through this fee-block will increase.

### Fee rates

**2.27** In Chapter 3 we consult on the 2018/19 periodic fees for authorised firms to recover the AFR allocated to the A fee-blocks and the CC1 and CC2 consumer credit fee-blocks.

**2.28** In Chapter 4 we consult on the 2018/19 periodic fees for other bodies to recover the AFR allocated to the B to G fee-blocks.

**2.29** In Chapter 11 we consult on the 2018/19 levy for pensions guidance providers to recover the AFR allocated to the H fee-block.

**Table 2.3: 2018/19 AFR allocation across fee-blocks**

AFR allocations to fee-blocks	(i)	Proposed 2018/19 £m	Actual 2017/18 £m	Movement over 2017/18
A.0 FCA minimum fee	Solo	21.0	19.7	6.6%
AP.0 FCA prudential fee (ii)	Solo	16.7	16.3	2.1%
A.1 Deposit acceptors	DR	71.5	71.5	0.0%
A.2 Home finance providers and administrators	Solo	17.2	16.6	3.8%
A.3 Insurers – general	DR	25.7	24.9	3.2%
A.4 Insurers – life	DR	43.2	41.8	3.2%
A.5 Managing agents at Lloyd's	DR	0.2	0.2	2.2%
A.6 The Society of Lloyd's	DR	0.3	0.3	2.7%
A.7 Portfolio managers	Solo	46.6	44.9	4.0%



A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Solo	11.6	12.3	-5.9%
A.10 Firms dealing as principal (iii)	Solo & DR	54.0	52.1	3.7%
A.13 Advisory arrangers, dealers or brokers	Solo	80.3	77.1	4.2%
A.14 Corporate finance advisors	Solo	14.7	14.0	5.1%
A.18 Home finance providers, advisers and arrangers	Solo	16.9	16.3	3.8%
A.19 General insurance mediation	Solo	28.1	27.5	2.2%
A.21 Firms holding client money or assets or both	Solo	14.2	13.9	2.3%
CC1. Consumer credit – limited permission	Solo	38.7	37.8	2.3%
CC2. Consumer credit – full permission				
B. Recognised investment exchanges, operators of multilateral trading facilities and organised trading facilities, recognised auction platforms, service companies, regulated benchmark administrators, third country legal representative, benchmark endorser	Solo	7.9	7.7	3.4%
C. Collective investment schemes	Solo	2.5	2.4	2.4%
D. Designated professional bodies and professional body supervisors	Solo	2.5	0.2	973.5%
E. Issuers and sponsors of securities	Solo	21.4	20.9	2.4%
F. Unauthorised mutuals	Solo	1.7	1.7	-1.0%
G. Firms registered under the Money Laundering Regulations 2017; and firms covered by the Regulated Covered Bonds Regulations 2008, Payment Services Regulations 2017 and Electronic Money Regulations 2011; firms undertaking consumer buy-to-let business; and data reporting services providers	Solo	6.9	6.8	2.4%
H. FCA pensions guidance costs	n.a.	0.05	0.1	-16.7%
<b>Total AFR</b>		<b>543.9</b>	<b>526.9</b>	<b>3.2%</b>

**Notes:**

(i) Solo = FCA solo-regulated fee-block activities. DR = fee-block activities that are dual-regulated by the FCA for conduct purposes and the PRA for prudential purposes.

(ii) AP.0 FCA prudential fee-block is only recovered from FCA solo-regulated firms in proportion to the total periodic fees they pay through FCA solo-regulated fee-blocks.

(iii) Includes certain investment firms that have been designated by the PRA to be regulated by the PRA for prudential purposes. These designated firms do not pay fees in AP.0, but the remaining solo-regulated firms in A.10 do.

n.a. = Not applicable.

## 3 FCA periodic fees for authorised firms

### *(FEES 4 Annex 2AR draft rules in Appendix 1)*

- 3.1** This chapter sets out our 2018/19 periodic fees proposals for authorised firms in the A fee-blocks and the CC1 and CC2 Consumer Credit fee-blocks. These fee-blocks account for 92% of our 2018/19 annual funding requirement (AFR).
- 3.2** Proposals for periodic fees payable by other bodies are discussed in Chapter 4 of this paper.

### **Proposed minimum periodic fees**

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- 3.3** Any firm that is authorised to carry out any of the regulated activities covered by the 'A' fee-block is subject to the A.0 minimum fee.<sup>6</sup> The CC1 and CC2 Consumer Credit fee-blocks have a separate structure of minimum fees. Some firms that pay minimum fees in the CC1 and CC2 fee-blocks also pay the minimum fee under the A.0 fee-block.
- 3.4** The aim of minimum fees is to ensure that all authorised firms (including small firms) contribute to the cost of regulation. It also aims to ensure that the minimum fee level is not too high (which would impede competition) and not too low (which would prejudice existing fee payers).
- 3.5** Minimum fees are fixed amounts that each firm pays. They are subject to a size threshold below which only the minimum fee is payable. Above the threshold variable fees are also payable based on the measure of business that is applicable to a particular fee-block; the larger the fee payer the more it contributes to the recovery of the AFR allocated to the fee-block.
- 3.6** Our policy is that minimum fees (and flat fees) are linked to movements in our ongoing regulatory activities (ORA) budget. As set out in Chapter 2 our 2018/19 ORA has increased by 3% over ORA in 2017/18. We are therefore proposing to increase the 2018/19 minimum fees (and flat fees) by 3%.
- 3.7** Tables 3.1 and 3.2 set out the proposed changes in minimum and flat fees.

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<sup>6</sup> With the exception of A.6, which has one fee payer (the Society of Lloyd's) who is invoiced on an individual basis.

**Table 3.1 – Proposed 2018/19 A fee-block minimum and flat fees**

	Current fee	Increase	Proposed new fee
FCA solo-regulated firms	£1,095	£33	£1,128
Dual-regulated with the PRA firms	£547	£16	£563
Dual-regulated concessionary firms:			
smaller credit unions (depending on size)	£87 or £295	£3 or £9	£90 or £304
smaller friendly societies	£235	£7	£242
UK insurance special purpose vehicle (flat fee)	£471	£14	£485

**Notes:**

(i) Firms in the 'A' fee-blocks include banks, building societies, credit unions, insurers, fund managers, and retail investment, mortgage and general insurance intermediaries. In total we recover around 85% of our AFR from firms in the 'A' fee-block. Around 36% of 'A' fee-block firms are small enough to only pay the minimum fee.

(ii) 3% increase has been rounded to the nearest £.

**Table 3.2 – Proposed 2017/18 Consumer Credit fee-blocks minimum fees**

Type of firm	Income band	Current fee	Increase	Proposed new fee
CC1: Limited permission	Up to £10,000	£101	£3	£104
	Over £10,000 to £50,000	£253	£8	£261
	Over £50,000 to £100,000	£404	£12	£416
	Over 100,000 to £250,000	£505	£15	£520
CC2: Full permission	Up to £50,000	£303	£9	£312
	Over £50,000 to £100,000	£505	£15	£520
	Over £100,000 to £250,000	£1,010	£30	£1,040

**Notes:**

(i) The Consumer Credit fee-blocks also include firms that pay the 'A' fee-block minimum fees. Around 94% of Consumer Credit firms are small enough to only pay minimum fees.

(ii) 3% increase has been rounded to the nearest £.

## Proposed variable periodic fees

### A fee-blocks

#### 3.8

The AFR allocated to the A fee-blocks is recovered on a 'straight line' basis, i.e. in direct proportion to the size of permitted business that firms undertake in these fee blocks. Firms should therefore pay fees that change in line with the year-on-year allocations of our AFR, as set out in Table 2.3 in Chapter 2. However, in some cases the movements in the allocations of our AFR stated in this table at a fee-block level will differ from the movements in the draft fee rates detailed in Appendix 1. This is due to annual changes in the number of fee payers and the level of tariff data in each fee block.

**3.9** Table 3.3 sets out the number of fee payers and the total tariff data we have used to calculate the draft 2018/19 fee rates in Appendix 1. It then compares them to the data used to calculate 2017/18 fee rates, showing the level of year-on-year movements. To show the effect of these movements on the fees that firms will pay, compared to the movements in the allocations of our AFR, we also include the year-on-year movements in fee rates.

**Table 3.3: Data used to estimate 2018/19 periodic fee rates for consultation**

Fee-block	Tariff base	Number of firms in fee-blocks			Tariff data			Change in rates
		2018/19 Estimated	2017/18 Actual (i)	Change	2018/19 Estimated	2017/18 Actual	Change	
A.1	Modified eligible liabilities	825	836	-1.3%	£3,244.9bn	£3,111.2bn	4.3%	-4.6%
A.2	Number of mortgages or other home finance transactions	490	433	13.2%	7.2m	7.2m	0.0%	4.1%
A.3	Gross written premium	323	330	-2.1%	£72.8bn	n.a.	n.a.	n.a.
	Best estimate liabilities				£145.0bn	n.a.	n.a.	n.a.
A.4	Gross written premium	179	171	4.7%	£143.9bn	n.a.	n.a.	n.a.
	Best estimate liabilities				£1,262.4bn	n.a.	n.a.	n.a.
A.5	Active capacity	58	58	0.0%	£27.1bn	£29.9bn	-9.3%	-9.6%
A.7	Funds under management	2,941	2,895	1.6%	£8,610.3bn	£7,684.6bn	12.0%	-6.5%
A.9	Gross income	1,436	1,387	3.5%	£14.9bn	£12.9bn	16.1%	-19.0%
A.10	Traders	443	411	7.8%	10,198	9,903	3.0%	0.9%
A.13	Annual income	13,225	13,040	1.4%	£32.1bn	£29.1bn	10.4%	-5.7%
A.14	Annual income	802	794	1.0%	£9.2bn	£7.9bn	16.9%	-9.5%
A.18	Annual income	5,500	5,318	3.4%	£1.7bn	£1.5bn	14.0%	-9.2%
A.19	Annual income	13,143	12,845	2.3%	£17.7bn	£16.3bn	8.7%	-5.8%
A.21	Client money	1,218	1,151	5.8%	£151.9bn	£147.3bn	3.1%	-1.2%
	Assets held				£14,822.4bn	£13,780.1bn	7.6%	-4.4%

**Notes:**

(i) 'Actual' refers to the data as set out in Table 2.3 of PS17/15, published in July 2017.

(ii) The tariff base for the A.3 and A.4 insurers fee-blocks have been revised following consultation in CP17/38 (November 2017). In Chapter 7 of this CP we provide feedback on the responses received to that consultation and final rules are set out in Appendix 4. The estimated 2018/19 tariff data figures represent the revised tariff bases and therefore the actual 2017/18 tariff data and changes columns are shown as not applicable (n.a.). The previous tariff bases for A.3 were 'gross premium income' and 'gross technical liabilities'. The previous tariff bases for A.4 were 'adjusted gross premium income' and 'mathematical reserves'.



**3.10** The data and fees for 2018/19 given in Table 3.3 may change between now and June when we will calculate the final fee rates. This is because we calculated the draft fee rates a few weeks before this Consultation Paper (CP) was published and therefore we estimated the population of fee payers as at 1 April 2018. In addition, we will not complete collecting and validating the tariff data until May/June.

### Consumer Credit fee-blocks

**3.11** For 2017/18 £37.8m of our annual funding requirement was allocated to the two consumer credit fee-blocks CC1 (limited permission) and CC2 (full permission). This was made up of:

- £6.2m to continue the recovery of the total £62m consumer credit scope change deficit which we planned to recover over 10 years from 2016/17 and
- £31.6m ongoing costs for 2017/18

**3.12** Firms with income from consumer credit activity above £250,000 pay the variable fee rates that recover the AFR allocated to the CC1 and CC2 fee-blocks. In CP17/12 (April 2017)<sup>7</sup> we consulted on variable fee rates that were unchanged from the 2016/17 levels of £0.40 for fee-block CC1 and £1.30 for fee-block CC2 per £1,000 of income from consumer credit activity.

**3.13** When we provided feedback on the 2017/18 fees rates consultation in PS17/15 (July 2017)<sup>8</sup> we noted that the total income reported by consumer credit firms was greater than we estimated in April 2017. We expected that keeping the variable fee rates unchanged from 2016/17 would mean that receipts from periodic and applications fees would result in us collecting around £3.5m more than the allocated £37.8m. We said that the additional amount would be used to further reduce the scope-change deficit and, should such an over collection occur in future years we would take the same approach so that the deficit is reduced sooner than originally planned.

**3.14** The actual consumer credit over collection in 2017/18 is expected to be £8m, of which £1.1m is in respect of prior year's tariff data adjustments. We are proposing to continue keeping the variable fee rates unchanged in 2018/19, as set out in Table 3.4, and to allow the further over collection to reduce the scope-change deficit more quickly. On this basis, we expect the consumer credit scope-change deficit to be eliminated by 2021/22, which is 5 years earlier than the 10 years originally planned (2026/27).

**3.15** Only 6% of consumer credit firms pay variable fees from which around 90% of the allocated £38.7m 2018/19 AFR (see Table 2.3 in Chapter 2) is recovered.

**Table 3.4: 2018/19 proposed consumer credit variable fee-rates**

Type of firm	Proposed 2018/19 variable fee rate on income above £250,000	Actual 2017/18 variable fee rate on income above £250,000	Change in rates
CC1: Limited permission	£0.40 Per £,1000	£0.40 Per £1,000	0.0%
CC2: Full permission	£1.30 Per £1,000	£1.30 Per £1,000	0.0%

<sup>7</sup> [www.fca.org.uk/publication/consultation/cp17-12.pdf](http://www.fca.org.uk/publication/consultation/cp17-12.pdf)

<sup>8</sup> [www.fca.org.uk/publication/policy/ps17-15.pdf](http://www.fca.org.uk/publication/policy/ps17-15.pdf)

### Moderation framework

**3.16** In exceptional cases we apply our moderation framework, which allows our straight-line recovery policy to accommodate a targeted recovery of costs within a fee-block, so long as it can be justified. This moderation can be either side of the straight-line recovery and is achieved by applying a premium or discount to the tariff data that measures the amount of permitted business that firms undertake within a moderated fee-block.

#### **A.1 fee-block (Deposit acceptors)**

**3.17** The A.1 fee-block is an existing exception from straight-line recovery. Within this fee-block, the firms who fall within the medium-high and high bands of our moderation framework pay a premium fee rate. This reflects that we target our overall supervision at the high-impact, systemically important firms in this sector.

**3.18** We apply a premium of respectively 25% and 65% to the fee rates for firms in the medium-high and high impact bands of the A.1 fee-block.

#### **A.21 fee-block (firms holding client money or assets or both)**

**3.19** We use bandings within the A.21 fee block-based on the risk classifications we apply to firms in the Client Assets sourcebook (CASS). This enables us to match where we apply our resources to the fees that we charge firms.

**3.20** The bandings and level of moderation that we have applied to the tariff data for both client money and assets held are set out in Table 3.5. The result of our moderation is that the 2018/19 £14.2m AFR is distributed as follows:

- CASS large firms 74.82%
- CASS medium firms 25.16%
- CASS small firms 0.02%

**Table 3.5: Bandings and level of modification**

<b>Client money</b>	<b>CB01 CASS small firms</b>	<b>CB02 CASS medium firms</b>	<b>CB03 CASS large firms</b>
<b>Band width</b>	0–1,000,000	>1,000,000– 1,000,000,000	>1,000,000,000
<b>Moderation</b>	0%	-25%	-50%
<b>Assets held</b>	<b>CB01 CASS small firms</b>	<b>CB02 CASS medium firms</b>	<b>CB03 CASS large firms</b>
<b>Band width</b>	0–10,000,000	>10,000,000– 100,000,000,000	>100,000,000,000
<b>Moderation</b>	0%	-25%	-50%



### European Economic Area (EEA) branches – fee discounts

- 3.21** The FCA, as the host state conduct regulator, is primarily responsible for the conduct regulation of incoming EEA branches (passported into the UK). We apply discounts to the fees paid by these firms to reflect the extent to which our supervisory responsibilities for EEA incoming branches are lower than for UK-based firms carrying on the same regulated activities, specifically in relation to systems and controls and approved persons.
- 3.22** We apply the discounts as set out in Appendix 1.

### Online fees calculator

- 3.23** We provide a Fees Calculator facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA periodic fees and the Financial Ombudsman Service, Money Advice Service, Pension Wise pensions guidance and illegal money lending levy consultative rates in Appendix 1 of this CP.
- 3.24** The Fees Calculator will combine: the Single Financial Guidance Body (SFGB) money advice levy with the Money Advice Service money advice levy; the SFGB debt advice levy with the Money Advice Service debt advice levy; and the SFGB pensions guidance levy with the Pension Wise pensions guidance levy.
- 3.25** The fees calculator will also cover Prudential Regulation Authority (PRA) (where applicable) fees and FSCS levies (FSCS levies will not be available until early May when the FSCS are expecting to publish their funding requirements for 2018/19). Firms 2018/19 invoice will also show the SFGB levies combined with Money Advice Service and Pension Wise levies.

**Q1: Do you have any comments on the proposed FCA 2018/19 minimum fees and variable periodic fee rates for authorised firms?**

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2018/19 – which will be made by our Board in June 2018 – could vary from those in this CP.

#### ***FCA fee rates for insurers***

As annual Solvency II returns for the 2017 financial year are not submitted until 6 May 2018, after this consultation was published, the draft fee rates for both A3 (insurers – general) and A4 (insurers – life) fee-blocks in Appendix 1 are based on year-end data for 2016. As a consequence, the draft fee rates for the A3 and A4 fee blocks may provide a less useful indication than previously of the final fee rates, which will be based on 2017 data. This will continue to be the case for future fee years, due to Solvency II return reporting deadlines. However, we believe that using the latest data available for basing draft fees is the fairest approach.

There is greater uncertainty over the fees rates for life insurers in the A4 fee- block because of limitations with data reported by some life insurers and the fact that several large life reinsurance and back-book transactions were undertaken during 2016 which significantly increased the measure of gross written premiums for fees purposes for that year. Final fee rates based on 2017 data are therefore likely to be higher than the draft rates shown in Appendix 1.



## 4 FCA periodic fees for other bodies

**4.1** This chapter sets out the proposed periodic fees for fee payers in fee-blocks:

- B - market infrastructure providers
- C - collective investment schemes
- D - designated professional bodies
- E - UK Listing Authority (UKLA)
- F - unauthorised mutuals, and
- G - firms registered under the Money Laundering Regulations 2017; firms covered by the Regulated Covered Bonds Regulations 2008, Payment Services Regulations 2017 and Electronic Money Regulations 2011; firms undertaking consumer buy-to-let business; and data reporting services providers

**4.2** The proportion of the 2018/19 £543.9m annual funding requirement (AFR) allocated to fee-blocks B to G is discussed in Chapter 2. In this chapter we only comment where year-on-year percentage movements for subsets of fee payers within the B to G fee-blocks substantially differ from the year-on-year movements in the overall fee-blocks set out in Table 2.3 of Chapter 2.

**4.3** Our policy is that minimum fees and flat fees are linked to movements in our ongoing regulatory activities (ORA) budget. As set out in Chapter 2 our 2018/19 ORA has increased by 3% over that of 2017/18. We are therefore proposing to increase the 2018/19 minimum fees and flat fees for the B to G fee-blocks by 3%.

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2018/19 – which will be made by our Board in June 2018 – could vary from those in this CP.

### Fee-block B: Market infrastructure providers

**4.4** As set out in Chapter 2 the overall allocation of our 2018/19 AFR to the B fee-block is £7.9m an increase of £0.2m (3.4%) over 2017/18. This reflects the 3% increase in our ORA budget and a recovery of part of the scope-change costs for implementing the Markets in Financial Instruments Directive II (MiFID II) from operators of Multilateral Trading Facilities (MTFs), Organised Trading Facilities (OTFs) and Recognised Investment Exchanges (RIEs).



**4.5** The fees for the sub-set fee-blocks that make up the B fee-block also take in account:

- an increase in the allocation of our resources to MTFs and OTFs and Benchmark Administrators reflecting the increase in the population of firms resulting from MiFID II and EU Benchmark Regulations
- a decrease in the allocation of our resources to RIEs and Service Companies
- our overall proposal that minimum and flat fees should increase by the 3% increase in our ORA, and
- movements in the number of firms within a sub-set fee-block and the income tariff data reported by those firms compared to last year (where applicable)

### Recognised investment exchanges

#### *(FEES 4 Annex 2R Part 1 – draft rules in Appendix 1)*

**4.6** The proposed 2018/19 fees for recognised investment exchanges are set out in Table 4.1.

**4.7** Recognised investment exchanges (RIEs) should include the income from the operation of multilateral trading facilities and organised trading facilities when reporting their income tariff data. In Chapter 8 of this CP we are consulting on clarifying this in the definition of RIE income set out in FEES 4 Annex 11A.

**Table 4.1: Proposed recognised investment exchanges fees**

	Proposed 2018/19 fee (£)	Actual 2017/18 fee (£)	Variance
Annual income up to and including £10,000,000	103,000	100,000	3.0%
Annual income over £10,000,000 (£/£ thousand or part thousand of income)	4.84	5.58	-13.3%

### Recognised auction platforms

#### *(FEES 4 Annex 6R Part 1A - draft rules in Appendix 1)*

**4.8** We propose a flat fee of £55,143 for 2018/19 for recognised auction platforms. This is an increase of 3% (rounded to nearest £) from £53,537 in 2017/18.

### Recognised overseas investment exchanges

#### *(FEES 4 Annex 6R Part 2 - draft rules in Appendix 1)*

**4.9** We propose a flat fee of £63,061 for 2018/19 for recognised overseas investment exchanges. This is an increase of 3% (rounded to nearest £) from £61,224 in 2017/18.

### Multilateral trading facilities and organised trading facilities

#### *(FEES 4 Annex 10R - draft rules in Appendix 1)*

**4.10** Table 4.2 sets out the proposed multilateral trading facilities (MTFs) and organised trading facilities (OTFs) fees for 2018/19.

**Table 4.2: Proposed MTF and OTF fees**

	Proposed 2018/19 fee (£)	Actual 2017/18 fee (£)	Variance
MTF or OTF operator that has a named individual fixed portfolio supervisor	290,656	316,710	-8.2%
All other MTF or OTF operators (i.e. those supervised by a team of flexible portfolio supervisors)	27,410	29,867	-8.2%
European Economic Area (EEA) firm	0	0	0.0%

### Service companies

**(FEES 4 Annex 2R Part 1 – draft rules in Appendix 1)**

**4.11** The proposed 2018/19 fees for service companies are set out in Table 4.3.

**Table 4.3: Proposed service companies fees**

	Proposed 2018/19 fee (£)	Actual 2017/18 fee (£)	Variance
Income up to and including £100,000	1,110	1,078	3.0%
Income over £100,000 (£/£ thousand or part £ thousands of income)	2.56	1.80	42.2%

### Regulated benchmark administrators, third country legal representative, benchmark endorser

**(FEES 4 Annex 2R Part 1 and FEES 4 Annex 15R – draft rules in Appendix 1)**

- 4.12** In CP17/17<sup>9</sup> (published June 2017) we consulted on the annual periodic fees structure to take account of the directly-applicable EU Benchmarks Regulation (BMR). We provided feedback on responses to that consultation and near final rules in PS17/28<sup>10</sup> (published December 2017). We are now consulting on the 2018/19 fee-rates.
- 4.13** The proposed 2018/19 fee for regulated benchmark administrators is set out in Table 4.4. In CP17/17 we consulted on aligning the minimum fee with that paid by firms in the 'A' fee-block. That minimum fee was £1,095 in 2017/18 and is increasing by 3% to £1,128, reflecting the increase in our ORA. The variable fee-rate is within the range of £10–£20 indicated in CP17/17.
- 4.14** Regulated benchmark administrators should only report income that relates to their UK activities. In Chapter 8 of this CP we are consulting on clarifying this in the definition of such income set out in FEES 4 Annex 11A.

<sup>9</sup> [www.fca.org.uk/publication/consultation/cp17-17.pdf](http://www.fca.org.uk/publication/consultation/cp17-17.pdf)

<sup>10</sup> [www.fca.org.uk/publication/policy/ps17-28.pdf](http://www.fca.org.uk/publication/policy/ps17-28.pdf)

**Table 4.4: Proposed regulated benchmark administrators fees**

	Proposed 2018/19 fee (£)
Income up to and including £100,000	1,128
Income over £100,000 (£/£ thousand or part £thousand of income)	19.70

**4.15** The proposed 2018/19 fee for a third country legal representative is £12,500 and for a benchmark endorser is £7,500. These are within the range of £5,000 - £15,000 indicated in CP17/17.

### Fee-block C: Collective investment schemes

#### *(FEES 4 Annex 4R - draft rules in Appendix 1)*

**4.16** Tables 4.5 and 4.6 detail the proposed collective investment schemes (CIS) fee rates for 2018/19. The AFR allocated to this fee-block is recovered from fee payers in proportion to the number of funds or sub-funds operated. The total number of funds/sub-funds reported by all fee payers for 2018/19 has increased compared to 2017/18. This has resulted in a lower variance in the fee rates compared to the 2.4% increase in the allocation of the AFR to this fee-block.

**4.17** The proposed 2018/19 annual fee for small registered UK Alternative Investment Fund Managers is £700, representing a 3% increase (rounded to the nearest £) from £680 in 2017/18.

**Table 4.5: Proposed CIS periodic fees**

Scheme type	Basic fee (£)	Total aggregate number of funds/sub-funds	Proposed 2018/19 fee rate (£)	Actual 2017/18 fee rate (£)	Variance
ICVC, AUT, ACS, UK ELTIFs	406	1-2	406	410	-1.0%
		3-6	1,015	1,025	-1.0%
		7-15	2,030	2,050	-1.0%
		16-50	4,466	4,510	-1.0%
Section 264 of FSMA, schemes other than non-EEA AIFs recognised under section 272 of FSMA		>50	8,932	9,020	-1.0%
Non-EEA AIFs recognised under section 272 of FSMA	1,652	1-2	1,652	1,670	-1.1%
		3-6	4,130	4,175	-1.1%
		7-15	8,260	8,350	-1.1%
		16-50	18,172	18,370	-1.1%
		>50	36,344	36,740	-1.1%

**Table 4.6: Proposed CIS periodic fees**

Kind of notification	Proposed 2018/19 fee per AIF (£)	Actual 2017/18 fee per AIF (£)	Variance
Notification under regulation 57 of the AIFMD UK Regulation	355	345	3.0%
Notification under regulation 58 of the AIFMD UK Regulation	247	240	3.0%
Notification under regulation 59 of the AIFMD UK Regulation	355	345	3.0%

## Fee-block D: Designated professional bodies and professional supervisors

### Designated professional bodies

#### *(FEES 4 Annex 5R - draft rules in Appendix 1)*

#### 4.18

We set individual periodic fees for each designated professional body (DPB) based on an estimated number of exempt professional firms in each body. Each DPB pays £10,000 for its first exempt professional firm, which recovers £100,000 of the allocation to this fee-block. The remaining amount allocated to this fee-block is then recovered in proportion to the number of exempt professional firms reported by each DPB. The proposed 2018/19 periodic fees are detailed in Table 4.7. Variances differ from the 3.0% increase in the AFR allocation to the DPB sub-set within this fee-block because of movements in the number of exempt professional firms reported for 2018/19 compared with those reported in 2017/18.

**Table 4.7: Proposed DPB periodic fees**

DPB	Proposed 2018/19 fee (£)	Actual 2017/18 fee (£)	Variance
The Law Society of England and Wales	90,170	62,430	44.4%
The Law Society of Scotland	15,260	13,390	14%
The Law Society of Northern Ireland	13,830	12,520	10.5%
The Institute of Actuaries	10,110	10,070	0.4%
The Institute of Chartered Accountants in England and Wales	36,020	68,770	-47.6%
The Institute of Chartered Accountants of Scotland	11,340	10,920	3.8%
The Institute of Chartered Accountants in Ireland	14,840	13,130	13.0%
The Association of Chartered Certified Accountants	18,770	15,900	18.1%
Council for Licensed Conveyancers	11,790	11,170	5.6%
Royal Institute of Chartered Surveyors	15,190	13,400	13.4%



## Professional supervisors

- 4.19** As stated in Chapter 2 we are proposing to use the D fee-block to recover the costs of establishing and running of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), which the Government decided should be the regulatory responsibility of the FCA. For 2018/19 we are recovering £2.0m in ongoing costs for OPBAS. The estimated set-up costs of £500,000 will be recovered over two years, with £250,000 recovered in 2018/19 and the balance in 2019/20.
- 4.20** These OPBAS costs will be recovered from professional body supervisors listed in Schedule 1 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the MLRs). In CP17/35 (October 2017)<sup>11</sup> we consulted on the structure of the periodic fees (annual fees) that will be used to recover these costs. We also consulted on the application fees we proposed to charge for reviewing applications received from professional bodies who wish to be added to the list of professional body supervisors in Schedule 1 to the MLRs. We will be providing feedback on the responses to this consultation later in April 2018 and will also consult on the fee rates later in the year.

## Fee-block E: United Kingdom Listing Authority

### (FEES 4 Annex 14 R - draft rules in Appendix 1)

- 4.21** We are proposing 2018/19 United Kingdom Listing Authority (UKLA) periodic fees as set out in Tables 4.8 and 4.9. Base fees have increased by 3%. Variable fees have decreased by 2.0% compared to the 2.4% increase in the AFR allocation to this fee-block. This is due to an increase in the projected market capitalisation tariff data by these fee payers.

**Table 4.8: Base fees**

Activity group or invoice code	Proposed 2018/19 fee (£)	Actual 2017/18 fee (£)	Variance
E.2 Premium listed issuer	5,355	5,200	3.0%
E.3 Standard listed issuer	20,285	19,695	3.0%
E.6 Non-listed issuer (i)	0	0	0.0%
E.7 Primary information provider	16,920	16,425	3.0%
ES.01 Sponsor	28,190	27,370	3.0%

**Notes:** 3% increase in base fee has been rounded to the nearest £.

(i) Not needed at present but retained pending implementation of MiFID II

<sup>11</sup> [www.fca.org.uk/publication/consultation/cp17-35.pdf](http://www.fca.org.uk/publication/consultation/cp17-35.pdf)

**Table 4.9: Variable fee additional to base fees**

Activity Group E.2	Proposed 2018/19	Actual 2017/18	Variance
£ million of market capitalisation	Fee rate (£)	Fee rate (£)	
0–100	0	0	n.a.
>100–250	27.904193	28.469627	-2.0%
>250–1,000	10.766260	10.984421	-2.0%
>1000–5,000	6.627075	6,761363	-2.0%
>5,000–25,000	0.161655	0.164930	-2.0%
>25,000	0.052226	0.053284	-2.0%

## Fee-block F: Unauthorised mutuals

### (FEES App1 - draft rules in Appendix 1)

#### 4.22

The proposed 2018/19 fees for unauthorised mutuals are set out in Table 4.10. The 1% decrease in the AFR allocation to the F fee-block set out in Table 2.3 in chapter 2 reflects that some unauthorised mutuals have become authorised as consumer credit firms and will not pay fees in the F fee-block which has reduced the amount of our costs allocated to the F fee-block. The increase in fees is in line with our policy that all minimum and flat fees should be linked to the 3% increase in our ORA and recovers the funding requirement from the F fee-block.

**Table 4.10: Proposed periodic fees for unauthorised mutuals**

Total assets (£000s)	Proposed 2018/19 fee rate (£)	Actual 2017/18 fee rate (£)	Variance
0 - 50	67	65	3.1%
>50 - 100	129	125	3.2%
>100 - 250	211	205	2.9%
>250 – 1,000	273	265	3.0%
>1,000	495	480	3.1%

## Fee-block G

### Fee-block G: Firms registered under the Money Laundering Regulations 2017

#### (FEES 4 Annex 11R - draft rules in Appendix 1)

#### 4.23

We propose that the annual fee for firms registered with us under the Money Laundering Regulations 2017 should be £451 for 2018/19. This is an increase of 3% (rounded to nearest £) from £438 in 2017/18 (Fee-block G.1).

## Fee-block G: Firms covered by the Payment Services Regulations (PSRs) 2017

### (FEES 4 Annex 11R - draft rules in Appendix 1)

**4.24** The proposed 2018/19 payment services fees are set out in Tables 4.11 and 4.12 (firms in G.2, G.3 and G.5 fee-blocks). We also propose that the flat fee for small payment institutions in the G.4 fee-block should be £515. This is an increase of 3% (rounded to the nearest £) from £500 in 2017/18.

**4.25** As stated in Chapter 2 the AFR allocation to payment services firms should not result in a Payment Services Directive (PSD)2-related increase above the 3% increase in our ORA. Due to increases in the number of firms and amount of tariff data the variable rates for payment services firms have decreased by 9.5% from 2017/18.

**Table 4.11: Certain deposit acceptors (includes banks and building societies) (G.2 fee-block)**

	Proposed 2018/19	Actual 2017/18	Variance
Minimum fee (£)	515	500	3.0%
£ millions or part £ millions of modified eligible liabilities	Fee rate		
	Proposed 2018/19	Actual 2017/18	Variance
>0.1	0.5840	0.6456	-9.5%

**Table 4.12: Large payment institutions and other institutions (G.3 and G.5 fee-blocks)**

	Proposed 2018/19	Actual 2017/18	Variance
Minimum fee (£)	515	500	3.0%
£ thousands or part £ thousands of relevant income	Fee rate		
	Proposed 2018/19	Actual 2017/18	Variance
>100	0.3927	0.4341	-9.5%

## Fee-block G: Firms subject to the Electronic Money Regulations 2011

### (FEES 4 Annex 11R – draft rules in Appendix 1)

**4.26** Table 4.13 sets out the proposed fee rates for large electronic money institutions under the Electronic Money Regulations 2011. The minimum fee has increased by 3% (rounded to the nearest £), reflecting the increase in our ORA. The variable rate has decreased by 33.3% due to an increase in the number of firms in this fee-block and the tariff data reported.

**Table 4.13: Large electronic money institutions (Fee-block G.10)**

	Proposed 2018/19	Actual 2017/18	Variance
Minimum fee	£1,692	£1,643	3.0%
£ millions or part £ millions of average outstanding electronic money			
>5.0	80.00	120.00	-33.3%

**Note:** 3% increase in minimum fee has been rounded to the nearest £.



- 4.27** We propose that the annual fee for small electronic money institutions should increase to £1,128 for 2018/19, an increase of 3% (rounded to nearest £) from £1,095 in 2017/18 (Fee-block G.11).

**Fee-block G: Firms subject to the Regulated Covered Bonds Regulations 2008 (Fee-block G.15)**

***(FEES 4 Annex 11R - draft rules in Appendix 1)***

- 4.28** The AFR allocated to the fee-block for firms subject to the Regulated Covered Bonds Regulations 2008 is recovered through two levels of flat minimum fees based on the number of registered programmes. There is also a variable fee that takes into account the number of issues made (market activity). The proportion recovered through the minimum fees is 90%, and 10% is recovered through the variable fee. The proposed fees for 2018/19 are set out in Table 4.14. The minimum fee has decreased by 11.9% and the variable fee decreased by 11.1%. The variance is due to movements in the number of registered programmes and issues made during 2017/18 compared to the previous year.

**Table 4.14: Proposed periodic fees**

	Proposed 2018/19	Actual 2017/18	Variance
Minimum fee for the first registered programme	79,184	89,876	-11.9%
Minimum fee for all subsequent registered programmes	75% of first registered programme	75% of first registered programme	Unchanged
Variable periodic fee (£m or part £m of RCBs issued in the 12 months ending on valuation date)	11.80	13.27	-11.1%

**Consumer buy-to-let**

***(FEES 4 Annex 11R - draft rules in Appendix 1)***

- 4.29** We propose increasing the consumer buy-to-let flat fees by 3% (rounded to nearest £) as set out in Table 4.15.

**Table 4.15: Consumer buy-to-let fees**

	Proposed 2018/19 (£)	Actual 2017/18 (£)	Variance
G.20 - CBTL lenders	416	404	3.0%
G.21 - CBTL arrangers and advisers	208	202	3.0%



## Data reporting services providers

### *(FEES 4 Annex 11R - draft rules in Appendix 1)*

**4.30** We propose increasing the data reporting services providers flat fee by 3% (rounded to nearest £) as set out in Table 4.16.

**Table 4.16: Data reporting services providers**

	Proposed 2018/19 (£)	Actual 2017/18 (£)	Variance
G.25, Flat fee for first data reporting service plus 50% flat fee for each additional data reporting service for which the data reporting services provider (other than an incoming data reporting services provider) has authorisation.	25,750	25,000	3.0%

**Q2: Do you have any comments on the proposed FCA 2018/19 minimum fees and periodic fee rates for fee payers other than authorised firms?**

## 5 Applying financial penalties

- 5.1** This chapter is relevant to all fee payers that fall within the fee-blocks set out in Table 5.1

### Revised Financial Penalty Scheme

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- 5.2** The financial penalties we receive must be paid to the Treasury; net of certain enforcement costs incurred in the financial year in which the penalties were received (retained penalties). Our Financial Penalty Scheme (FPS) sets out the basis for ensuring the retained penalties are applied for the benefit of firms (except the firm on which the financial penalty was imposed). The current FPS is set out in Annex 3 which includes proposed revisions.
- 5.3** Paragraph 4 of the current FPS states that the “total retained penalties from any financial year will be allocated across the fee-blocks ... in proportion to the allocation of the enforcement budgeted costs for the following financial year. This will target the benefit from retained penalties to the fee-blocks that are paying for enforcement costs.”
- 5.4** Under the new fee-block allocation policy the baseline for the underlying distribution of our annual funding requirement (AFR) across fee-blocks will stay as it was for 2013/14 (the first year that the FCA operated). However it has been adjusted for material and explainable exceptions since then and from 2018/19 onwards (the allocation by exception approach).
- 5.5** To bring the FPS in line with our allocation by exception approach we propose to amend the current FPS to reflect that:
- the allocation of enforcement costs to fee-blocks will remain as it was in 2013/14 (we have not made any changes to the allocations of enforcement costs since that year),
  - retained penalties will be allocated across the fee-blocks in line with those 2013/14 allocations and rebates applied to the fees of fee-payers in those fee-blocks, and
  - where financial penalties do not cover enforcement costs the rebates will not fully offset the allocation of those enforcement costs
- 5.6** Annex 3 includes the proposed amendments to the current FPS where deletions of existing text are scored out and additional text is underlined.
- 5.7** The revised FPS will continue to be cost neutral to the relevant fee-blocks. If the financial penalties do not cover enforcement costs in any year the relevant fee-blocks will experience a proportionate reduction in rebates.

**Q3: Do you have any comments on the proposed revised Financial Penalty Scheme?**



## Financial penalty rebates for 2018/19

**5.8** We currently estimate the retained penalties for 2017/18 to be £48.2m (£46.1m in 2016/17). The amount of the estimated retained penalties allocated to each fee-block, along with the estimated percentage rebates that will be applied to the 2018/19 periodic fees paid by the firms in those fee-blocks, is set out in Table 5.1. We will publish the final rebates in the July 2018 policy and feedback statement to this Consultation Paper.

**Table 5.1: Draft schedule of application of 2017/18 retained penalties in 2018/19**

Fee-block	Estimated 2017/18 retained penalties to be applied to benefit of fee-payers (£m)	Estimated rebate applied to 2018/19 fees
AP.0 FCA prudential	0.0	0.0%
A.1 Deposit acceptors	7.7	10.7%
A.2 Home finance providers and administrators	0.8	4.6%
A.3 Insurers – general	1.5	6.0%
A.4 Insurers – life	2.7	6.4%
A.5 Managing agents at Lloyd’s	0.0	0.0%
A.6 The Society of Lloyd’s	0.0	0.0%
A.7 Portfolio managers	11.2	24.2%
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	1.8	15.6%
A.10 Firms dealing as principal	6.1	11.4%
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	4.1	5.1%
A.14 Corporate finance advisors	1.9	12.9%
A.18 Home finance providers, advisers and arrangers	3.1	18.6%
A.19 General insurance mediation	2.8	10.0%
A.21 Firms holding client money or assets or both	3.1	22.4%
B. Recognised investment exchanges, operators of multilateral trading facilities and recognised auction platforms (only)	0.0	0.0%
CC1 Consumer credit – limited permission	0.0	0.0%
CC2 Consumer credit – full permission	0.0	0.0%
E. Issuers and sponsors of securities	1.4	6.7%



G.1 Persons registered under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017	0.0	0.0%
G.2, G.3, G.4, G.5 Firms under the Payment Services Regulations 2017	0.0	0.0%
G.10, G.11 Firms under the Electronic Money Regulations 2011	0.0	0.0%
G.20, G.21 Firms under the Mortgage Credit Directive Order 2015	0.0	0.0%
G.25 Firms under the Data Reporting Regulations 2017	0.0	0.0%
<b>Total</b>	<b>48.2</b>	



## 6 Ring-fencing implementation fee

### *(Fees 4 Annex 2B – draft rules in Appendix 1)*

- 6.1** In this chapter we set out our proposals for the 2018/19 ring-fencing implementation fee (RFIF). The RFIF will apply to firms that are ring-fencing their core activities in line with the requirements of the Financial Services (Banking Reform) Act 2013 (FSBRA) before the 1 January 2019 deadline.
- 6.2** Our budgeted costs associated with this work in 2018/19 are £2.7m. In 2017/18 we raised £5.8m and we estimate there will be an underspend of £1.0m which we will return to firms in proportion to the RFIF they paid for that year. The implementation of the new regime requires a significant amount of work for us before the final implementation on 1 January 2019. This includes embedding ring-fencing into supervision to ensure that after implementation we can effectively supervise ring-fencing banking groups.
- 6.3** The Prudential Regulation Authority (PRA) is consulting on its RFIF under Consultation Paper (CP) *Regulated fees and levies: rates proposals 2018/19* published on 9 April 2018.
- 6.4** Our budgeted costs for 2018/19 include the costs of:
- **Reviewing and processing firms' remaining applications for regulatory transactions connected with ring-fencing:** ring-fencing involves a high volume of regulatory transactions (e.g. variation of permissions, change in control, waivers).
  - **Reviewing firms' remaining ring-fencing transfer schemes against our objectives:** most firms need to undertake at least one ring-fencing transfer scheme to restructure their business to a compliant structure. This is a court-led process and varies significantly from the current Part VII processes of the Financial Services and Markets Act 2000 (FSMA) in terms of size and complexity.
  - **Supervision of firms through transition:** we need to continue to monitor firms' ring-fencing implementation plans to identify, monitor and manage the risks posed to our objectives
  - **Other:** communications (internal and external), policy, legal and project management support for the above activities
- 6.5** These activities are specific to the requirements to implement FSBRA and are not part of our normal regulatory activity. They are therefore not included in our 2018/19 annual funding requirement (AFR) discussed in Chapter 2.
- 6.6** The allocation of our ring-fencing implementation costs to groups will reflect two equally weighted factors (on the same basis as for the RFIF in 2017/18):
- How their core deposits compare with the core deposits of all in-scope banking groups
  - How their total group assets outside their proposed ring-fenced body subgroups compare with the non ring-fenced assets of all in-scope banking groups

- 6.7** Calculations will be based on forecasted (1 January 2019) data provided by banking groups in March 2018. We consider these metrics to be an appropriate proxy for the balance of work we will need to do across these banking groups to implement ring-fencing.
- 6.8** The RFIF is intended to recover all our costs associated with ring-fencing, including those for processing applications for authorisation, variation of permission and in connection with regulated covered bonds. Therefore our existing RFIF rules include a provision that fees for ring-fencing related authorisations, variation of permission and regulated covered bonds applications will not be charged.
- 6.9** The draft rules relating to the 2018/19 RFIF are in Appendix 1.

**Q4: Do you have any comments on the proposed 2018/19 ring-fencing implementation fee?**



## 7 Feedback on CP17/38 fees policy proposals

**7.1** In this chapter we provide feedback on the responses received to the proposals we consulted on or discussed in our 2018/19 fees policy CP17/38<sup>12</sup> (November 2017):

- Insurers' tariff data from 2018/19 – for consultation
- Financial Penalty Scheme – for consultation
- Consumer credit, definition of income for consumer hire agreements – for discussion
- Mandatory online invoicing from 2019/20 – for discussion
- Amending the way that we collect the Money Advice Service debt advice levy from 2018/19.

**7.2** A list of non-confidential respondents to CP17/38 is provided in Annex 6.

### **Insurers' tariff data from 2018/19**

#### ***(FEES 4 and FEES 5 – final rules in Appendix 4)***

**7.3** In Chapter 2 of CP17/38 we consulted on the proposed tariff data (measure of the size of firms within a fee-block) we will use to calculate insurers' FCA periodic fees and the Financial Ombudsman Service's annual Compulsory Jurisdiction (CJ) levies from 2018/19. The Financial Ombudsman Service also consulted on proposed tariff data for its Voluntary Jurisdiction (VJ), so where relevant 'we' (below) refers to both the FCA and the Financial Ombudsman Service.

**7.4** In December 2017 the Prudential Regulation Authority (PRA) published a separate consultation paper<sup>13</sup> covering its insurers' tariff data fees rules and those of the Financial Services Compensation Scheme levy.

**7.5** For FCA periodic fees we proposed adopting the PRA's revised tariff data. However, for general insurers we proposed different weightings between the premium income and liabilities elements of the tariff data than the PRA had proposed. For the Financial Ombudsman Service annual CJ levies we proposed adopting the revised premium income tariff data for FCA periodic fees and to no longer differentiate 'relevant' business (i.e. business conducted with consumers). In the case of the VJ levies we proposed to also adopt the revised premium income tariff data for FCA periodic fees, but to continue to differentiate 'relevant' business.

12 [www.fca.org.uk/publication/consultation/cp17-38.pdf](http://www.fca.org.uk/publication/consultation/cp17-38.pdf)

13 [www.bankofengland.co.uk/pradocuments/publications/cp/2017/cp1617.pdf](http://www.bankofengland.co.uk/pradocuments/publications/cp/2017/cp1617.pdf)



## 7.6 We further proposed:

- to source the revised tariff data from the regulatory data reported to the PRA, except in the case of the revised tariff data for European Economic Area (EEA) branches where we will continue to separately collect the data from these firms, and
- amending the FEES Manual rules so we can use the previous year's Solvency II tariff data for calculating fees levies for individual insurers for 2018/19.

## 7.7 We asked:

- Q1: Do you agree with our proposed tariff data for general insurers for us to calculate their FCA periodic fees from 2018/19? If not, why not?**
- Q2: Do you have any comments on the proposed weighting between premiums and liabilities for general insurers? Should alternative weightings be used and, if so, why?**
- Q3: Do you agree with our proposed tariff data for life insurers for us to calculate their FCA periodic fees from 2018/19? If not, why not?**
- Q4: Do you have any comments on the proposed weightings between premiums and liabilities for life insurers. Do you believe alternative weightings should be used and, if so, why?**
- Q5: Should all non-Directive life insurance firms be exempt from FCA periodic fees, apart from the minimum fee?**
- Q6: Do you agree with the proposals on sourcing the revised tariff data for insurers?**
- Q7: Do you agree with our proposed tariff data for insurers and the proposals relating to the sourcing of the revised tariff data for us to calculate the CJ and VJ Financial Ombudsman Service annual levies from 2018/19? If not, why not?**

### ***Responses to proposals – FCA tariff data***

## 7.8 We received seven responses from four trade bodies and three firms. Two of the trade bodies and two of the firms agreed with our proposals and the remaining respondents were generally supportive but raised the following issues:

- **Internal reinsurance and back-book transactions:** One trade body and a firm represented that group internal reinsurance (where one FCA-regulated entity reinsures with another FCA-regulated entity within the same group) could lead to 'double counting' and fees disproportionate to FCA costs. Likewise, one-off transactions, such as bulk annuity transfers and quota share reinsurance of blocks of existing business, also inflate volume measures in a way that is not reflected in FCA's costs.



- **Life insurers' weightings:** Two trade bodies disagreed with our proposal to change the weightings between premium income and liabilities from 75%:25% to 50%:50%. They pointed to the PRA's decision not to proceed with this change (and their proposed change to the weightings for general insurers) pending further review and consultation in 2018/19.
- **Trustee investment products:** One firm represented that the proposal to deduct 'corporate pension funds' (as set out in paragraph 2.21 of CP17/38) from the fees calculation for life insurers should be extended to include trustee investment products, as is the case under the current rules.

**7.9** These issues were also raised in response to the PRA's consultation to which the PRA provided feedback in their policy statement PS28/17.<sup>14</sup> Our feedback below is in line with the PRA's so that the FCA's tariff data requirements for insurers are consistent with those of the PRA's.

### Our response

**Internal reinsurance and back-book transactions:** we believe that regular internal group reinsurance should not be treated differently for the following reasons:

- such transactions can generate risks to our objectives as well as supervisory work for us
- making adjustments could favour some forms of reinsurance over others and incentivise firms to change behaviours
- it could result in relief being granted to reinsurance of business conducted outside the UK, and
- it would add complexity to the fees rules, which are intended to be a broad proxy of the amount of work for the FCA.

We also consider it important to minimise the reporting burden on firms. Given that internal reinsurance is not separately identified on Solvency II returns, it would not be possible to systematically treat internal reinsurance differently in the fees calculation without requiring additional reporting by all firms.

We acknowledge that there is a risk of a disproportionately high fee being generated for some large 'one-off' transactions involving reinsurance of back-books. As well as resulting in large fees for some firms in some years, such one-off transactions could lead to significant volatility in fees for other firms.

To address the impact of potential one-off transactions, we intend to use our relieving provisions in FEES 2.3R.<sup>15</sup> Under this rule, if it appears to the FCA that in the exceptional circumstances of a particular case, the

<sup>14</sup> [www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2017/ps2817.pdf](http://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2017/ps2817.pdf)

<sup>15</sup> [www.handbook.fca.org.uk/handbook/FEES/2/3.html](http://www.handbook.fca.org.uk/handbook/FEES/2/3.html)

payment of a fee would be inequitable, we may reduce a fee payment. The PRA advised in its feedback that an insurer should inform the PRA<sup>16</sup> by the end of February 2018 if it had undertaken a transaction (such as a large bulk annuity transfer) in the previous calendar year that it would like taken into consideration when calculating its fee and provide relevant details. We will also consider these submissions on a case-by-case basis in accordance with FEES 2.3R.

**Life insurers' weightings:** we are also deferring changing the weightings between premium income and liabilities pending the outcome of the PRA's further review and consultation in 2018/19.

**Trustee investment products:** we can confirm that the intention is to exclude trustee investment products from the fees calculation and that the definitions (as set out in the rules) are intended to achieve this.

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### **Responses to proposals – Financial Ombudsman Service CJ and VJ**

- 7.10** We received seven responses in relation to the CJ. Two trade bodies and a firm agreed with the proposals, while two trade bodies and two firms disagreed with the proposal to no longer base the CJ levy on 'relevant' business (i.e. business conducted with consumers).
- 7.11** While acknowledging that there is a cost to firms in distinguishing the business they conduct with consumers, these respondents stated they already have in place the systems and processes to report their business with consumers, and that this cost would be less than the cost of higher levies as a result of the levy not being based on 'relevant' business.
- 7.12** There were two responses in relation to the VJ proposal, which were from trade bodies, who supported the proposal to continue to base the levy on 'relevant' business in particular.

### **Our response**

The overall objectives underlying our proposals are that the revised tariff data should:

- map as closely to the current tariff data as practicable
- ensure consistency of treatment between Solvency II and non-Directive insurers,

and

- be sourced from the returns firms already submit for regulatory purposes ('regulatory data')

We continue to believe that GWP, as the revised premium income tariff data (also used for the FCA's periodic fees), should be used for the CJ and VJ levy. We plan to use this data for the CJ and VJ levies, and make the VJ rules as consulted on. However, we recognise that for some firms



having their levies based on relevant GWP will be more appropriate given the type of insurance business they undertake. We have therefore modified the final FEES 5 rules in Appendix 5 to allow firms to notify us each year of their relevant GWP tariff data. This notification will need to be made by the 30 May in the fee-year that follows the calendar year to which the tariff data for that fee-year relates. This will enable firms to choose whether they want to report 'relevant' GWP data to the FCA for the calculation of the CJ levy. If they choose not to report this data, the calculation will be based on GWP revised premium income tariff data (provided by the PRA), which does not differentiate 'relevant' business. For the purposes of calculating 2018/19 levies we will contact firms to make them aware of this change. Firms will need to initiate the notification for following fee-years.

Using regulatory data will reduce the burden on firms and the FCA, as firms will not have to maintain systems and processes to provide additional data, and we will not need to maintain systems and processes to collect and validate such additional and/or adjusted data.

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### **General insurers tariff data – changes to definition**

**7.13** The PRA received responses to their consultation following which they changed the definition of best estimate liabilities (BEL) for general insurers. These changes were set out in their policy statement PS28/17 and their final rules. We did not receive these responses to our consultation but again, to ensure that the FCA's tariff data requirements for insurers are consistent with those of the PRA we are adopting those changes. We have therefore changed the definition of BEL for fees purposes from:

- S.12.01.01, rows (R0010 + R0230 + R0260), columns (C0090 + C0190) + S.12.01, rows (R0010 + R0030), column C0140 + S.17.01.01, rows (R0010 + R0370 + R0380 + R0410 + R0420), column C0180 to:
- S.12.01.01, rows (R0010 + R0030), columns (C0090 + C0140 + C0190) + S.17.01.01, rows (R0010 + R0370 + R0380 + R0410 + R0420), column C0180

**7.14** The final rules in Appendix 4 have been modified to reflect these changes.

### **Compatibility Statement**

**7.15** The made rules in Appendix 4 have changed from those proposed in Appendix 1 of CP17/38. These changes reflect, where applicable, our feedback on the responses to those proposed rules and changes to the definition of general insurers tariff data set out above. These changes do not alter the compatibility statement we published in Annex 2 of CP17/38.

**7.16** Annex 2 of CP17/38 included a statement that we did not expect the proposals that we consulted on to have a significantly different impact on mutual societies when compared to other authorised persons. In our opinion the changes to the rules in Appendix 4 do not alter that assessment.

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## **Financial Penalty Scheme**

**7.17** In Chapter 3 of CP17/38 we consulted on updating our Financial Penalty Scheme (FPS) so that it included all the fee-blocks within its scope.

**7.18** We asked:

**Q8:** *Do you have any comments on the proposed changes to the financial penalty scheme?*

### **Responses to proposals**

**7.19** We received two responses which agreed with the proposed changes. These changes have now been incorporated into our FPS.

**7.20** In Chapter 5 of this CP we are consulting on revising the FPS to take account of our 'allocation by exception' approach to allocating our annual funding requirement (AFR) to fee-blocks.

## **Consumer credit - definition of income for consumer hire agreements**

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**7.21** In Chapter 4 of CP17/38, we invited discussion of the impact our definition of income (in FEES 4 Annex 11B) might have on income reported for consumer hire agreements, and views on whether we should consult on revising it. A number of firms have argued that fees may be higher on consumer hire agreements than on comparable unsecured loans. Our definition requires firms to report total revenue from consumer hire agreements as income, whereas consumer credit lenders are able to deduct repayments of principal, reporting only the interest and any other financial charges. The CP reviewed the differences between unsecured loans, hire-purchase (HP) agreements and consumer hire agreements, and how these might affect reported income and fees.

**7.22** We suggested that it might be possible to use depreciation over the life of a consumer hire agreement as the equivalent of repayments of principal debt. If depreciation was deducted from the revenue, then the balance would be equivalent to interest and would be reported as credit-related income, helping to equalise the treatment of consumer hire and consumer credit. We provided illustrations of the impact this might have on reportable income. If the agreement continued after the asset had depreciated to zero, the full value of the subsequent rental payments would be reported as income.

Any methodology for reporting consumer hire income must be fair, clear and verifiable, so that we, and other fee payers, can be confident that firms are reporting their data appropriately. Published accounts are an important source for verifying data and our definition of income requires firms to report the figures recognised in their accounts. However, there are different accounting conventions for the treatment of depreciation under the two broad types of consumer hire agreement:

- Under an operating lease depreciation is normally recorded in the accounts. This is because the asset is expected to retain a strong residual value at the end of the agreement and may be sold on. For example, an operating lease in respect of vehicle hire may have a fixed term of two years. The consumer will not typically have a right to extend the lease since the lessor intends to sell the vehicle while it still has a reasonably high second-hand value.
- Under a finance lease the asset is typically expected to have little or no residual value when the agreement ends, so the lessor has no interest in its potential resale value. Where a consumer leases a television, for example, the lessor will not expect



to sell it on and may be happy to extend the lease. We discussed ways of factoring depreciation into a finance lease. In particular, we suggested that a firm will typically make assumptions about depreciation when setting the minimum term for a lease so that costs can be recovered, even if not formally recorded in the firm's published accounts. The most common assumption might be that the asset depreciates to zero over the term (or minimum term) of the lease. This 'accounting revenue' or 'implicit interest' model could therefore provide a basis for applying depreciation to finance leases as well as operating leases.

**7.23** Other matters we discussed included the possibility of imposing a proxy rate of interest on all consumer hire agreements; the treatment of different types of agreement; the fact that lower fees for consumer hire firms might lead to higher fees for other firms; and the reporting of ancillary charges such as delivery and installation, call-out repairs, servicing, etc.

**7.24** We asked:

**Q9:** *Do you think that the definition of income for consumer hire leases should be revised? If you undertake consumer hire agreements, please use representative examples to illustrate how you interpret our current definition of income when reporting to us, and the impact of any suggestions you make for improvement.*

**Q10:** *Do you have any comments on the various options for defining consumer hire income that we have discussed in Chapter 4?*

**Q11:** *Can you suggest any other ways of refining the definition of consumer hire income?*

### **Responses received**

**7.25** We received ten responses, all favouring a change in definition. Several provided illustrations comparing the fees payable on consumer hire agreements with those on HP and other credit agreements. None raised concerns about the knock-on effect for firms not involved in consumer hire whose fees might increase.

**7.26** There was strong support for the 'accounting revenue' or 'implicit interest' approach that we had described in the CP, though one respondent felt that more work was needed to refine the definition and that a proxy should be imposed in the meantime. Another pointed to the risk that calculating depreciation could become complex and expensive for small firms, especially if they had to hire accountants to do it. There was general agreement that firms do in practice make assumptions about depreciation which would enable them to calculate implicit interest:

'For finance leases lessors are required to report interest income as part of their annual company accounts submissions; for operating leases the equivalent information reported in the annual company accounts is rentals net of depreciation. The information is therefore readily available and the fees payable would be fair and comparable to the method used to calculate consumer credit income relating to purchase plans and unsecured loans.'

- 7.27** Another commented that 'It is hard to imagine a scenario...' where a firm '...would not be fully aware of (and account for internally)...' depreciation, and hence the interest equivalent, in any lease, even if the figures were not quoted in the agreement or the firm's accounts.
- 7.28** Some respondents pointed out that depreciation methodologies vary and this might affect the timing of revenue over different contracts. In addition, as we had discussed, the picture was complicated by indefinite agreements, agreements extended beyond their original term and agreements terminated early. One commented that minimum term rentals often automatically run on rather than being formally extended, so treating extensions as a new agreement would help to promote good practice.
- 7.29** Several of the respondents commented on charges for ancillary services, though there was no consensus on how to treat them. One urged us to include all income streams relating to consumer hire. One said we should not include them because they were often optional and often provided by third parties who had no link with the credit-related activity, for example, roadside recovery services for leased vehicles. Another suggested we align with the guidance from the International Accounting Standards Board (IASB) on when to exclude the costs of associated services.

### Our response

We appreciate the helpful and well-considered responses to our consultation. Overall these confirm that it would be equitable to factor depreciation into the calculation of consumer hire income, using the 'implicit interest' or 'accounting revenue' model we described in CP17/38. We have set out our specific proposals for consultation in Chapter 8. These will affect the 2019/20 fees.

We accept that the calculation of depreciation could be complicated for some small firms. Our proposals therefore provide that, if a firm does not make assumptions about depreciation in its accounts or its normal business planning, it should depreciate the asset to zero over the term of the agreement. If the agreement is open-ended, the firm should make reasonable assumptions regarding the period over which the asset is deemed to depreciate to zero. This gives firms a straightforward way of calculating depreciation.

We do not consider that the variable length of agreements, or the variable patterns of depreciation, are practical concerns under our proposals. While we understand the arguments advanced in relation to extensions, we are not looking to interfere in firms' contractual arrangements.

We would expect firms to be able, if requested, to substantiate any assumptions used, or to demonstrate that, when calculating depreciation, they have applied their standard business assumptions, supported by external advice or their own research and/or experience as applicable.

Respondents had conflicting views about the treatment of ancillary services, and firms often raise questions about this when reporting their income data. We have reviewed our current guidance and believe that



it provides a sound basis for determining whether and when to include ancillary services. We are not, therefore, proposing any additional guidance.

There are two relevant provisions in the FEES manual:

- Income is defined in FEES 4 Annex 11B as 'the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the firm's accounts during the reporting year in respect of, or in relation to, the provision in the UK of the regulated activities'. Revenue from ancillary services is an economic benefit 'in respect of, or in relation to' the regulated activity, so the default position is that it should be included as credit-related income.
- The guidance on exclusions in FEES 4 Annex 13 Table 2(9)(f) states that 'Rebates to customers and fees or commissions passed onto other firms should be excluded.' Where a firm is not receiving income on its own behalf, but is acting as a collection agent to pass on charges to a third-party service-provider, that revenue should be excluded from the reported income.

In the case of credit-related activity, the key consideration is whether the service is ancillary to the provision of consumer credit or consumer hire, or whether the credit or consumer hire is ancillary to the service.

For example, if a television is hired by a retailer, under a regulated consumer hire agreement, and the hire charges include an element in respect of servicing, the entire hire charges constitute 'income'. The service contract is ancillary to the consumer hire. On the other hand, if the service contract is provided by an unrelated third party, and the relevant element of the hire charges is simply passed to them, then it would not be recorded as income by the retailer.

A different example might be where a firm provides payment merchant services to a retailer, and as part of this hires some equipment to the retailer. The hire agreement is ancillary to the merchant services (rather than the other way around), and it is open to the retailer to obtain the services without also hiring the equipment. In this case, the firm's reportable income comprises the hire charges for the ancillary equipment, rather than also including the merchant services.

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**7.30** In Chapter 8 of this CP we consult on modifications to the definition of credit-related income in FEES 4 Annex 11B and the guidance in FEES 4 Annex 13 Table 2 in relation to consumer hire agreements.

### **Mandatory online invoicing from 2019/20**

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**7.31** In Chapter 6 of CP17/38 we invited discussion on whether we should require all fee-payers to receive their fees invoices through our online invoicing system from 2019/20, and charge an administrative fee to any firms that choose to continue with paper invoices.



**7.32** Online invoicing is an environmentally friendly paperless process which significantly enhances the efficiency of our fee invoicing and collection process by eliminating paper. About 85% of our authorised firms are using online invoicing, leaving about 8,000 with paper invoices. Paper invoicing for a small proportion of firms requires us to maintain separate processes. This is inefficient, expensive and time-consuming. These additional costs are carried by the whole body of fee-payers and so we raised the possibility of charging those firms which wish to preserve the manual paper-based service. We estimated that the charge would be in the region of £50 - £100.

**7.33** We asked:

**Q12:** *Do you have any comments on whether we should in future charge firms which choose not to take advantage of online invoicing?*

#### **Responses received**

**7.34** We received six responses. Five supported the introduction of a charge on the principle that users should pay, though one was concerned about the impact on smaller firms and several stressed that the charge should be justified by the cost. One commented that most firms charge their own customers if they insist on costly payment methods, 'so surely the same logic can apply to you'. Only one respondent objected to the introduction of charges, arguing that 'there may be very good reasons why they prefer paper invoices to online invoicing'.

#### **Our response**

In view of the largely favourable response to our suggestion, we will retain the option of introducing charges for paper invoicing in the future, but for the moment we will concentrate on encouraging take-up of the online system by the minority of firms that remain outside it. Joining the online system involves registering for an i-receivables account and then activating it. The great majority of firms find that an activated i-receivables account improves the quality and convenience of their fees interactions with the FCA because it offers:

- a one-stop shop for all fees information, with online statements and useful links
- the ability to see and print invoices
- the ability to pay online by debit, credit or AmEx card
- immediate email notifications of invoices, reminders and other fees correspondence when issued, and
- the ability to submit tariff data online

We have had positive feedback from the firms that use the facilities that are already available, but we are planning to improve the service further. The new features we are planning to introduce include:

- the ability to set up/update direct debit mandates online



- the ability for firms to receive a copy of their invoice (pdf format) attached to email notifications, and
  - the ability for firms to securely provide bank account information online to enable refunds of credit balances to be processed by bank transfer
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## Money Advice Service – debt advice levy for consultation

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### *(FEES 7 – final rules in Appendix 5)*

**7.35** In chapter 7 of CP17/38 we consulted on amending the methodology for collecting the Money Advice Service debt advice levy from 2018/19. We proposed that funding for debt advice currently recovered from firms in the A.1 fee-block is instead recovered from firms that undertake consumer lending through a new fee-block, CC3 (consumer credit lending), using the value of lending as the measure of size of the firms within the fee-block (tariff base). We proposed to leave the way firms in A.2 are levied unchanged.

**7.36** We further proposed:

- A concession for credit unions that do come under the CC3 fee-block so that they will not pay the debt advice levy on the first £2m of their lending. Smaller credit unions below this level will not pay any levy and larger credit unions will only pay the levy on the value of lending above this level.
- Given Community Finance Organisations (CFOs) are similar to Credit Unions, we also proposed to apply the same concession as we are for Credit Unions - under this proposal CFOs will not pay the debt advice levy on the first £2m of value of lending.

**7.37** We asked:

**Q13:** *Do you have any comments on our proposed amendments to the methodology for collecting the Money Advice Service debt advice from 2018/19?*

### *Responses to the proposals and our feedback*

**7.38** We received six responses to the consultation: five from trade bodies and one from an individual firm.

**7.39** Most of the respondents fully supported the proposal and the concession for Credit Unions and CFOs was also supported by respondents.

**7.40** There was widespread support for the creation of a separate consumer credit category which specifically relates to lending. This ensures that the burden of funding MAS debt advice is apportioned fairly.

**7.41** Two respondents felt that responsibility for funding free debt advice should be extended to all creditors as consumer credit is not the only source of consumer debt, but this is a broader issue outside of the FCA's powers and was not part of this consultation.

- 7.42** One other issue raised by a respondent was that the CC3 fee block does not work for pawnbrokers in the same way as other consumer credit lenders. In particular, the firm's income should not include the value of the pawned item, as if the loan is not repaid the item will typically be sold and this will be set off against the debt owed by the customer. In addition, where firms take advantage of the derogation in CONC 5.3.4R (enabling the firm to base a creditworthiness assessment on the value of the pawned item), the customer's financial liability is limited to the true market value of the item and so the customer will not be liable to any shortfall upon sale.
- 7.43** We recognise the force of these arguments. However, pawnbrokers have already been contributing to the cost of MAS debt advice based on their income from lending, and we think it reasonable that they should continue to contribute in a similar way to other lenders. In addition, similar arguments could be advanced in relation to other business models, but a key objective for the FCA is to keep any new fee structure reasonably simple and straightforward. The new fee-block is based on the value of lending reported under SUP 16 Annex 38AR through column A of CCR003, which refers to the value outstanding on credit agreements at the end of the reporting period. In the case of pawnbroking, this would include the redemption value on loans that have not yet fallen due, or that have fallen due but have not been redeemed and the pawn has not passed to, or become realisable by, the firm.



## 8 Further FCA fees policy proposals

**8.1** In this chapter we consult on the following further FCA fees policy proposals for 2018/19:

- special project fees – scope, hourly rates and threshold
- consumer credit – the definition of income for consumer hire agreements
- clarifications of the definition of income for:
  - recognised investment exchanges
  - benchmark administrators
- payment of fees – removal of credit card charges

**8.2** We also note a clarification of the valuation date for firms in fee-block A.9 (Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes). This does not require consultation.

### Special project fees – scope, threshold and hourly rates

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#### *(FEES 3 Annex 9R – draft rules in Appendix 2)*

**8.3** Special project fees (SPFs) are charged to recover our exceptional supervisory costs where a firm undertakes certain restructuring transactions, as set out in FEES 3 Annex 9R.

**8.4** We are proposing changes to the scope, hourly rates and threshold for when they are charged which will also bring our rules in line with those of the Prudential Regulation Authority (PRA).

**8.5** On the scope of SPFs we propose to add to the list of restructuring transactions (1) a significant change to the firm's business model and (2) a significant internal change programme.

**8.6** Our SPFs are currently calculated based on the number of hours of individuals' work on the specific restructuring transactions, plus external costs of any professional advisers we need to engage. The hourly rates included in FEES 3 Annex 9R are based on the costs we use for funding our projects internally, as applied in 2012/13. We are proposing to update these hourly rates to reflect the current internal project rates.

**8.7** We are also proposing to include a mark-up so that account is taken of overheads such as accommodation and information technology costs. Accounting for a proportion of our overheads will mean that the hourly rates more fully reflect the cost of the work undertaken by us.

**8.8** SPFs are currently charged only where our additional costs exceed £50,000. We are proposing to reduce this threshold to £25,000 for SPFs that relate to firms that are dual-regulated by us and the PRA. The SPFs for firms only regulated by us will remain at £50,000.

**8.9** In Table 8.1 we set out the current and proposed revised hourly rates.

**Table 8.1:**

FCA pay grade	Existing hourly rate (£)	Proposed hourly rate (£)
Administrator	30	45
Associate	55	75
Technical Specialist	100	130
Manager	110	145
Any other person employed by the FCA	160	255

**Q5: Do you agree with our proposed modifications to the scope, hourly rates and threshold for Special Project Fees? If not, why not?**

**8.10** When a firm undertakes a SPF restructuring transaction it can result in new entities seeking authorisation or existing firms seeking a variation in their permission (VoP) for which a separate fee is charged. The work carried out on such a restructuring transaction is interconnected with the work on the authorisation or VoP and it may be inequitable to charge the authorisation or VoP fee. Under our FEES 2.3<sup>17</sup> relieving provisions if it appears to the FCA that in the exceptional circumstances of a particular case the payment of a fee would be inequitable, we may reduce or remit all or part of a fee. Where such a SPF restructuring transaction is undertaken we will, on a case-by-case basis, consider using the relieving provisions to not charge the authorisation or VoP fees.

**Consumer credit - definition of income for consumer hire agreements**

**(FEES 4 Annex 11B, FEES 4 Annex 13 Table 2- draft rules in Appendix 2)**

**8.11** As we explained in Chapter 7, we are consulting on adjusting our definition of credit-related income in FEES 4 Annex 11B and the guidance in FEES 4 Annex 13 Table 2 to take account of consumer hire agreements. The draft rules and guidance are in Appendix 2. The main features of our proposal are:

- interest should be calculated as the total revenue over the period of the lease minus depreciation of the asset over the same period

17 [www.handbook.fca.org.uk/handbook/FEES/2/3.html](http://www.handbook.fca.org.uk/handbook/FEES/2/3.html)



- where depreciation is not recorded in the accounts and a firm uses its own internal conventions, it must be ready on request to demonstrate that its methodology is robust, and that any assumptions used are reasonable in the circumstances
- in the absence of internal conventions for calculating depreciation, the assumption should be made that the asset depreciates to zero over the period (or minimum period) of the lease, or (if no period is specified) over a reasonable period

**8.12** We will provide feedback in our policy statement in June 2018 and, subject to the consultation responses, make the rules with effect from 1 July 2018. This will enable firms to use the new definition and guidance as a basis for reporting the 2017/18 income on which their 2019/20 fees will be based. The changes will not affect 2018/19 fees.

**Q6: Do you have any comments on our proposal to adjust our definition of credit-related income to take account of consumer hire agreements?**

### Clarifications of definition of income

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#### *(FEES 4 Annex 11A – draft rules in Appendix 2)*

**8.13** We are proposing two drafting adjustments following indications from some firms that particular aspects of our current definitions of income are unclear. We are making no changes, but we wish to ensure consistent reporting going forward.

**8.14** **Recognised investment exchanges (RIEs):** The business of RIEs includes the operation of multilateral trading facilities (MTFs) and organised trading facilities (OTFs). These activities are covered by their fees as RIEs and so they do not pay the flat fees we charge investment firms who operate MTFs and OTFs. Some RIEs have asked us to confirm that they should include revenues from MTFs and OTFs in their reported income. To avoid any risk of misunderstanding, we are proposing to write this into the definition of income for RIEs.

**8.15** **Benchmark administrators:** Whereas the general definition of income for all firms specifies that they should report only income from UK activities, the instructions relating specifically to benchmark administrators do not mention the UK. One benchmark administrator asked us to confirm that they should not report income from overseas markets. We accordingly propose to align the instructions for benchmark administrators with the general rule by inserting references to UK activities at appropriate points.

**Q7: Do you have any comments on our clarifications of the definition of income for recognised investment exchanges (RIEs) and benchmark administrators?**

## Payment of fees - removal of credit card charges

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### ***(FEES 3.2.3, FEES 4.2.4 – draft rules in Appendix 2)***

- 8.16** Following an amendment to the Consumer Rights (Payment Surcharges) Regulations 2012, all charges on the use of 'personal' credit cards have been unlawful since 13 January 2018. It is still permissible to impose charges on 'commercial' credit cards but we are not confident that our systems can infallibly distinguish between the two and we also believe it is good practice to avoid charges for the use of all credit cards. We have therefore stopped all surcharges on credit cards pending consultation. It would not have been necessary to consult on the removal of charges for personal cards but consultation is necessary in this instance because we wish to go beyond the statutory requirement.

**Q8: Do you have any comments on our proposal to remove surcharges on all payments by credit card?**

## Fee-block A.9 (Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes) – valuation date

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### ***(FEES 4, Annex 1A, Part 5 – draft rules in Appendix 2)***

- 8.17** Firms in fee-blocks based on income are required to report their data on the basis of the financial year ending during the calendar year ending 31 December. We have noticed that the valuation date for fee-block A.9 specifies that they should report data for the financial year ending 31 December. This makes no sense since it would exclude firms with different year-ends. We are not aware of any firms interpreting the rule in this way but we are correcting it for the sake of clarity and consistency. Since this is a drafting error, it does not require consultation but we are noting it for information.



## 9 Financial Ombudsman Service general levy 2018/19

### *(FEES 5 Annex 1R – draft rules in Appendix 1)*

#### General Levy

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- 9.1** In this chapter we consult on the 2018/19 fee rates for firms in the compulsory jurisdiction (CJ) of the Financial Ombudsman Service. In Annex 4 we set out the proposed fee rates for firms in each industry block.<sup>18</sup> In Appendix 1, we set out the draft rules for FEES 5.
- 9.2** Under the Financial Services and Markets Act (FSMA), the Financial Ombudsman Service's 2018/19 budget must be set before the financial year begins on 1 April 2018. The Financial Ombudsman Service's consultation<sup>19</sup> on its draft plan and budget opened on 13 December 2017. The consultation closed on 31 January 2018 and 29 responses were received. These are summarised in the Financial Ombudsman Service's publication 'Our plans for the year ahead 2018/19' which is published on its website.<sup>20</sup>
- 9.3** The Financial Ombudsman Service presented their final budget to the FCA Board in March 2018. The FCA Board approved the total budget of £289.8m for 2018/19, including the general levy, case fees and the number of free cases per firm.
- 9.4** Further details on the role of the Financial Ombudsman Service and a breakdown of its budget are contained in its plans.
- 9.5** The FCA Board will make rules setting the CJ general levy fee rates in June, following this consultation.

#### Budget and funding

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- 9.6** The Financial Ombudsman Service must budget separately for the CJ and the voluntary jurisdiction (VJ). Each of these jurisdictions is funded by a combination of annual fees (levies)<sup>21</sup> and case fees.<sup>22</sup> The majority of the Financial Ombudsman Service's funding comes from case fees, which are currently invoiced and collected once cases have been resolved, or collected via the group account case fee arrangement. This is an arrangement where the largest business groups pay quarterly in advance based on expected volumes of complaints.

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18 The Financial Ombudsman Service's general levy is calculated using "industry blocks" which are similar but not identical to the FCA fee blocks. Each industry block has a minimum levy and, in most cases the levy then increases in proportion to the amount of "relevant business" (ie business done with private individuals)

19 [www.financial-ombudsman.org.uk/publications/plan-budget](http://www.financial-ombudsman.org.uk/publications/plan-budget)

20 [www.financial-ombudsman.org.uk/publications/plan-and-budget-2018-19pdf](http://www.financial-ombudsman.org.uk/publications/plan-and-budget-2018-19pdf)

21 The FCA's power to raise the general levy from authorised firms arises from FSMA section 234

22 See FSMA Schedule 17 paragraph 15



- 9.7** The general levy only applies to firms covered by the CJ<sup>23</sup>, and it is raised and collected by the FCA. It is payable by all firms authorised or registered by us, including those that have not had any cases referred to the Financial Ombudsman Service, unless they have claimed exception because they do not deal with retail customers.<sup>24</sup>
- 9.8** The Financial Ombudsman Service collects a separate levy from financial businesses that have signed up to its VJ. It also collects case fees from firms covered by the CJ and financial businesses covered by the VJ.

## CJ levy for 2018/19

### Apportionment amongst fee blocks

- 9.9** In line with FEES 5.3.3G, the 2018/19 CJ levy is based on the Financial Ombudsman Service's forecasts for the proportion of resources that it expects to devote to cases from firms in each sector over the next financial year. The total amount that needs to be collected from the industry is then allocated across the respective industry blocks to produce the final tariff rate.

**Table 9.1 Distribution of CJ levy based on the 2018/19 forecast of relevant business**

Industry block	Industry block description	Proposed levy as % of budget
I001	Deposit acceptors, home finance lenders and administrators	46.3%
I002	Insurers: General	14.0%
I003	The Society of Lloyds	0.1%
I004	Insurers: Life	4.0%
I005	Fund managers	1.0%
I006	Operators, Trustees and depositaries of collective investment schemes	0.1%
I007	Dealers as principal	0.1%
I008	Advisory arrangers, dealers or brokers (holding client money)	2.0%
I009	Advisory only firms and advisory, arrangers, dealers, or brokers (not holding client money)	2.0%
I010	Corporate finance advisors	0.1%
IA11	Authorised payment institutions	0.1%
IS11	Small payment institutions and small e-money issuers	0.1%
I013	Cash plan health providers	0.0%
I014	Credit unions	0.1%
I015	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	0.0%

<sup>23</sup> Authorised firms, payment service providers, electronic money issuers, consumers buy-to-let (CBTL) firms, designated finance platforms and designated credit reference agencies (See FEES 5.1)

<sup>24</sup> See DISP 1.1.12R



I016	Home finance lenders, advisers and arrangers	1.9%
I017	General insurance mediation	21.9%
IA18	Authorised electronic money institutions	0.0%
IS18	Small electronic money institutions	0.0%
I019	Consumer credit: limited	3.0%
IA19	Consumer credit: limited (not for profit)	0.0%
I020	Consumer Credit: full	3.2%
IR21	Consumer buy-to-let	0.0%
I22	Designated credit reference agencies (but excluding firms in any other industry block)	0.0%
I23	Designated finance platforms (but excluding firms in any other industry block)	0.0%

**9.10** The Financial Ombudsman Service has asked us to recover £24.5m and allocate this in line with their forecast of where costs will fall. The proportions are similar to previous years and this reflects the Financial Ombudsman Service's forecast that complaints volumes (excluding complaints about Payment Protection Insurance (PPI)) will remain broadly stable.

#### **Apportionment of the CJ levy within fee-blocks**

**9.11** Annex 4 sets out the proposed allocation of the CJ levy for 2018/19, with 2017/18 rates for comparison, within each industry block.

**9.12** There is a minimum levy in each industry block and the levy then increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) that the firm does. In November 2017 we consulted on the proposal that we would no longer differentiate 'relevant' business for CJ participants however, as a result of the feedback, we have decided to allow firms to continue to report their relevant business where their volume of consumer business is low. Chapter 7 sets out the feedback to the proposal.

**9.13** For 2018/19 we estimate that 88% of firms will pay only the minimum levy for their block.

**9.14** Individual firms can calculate the impact of the proposed fees and levies using our online calculator.<sup>25</sup>

**9.15** The general tariff rates will be finalised in June 2018 for the 2018/19 fee period.

**Q9: Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee-block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?**

<sup>25</sup> [www.fca.org.uk/firms/being-regulated/fees/calculator](http://www.fca.org.uk/firms/being-regulated/fees/calculator)

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2018/19 – which will be made by our Board in June 2018 – could vary from those in this CP.

***CJ levy rates for insurers***

Insurers that pay the CJ levy in industry blocks I002 (Insurers: General) and I004 (Insurers: Life) should refer to the end of Chapter 3 as the information provided there in relation to FCA fee rates for A.3 and A.4 fee-blocks also applies to industry blocks I002 and I004. Insurers should also note that the CJ levy rates in Appendix 1 have been calculated using GWP tariff data. The final levy rates will be calculated taking into account the notifications we receive by 30 May from firms that choose to report 'relevant' GWP (i.e. business conducted with consumers), as discussed under paragraph 7.12 in Chapter 7. This will in itself have the impact of decreasing the total tariff data used to calculate the final levy rates for insurers and increase those levy rates compared to the draft rates in Appendix 1.



## 10 Money Advice Service levies 2018/19

### ***(FEES 7 Annex 1R – draft rules in Appendix 1)***

- 10.1** In this chapter we consult on the levies proposed for the Money Advice Service for 2018/19. We also set out our proposed basis for recovering part of the 2018/19 funding requirement for the new Single Financial Guidance Body.
- 10.2** The total budget for the Money Advice Service is £83.5m, compared to £75m last year, but only £82.5m will be levied for the reasons referred to in paragraph 10.11 below.
- 10.3** The proposed funding for the Money Advice Service in this consultation is:
- To raise £27.2m in 2018/19 (£27m in 2017/18) to fund the delivery of money advice;
  - To raise £56.3m in 2018/19 (£48m in 2017/18) to fund the coordination and provision of debt advice
- 10.4** Following approval of the draft business plan and budget by the FCA Board in December 2017, the Money Advice Service consulted on its draft plan on 19 December 2017. The consultation closed on 5 February 2018, 26 responses were received. These are summarised in the 2018/19 Money Advice Service business plan which is published on its website.<sup>26</sup>
- 10.5** Further details on the role of the Money Advice Service, its strategic aims, and a full breakdown of its budget are contained in its 2018/19 Business Plan.

### **The Single Financial Guidance Body**

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#### ***(FEES 7A, draft rules in Appendix 3)***

- 10.6** The new Single Financial Guidance Body (SFGB) will bring together the Money Advice Service, The Pensions Advisory Service, and Pension Wise. On 22 June 2017 the Government introduced the Financial Guidance and Claims Bill (FG & C Bill) in the House of Lords. Royal Assent is expected to be in April 2018. The Government anticipates that the SFGB will be launched no earlier than autumn 2018. It will be funded by levies on firms regulated by the FCA and through the General Levy on pensions schemes. We are proposing new rules in FEES 7A to raise levies for these SFGB functions, which mirror existing Money Advice Service money advice and debt advice rules, and Pension Wise pensions guidance rules.
- 10.7** To setup the SFGB, the Government has instructed the FCA to collect £3.6m which will be used to fund the creation of the new body, transfer of staff from the Money Advice Service and Pension Wise and the transfer of assets to the new body from the existing services. This value is in addition to the current business plans of the existing services.

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<sup>26</sup> The Money Advice Service Business Plan 2018/19: [www.moneyadvice.service.org.uk/en/corporate/business-plan-2018-19](http://www.moneyadvice.service.org.uk/en/corporate/business-plan-2018-19)

- 10.8** We are proposing to recover the £3.6m SFGB funding requirement in proportion to the 2018/19 funding requirements for the Money Advice Service money advice levy, and debt advice levy and the Pension Wise pensions guidance levy. The SFGB money advice levy, debt advice levy and pensions guidance levy will be allocated to the same fee-blocks and in the same proportions used for the Money Advice Service and Pension Wise levies.
- 10.9** The proportion of the £3.6m SFGB funding requirement allocated to be recovered through the SFGB money advice levy is £0.9m and £2.0m through the SFGB debt advice levy, as set out in Table A in Annex 5. We are proposing to allocate:
- the £0.9m across the SFGB money advice levy fee-blocks which are the same fee-blocks and in the same proportions as used for recovering the Money Advice Service money advice levy, as set out in Table B in Annex 5. The only exception is that we are not allocating and SFGB funding to the A.0 minimum fee fee-block. This is to avoid firm's paying an additional 2018/19 minimum fee to that already paid through the Money Advice Service money advice levy. From 2019/20 there will be a SFGB money advice minimum fee only as there will be no Money Advice Service levies, and
  - the £2.0m across the SFGB debt advice fee-blocks which are the same fee-blocks and in the same proportions as used for recovering the Money Advice Service debt advice levy, as set out in Table C in Annex 5.
- 10.10** The SFGB money service and debt advice levy rates are included in FEES 7A Annex 1R and 2R in Appendix 3 which will enable firms to calculate their individual SFGB money advice levy and debt advice levy. The Fees Calculator will combine the SFGB money advice levy with the Money Advice Service money advice levy and the SFGB debt advice levy will be combined with the Money Advice Service debt advice levy. Firms 2018/19 invoice will also show these SFGB levies combined with Money Advice Service levies.

**Q10: Do you have any comments on the proposed FEES 7A rules for the SFGB money advice and debt advice levies and the proposed basis for recovering the 2018/19 SFGB funding requirement through the SFGB money advice and debt advice levies?**

### Funding and budget for money advice

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- 10.11** The total budget for delivering the money advice function is £27.2m in 2018/19. However only £26.2m will be levied due to the forecasted £1m underspend in 2017/18. The underspend figure is subject to audit and the final figure will be available after the year end and will be published in the July Policy Statement.
- 10.12** The 2017/18 money advice budget was £27.0m but only £15.9m was levied due to deductions for the previous year's (2016/17) underspend and contribution from consumer credit firms. Table 10.1 shows the breakdown of the £26.2m 2018/19 money advice levy amount compared to the breakdown of the 2017/18 money advice levy amount. This reflects the lower underspend deduction for 2018/19 and that the contribution from consumer credit firms (CC1 and CC2 fee-blocks) is included in the £26.2m money advice levy amount.

**Table 10.1: 2018/19 money advice levy amount compared to 2017/18**

	2018/19 £m	2017/18 £m	Movement	
			£m	%
Budget	27.2	27.0	0.2	0.7%
Underspend	-1.0	-7.9	6.9	-87.7%
Consumer credit firms contribution – CC1 and CC2 fee-blocks (i)	n.a.	-3.2	3.2	n.a.
<b>Money advice levy amount</b>	<b>26.2</b>	<b>15.9</b>	<b>10.4</b>	<b>65.4%</b>

**Notes:**

(i) The 2017/18 £3.2m contribution from consumer credit firms was deducted from the £27.0m budget to calculate the £15.9m money advice levy amount. The 2018/19 £3.7m contribution from consumer credit firms has not been deducted from the £27.2m budget to calculate the £26.2m money advice levy amount and therefore under the 2018/19 and movement columns not applicable (n.a.) has been noted. The £3.7m contribution from consumer credit firms (CC1 and CC2 fee-blocks) has been included in Table 10.2 as part of how the 2018/19 £26.2m money advice levy amount has been recovered across all fee-blocks.

**10.13** The general principles in the 2018/19 Money Advice Service Plan are:

- To directly provide money guidance to 10.8m people, of which 3.9m will be from the 'financially struggling' and 'financially squeezed' segments.
- To improve access for 2m people in the 'financially struggling' and 'financially squeezed' segment by developing their online tools.

**10.14** The Money Advice Service's 2018/19 funding for money advice will come from levies raised from FSMA-authorized firms, payment institutions, and electric money issuers. We propose to allocate the money advice budget on the same basis as last year (other than in the case of the A.0 minimum fee fee-block and the CC1 and CC2 consumer credit fee-blocks) which relied on three components that will carry an equal weighting:

- how consumers use the three channels of the Money Advice Service (web, telephone and web chat, and printed literature) which will be weighted by the different costs of the channels
- mapping the Money Advice Service's strategic aims and outcomes, in its previous and this year's business plans, to appropriate fee-blocks. These outcomes include: budgeting to live within means, managing debt well, saving regularly, saving for retirement and protecting assets/making provisions for dependents
- a levy based on our own allocation for 2018/19

**10.15** From 2018/19 we are proposing that the amount of money advice budget allocated to the A.0 minimum fee fee-block is based on the number of firms that are authorised at the start of the fee-year rather than base the allocation on our own allocation. This will make the allocation better reflect the amount that is raised from the money advice minimum fee.

- 10.16** As set out in Table 10.1 from 2018/19 we are including the contribution to money advice funding from consumer credit firms (CC1 and CC2 fee-blocks) in the overall money advice levy amount.
- 10.17** Table 10.2 sets out how the allocation method is reflected across fee-blocks and the movement between the amounts allocated to each fee-block in 2018/19 as compared to 2017/18.
- 10.18** We are proposing to maintain the minimum fee at £10 for 2018/19. The allocation to the A.0 minimum fee-block reflects the number of estimated authorised firms at the 1 April 2018 and will be updated to reflect the actual number when we publish the Policy Statement in July 2018.

**Table 10.2: Proposed money advice allocation method 2018/19 by fee-block**

Fee-Block	2017/18 Allocation £m	2018/19 Allocation £m using			2018/19 Allocation £m	Movement
		Usage	Levy	Outcomes		
<b>Money advice levy:</b>						
A.0 Minimum fee	0.1	0.0	0.0	0.0	0.2	78.9%
A.1 Deposit acceptors	3.6	1.4	1.3	2.2	4.9	35.5%
A.2 Home finance providers and administrators	2.9	3.3	0.3	0.4	4.0	38.4%
A.3 Insurers - general	1.5	0.1	0.5	1.7	2.3	59.7%
A.4 Insurers - life	2.3	0.8	0.8	1.7	3.3	42.0%
A.5 Lloyd's managing agents	0.0	0.0	0.0	0.0	0.0	n.a.
A.6 The Society of Lloyds'	0.0	0.0	0.0	0.0	0.0	n.a.
A.7 Portfolio managers	0.8	0.0	0.9	0.4	1.3	62.5%
A.9 Operators, trustees and depositaries of collective investment schemes etc	0.8	0.6	0.2	0.4	1.3	60.5%
A.10 Firms dealing as principal	0.9	0.0	1.0	0.4	1.4	62.6%
A.13 Advisers, arrangers, dealers or brokers	1.9	0.7	1.5	0.0	2.2	16.2%
A.14 Corporate finance advisers	0.2	0.0	0.3	0.0	0.3	61.8%
A.18 Home finance providers, advisers and arrangers	0.2	0.0	0.3	0.0	0.3	37.2%



<b>A.19 General insurance mediation</b>	0.5	0.1	0.5	0.0	0.6	40.7%
<b>A.21 Firms holding client money or assets</b>	0.2	0.0	0.3	0.0	0.3	46.4%
<b>CC1 &amp; CC2 Consumer Credit Firms (i)</b>	n.a.	1.7	0.7	1.3	3.7	n.a.
<b>G Firms covered by Payment Services Regulations 2017 (PSRs) and Electronic Money Regulations 2011 (EMRs)</b>	0.1	0.0	0.1	0.0	0.1	76.5%
<b>Total</b>	<b>15.9</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>	<b>26.2</b>	<b>65.4%</b>

**Notes:**

(i) The contribution to the money advice levy amount from consumer credit firms (CC1 and CC2 fee-blocks) has been included in this table for the first time. For 2018/19 that contribution is £3.7m. The 2017/18 contribution of £3.2m was not included in the calculation of the £15.9m 2017/18 money advice levy amount and therefore under the 2017/18 and movement columns not applicable (n.a.) has been noted.

**Insurers tariff data from 2018/19**

**10.19** In Chapter 7 of this consultation paper (CP) we provide feedback on the CP17/38 consultation for revised tariff data for insurers from 2018/19. The final FCA FEES 4 rules are in Appendix 4. The money advice levy A.3 (Insurers – general) and A.4 (Insurers – life) fee-blocks use the same tariff data as the FCA's A.3 and A.4 fee-blocks. We have included the resulting consequential changes to the money advice levy FEES 7 rules in Appendix 1.

**Q11: Do you have any comments on the proposed 2018/19 Money Advice Service levy rates for money advice?**

**Funding and budget for debt advice**

**10.20** The Money Advice Service took on responsibility for coordinating debt advice in April 2012. The budget for this activity in 2018/19 will be £56.3m, compared to £48m in 2017/18. The Money Advice Service expects to deliver high quality, free debt advice sessions to 520,000 people in 2018/19. This is 52,000 more than in 2017/18. The additional funding for debt advice will also fund improved training for debt advisors.

**10.21** Once the SFGB is in operation, debt advice in Scotland, Northern Ireland and Wales will be delivered through the Devolved Authorities and it will be funded by the debt advice levy. We will not specifically raise fees for the Devolved Authorities in 2018/19.

**Allocation of debt advice funding**

**10.22** In our last consultation on this topic (CP17/38), we proposed that debt advice funding currently recovered from firms in the A.1 fee block should instead be recovered from firms that undertake consumer credit lending through the new fee-block, CC3 (consumer credit lending), using the value of lending as the measure of size of the firms



within the fee-block (tariff base). Debt advice funding would no longer be recovered through the CC1 and CC2 consumer credit fee-blocks.

- 10.23** As set out in CP17/38, we will not change the way firms in the A.2 fee-block are levied. We will use a model that accounts for both total lending and write off levels and is based on Bank of England data. Feedback on the responses to the proposals in CP17/38 is set out in Chapter 7.
- 10.24** Credit unions which fall under the CC3 fee-block will not pay the debt advice levy on the first £2m of their lending. As Community Finance Organisations (CFOs) are similar to credit unions, we will apply the same concession to CFOs as for credit unions.
- 10.25** Table 10.3 sets out the 2018/19 debt advice funding to fee-blocks compared to 2017/18.

**Table 10.3: Proposed allocation of 2018/19 debt advice funding to fee-blocks compared to 2017/18**

Debt advice levy:	Allocation 2017/18 £m	Allocation 2018/19 based on 50% Write Offs	2018/19 Allocation £m	Movement
<b>A.1 Deposit acceptors</b>	20.9	n.a.	0.0	-100.0%
<b>A.2 Home finance providers and administrators</b>	21.3	28.2	28.2	32.0%
<b>CC3 Consumer credit lending</b>	n.a.	28.2	28.2	n.a.
<b>Total</b>	<b>42.2</b>	<b>56.3</b>	<b>56.3</b>	

**Q12: Do you have any comments on the proposed 2018/19 Money Advice Service levy rates for debt advice?**

- 10.26** Debt advice funding is no longer recovered through the CC1 and CC2 consumer credit fee-blocks and from 2018/19 these fee-blocks only contribute to the recovery of money advice funding as set out in Table 10.2. This is reflected in the variable levy rate rules in Appendix 1 for these fee-blocks which has decreased from £0.37 in 2017/18 to £0.10 for 2018/19. This is in line with the decrease indicated in CP17/38.

Fee payers should be aware that the draft fee rates and levies in Appendix 1 and 3 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2018/19 – which will be made by our Board in June 2018 – could vary from those in this CP.

**Money advice levy rates for insurers**

Insurers that pay the Money Advice Service money advice levy and the SFGB money advice levy in the A3 (insurers – general) and A4 (insurers – life) fee-blocks should refer to the end of Chapter 3 as the information provided there in relation to FCA fee rates for A.3 and A.4 fee-blocks also applies to these levy rates.

## 11 Pension Wise pensions guidance levies

### *(FEES 10 and 11, draft rules in Appendix 1)*

**11.1** In this chapter, we set out our proposed 2018/19 Pension Wise:

- pensions guidance levy (PGL) rates, and
- pensions guidance providers' levy rates

**11.2** We also set out our proposed basis for recovering part of the 2018/19 funding requirement for the new Single Financial Guidance Body.

### Pensions guidance levy rates

**11.3** The PGL will recover the 2018/19 funding requirement of Pension Wise. Pension Wise provides an impartial guidance service to help consumers understand the greater flexibility they have with their pension pots as a result of the pension reforms which came into effect from April 2015.

**11.4** The Department for Work and Pensions have notified us that the 2018/19 funding requirement for providing Pension Wise will be £20.3m. This is an estimate and may be revised when the PGL rates are finalised in June 2018. A breakdown of the funding requirement is provided in Table 11.1.

**Table 11.1: 2018/19 Pension Wise funding requirement**

	2018/19 £m	2017/18 £m	Movement
Pensions guidance service (i)	25.0	22.5	11.1%
Less 2017/18 underspend (ii)	(4.7)	(5.3)	-11.3%
<b>2018/19 funding requirement</b>	<b>20.3</b>	<b>17.2</b>	<b>18%</b>

**Notes:**

(i) includes our 2018/19 £45,000 costs for monitoring the Designated Guidance Providers (£54,000 2017/18) and £87,500 costs for collecting the Pensions Guidance Levy (£85,000 2017/18)

(ii) includes our 2017/18 £23,000 underspend in our monitoring costs

### Pension Wise 2018/19 funding requirement – allocation to PGL fee-blocks

**11.5** The framework for recovering Pension Wise funding is based on using five PGL fee-blocks covering the regulated activities undertaken by firms who may benefit from the retirement financial products and services that consumers may purchase as a result of

the pension reforms.<sup>27</sup> The range of such products/services is wide and includes cash savings accounts, annuities, income draw down, investment funds/schemes and other guaranteed income-generating products that may emerge, as well as the services of financial advisers and managers of investments.

**11.6** The framework also includes a policy of equal allocation of Pension Wise funding across the five PGL fee blocks with the following two exceptions:

- A.9 allocation of 16%: most regulated activities covered by the A.7 and A.9 fee-blocks are unique to each fee-block. However, the regulated activities of managing an AIF (alternative investment fund) or UCITS (undertakings for collective investment in transferable securities) are common to both fee-blocks. Therefore firms managing an AIF or UCITS can pay the PGL in both A7 and A9. In the case of firms managing an AIF or UCITS the potential benefit is the additional charges they receive from enlarged funds if consumers invest their pension pots directly or indirectly in the AIFs or UCITS they are managing. To address this we adjusted the allocation for A.9 to 16%. While firms in both A.7 and A.9 form around 67% of the total PGL fee payers in A.9 they only form around 5% of PGL fee payers in A.7 so applying the reduced allocation to A.9 better targeted the adjustment to the firms most affected. This situation does not occur for the regulated activities covered by the other PGL fee-blocks.
- A.13 allocation of 12%: the A.13 fee block includes firms that provide financial advice who will only benefit if, after using Pension Wise, consumers seek advice from regulated financial advisers. However, firms in the other four fee-blocks will more likely benefit as the monies released through greater pension flexibility, if used for investment, will be distributed among them. The reduced allocation to A.13 is intended to allow for this difference.

**11.7** We started with an equal distribution due to the absence of data about what retirement products and services consumers would choose following the pension reforms/Pension Wise. As we stated when concluding the consultation on the allocations for 2015/16 in PS15/15, if such data were available, it could be used to better align the allocation of the Pension Wise funding to the PGL fee-blocks and hence the firms that are benefiting from those consumer choices. The data would need to be specific to each PGL fee-block and measurable to enable the potential benefit to firms in one fee-block to be compared to firms in another. We and the DWP do not believe such data has become available.

**11.8** We therefore propose that the distribution of the 2018/19 Pension Wise funding requirement should be unchanged from that used for 2017/18, as set out in Table 11.2.

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27 Established through three consultations in 2014 and 2015:

- FCA, CP14/11: Retirement reforms and the Guidance Guarantee, (July 2014) chapter 3, [www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf)
- FCA, CP14/26: Regulatory fees and levies: policy proposals for 2015/16, (November 2014) chapter 3 feedback on responses to CP14/11, and chapter 4 revised proposals [www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf)
- FCA, CP15/14: FCA Regulated fees and levies: Rates proposals 2015/16 (March 2015) chapter 9 feedback on responses to C14/26 and chapter 10 proposed allocation across PGL fee-blocks and rates [www.fca.org.uk/static/documents/consultation-papers/cp15-14.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp15-14.pdf)
- FCA, PS15/15: FCA regulated fees and levies 2015/16 Including feedback on CP15/14 and 'made rules' (June 2015) chapter 6 feedback on responses to CP15/14 and confirmed allocation/rates [www.fca.org.uk/static/documents/policy-statements/ps15-15.pdf](http://www.fca.org.uk/static/documents/policy-statements/ps15-15.pdf)

**Table 11.2: 2018/19 Pension Wise funding allocations**

PGL fee-blocks		Proposed 2018/19		Actual 2017/18	
		£m	%	£m	%
A.1	Deposit acceptors	4.9	24	4.1	24
A.4	Insurers – life	4.9	24	4.1	24
A.7	Portfolio managers	4.9	24	4.1	24
A.9	Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	3.2	16	2.8	16
A.13	Advisory arrangers, dealers or brokers	2.4	12	2.1	12
<b>Total</b>		<b>20.3</b>	<b>100</b>	<b>17.2</b>	<b>100</b>

**Insurers tariff data from 2018/19**

**11.9** In Chapter 7 of this consultation paper (CP) we provide feedback on the CP17/38 consultation for revised tariff data for insurers from 2018/19. The final FCA FEES 4 rules are in Appendix 4. The PGL A.4 (Insurers – life) fee-block use the same tariff data as the FCA’s A.4 fee-block. We have included the resulting consequential changes to the PGL FEES 10 rules in Appendix 1.

**Q13: Do you have any comments on the proposed 2018/19 pensions guidance levy (PGL) rates?**

Fee payers should be aware that the draft PGL rates in Appendix 1 are calculated using estimated fee-payer populations and tariff data. This means that final PGL rates for 2018/19 – which will be made by our Board in June 2018 – could vary from those in this CP.

**Pension Wise pensions guidance levy rates for insurers**

Insurers that pay the Pension Wise pensions guidance levy in the A4 (insurers – life) fee-block should refer to the end of Chapter 3 as the information provided there in relation to FCA fee rates for the A.4 fee-block also applies to these levy rates.

**Pensions guidance providers’ levy**

**11.10** The Pension Wise service is provided through designated guidance providers (DGPs) which currently are those listed in Table 11.3. We recover our pensions guidance costs from the DGPs. These costs can include our costs of setting the standards for giving pensions guidance by the DGPs and monitoring their compliance with meeting those standards.

**11.11** Our 2018/19 annual funding requirement, discussed in Chapter 2, includes our budgeted pensions guidance costs of £45,000 allocated to the H fee-block. We are

proposing an equal allocation of these costs across the DGPs as set out in Table 11.3, the same as for 2017/18.

- 11.12** The £45,000 total levy represents part of the Department of Work and Pensions' estimated £20.3m funding requirement for providing Pension Wise in Table 11.1.

**Table 11.3: 2018/19 allocation of FCA monitoring costs**

Designated guidance providers	2018/19 £	2017/18 £
The Pensions Advisory Service Limited	11,250	13,500
National Association of Citizens Advice Bureaux	11,250	13,500
Scottish Association of Citizens Advice Bureaux	11,250	13,500
Northern Ireland Association of Citizens Advice Bureaux	11,250	13,500
<b>Total</b>	<b>45,000</b>	<b>54,000</b>

**Q14: Do you have any comments on the proposed 2018/19 pensions guidance providers' (PGPL) levy rates?**

## Single Financial Guidance Body

### *(FEES 7A, draft rules in Appendix 3)*

- 11.13** The new Single Financial Guidance Body (SFGB) will bring together the Money Advice Service, The Pensions Advisory Service, and Pension Wise. On 22 June 2017 the Government introduced the Financial Guidance and Claims Bill (FG & C Bill) in the House of Lords. Royal Assent is expected to be in April 2018. The Government anticipates that the SFGB will be launched no earlier than autumn 2018. It will be funded by levies on firms regulated by the FCA and through the General Levy on pensions schemes. We are proposing new rules in FEES 7A to raise levies for these SFGB functions, which mirror existing Money Advice Service money advice and debt advice rules, and Pension Wise pensions guidance rules.
- 11.14** To setup the SFGB, the Government has instructed the FCA to collect £3.6m which will be used to fund the creation of the new body, transfer of staff from the Money Advice Service and Pension Wise and the transfer of assets to the new body from the existing services. This value is in addition to the current business plans of the existing services.
- 11.15** We are proposing to recover the £3.6m SFGB funding requirement in proportion to the 2018/19 funding requirements for the Money Advice Service money advice levy and debt advice levy and the Pension Wise pensions guidance levy. The SFGB money advice levy, debt advice levy and pensions guidance levy will be allocated to the same fee-blocks and in the same proportions used for the Money Advice Service and Pension Wise levies.



- 11.16** The proportion of the £3.6m SFGB funding requirement allocated to be recovered through the SFGB pensions guidance levy is £0.7m as set out in Table A in Annex 5. In Table D of Annex 5 we set out the allocation of the £0.7m across the SFGB pensions guidance levy fee-blocks which are the same fee-blocks and in the same proportions as used for recovering the Pension Wise pensions guidance levy.
- 11.17** The SFGB pensions guidance levy rates are included in FEES 7A Annex 3R in Appendix 3 which will enable firms to calculate their individual SFGB pensions guidance levy. The Fees Calculator will combine the SFGB pensions guidance levy with the Pension Wise pensions guidance levy. Firms 2018/19 invoice will also show the SFGB pensions guidance levy combined with the Pension Wise pensions guidance levy.

**Q15: Do you have any comments on the proposed FEES 7A rules for the SFGB pensions guidance levy and the proposed basis for recovering the 2018/19 SFGB funding requirement through the SFGB pensions guidance levy?**

Fee payers should be aware that the draft SFGB pensions guidance levy rates in Appendix 3 are calculated using estimated fee-payer populations and tariff data. This means that final SFGB pensions guidance levy rates for 2018/19 – which will be made by our Board in June 2018 – could vary from those in this CP.

***SFGB pensions guidance levy rates for insurers***

Insurers that pay the SFGB pensions guidance levy in the A4 (insurers – life) fee-block should refer to the end of Chapter 3 as the information provided there in relation to FCA fee rates for the A.4 fee-block also applies to these levy rates.

## 12 Illegal money lending levy

- 12.1** In this chapter, we set out the proposed 2018/19 illegal money lending (IML) levy rates.
- 12.2** The IML levy is raised to recover the expenses that the Treasury incurs in providing funding for the teams tackling illegal money lending. Under s333T<sup>28</sup> of FSMA our responsibility is to calculate the levy rates, collect the levy from firms and pay the revenues collected to the Treasury, after deducting our administration costs.
- 12.3** The Treasury has notified us that their 2018/19 illegal money lending expenses will be £5.6m<sup>29</sup> (£5.0m in 2017/18). This is an estimate and may be revised when the IML levy rates are finalised in June 2018. The IML levy rates to recover this amount from consumer credit firms are set out in Table 12.1.

**Table 12.1: 2018/19 IML levy rates**

Type of firm	Fee
CC1. Limited permission	£5 flat rate
CC2. Full permission	Up to £250,000 consumer credit income: £10 minimum levy
	Over £250,000 consumer credit income: £10 + £0.210 per £1,000

**Q16: Do you have any comments on the proposed 2018/19 illegal money lending (IML) levy rates?**

Fee payers should be aware that the draft IML variable levy rate in Appendix 1 is calculated using estimated fee payer populations and tariff data. This means that final IML variable levy rate for 2018/19 – which will be made by our Board in June 2018 – could vary from those in this CP.

<sup>28</sup> Introduced to FSMA by the Bank of England and Financial Services Act 2016.

<sup>29</sup> Includes FCA collection costs of £86,400 (£83,000 2017/18).



## Annex 1

### List of questions

- Q1:** Do you have any comments on the proposed FCA 2018/19 minimum fees and variable periodic fee rates for authorised firms?
- Q2:** Do you have any comments on the proposed FCA 2018/19 minimum fees and periodic fee rates for fee payers other than authorised firms?
- Q3:** Do you have any comments on the proposed revised Financial Penalty Scheme?
- Q4:** Do you have any comments on the proposed 2018/19 ring-fencing implementation fee?
- Q5:** Do you agree with our proposed modifications to the scope, hourly rates and threshold for Special Project Fees? If not, why not?
- Q6:** Do you have any comments on our proposal to adjust our definition of credit-related income to take account of consumer hire agreements?
- Q7:** Do you have any comments on our clarifications of the definition of income for recognised investment exchanges (RIEs) and benchmark administrators?
- Q8:** Do you have any comments on our proposal to remove surcharges on all payments by credit card?
- Q9:** Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee-block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?
- Q10:** Do you have any comments on the proposed FEES 7A rules for the SFGB money advice and debt advice levies and the proposed basis for recovering the 2018/19 SFGB funding requirement through the SFGB money advice and debt advice levies?
- Q11:** Do you have any comments on the proposed 2018/19 Money Advice Service levy rates for money advice?
- Q12:** Do you have any comments on the proposed 2018/19 Money Advice Service levy rates for debt advice?



- Q13:** Do you have any comments on the proposed 2018/19 pensions guidance levy (PGL) rates?
- Q14:** Do you have any comments on the proposed 2018/19 pensions guidance providers' (PGPL) levy rates?
- Q15:** Do you have any comments on the proposed FEES 7A rules for the SFGB pensions guidance levy and the proposed basis for recovering the 2018/19 SFGB funding requirement through the SFGB pensions guidance levy?
- Q16:** Do you have any comments on the proposed 2018/19 illegal money lending (IML) levy rates?



## Annex 2

# Compatibility statement

1. This annex explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA). Under section 138I of FSMA, the FCA, the Financial Ombudsman Service and the Money Advice Service (MAS) are exempt from the requirement to carry out and publish a cost benefit analysis regarding such proposals.
2. When consulting on new rules, we are required by section 138I(2)(d) FSMA to explain why we believe making the proposed rules is compatible with our strategic objective, advances one or more of our operational objectives, and has regard to the regulatory principles in s.3B FSMA. We are also required by s.138K(2) FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.
4. This annex further includes our assessment of the equality and diversity implications of these proposals

### Our objectives and regulatory principles

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5. Our proposals set out in this consultation are not intended in themselves to advance our operational objectives. However, they will enable us to fund the activities we need to undertake in 2018/19 to meet our responsibilities under FSMA. Therefore, these proposals will indirectly advance our operational objectives of:
  - delivering consumer protection – securing an appropriate degree of protection for consumers
  - enhancing market integrity – protecting and enhancing the integrity of the UK financial system
  - building competitive markets – promoting effective competition in the interests of consumers
6. We also consider that these proposals are indirectly compatible with our strategic objective of ensuring that the relevant markets function well because they will again enable us to fund the activities to meet it. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F FSMA. In the rest of this annex, reference to objectives means both our strategic objective and operational objectives.
7. In the case of the Financial Ombudsman Service, the proposals in this consultation to

raise the general levy to fund its activities in 2018/19 will indirectly meet its statutory function of providing a scheme for the quick and informal resolution of disputes between financial services firms and their customers. The proper functioning of the Financial Ombudsman Service also helps us to meet our consumer protection objective.

8. In the case of the Money Advice Service, the proposals in this consultation to raise the levies to fund its activities in 2018/19 will indirectly meet its statutory objectives of:
- enhancing the understanding and knowledge of financial matters by members of the public
  - improve people's ability to manage their own financial affairs
  - assist the public with debt management, with a view to improving the availability, quality and consistency of debt advice services across the UK
9. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s.3B FSMA. The most relevant regulatory principles are considered below:

#### **The need to use our resources in the most efficient and economical way**

- Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We endeavour to carry out this work in the most efficient and economical way possible, concentrating on the areas of activity that pose the greatest risk to our objectives.
- Our priorities for each financial year are set out in our annual Business Plan, which for 2018/19 was published on 9 April 2018. Our annual funding requirement (AFR) for 2018/19 is £543.9m, an increase of 3.2%. Our AFR includes our ongoing regulatory activities (ORA) budget costs, the costs we need to recover for changes to our regulated activities (scope change) and EU withdrawal. We are committed to delivering an ORA budget that is flat in real terms, subject to any changes in our wider ongoing regulatory responsibilities. Our 2018/19 budget reflects the following changes in the scope of our work: additional regulatory responsibilities around payments following the introduction of the Payment Services Directive (PSD) 2; and the formation of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), with £0.3m of set up costs reflected in scope change recovery. We are utilising £5m of our ORA reserves to mitigate the impact on fee-payers. In addition, scope change recovery costs have been maintained at the 2017/18 level. A breakdown of our 2018/19 AFR is provided in Chapter 2.
- The Financial Ombudsman Service and the Money Advice Service are operationally independent, but accountable to us, which means that our resources are not directly involved in carrying out their activities.

#### **The principle that a burden or restriction should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction**

##### **FCA**

- The underlying rules for how we raise fees from fee-payers have been consulted on previously.



- Our fees are necessary for us to meet our objectives. As outlined above we take steps to use our resources in the most efficient and economic way, while delivering benefits to UK consumers, through our regulatory activities.
- In allocating our costs across the various fee-blocks (regulatory activities) we take into account the risks each fee-block poses to our objectives. This also reflects the resources we apply to these activities.
- Our policy for allocating the AFR across fee-blocks is to maintain an even distribution of increases/decreases other than where for individual fee-blocks there have been material and explainable exceptions (allocation by exception). The exceptions to an even distribution of the 3.2% increase in our 2018/19 AFR cover:
  - additional ongoing regulatory responsibilities relating to payment services and OPBAS
  - EU withdrawal costs
  - Scope change recovery
- We provide details of these exceptions in Chapter 2 and set out the impact on allocations across fee-blocks in Table 2.3.
- Our proposals in Chapter 6 will target the recovery of our costs for meeting our obligations under ring-fencing to only the banks affected. We are recovering these costs outside our AFR.
- In Chapter 8 we consult on further FCA policy proposals:
  - In proposing to revise the scope and hourly rates for Special Project Fees (SPFs) and the threshold for when they are charged will better target the recovery of our costs from the firms that undertake such restructuring transactions.
  - Our proposal to revise the definition of the data on which fees for consumer hire agreements are calculated addresses concerns raised by firms that they are disadvantaged by the current definition because it does not take into account the particular circumstances of such agreements.
  - In proposing to remove all surcharges for payments by credit or debit card, we are going beyond the statutory requirement so that we can be sure we are treating all fee-payers equally.

### **The Financial Ombudsman Service**

- Fees collected to fund the Financial Ombudsman Service enable it to carry out its statutory functions, broadly to provide access to an independent, quick and informal scheme for dispute resolution. The proper functioning of the Financial Ombudsman Service helps us to meet our consumer protection objective. The Financial Ombudsman Service's general levy is calculated using 'industry blocks', which are similar (but not identical) to our 'fee-blocks'. Each industry block has a minimum levy and, in most cases, the levy then increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) each firm does. The proportion is called 'tariff rate'. The proportions in which the CJ levy are distributed across the fee-blocks are based on the Financial Ombudsman Service's forecasts for the

proportion of resources it expects to devote in 2018/19 to cases from firms in each sector.

### **Money Advice Service**

- Fees collected to fund the Money Advice Service allows it to meet its objectives, providing information and support to consumers to help them play their part in driving effective competition in markets where FCA-regulated firms operate, which should help deliver better market outcomes for everyone.
- The allocation of the money advice levy is based on three equal components: how consumers currently use the Money Advice Service, the service's business strategy and a levy based on our own allocation.
- For debt advice the allocation is based on total lending and write off levels on a 50% basis for each, using Bank of England data and allocated between the A.2 and CC3 fee-blocks.

### **Pension Wise pensions guidance levy**

- Overall, using the five Pension Wise pensions guidance levy fee-blocks enables the burden of the levy on 'A' fee-block firms to be more proportionate to the benefit generally expected to result from the pensions reforms/consumers using Pension Wise. Within the five pensions guidance fee-blocks the amounts allocated will be recovered in proportion to the size of the firm's business as a proxy for the benefit that these firms may derive.

### **The Single Financial Guidance Body levies**

- The new Single Financial Guidance Body (SFGB) will bring together the Money Advice Service and the Pension Wise service. In chapters 10 and 11 we are proposing new rules in FEES 7A to raise the £3.6m the Government has instructed the FCA to collect for 2018/19. The FEES 7A SFGB rules mirror existing Money Advice Service money advice and debt advice rules, and Pension Wise rules. We are also proposing to allocate the SFGB funding requirement using the same fee-blocks and the same proportions used for the Money Advice Service and pension Wise levies.
- We therefore believe that the proposed basis for recovering the 2018/19 SFGB funding requirement is proportionate.

### **Illegal money lending levy**

- The illegal money lending levy mirrors our existing fees structure, avoiding the need to impose new data reporting requirements on firms.

## **The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation**

### **FCA**

- The allocation of our AFR in Chapter 2 recognises the differences in the nature of the businesses carried on by the different persons we regulate:
  - fee-blocks are defined by reference to related types of permitted business fee-payers can undertake
  - the proportion of our funding requirement allocated to each fee-block represents the resources we will apply to mitigate risks to our objectives



- subject to minimum thresholds of size and minimum fees, fee-payers pay fees in each fee-block in line with the scale of the business they undertake in each fee-block
- We propose in chapter 8 to modify our definition of income in relation to consumer hire agreements because we recognise that our current definition does not take full account of their distinctive features compared to other credit-related activities.

#### ***Pension Wise pensions guidance levy***

- The 19,100 firms in the 'A' fee-block, as a whole, undertake a very wide range of financial services business. We believe that by using the five pensions guidance fee-blocks and not the other 11 we are recognising these differences.

#### ***SFGB pensions guidance levy***

- The proposed SFGB pensions guidance levy rules and the basis for allocating part of the SFGB funding requirement mirrors that used for the Pension Wise pensions guidance levy. We therefore believe that these proposals for the SFGB pensions guidance levy recognises the differences in the type of business carried out by firms.

#### **The principle that we should exercise our functions as transparently as possible**

- For transparency, the FCA, the Financial Ombudsman Service and the Money Advice Service set out each year an explanation of any changes in fees or levy rates and the key drivers of those changes. We also provide an online facility to help firms calculate their likely periodic fees or levies for the forthcoming year (fees calculator<sup>30</sup>).

10. The proposals set out in this CP enable us to fund the activities we need to undertake in 2018/19. These activities include taking action intended to minimise the extent to which it is possible for a business carried on: (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s.1B(5)(b) FSMA).

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30 [www.fca.org.uk/firms/calculate-your-annual-fee/fee-calculator](http://www.fca.org.uk/firms/calculate-your-annual-fee/fee-calculator)

11. Our proposals in chapter 8 on consumer hire agreements follows up a discussion chapter we inserted into CP17/38, in which we reviewed these agreements in relation to fees and invited firms to present their views on the appropriateness of our current definition.
12. In chapter 8, we propose clarifications to some of the definitions we use for fees purposes to avoid any risk of ambiguity.

### Expected effect on mutual societies

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13. We do not expect the proposals in this paper to have a significantly different impact on mutual societies. The impact of the fees and levy rates proposed for 2018/19 for the FCA, the Financial Ombudsman Service, the Money Advice Service, the pensions guidance levy, the SFGB levies and the illegal money lending levy on authorised firms that are mutual societies is not significantly different from the impact on other authorised firms.



## Compatibility with the duty to promote effective competition in the interests of consumers

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- 14.** The proposals set out in this consultation enable us to fund the activities we need to undertake in 2018/19. These activities include meeting our duty to promote effective competition in the interests of consumers.
- 15.** Additionally, the levels of fees set for different types of firms support our objective of promoting effective competition. For example, the allocation of our AFR to fee-blocks on which the fee rates are based takes account of the aggregate riskiness of the sector they represent and the recovery of allocations within the fee-blocks is based on the size of business undertaken by the individual firms.
- 16.** The Pension Wise pensions guidance levy is raised from a subset of our 'A' fee-blocks. This approach has been adopted as we consider that this incorporates the wider range of products and services that consumers could purchase after using the pension guidance (and, therefore, the range of firms that could compete for those consumers' business). We consider that our proposals on allocation of costs across the pensions guidance levy (PGL) fee-blocks is reasonable until data on which financial products and services consumers are using as a result of the pension reforms becomes available. Such data will need to be specific to each PGL fee-block and measurable to enable the potential benefit to firms in one fee-block to be compared to firms in another.
- 17.** The proposed SFGB pensions guidance levy rules uses the same subset of our 'A' fee-blocks and allocation basis as the Pension Wise pensions guidance levy. We therefore believe that the statement in paragraph 16 also applies to the SFGB pensions guidance levy.



## Annex 3

# Financial Penalty Scheme

1. Paragraph 21 of Schedule 1ZA of the Financial Services and Markets Act 2000 (FSMA) (as amended by the 2012 Act and the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013) sets out how we should treat the financial penalties we impose on regulated persons (firms).
2. The key requirements are set out below.
  - The financial penalties we receive must be paid to the Treasury net of certain enforcement costs incurred in the financial year in which the penalties were received. These enforcement costs, which are defined in the legislation and subject to a power of direction by the Treasury, represent the 'retained penalties'.
  - For retained penalties, we must prepare and operate a scheme (the Financial Penalty Scheme (FPS)) for ensuring that retained penalties are applied for the benefit of firms.
  - Firms that have become liable to pay any penalty to us in any financial year do not receive any benefit from any penalty imposed on any firm under the scheme in the following year.
3. Under our FPS we apply retained penalties, received in any financial year, as a rebate to the periodic fees paid in the following financial year by firms in the fee-blocks set out in Table A.
4. The total retained penalties from any financial year will be ~~allocated~~ applied across these fee-blocks in proportion to the allocation of the enforcement budgeted costs for the following financial year. This will target the benefit from retained penalties to the fee-blocks that are paying for enforcement costs. The allocation of enforcement costs to fee-blocks will be as it was for 2013/14 other than where there has been a material and explainable exception (allocation by exception). Where such an allocation by exception has occurred the retained penalties in the following year will be applied to the revised baseline fee-blocks.
5. If financial penalties do not cover enforcement costs in any year the application of retained penalties to the baseline fee-blocks will not cover the enforcement costs allocated to them.
6. Enforcement costs are not allocated to the A.0 minimum fee fee-block. Therefore, retained penalties are not allocated to this fee-block.
7. The firms on which any penalty was imposed in a financial year will not receive any rebate to their periodic fees paid, for any retained penalties, in the following financial year.
8. Each year we publish a schedule setting out the:
  - total retained penalties in the previous financial year,



- amount of retained penalties allocated to each fee-block, and
- percentage rebate that will be applied in the following financial year to the periodic fees paid by the firms in those fee-blocks

9. A draft of this schedule is published in our annual fees rates CP in March; the final schedule is published in the subsequent policy and feedback statement to that consultation in June.

**Table A: Financial Penalty Scheme – relevant fee-blocks**

Fee-block
AP.0 FCA prudential
A.1 Deposit acceptors
A.2 Home finance providers and administrators
A.3 Insurers – general
A.4 Insurers – life
A.5 Managing agents at Lloyd's
A.6 The Society of Lloyd's
A.7 Portfolio managers
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes
A.10 Firms dealing as principal
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)
A.14 Corporate finance advisors
A.18 Home finance providers, advisers and arrangers
A.19 General insurance mediation
A.21 Firms holding client money or assets or both
B. Recognised investment exchanges and , operators of multilateral trading facilities and recognised auction platforms (only)
CC1 Consumer credit – limited permission
CC2 Consumer credit – full permission
E. Issuers and sponsors of securities
G.1 persons registered under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
G.2, G.3, G.4, G.5 firms under the Payment Services Regulations 2017
G.10, G.11 firms under the Electronic Money Regulations 2011
G.20, G.21 firms under the Mortgage Credit Directive Order 2015
G.25 firms under the Data Reporting Regulations 2017

## Annex 4 Financial Ombudsman Service general levy- overview and industry blocks

Industry Block	Description	Tariff Base	Consultation 2018/19 tariff rate (£)	Final 2017/18 tariff rate (£)	Consultation 2018/19 minimum levy per firm (£)	Final 2017/18 minimum levy per firm (£)	Consultation 2018/19 gross total	Final 2017/18 gross total	Consultation 2018/19 contribution by block	Final 2017/18 contribution by block
I001	Deposit acceptors, home finance lenders and administrators	Per relevant account	0.04388	0.04454	100	100	£11,347,527	£11,551,793	46.3%	47.2%
I002	Insurers - General	Per £1,000 of gross written premium income	0.0540	n.a.	100	n.a.	£3,430,000	£3,516,776	14.0%	14.4%
I003	The Society of Lloyds	Flat Levy	n.a.	n.a.	25,989	25,989	£25,989	£25,989	0.1%	0.1%
I004	Insurers - Life	Per £1,000 of gross written premium income	0.0085	n.a.	130	n.a.	£978,176	£978,176	4.0%	4.0%
I005	Fund managers	Flat Levy	n.a.	n.a.	230	230	£232,899	£232,899	1.0%	1.0%
I006	Operators, Trustees and Depositories of collective investment schemes	Flat Levy	n.a.	n.a.	60	60	£23,290	£23,290	0.1%	0.1%
I007	Dealers as principal	Flat Levy	n.a.	n.a.	75	75	£23,290	£23,290	0.1%	0.1%



Industry Block	Description	Tariff Base	Consultation 2018/19 tariff rate (£)	Final 2017/18 tariff rate (£)	Consultation 2018/19 minimum levy per firm (£)	Final 2017/18 minimum levy per firm (£)	Consultation 2018/19 gross total	Final 2017/18 gross total	Consultation 2018/19 contribution by block	Final 2017/18 contribution by block
1008	Advisory arrangers, dealers or brokers (holding client money)	Per £1,000 of annual income	0.13	0.1500	45	45	£489,088	£489,088	2.0%	2.0%
1009	Advisory only firms and advisory, arrangers, dealers, or brokers (not holding client money)	Per £1,000 of annual income	0.031	0.07	45	45	£489,088	£489,088	2.0%	2.0%
1010	Corporate finance advisors	Flat Levy	n.a.	n.a.	55	55	£23,290	£23,290	0.1%	0.1%
IA11	Authorised payment service providers	Per £1,000 of relevant Income	0.0003	0.0007	75	75	£23,290	£23,290	0.1%	0.1%
IS11	Small payment institutions and smaller-money issuers	Flat Levy	n.a.	n.a.	35	35	£23,290	£23,290	0.1%	0.1%
1013	Cash plan health providers	Flat Levy	n.a.	n.a.	65	65	£780	£780	0.0%	0.0%
1014	Credit unions	Flat Levy	n.a.	n.a.	55	55	£23,290	£23,290	0.1%	0.1%

Industry Block	Description	Tariff Base	Consultation 2018/19 tariff rate (£)	Final 2017/18 tariff rate (£)	Consultation 2018/19 minimum levy per firm (£)	Final 2017/18 minimum levy per firm (£)	Consultation 2018/19 gross total	Final 2017/18 gross total	Consultation 2018/19 contribution by block	Final 2017/18 contribution by block
1015	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	Flat Levy	n.a.	n.a.	65	65	£3,640	£3,640	0.0%	0.0%
1016	Home finance lenders, advisers and arrangers	Flat Levy	n.a.	n.a.	90	90	£465,798	£465,798	1.9%	1.9%
1017	General insurance mediation	Per £1,000 of relevant business annual income	0.428	0.471	100	100	£5,375,300	£5,403,258	21.9%	22.1%
IA18	Authorised electronic money institutions	Per average outstanding electronic money	0.0007	0.0007	40	75	£2,500	£2,500	0.0%	0.0%
IS18	Small electronic money institutions	Flat Levy	n.a.	n.a.	50	50	£475	£475	0.0%	0.0%



Industry Block	Description	Tariff Base	Consultation 2018/19 tariff rate (£)	Final 2017/18 tariff rate (£)	Consultation 2018/19 minimum levy per firm (£)	Final 2017/18 minimum levy per firm (£)	Consultation 2018/19 gross total	Final 2017/18 gross total	Consultation 2018/19 contribution by block	Final 2017/18 contribution by block	
I019	Consumer Credit - Limited	Flat Levy	n.a.	n.a.	35	35	£732,550	£765,083	3.0%	3.1%	
IA19	Consumer Credit - Limited - Not for Profit	Flat Levy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
I020	Consumer Credit - Full	Per £1,000 of consumer Credit Income	0.012 (on income over £250,000 plus minimum fee)	0.012 (on income over £250,000 plus minimum fee)	35	35	£786,450	£434,917	3.2%	1.8%	
IR21	Consumer Buy to Let	Flat Levy	n.a.	n.a.	35	35	n.a.	n.a.	0.0%	0.0%	
<b>Total - all blocks</b>								<b>£24,500,000</b>	<b>£24,500,000</b>	<b>100.0%</b>	<b>100.0%</b>

## Annex 5 Allocation of 2018/19 Single Financial Guidance Body (SFGB) funding requirement

**Table A: SFGB funding requirement allocation across levies**

	2018/19 funding (£m)	Proportion		2018/19 funding (£m)	Proportion
Money Advice Service - money advice levy (i)	26.2	25.5%	SFGB – money advice levy	0.9	25.5%
Money Advice Service - debt advice levy	56.3	54.8%	SFGB – debt advice levy	2.0	54.8%
Pension Wise - pensions guidance levy	20.3	19.7%	SFGB – pensions guidance levy	0.7	19.7%
<b>Total</b>	<b>102.8</b>	<b>100.0%</b>	<b>Total</b>	<b>3.6</b>	<b>100.0%</b>

(i) £27.2m 2018/19 budget less £1.0m 2017/18 estimated underspend.

**Table B: SFGB money advice levy allocation across fee-blocks**

Fee-Block	2018/19 Money Advice Service – money advice levy		2018/19 SFGB – money advice levy	
	Allocation £m	Proportion	Allocation £m	Proportion
A.0 Minimum fee	0.2	0.7%	0.00	0.0%
A.1 Deposit acceptors	4.9	18.6%	0.17	18.8%
A.2 Home finance providers and administrators	4.0	15.4%	0.14	15.5%
A.3 Insurers - general	2.4	8.9%	0.08	9.0%
A.4 Insurers - life	3.3	12.6%	0.11	12.7%
A.5 Lloyd's managing agents	0.0	0.0%	0.00	0.0%
A.6 The Society of Lloyds'	0.0	0.0%	0.00	0.0%
A.7 Portfolio managers	1.3	4.9%	0.04	5.0%
A.9 Operators, trustees and depositaries of collective investment schemes etc	1.3	4.9%	0.04	4.9%
A.10 Firms dealing as principal	1.4	5.5%	0.05	5.5%

A.13 Advisers, arrangers, dealers or brokers	2.2	8.2%	0.08	8.3%
A.14 Corporate finance advisers	0.3	1.0%	0.01	1.0%
A.18 Home finance providers, advisers and arrangers	0.3	1.2%	0.01	1.2%
A.19 General insurance mediation	0.6	2.5%	0.02	2.5%
A.21 Firms holding client money or assets	0.3	1.0%	0.01	1.0%
CC1. Consumer credit – limited permission CC2. Consumer credit full permission	3.7	14.1%	0.13	14.2%
G Firms covered by Payment Services Regulations 2017 (PSRs) and Electronic Money Regulations 2011 (EMRs)	0.1	0.5%	0.00	0.5%
<b>Total</b>	<b>26.2</b>	<b>100.0%</b>	<b>0.90</b>	<b>100.0%</b>

**Table C: SFGB debt advice levy allocation across fee-blocks**

Fee-Block	2018/19 Money Advice Service – debt advice levy		2018/19 SFGB – debt advice levy	
	Allocation £m	Proportion	Allocation £m	Proportion
A.2 Home finance providers and administrators	28.2	50.0%	1.0	50.0%
CC.3 Consumer credit lending	28.2	50.0%	1.0	50.0%
<b>Total</b>	<b>56.3</b>	<b>100.0%</b>	<b>2.0</b>	<b>100.0%</b>

**Table D: SFGB pensions guidance levy allocation across fee-blocks**

Fee-Block	2018/19 Pension Wise – pensions guidance levy		2018/19 SFGB – pensions guidance levy	
	Allocation £m	Proportion	Allocation £m	Proportion
A.1 Deposit acceptors	4.9	24.0%	0.17	24.0%
A.4 Insurers - life	4.9	24.0%	0.17	24.0%
A.7 Portfolio managers	4.9	24.0%	0.17	24.0%
A.9 Operators, trustees and depositaries of collective investment schemes etc	3.2	16.0%	0.11	16.0%
A.13 Advisers, arrangers, dealers or brokers	2.4	12.0%	0.09	12.0%
<b>Total</b>	<b>20.3</b>	<b>100.0%</b>	<b>0.71</b>	<b>100.0%</b>



## Annex 6

# List of non-confidential respondents to CP17/38

Association of British Credit Unions Limited

Association of British Insurers

Association of Financial Mutuals

Association of Mortgage Intermediaries

Aviva plc

AXA UK

British Vehicle Rental and Leasing Association

Building Societies Association

Chartered Institute of Credit Management

Consumer Finance Association

Credit Services Association

Finance & Leasing Association

International Underwriting Association

Invigors EMEA LLP

Kennet Equipment Leasing Ltd

Launch Tech UK Ltd

National Pawnbrokers Association

1pm (UK) Limited

Royal & Sun Alliance Insurance plc

The SimplyBiz Group plc

Society of Pension Professionals



## Annex 7

### Abbreviations used in this paper

<b>AFR</b>	Annual funding requirement
<b>AIF</b>	Alternative investment fund
<b>AIFM</b>	Alternative investment fund managers
<b>APIs</b>	Authorised payment institutions
<b>BA</b>	Benchmark administrators
<b>BEL</b>	Best estimate liabilities
<b>CASS</b>	Client Money Assets sourcebook
<b>CFEB</b>	Consumer Financial Education Body
<b>CFOs</b>	Community Finance Organisations
<b>CIS</b>	Collective investment schemes
<b>CJ</b>	Compulsory jurisdiction
<b>CP</b>	Consultation Paper
<b>DA</b>	Devolved Authorities
<b>DGP</b>	Designated guidance providers
<b>DPB</b>	Designated professional bodies
<b>EEA</b>	European Economic Area
<b>EMI</b>	Electronic money institution
<b>EMR</b>	Electronic money regulations
<b>EU</b>	European Union
<b>FCA</b>	Financial Conduct Authority
<b>FEES</b>	Fees manual
<b>FG&amp;C Bill</b>	Financial Guidance and Claims Bill



<b>FPS</b>	Financial Penalty Scheme
<b>FSA</b>	Financial Services Authority
<b>FSBRA</b>	Financial Services (Banking Reform) Act 2013
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	Financial Services and Markets Act
<b>GWP</b>	Gross written premium
<b>IML</b>	Illegal money lending
<b>MCD</b>	Mortgage Credit Directive
<b>MiFID II</b>	Markets in Financial Instruments Directive II
<b>MiFIR</b>	Markets in Financial Instruments Regulation
<b>MLRs</b>	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
<b>MTF</b>	Multilateral trading facility
<b>OFT</b>	Office of Fair Trading
<b>OPBAS</b>	The Office for Professional Body Anti-Money Laundering Supervision
<b>ORA</b>	Ongoing regulatory activities
<b>OTF</b>	Organised trading facility
<b>PGL</b>	Pensions guidance levy
<b>PGPL</b>	Pensions guidance providers' levy
<b>PPI</b>	Payment protection insurance
<b>PRA</b>	Prudential Regulation Authority
<b>PS</b>	Policy Statement
<b>PSD2</b>	Payment Services Directive 2
<b>RAISP</b>	Registered account information service providers
<b>RAO</b>	Regulated Activities Order
<b>RIE</b>	Recognised investment exchange



<b>RCB</b>	Regulated covered bonds
<b>RFIF</b>	Ring-fencing implementation fee
<b>SC</b>	Service companies
<b>SFGB</b>	Single Financial Guidance Body
<b>SM&amp;CR</b>	Senior Managers and Certification Regime
<b>SPF</b>	Special project fee
<b>UCITS</b>	Undertakings for collective investment in transferable securities
<b>UKLA</b>	UK Listing Authority
<b>VJ</b>	Voluntary jurisdiction

We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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# Appendix 1

## Periodic Fees (2018/19) and Other fees Instrument 2018 (draft rules)

**PERIODIC FEES (2018/2019) AND OTHER FEES INSTRUMENT 2018**

**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 73A (Part 6 Rules);
    - (b) section 137A (The FCA’s general rules);
    - (c) section 137T (General supplementary powers);
    - (d) section 213 (The scheme);
    - (e) section 214 (Provisions of the scheme);
    - (f) section 234 (Industry funding);
    - (g) section 333Q (Funding of the FCA’s pensions guidance costs);
    - (h) section 333R (Funding of the Secretary of State’s pensions guidance costs);
    - (i) section 333T (Funding of action against illegal money lending);
    - (j) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority);
    - (k) paragraph 12 in Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body); and
  - (2) regulation 118 (Costs of supervision) of the Payment Services Regulations 2017 (SI 2017/752);
  - (3) regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99);
  - (4) regulation 46 and paragraph 5 of Schedule 1 (Fees) in the Regulated Covered Bond Regulations 2008 (SI 2008/346);
  - (5) article 25 (Application of provisions of the Act to the FCA in respect of its supervision of consumer buy-to-let mortgage firms) of the Mortgage Credit Directive Order 2015 (SI 2015/910); and
  - (6) regulation 40 (FCA: penalties, fees and exemption from liability in damages) of the Data Reporting Services Regulations 2017 (SI 2017/699)
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on [date] 2018.

**Amendments to the Handbook**

D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

**Citation**

E. This instrument may be cited as the Periodic Fees (2018/2019) and Other Fees Instrument 2018.

By order of the Board  
[*date*] 2018

[*Editor's note:* the text in this Annex takes account of the changes to FEES 4 Annex 2AR and 4 Annex 15R as proposed in PS17/28 'Handbook changes to reflect the application of the EU Benchmarks Regulation: Feedback to CP17/17 and near-final rules' (December 2017) as if they were made.]

## Annex

### Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 4 Periodic fees

##### 4.2 Obligation to pay periodic fees

...

##### 4.2.11R Table of periodic fees payable to the FCA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
...			
Persons who hold a certificate issued by the FCA under article 54 of the <i>Regulated Activities Order</i> (Advice given in newspapers etc.)	<del>£1,095</del> <u>£1,128</u>	(1) Unless (2) applies, on or before 1 August or, if later, within 30 days of the date of the invoice  (2) If an event in column 4 occurs during the course of a fee year, 30 days after the occurrence of that event	Certificate issued to person by FCA under article 54 <del>RAO</del> <u>of the Regulated Activities Order</u>
...			

#### 4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April 2018 to 31 March 2019

Part 1
--------



...		
Activity group	Fee payable	
A.1	Band width (£million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)
		General Periodic fee
	>10 - 140	<del>15.43</del> <u>14.725</u>
	>140 - 630	<del>15.43</del> <u>14.725</u>
	>630 - 1,580	<del>15.43</del> <u>14.725</u>
	>1,580 - 13,400	<del>19.29</del> <u>18.406</u>
	>13,400	<del>25.46</del> <u>24.296</u>
	The tariff rates in A.1 are not relevant for the <i>permissions</i> relating to <i>operating a dormant account fund</i> . Instead a flat fee of <del>£6,060</del> <u>£6,242</u> is payable in respect of these <i>permissions</i> .	
A.2	Band width (No. of mortgages and/or home finance transactions)	Fee (£/mortgage)
	>50	<del>2.30</del> <u>2.395</u>
A.3	Gross written premium for fees purposes (GWP)	Periodic fee
	Band Width ( £million of GWP)	Fee (£/m or part £m of GWP)
	>0.5	<del>{tbc}</del> <u>323.09</u>
	PLUS	
	Best estimate liabilities for fees purposes (BEL)	General Periodic fee
	Band Width (£million of BEL)	Fee (£/£m or part £m of BEL)
	>1	<del>{tbc}</del> <u>18.13</u>
	For <i>UK ISPVs</i> the tariff rates are not relevant and a flat fee of <del>£{tbc}</del> <u>485</u> is payable in respect of each <i>FCA</i> financial year (the 12 <i>months</i> ending 31 March).	

A.4	Gross written premium for fees purposes (GWP)	General Periodic fee
	Band Width (£million of GWP)	Fee (£/£m or part £m of GWP)
	>1	<del>{tbc}</del> <u>225.03</u>
	PLUS	
	Best estimate liabilities for fees purposes (BEL)	General Periodic fee
	Band Width (£million of BEL)	Fee (£/£m or part £m of BEL)
	>1	<del>{tbc}</del> <u>8.54</u>
A.5	Band Width (£million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	<del>7.70</del> <u>6.96</u>
A.6	Flat fee (£)	<del>334,939</del> <u>344,067</u>
A.7	For class 1(C), (2), (3) and (4) <i>firms</i> :	
	Band Width (£million of Funds under Management (FuM))	Fee (£/£m or part £m of FuM)
	>10	<del>6.09</del> <u>5.696</u>
	For class 1(B) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 15%. For class 1(A) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 50%.	
A.9	Band Width (£million of Gross Income (GI))	Fee (£/£m or part £m of GI)
	>1	<del>1,003.52</del> <u>812.55</u>
A.10	Band Width (No. of traders)	Fee (£/person)
	>1	<del>5,473.78</del> <u>5,525.38</u>
	For <i>firms</i> carrying on <i>auction regulation bidding</i> , the fee in A.10 is calculated as above less 20% for each trader that carries on <i>auction regulation bidding</i> but not <i>MiFID business bidding</i> or <i>dealing in investments as principal</i> .	

A.13	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>2.756</del> <u>2.599</u>
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>1.79</del> <u>1.62</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>12.44</del> <u>11.29</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>1.751</del> <u>1.649</u>
A.21	<i>Client money</i>	
	Band Width (£ <i>client money</i> ) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	<del>116.50</del> <u>115.10</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	<del>87.38</del> <u>86.33</u>
	more than £1 billion	<del>58.25</del> <u>57.55</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i> ) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £10 million	<del>0.45</del> <u>0.43</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	<del>0.34</del> <u>0.33</u>
	more than £100 billion	<del>0.23</del> <u>0.22</u>
B. Service Companies	Band Width	Fee (£/£m or part £ thousand of income) <del>Fee(£)</del>

	Annual income up to and including £100,000	<del>1,078.00</del> <u>1,110.00</u>
	<b>PLUS:</b>	
	<u>Band width</u>	Fee (£/£thousand or part £ thousand of income)
	Annual income over £100,000	<del>1.80</del> <u>2.56</u>
B. Regulated benchmark administrators	Band width	Fee (£)
	Annual income up to and including £100,000	<del>{tbc}</del> <u>1,128</u>
	<b>PLUS:</b>	
	Band width	Fee (£/£ thousand or part £ thousand of income)
	Annual income over 100,000	<del>{tbc}</del> <u>19.70</u>
B. Recognised investment exchanges	Band width	Fee (£)
	Annual income up to and including £10,000,000	<del>100,000</del> <u>103,000</u>
	<b>PLUS:</b>	
	Band width	Fee (£/£ thousand or part £ thousand of income)
	Annual income over £10,000,000	<del>5.58</del> <u>4.84</u>
B. Recognised auction platforms	<del>53,537.00</del> <u>55,143.00</u>	
B. Recognised overseas investment exchanges	<del>61,224.00</del> <u>63,061.00</u>	
B. MTF and OTF operators	As set out in <i>FEES</i> 4 Annex 10R (Periodic fees for MTF and OTF operators).	
CC1. Credit-related	Band Width (£ thousands of annual income (AI))	Fee (£)

regulated activities with limited permission	0 - 10	<del>101</del> <u>104</u>
	>10 - 50	<del>253</del> <u>261</u>
	>50 - 100	<del>404</del> <u>416</u>
	>100	<del>505</del> <u>520</u>
	<b>PLUS:</b>	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	0.40
CC2. Credit-related regulated activities	Band Width (£ thousands of annual income (AI))	Fee (£)
	0 - 50	<del>303</del> <u>312</u>
	>50 - 100	<del>505</del> <u>520</u>
	>100	<del>1,010</del> <u>1,040</u>
	<b>PLUS:</b>	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	1.30

Part 2

...

**Part 2(a) tariff rates (minimum fees) payable to the FCA by FCA-authorized persons**

A.0	(1)	£ <del>1,095</del> <u>1,128</u> unless it is a <i>community finance organisation</i> with a tariff base of:	
	(a)	up to and including 3 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £ <del>168</del> <u>173</u> is payable; or	

	(b)	more than 3 but no more than 10 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of <del>£568</del> <u>585</u> is payable; or
	(c)	more than 10 but no more than 50 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of <del>£1,052</del> <u>1,084</u> is payable.
	...	
AP.0		Periodic fees payable under fee blocks A.2, A.7 to A.19 and A. 21 in Part 1 multiplied by rate <del>£0.111</del> <u>0.1085</u>

**Part 2(b) tariff rates (minimum fees) payable to the FCA by PRA-authorized persons**

A.0	(1)	<del>£547</del> <u>563</u> unless:
	(a)	It is a <i>credit union</i> that meets the conditions in (2), in which case the minimum fee payable is as set out in (2);
	(b)	it is a <i>non-directive friendly society</i> that falls into the A.3 activity group but not the A.4 activity group and has, for that activity, 0.5 million or less in gross written premium for fees purposes and holds best estimate liabilities for fees purposes of 1.0 million or less, in which case the minimum fee payable is <del>£[the]</del> <u>242</u> ; or
	(c)	it is a <i>non-directive friendly society</i> that falls into the A.4 activity group but not the A.3 activity group and has, for that activity, written 1.0 million or less in gross written premium for fees purposes and holds best estimate liabilities for fees purposes of 1.0 million or less, in which case the minimum fee payable is <del>£[the]</del> <u>242</u> ; or
	(d)	it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is <del>£[the]</del> <u>242</u> .
	(2)	The conditions referred to in (1)(a) are that the <i>credit union</i> has a tariff base (Modified Eligible Liabilities) of:

	(a)	0 to 0.5million, in which case a minimum fee of <del>£87</del> <u>90</u> is payable; or
	(b)	greater than 0.5million but less than 2.0million, in which case a minimum fee of <del>£295</del> <u>304</u> is payable.
	(3)	The conditions referred to in (1)(d) are that:
	(a)	the <i>non-directive friendly society</i> falls into the A.3 activity group and has, for that activity, 0.5 million or less in gross written premium for fees purposes and holds best estimate liabilities for fees purposes of 1.0 million or less;
	(b)	the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in gross written premium for fees purposes and holds best estimate liabilities for fees purposes of 1.0 million or less.
		The figures for gross written premium for fees purposes and best estimate liabilities for fees purposes are the same as used for Part 1 of this Annex.

...

#### 4 Annex Ring-Fencing Implementation Fee 2BR

In the <i>fee year</i> starting 1 April <del>2017</del> <u>2018</u> and subsequent <i>fee years</i> :	
...	
(4)	<p>The proportion was determined by the <i>FCA</i> for the <del>2017/18</del> <u>2018/19</u> <i>fee year</i> in accordance with the following formula (all figures are rounded to the nearest whole number):</p> $[(X + Y) \div 2] \%$ <p>where</p> $X = [\text{core deposits (ring-fencing fees group)} \div \text{core deposits (all ring-fencing fees groups)}] \times 100$ <p>and</p> $Y = [\text{assets outside expected RFB subgroup (ring-fencing fees group)} \div \text{assets outside expected RFB subgroups (all ring fencing fees groups)}] \times 100$

(5)	...
-----	-----

**4 Annex 4R** **Periodic fees in relation to collective investment schemes, AIFs marketed in the UK and small registered UK AIFMs payable for the period 1 April 2017 2018 to 31 March 2018 2019**

Part 1 – Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
<i>ICVC,</i> <i>AUT,</i> <i>ACS,</i> <i>UK ELTIFs,</i>  Section 264 of the <i>Act</i> , <i>schemes</i> other than <i>non-EEA AIFs</i> recognised under section 272 of the <i>Act</i> ;	410 406	1-2	1	410 406
		3-6	2.5	<del>1,025</del> 1,015
		7-15	5	<del>2,050</del> 2,030
		16-50	11	<del>4,510</del> 4,466
		>50	22	<del>9,020</del> 8,932
<i>Non-EEA AIFs</i> recognised under section 272 of the <i>Act</i>	1,670 1,652	1-2	1	<del>1,670</del> 1,652
		3-6	2.5	<del>4,175</del> 4,130
		7-15	5	<del>8,350</del> 8,260
		16-50	11	<del>18,370</del> 18,172
		>50	22	<del>36,740</del> 36,344

...

Part 2 - Periodic fees for *AIFs* marketed in the *UK*, following a notification to the *FCA* under regulation 57, 58 or 59 of the *AIFMD UK regulation*

Kind of notification	Fee per <i>AIF</i> (£)
Notification under regulation 57 of the <i>AIFMD UK regulation</i>	<del>345</del> 355
Notification under regulation 58 of the <i>AIFMD UK regulation</i>	<del>240</del> 247



Notification under regulation 59 of the AIFMD UK regulation	<del>345</del> <u>355</u>
---	---------------------------

Part 3 - Periodic fees paid by *small registered UK AIFMs*

The annual fee for <i>small registered UK AIFMs</i> is <del>£680</del> <u>700</u>
---

**4 Annex 5R** Periodic fees for designated professional bodies payable in relation to the period 1 April ~~2017~~ 2018 to 31 March ~~2018~~ 2019

## Table of fees payable by Designated Professional Bodies

Name of Designated Professional Body	Amount payable (£)
The Law Society of England & Wales	<del>62,430</del> <u>90,170</u>
The Law Society of Scotland	<del>13,390</del> <u>15,260</u>
The Law Society of Northern Ireland	<del>12,520</del> <u>13,830</u>
The Institute of Actuaries	<del>10,070</del> <u>10,110</u>
The Institute of Chartered Accountants in England and Wales	<del>68,770</del> <u>36,020</u>
The Institute of Chartered Accountants of Scotland	<del>10,920</del> <u>11,340</u>
The Institute of Chartered Accountants in Ireland	<del>13,130</del> <u>14,840</u>
The Association of Chartered Certified Accountants	<del>15,900</del> <u>18,770</u>
The Council for Licensed Conveyancers	<del>11,170</del> <u>11,790</u>
Royal Institution of Chartered Surveyors	<del>13,400</del> <u>15,190</u>

...

...

**4 Annex 10R Periodic fees for MTF operators payable in relation to the period 1 April ~~2017~~ 2018 to 31 March ~~2018~~ 2019**

General supervisory category of <i>MTF</i> or <i>OTF</i> operator (see Note below)	Fee payable (£)	Due date  (i) 1 August <del>2017</del> <u>2018</u> ; or  (ii) 30 days from the date of the invoice in the case of a <i>firm</i> which receives <i>permission</i> to be operating a <i>multilateral trading facility</i> or to be operating an <i>organised trading facility</i> or whose <i>permission</i> is extended to include this activity in the course of the relevant financial year.
<i>MTF</i> or <i>OTF</i> operator has a named individual fixed portfolio supervisor	<del>316,710</del> <u>290,656</u>	
All other <i>MTF</i> or <i>OTF</i> operators (i.e. those supervised by a team of flexible portfolio supervisors)	<del>29,867</del> <u>27,410</u>	
[deleted]		
an <i>EEA firm</i>	0	
...		

**4 Annex 11R Periodic fees in respect of payment services, electronic money issuance, regulated covered bonds, CBTL business and data reporting services in relation to the period 1 April ~~2017~~ 2018 to 31 March ~~2018~~ 2019**

This Annex sets out the periodic fees in respect of *payment services* carried on by *fee-paying payment service providers* under the *Payment Services Regulations* and electronic money issuance by *fee-paying electronic money issuers* under the *Electronic Money Regulations* and issuance of *regulated covered bonds* by issuers and *CBTL business* carried on by *CBTL firms* under the *MCD Order* and *data reporting services providers* (other than *incoming data reporting services providers*) under the *DRS Regulations*.

Part 1 - Method for calculating the fee for fee-paying payment service providers

...		
(3)	For a <i>fee-paying payment service provider</i> which is required to comply with FEES 4.4.9D (Information on which fees are calculated) and has not done so for this period:	
	(a)	the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10; and
	(b)	an additional administrative fee of £250 is payable.
	(c)	[deleted]

...

Part 5 - Tariff rates		
<b>Activity group</b>	Fee payable in relation to <del>2017/18</del> <u>2018/19</u>	
G.2	Minimum fee (£)	<del>500</del> <u>515</u>
	£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	> 0.1	<del>0.6456</del> <u>0.5840</u>
G.3	Minimum fee (£)	<del>500</del> <u>515</u>
	£ thousands or part <del>£</del> thousand of Relevant Income	Fee (£/£thousand or part £thousand of Relevant Income)
	> 100	<del>0.4341</del> <u>0.3927</u>
G.4	Flat fee (£)	<del>500</del> <u>515</u>
G.5	As in G.3	
G.10	Minimum fee (£)	<del>1,643</del> <u>1,692</u>
	£ million or part <del>£</del> m of average outstanding electronic money (AOEM)	Fee (£/£m, or part £m of AOEM)

	>5.0	<del>120.00</del> <u>80.00</u>
G.11	Flat fee (£)	<del>1,095</del> <u>1,128</u>
G.15	Minimum fee for the first registered <i>programme</i> (£)	<del>89,876</del> <u>79,184</u>
	Minimum fee for all subsequent registered <i>programmes</i>	75% of minimum fee for first registered <i>programme</i>
	£ million or part £m of <i>regulated covered bonds</i> issued in the 12 months ending on the valuation date.	Fee (£/£m or part £m of <i>regulated covered bonds</i> issued in the 12 months ending on the valuation date)
	>0.00	<del>13.27</del> <u>11.80</u>
	...	
G.20	Flat fee (£)	<del>404.00</del> <u>416</u>
G.21	Flat fee (£)	<del>202.00</del> <u>208</u>
G.25	Flat fee (£) for first <i>data reporting service</i> plus 50% flat fee for each additional <i>data reporting service</i> for which the <i>data reporting services provider</i> (other than an incoming <i>data reporting services provider</i> ) has authorisation.	<del>£25,000</del> <u>25,750</u>

...

...

**4 Annex 14R UKLA periodic fees for the period from 1 April ~~2017~~ 2018 to 31 March ~~2018~~ 2019**

Part 1 Base fee
-----------------

Activity group or invoice code (Note 1)		Description	Base fee payable (£)
E.1	Discontinued		
E.2	Premium listed issuer	<i>A listed issuer of equity shares with a premium listing (see Note 2)</i>	<del>5,200</del> <u>5,355</u>
E.3	Standard listed issuer	<i>A listed issuer of shares and certificates representing certain securities with a standard listing and not with a premium listing (see Note 2)</i>	<del>19,695</del> <u>20,285</u>
E.4	Discontinued		
E.5	Discontinued		
E.6	Non-listed issuer (in DTR)	<i>A non-listed issuer (in DTR)</i>	0
E.7	Primary information provider	<i>A primary information provider</i>	<del>16,425</del> <u>16,920</u>
ES.01	Sponsor	<i>A sponsor (see Note 3)</i>	<del>27,370</del> <u>28,190</u>

...

Part 2 Variable fee additional to base fee			
Activity Group		Market capitalisation as at the last <i>business day</i> of the November prior to the <i>fee-year</i> in which the fee is payable in £million	Fee payable in £per £million or £part million
E.2	Premium listed issuer (as described in Part 1)	0 – 100	0
		> 100 – 250	<del>28.469627</del> <u>27.904193</u>
		> 250 – 1,000	<del>10.984421</del> <u>10.766260</u>
		> 1,000 – 5,000	<del>6.761363</del> <u>6.627075</u>
		> 5,000 – 25,000	<del>0.164930</del> <u>0.161655</u>

	> 25,000	0.053284 <u>0.052226</u>
--	----------	-----------------------------

...

**4 Annex 15R Fees relating to the recognition of benchmark administrators and the endorsement of benchmarks for the period 1 April 2018 to 31 March 2019**

Activity group	Fee payable
A third country legal representative	£ <del>[tbe]</del> <u>12,500</u>
A benchmark endorser	£ <del>[tbe]</del> <u>7,500</u>

...

**5 Financial Ombudsman Service Funding**

...

**5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2018/19**

**Introduction: annual budget**

1. The *annual budget* for ~~2017/18~~ 2018/19 approved by the *FCA* is ~~£263.5m~~ 289.8m.

2. The total amount expected to be raised through the *general levy* in ~~2017/18~~ 2018/19 will be £24.5m.

**Compulsory jurisdiction - general levy**

Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, <i>home finance providers, home finance administrators</i> (excluding <i>firms</i> in block 14) and <i>dormant account fund operators</i>	Number of accounts relevant to the activities in <i>DISP</i> 2.6.1R as at 31 December  In the case of <i>dormant account fund operators</i> , the tariff base is the number of eligible activated accounts (8).	£ <del>0.04454</del> <u>0.04388</u> per relevant account, subject to a minimum levy of £100
2-Insurers - general (excluding <i>firms</i> in blocks 13 & 15)	Gross written premium for fees purposes (GWP) as defined in <i>FEES</i> 4 Annex 1AR; or  Relevant gross written premium (RGWP) notified to the <i>FCA</i> under	£ <del>[tbe]</del> <u>0.054</u> per £1,000 of GWP or RGWP, subject to a minimum levy of £ <del>[tbe]</del> <u>100</u>

	<i>FEES 5.4.1R(1A)</i>	
3-The <i>Society</i> (of Lloyd's)	Not applicable	£25,989 to be allocated by the <i>Society</i>
4-Insurers - life (excluding <i>firms</i> in block 15)	Gross written premium for fees purposes (GWP) as defined in <i>FEES 4 Annex 1AR</i> ; or  Relevant gross written premium (RGWP) notified to the <i>FCA</i> under <i>FEES 5.4.1R(1A)</i>	<del>£{tbe}</del> <u>0.0085</u> per £1,000 of GWP or RGWP, subject to a minimum levy of <del>£{tbe}</del> <u>130</u>
5. Portfolio managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i> )	Flat fee	Levy of £230
6. Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Flat fee	Levy of £60
7-Dealers as principal	Flat fee	Levy of £75
8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	Annual income as defined in <i>FEES 4 Annex 11A</i> relating to <i>firm's relevant business</i> .	<del>£0.150</del> <u>0.130</u> per £1,000 of annual income subject to a minimum fee of £45
9-Advisors, <i>arrangers</i> , dealers or brokers not holding and controlling <i>client money</i> and/or assets	Annual income as defined in <i>FEES 4 Annex 11A</i> relating to <i>firm's relevant business</i> .	<del>£0.070</del> <u>0.031</u> per £1,000 of annual income subject to a minimum fee of £45
10-Corporate finance advisers	Flat fee	Levy of £55
11-fee-paying	For <i>authorised payment institutions</i> ,	<del>£0.0007</del> <u>0.0003</u> per

<i>payment service providers</i> (but excluding <i>firms</i> in any other Industry block except Industry block 18)	<i>registered account information service providers, electronic money issuers</i> (except for <i>small electronic money institutions</i> ), the Post Office Limited, the Bank of England, government departments and local authorities, and <i>EEA authorised payment institutions</i> relevant income as described in <i>FEES 4 Annex 11 Part 3</i>	£1,000 of relevant income subject to a minimum levy of £75
	For <i>small payment institutions</i> and <i>small electronic money institutions</i> a flat fee	Levy of £35
13-Cash plan health providers	Flat fee	Levy of £65
14-Credit unions	Flat fee	Levy of £55
15-Friendly societies whose tax-exempt business represents 95% or more of their total relevant business	Flat fee	Levy of £65
16-Home finance providers, advisers and arrangers (excluding <i>firms</i> in blocks 13, 14 & 15)	Flat fee	Levy of £90
17 - General insurance mediation (excluding <i>firms</i> in blocks 13, 14 & 15)	<i>Annual income</i> (as defined in <i>MIPRU 4.3</i> ) relating to <i>firm's relevant business</i>	<del>£0.471</del> 0.428 per £1,000 of <i>annual income</i> (as defined in <i>MIPRU 4.3</i> ) relating to <i>firm's relevant business</i> subject to a minimum levy of £100
18 - fee-paying <i>electronic money issuers</i>	For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , average outstanding <i>electronic money</i> , as described in <i>FEES 4 Annex 11 Part 3</i> .	£0.0007 per £1,000 of average outstanding <i>electronic money</i> subject to a minimum levy of <del>£75</del> 40



	For <i>small electronic money institutions</i> , a flat fee	Levy of £50
19 - <i>Credit-related regulated activities with limited permission</i>	For <i>not-for-profit debt advice bodies</i> , a flat fee	Levy of £0
	For all other <i>firms with limited permission</i> , a flat fee	Levy of £35
20 - <i>Credit-related regulated activities</i>	Annual income as defined in <i>FEES 4 Annex 11BR</i>	Levy of £35  Plus <del>£0.012</del> <u>0.01</u> per £1,000 of annual income on income above £250,000
21 - <i>CBTL firms that do not have permission to carry out any regulated activities</i>	Flat fee	Levy of £35
22 - <i>designated credit reference agencies (but excluding firms in any other industry block)</i>	Flat fee	Levy of £75
23 – <i>designated finance platforms (but excluding firms in any other industry block)</i>	Flat fee	Levy of £75

...

...

## 7 CFEB Levies

...

### 7 Annex 1R Money advice CFEB levy for the period from 1 April 2018 to 31 March 2019

#### Part 1

This table shows the money advice *CFEB levy* applicable to each activity group (fee-block)

Activity group	The money advice <i>CFEB levy</i> payable	
A.1	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part m of MELs)
	>10	<del>{tbe}</del> <u>1.521</u>
A.2	Band Width (no. of mortgages and/or <i>home finance transactions</i> )	Fee (£/mortgage)
	>50	<del>{tbe}</del> <u>0.564</u>
A.3	<del>Gross premium income (GPI)</del> <del>Gross written premium for fees purposes (GWP)</del>	
	Band Width (£ million of <del>GPI</del> <u>GWP</u> )	Fee (£/£m or part £m of <del>GPI</del> <u>GWP</u> )
	>0.5	<del>20.36</del> <u>29.39</u>
	PLUS	
	<del>Gross technical liabilities (GTL)</del> <u>Best estimate liabilities for fees purposes (BEL)</u>	
	Band Width (£ million of <del>GTL</del> <u>BEL</u> )	Fee (£/£m of part £m of <del>GTL</del> <u>BEL</u> )
>1	<del>1.10</del> <u>1.65</u>	
A.4	<del>Adjusted annual gross premium income (AGPI)</del> <del>Gross written premium for fees purposes (GWP)</del>	
	Band Width (£ million of <del>AGPI</del> <u>GWP</u> )	Fee (£/£m or part £m of <del>AGPI</del> <u>GWP</u> )
	>1	<del>29.26</del> <u>14.20</u>
	PLUS	
	<del>Mathematical reserves (MR)</del>	

<b><u>Best estimate liabilities for fees purposes (BEL)</u></b>		
	Band Width (£ million of <del>MR</del> <u>BEL</u> )	Fee (£/£m or part £m of <del>MR</del> <u>BEL</u> )
	>1	<del>0.62</del> <u>0.655</u>
A.5	Band Width (£ million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	0.00
A.6	Flat levy	0.00
A.7	For class 1(c),(2), (3) and (4) firms:	
	Band Width (£ million of Funds under Management (FuM))	Fee (£/£m of part £m of FuM)
	>10	<del>0.11</del> <u>0.159</u>
	For class 1(B) firms: the fee calculated as for class 1(C) firms above, less 15%.	
	For class 1(A) firms: the fee calculated as for class 1(C) firms above, less 50%.	
	Class 1(A), (B) and (C) firms are defined in FEES 4 Annex 1A.	
A.9	Band Width (£ million of Gross Income (GI))	Fee (£/£m of part £m of GI)
	>1	<del>65.20</del> <u>89.89</u>
A.10	Band Width (no. of traders)	Fee (£/trader)
	>1	<del>92.80</del> <u>146.67</u>
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.068</del> <u>0.0713</u>
	For a <i>professional firm</i> in A.13 the fee is calculated as above less 10%.	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)

	> 100	<del>0.0215</del> <u>0.030</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.175</del> <u>0.229</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.0294</del> <u>0.0410</u>
A.21	Band Width (£ <i>client money</i> ) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	<del>1.55</del> <u>2.20</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	<del>1.16</del> <u>1.65</u>
	more than £1 billion	<del>0.78</del> <u>1.10</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i> ) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £10 million	<del>0.006</del> <u>0.007</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	<del>0.005</del> <u>0.006</u>
	more than £100 billion	<del>0.003</del> <u>0.004</u>
G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	<del>0.0219</del> <u>0.0293</u>
G.4	Flat fee (£)	10
G.10	Minimum fee (£)	10
	£ million or part £m of average outstanding electronic money	Fee (£/£m or part £m of AOEM)

	(AOEM)	
	>5.0	<del>6.65</del> <u>7.50</u>
G.11	Flat fee (£)	10
CC.1	Minimum fee (£)	£10
	£ thousand of annual income (AI)	Fee (£/£ thousand or part thousand of AI)
	>250	<del>0.37</del> <u>0.10</u>
CC.2	Minimum fee (£)	10
	£ thousands of annual income (AI)	Fee (£/£ thousand or part £ thousand of AI)
	>250	<del>0.37</del> <u>0.10</u>
Notes		
(1) The definitions of fee-blocks G5 and G10 under Part 2 and Part 2A of <i>FEES</i> 4 Annex 11R are modified, for the purposes of <i>FEES</i> 7, so that they exclude the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.		
2) The definitions of those fee-blocks are further amended to exclude EEA <i>firms</i> and those which hold a <i>Part 4A permission</i> .		
Part 2		
(1)	This Part sets out the minimum money advice <i>CFEB levy</i> applicable to the <i>firms</i> specified in (3) below.	
(2)	The minimum money advice <i>CFEB levy</i> payable by any <i>firm</i> referred to in (3) is £10.	
(3)	A <i>firm</i> is referred to in this paragraph if it falls within the following activity groups: A.1; A.2; A.3 (excluding <i>UK ISPVs</i> ); A.4; A.5; A.7; A.9; A.10; A.12; A.13; A.14; A.18; A.19; G.3 and G.10.	

**7 Annex 2R Debt advice CFEB levy for the period from 1 April 2018 to 31 March 2019**

...

Part 4

This table shows the tariff rates applicable to each of the fee-blocks set out in Part 1.

Activity group	Debt advice <i>CFEB</i> levy payable	
A.2 Home finance providers and administrators	Band width (£million of secured debt) >0	Fee (£/£m or part £m of secured debt) <del>{tbe}</del> <u>21.85</u>
CC.3 Consumer credit lending	Band width (£million of value of lending) >0 ( <b>Note 1</b> )	Fee (£/£m or part £m of value of lending) <del>{tbe}</del> <u>117.32</u>
Note		
(1) <i>Credit unions</i> and <i>community finance organisations</i> do not pay any debt advice <i>CFEB</i> levy on the first £2,000,000 of value of lending.		

...

## 10.2 Pensions guidance levy

...

- 10.2.4 R The amount payable for a particular activity group is calculated as follows:
- (1) (a) calculate the size of the *firm's* tariff base for the activity group using:
    - (i) the tariff base calculations in Part 3 of *FEES* 4 Annex 1A; and
    - (ii) the valuation date requirements in Part 5 of *FEES* 4 Annex 1A;
  - (b) exclude ~~*mathematical reserves*~~ best estimate liabilities for fees purposes in the calculation for fee block A4;

...

...

## 10 Pension guidance levy for the period 1 April 2017 2018 to 31 March 2018 2019

### Annex 1R

Activity Group	Pensions guidance levy payable	
A.1	Band width (£ million of	Fee (£/£m or part £m of MELs)

	modified eligible liabilities (MELs)) >10	<del>1.329</del> <u>1.504</u>
A.4	Band width (£ million of <del>adjusted annual gross premium income (AGPI) gross written premium for fees purposes (GWP))</del> >1	Fee (£/£m or part £m of <del>AGPI GWP</del> )  <del>69.28</del> <u>27.96</u>
A.7	For class 1(B), 1 (C), (2) and (3) firms:  Band width (£ million of funds under management (FuM))  >10	Fee (£/£m or part £m of FuM)     <del>0.55</del> <u>0.578</u>
A.9	Band width (£ million of gross income (GI))  >1	Fee (£/£m or part £m of GI)     <del>224.35</del> <u>227.392</u>
A.13	Band width (£ thousands of annual income (AI))  >100	Fee (£/£ thousand or part of £ thousand of AI)     <del>0.074</del> <u>0.078</u>

## 11 Pensions guidance providers' levy

...

### 11 Annex 1R Pensions guidance providers' levy for the period 1 April ~~2017~~ 2018 to 31 March ~~2018~~ 2019

The table below shows the *pensions' guidance providers' levy* applicable to the *designated guidance providers* for the *fee year* 1 April ~~2017~~ 2018 to 31 March ~~2018~~ 2019.

(A) Row	(B) Name of designated guidance provider	(C) Pensions guidance providers' levy payable (£)
1	The Pensions Advisory Service Limited	<del>13,500</del> <u>11,250</u>

2	The National Association of Citizens Advice Bureaux	<del>13,500</del> <u>11,250</u>
3	The Scottish Association of Citizens Advice Bureaux	<del>13,500</del> <u>11,250</u>
4	The Northern Ireland Association of Citizens Advice Bureaux	<del>13,500</del> <u>11,250</u>
5	Any other person designated as a <i>designated guidance provider</i> between 1 April <del>2017</del> <u>2018</u> to 31 March <del>2018</del> <u>2019</u>	<del>13,500</del> <u>11,250</u> adjusted in accordance with the formula at <i>FEES</i> 11.2.10R

...

**13 Illegal money lending levy**

...

**13 Illegal money lending (IML) levy for ~~2017/18~~ 2018/19****Annex  
1R**

<b>Limited permission (fee-block CC1):</b>	£5 flat rate	
<b>Full authorisation (fee-block CC2):</b>	Up to £250,000 consumer credit income:	£10
	Over £250,000 consumer credit income:	£10 + <del>0.202</del> <u>0.210</u> per £1,000

**Appendix 1 Unauthorised Mutuals Registration Fees Rules**

...

**App 1  
Annex 1R** **Periodic fees payable for the period 1 April ~~2017~~ 2018 to 31 March ~~2018~~ 2019****Part 1 Periodic fee payable by Registered Societies (on 30 June ~~2017~~ 2018)**This fee is not payable by a *credit union*.



<b>Transaction</b>	<b>Total assets (£'000s)</b>	<b>Amount payable (£)</b>
Periodic fee	0 to 50	<del>65</del> <u>67</u>
	> 50 to 100	<del>125</del> <u>129</u>
	> 100 to 250	<del>205</del> <u>211</u>
	> 250 to 1,000	<del>265</del> <u>273</u>
	> 1,000	<del>480</del> <u>495</u>

...



## Appendix 2 Fees (Miscellaneous Amendments)(No11) Instrument 2018 (draft rules)

**FEES (MISCELLANEOUS AMENDMENTS) (No [11]) INSTRUMENT 2018**

**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137A (The FCA’s general rules);
    - (b) section 137T (General supplementary powers);
    - (c) section 139A (Power of the FCA to give guidance);
    - (d) paragraph 23 (Fees) of Schedule 1ZA (The Financial Conduct Authority);
  - (2) paragraph 6A (Consumer Rights (Payment Surcharges) Regulations 2012 (SI 2012/3110); and
  - (3) regulation 26 of the Financial Services and Markets Act (2000) (Benchmarks) Regulations 2018 (SI 2018/135).
- B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on *[date]* 2018.

**Amendments to the Handbook**

- D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

**Citation**

- E. This instrument may be cited as the Fees (Miscellaneous Amendments) (No [11]) Instrument 2018.

By order of the Board  
*[date]* 2018

[*Editor’s note:* the text in this Annex takes account of the changes to FEES 4 Annex 11AR as proposed in PS17/28 ‘Handbook changes to reflect the application of the EU Benchmarks Regulation: Feedback to CP17/17 and near-final rules’ (December 2017) as if they were made.]

**Annex**

**Amendments to the Fees manual (FEES)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

**3 Application, Notification and Vetting Fees**

...

**3.2 Obligation to pay fees**

...

Method of payment

**3.2.3 R ...**

(5) ~~Payments by credit card must include an additional:~~

(a) ~~2% of the sum paid when paying by Visa or Mastercard; or~~

(b) ~~3.2% of the sum paid when paying by American Express.~~  
[deleted]

...

...

**3 Annex Special Project Fee for restructuring**

**9R**

...		
(2) R		The SPFR becomes payable by a <i>person</i> falling into (1)(a) or (b) if it engages in, or prepares to engage in, activity which involves it undertaking or making arrangements with a view to any of the following:

	(a)	raising additional capital; or
	(b)	a significant restructuring of the <i>firm</i> or the <i>group</i> to which it belongs, including:
	(i)	mergers or acquisitions;
	(ii)	reorganising the <i>firm's group</i> structure; <del>and</del>
	(iii)	retribution;
	(iv)	<u>a significant change to the <i>firm's</i> business model; and</u>
	(v)	<u>a significant internal change programme.</u>
...		
(8) R	Subject to <del>FEES TP 8.1R</del> , no <u>No</u> SPFR is payable to the <i>FCA</i> :	
	(a)	if the amount calculated in accordance with (9) in relation to the regulatory work conducted by the <i>FCA</i> totals less than £50,000 <u>in the case of a <i>FCA- authorised person</i> or £25,000 in the case of a <i>PRA- authorised person</i></u> ; or
	(b)	for time spent giving <i>guidance</i> to the <i>person</i> in relation to the same matter if the <i>FCA</i> has charged that <i>person</i> for that <i>guidance</i> .
(9) R	The SPFR for the <i>FCA</i> is calculated as follows:	
	(a)	Determine the number of hours, or part of an hour, taken by the <i>FCA</i> <del>or, if applicable, both the <i>FCA</i> and <i>PRA</i> under FEES TP 8.1R</del> , in relation to regulatory work conducted as a consequence of the activities referred to in (2) or (6).
	...	
...		
(11) R	Table of <i>FCA</i> hourly rates:	
	<i>FCA</i> pay grade	Hourly rate (£)

	Administrator	<del>30</del> <u>45</u>
	Associate	<del>55</del> <u>75</u>
	Technical Specialist	<del>100</del> <u>130</u>
	Manager	<del>110</del> <u>145</u>
	Any other person employed by the <i>FCA</i>	<del>160</del> <u>255</u>
...		
(13) G	If the SPFR is payable, the full amount calculated under (9) is payable not just the excess over <u>£50,000</u> or <u>£25,000</u> .	
...		

...

**4 Periodic fees**

...

**4.2 Obligation to pay periodic fees**

...

Method of payment

4.2.4 R (1) A periodic fee must be paid using either direct debit, credit transfer (BACS/CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard only). ~~Any payment by permitted credit card must include an additional 2% of the sum paid.~~

...

...

**4 Annex 1AR FCA activity groups, tariff bases and valuation dates**

...

Part 5

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of fees payable to the *FCA* by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.

Activity group	Valuation date
...	
A.9	Annual gross income (GI), <del>valued at</del> <u>for the most recent financial year ended in the calendar year ending 31 December.</u>
...	

...

**4 Annex 11AR Definition of annual income for the purposes of calculating fees in fee blocks A.13, A.14, A.18, A.19 and B. Service Companies, Recognised Investment Exchanges and Regulated Benchmark Administrators**

<b>Annual income definition</b>
<p>...</p> <p><b>Definition for Recognised Investment Exchanges</b></p> <p>“Annual income” for a <i>recognised investment exchange</i> is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the <i>firm’s</i> accounts during the reporting year in respect of, or in relation to activities that comprise a necessary part of an exchange’s business as an investment exchange. <u>This should include all revenues the <i>firm</i> derives from operating <i>multilateral trading facilities</i> and <i>organised trading facilities</i>.</u></p> <p>...</p> <p><b>Where the firm is a Regulated Benchmark Administrator</b></p> <p>“Annual income” for a <i>regulated benchmark administrator</i> is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the <i>firm’s</i> accounts during the reporting year in respect of, or in relation to activities <u>in the UK</u> that comprise a necessary part of its business as a <i>regulated</i></p>

*benchmark administrator.*

Where the sales and marketing of a benchmark are undertaken by a separate legal entity, the *regulated benchmark administrator* is responsible for identifying the relevant income and reporting it to us as its own income. To avoid double counting, the *regulated benchmark administrator* should report only the income from sales in the UK and exclude any amount paid to it from that income to pay for its expenses as a *regulated benchmark administrator*.

...

#### 4 Annex 11BR Definition of annual income for the purposes of calculating fees in fee blocks CC1 and CC2

<b>(1) Annual income definition for <i>credit related regulated activities</i></b>	
<p>“Annual income” is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the <i>firm’s</i> accounts during the reporting year in respect of, or in relation to, the provision in the <i>UK</i> of the <i>regulated activities</i> specified in <i>FEES 4 Annex 1AR</i> Part 1 as belonging to fee-blocks CC1 or CC2 as applicable.</p> <p>The figure should be reported without netting off the operating costs or business expenses, but including:</p>	
(a)	<p>all interest received on loans, brokerages, <i>commissions, fees</i>, and other related income (for example, administration <i>charges</i>, overrides, profit shares etc) due to the <i>firm</i> in respect of, or in relation to, the provision in the <i>UK</i> of the <i>credit-related regulated activities</i> specified in <i>FEES 4 Annex 1AR</i> Part 1 as belonging to fee-blocks CC1 and CC2 and which the <i>firm</i> has not rebated to <i>clients</i> or passed on to other authorised firms (for example, where there is a commission chain).</p>
(aa)	<p><u>In the case of <i>consumer hire agreements</i>, interest should be calculated as the total revenue over the period of the lease minus depreciation of the asset over the same period. Where depreciation is not recorded in the accounts and a <i>firm</i> uses its own internal conventions for calculating depreciation, it must be ready on request to demonstrate that its methodology is robust, and that any assumptions used are reasonable in the circumstances. In the absence of internal conventions for calculating depreciation, the assumption should be made that the asset depreciates to zero over the period (or minimum period) of the lease, or (if no period is specified) over a reasonable period.</u></p> <p>Plus:</p>



...	
-----	--

...

**4 Annex 13G Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3**

<p>Table 1</p> <p>The following table sets out guidance on how a <i>firm</i> should calculate tariffs for fee blocks A.13, A.14, A.18, A.19 and B. Service Companies, Recognised Investment Exchanges and Benchmark Administrators.</p>	
...	
(2)	<p>For the avoidance of doubt, the only income streams reportable for a relevant fee-block are those income streams which relate to a <i>regulated activity</i> listed in that fee-block. Income streams that do not relate to a <i>regulated activity</i> listed in the relevant fee-block should not be reported. <i>Service companies, operators of recognised investment exchanges and benchmark administrators</i> should report the income relating to each of these activities, excluding income from any other activities in the B fee-block on which they pay <i>FCA</i> fees. <u>Operators of recognised investment exchanges should include all income derived from operating <i>multilateral trading facilities</i> and <i>organised trading facilities</i>.</u></p> <p style="text-align: center;">...</p>
...	
<p>Table 2</p> <p>The following table sets out <i>guidance</i> on how a <i>firm</i> should calculate tariffs for fee blocks CC.1 and CC.2.</p>	
...	
<p>Exclusions</p>	
(9)	<p>The following should be excluded from the calculation of annual income:</p>
	...
	<p><u>(m) Where a <i>consumer hire agreement</i> is open ended, its term should be taken as the period over which depreciation is calculated to zero. If</u></p>

	<p><u>the agreement is in practice terminated before depreciation reaches zero, the residual value may not be subtracted from the revenue. Where an agreement ends before depreciation reaches zero, but is subsequently renewed, the residual value of the asset should determine its cost at the beginning of the new agreement and depreciation recalculated accordingly. For example, if the cost of the asset at the start of the original agreement was £500 and depreciation was 80%, then its residual value carried forward to the new agreement would be £100. If the asset was assumed to depreciate to zero during the original agreement, then there is no residual value to carry forward and the income for the second agreement would be the total revenue from the lease.</u></p>
...	

...

**TP 8 Transitional provisions relating to FEES 3 Annex 9R and FEES 4.3.6R taking effect in 2013/14**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	5) Transitional provision: dates in force	(6) Handbook provision: coming into force
<b>8.1</b>	<b>Special project fee transitional provisions</b>				
8.1.1 [FCA] [PRA]	<i>FEES 3 Annex 9R</i>	R	<p><del>This rule relates to a special project fee or part of a special project fee which has the following characteristics:</del></p> <p>(1) <del>one or more of the events described in <i>FEES 3 Annex 9R</i> (2) or (6) had occurred before 1 April 2013; and</del></p> <p>(2) <del>FSA employees conducted regulatory work which had been recorded on the FSA's systems and/or the FSA was invoiced fees and disbursements as a consequence of the applicable event or events referred to in <i>FEES</i></del></p>	From 1 April 2013 indefinitely	1 April 2013

			<p><del>3 Annex 9R (2) or (6) before 1 April 2013.</del></p> <p><del>(3) Hours or part hours worked by FSA staff and any fees or disbursements invoiced to the FSA of the kind described in FEES 3 Annex 9R (9) which were not accounted for in an invoice issued by the FSA prior to 31 March 2013 shall be named “pre LCO accrued costs” in FEES TP 8.1. [deleted]</del></p>		
8.1.2 [FCA] [PRA]	FEES 3 Annex 9R	R	<p>In relation to the kind of special project fee specified in <del>FEES TP 8.1.1R,</del></p> <p><del>(a) where one of the events referred to in FEES 3 Annex 9R (6)(a) had occurred, any pre LCO accrued costs shall be included in the calculation of any amount payable to the FCA under FEES 3 Annex 9R (9);</del></p> <p><del>(b) a special project fee is payable to the FCA regardless of whether the amount calculated according to FEES 3 Annex 9R for the FCA is less than £50,000; and</del></p> <p><del>(c) no special project fee is payable if the sum total of adding together (i) the amount calculated in accordance with FEES 3 Annex 9R (9) in respect of the FCA and (ii) the total costs invoiced by the FSA before 1 April 2013 results in a total amount of less than £50,000. [deleted]</del></p>	From 1 April 2013 indefinitely	1 April 2013
8.1.3 [FCA] [PRA]	FEES 3 Annex 9R	R	<p>In relation to the kind of special project fee specified in <del>FEES TP 8.1.1R,</del> where one of the events referred to in <del>FEES 3 Annex 9R (2) or (6)(b)</del> had occurred:</p> <p><del>(a) 50% of the pre LCO accrued costs shall be included in the calculation of any amount payable to the FCA under FEES 3 Annex</del></p>	From 1 April 2013 indefinitely	1 April 2013

			<p>9R(9);</p> <p>(b) 50% of the pre-LCO accrued costs shall be included in the calculation of any amount payable to the <i>PRA</i> under <i>FEES 3 Annex 9R(9)</i>;</p> <p>(c) a special project fee is payable to the <i>appropriate regulator</i> regardless of whether the amount calculated according to <i>FEES 3 Annex 9R</i> for the <i>appropriate regulator</i> is less than £50,000; and</p> <p>(d) no special project fee is payable if the sum total of adding together (i) the amount calculated in accordance with <i>FEES 3 Annex 9R(9)</i> in respect of the <i>FCA</i>, (ii) the amount calculated in accordance with <i>FEES 3 Annex 9R(9)</i> in respect of the <i>PRA</i> and (iii) the total costs invoiced by the <i>FSA</i> before 1 April 2013 results in a total amount of less than £50,000. [deleted]</p>		
8.1.4 [FCA] [PRA]	<i>FEES 3 Annex 9</i>	G	As a result of <i>FEES FEES TP 8.1.3R</i> , pre-LCO accrued costs may give rise to two separate fee payment obligations following 1 April 2013, one in respect of the <i>FCA</i> and one in respect of the <i>PRA</i> if the threshold in <i>FEES TP 8.1.3(d)</i> is breached. [deleted]	From 1 April 2013 indefinitely	1 April 2013
8.1.5 [FCA] [PRA]	<i>FEES 3 Annex 9</i>	G	<p>(1) This <i>guidance</i> gives examples of how <i>FEES TP 8.1</i> is intended to operate.</p> <p>(2) If an event specified in <i>FEES 3 Annex 9 (2)</i> occurred on 1 April 2012, the £50,000 threshold was breached on 1 November and the <i>FSA</i> invoiced for the full amount outstanding as at 1 December 2012 but issued no further invoices, any accrued hours or part hours and fees or disbursements invoiced to the <i>FSA</i> between 1 December 2012</p>	From 1 April 2013 indefinitely	1 April 2013

		<p>and 1 April 2013 will be divided equally between the <i>FCA</i> and the <i>PRA</i> and an amount would be payable to the <i>FCA</i> and the <i>PRA</i> as separate fees regardless of whether the separate thresholds contained in <i>FEES 3</i> Annex 9 (8) are met as long as the combined <i>FSA</i>, <i>FCA</i> and <i>PRA</i> costs incurred exceeded £50,000.</p> <p>(3) If an event specified in <i>FEES 3</i> Annex 9 (6)(a) occurred on 1 February 2013, the <i>FSA</i> had begun the relevant regulatory work but had yet issued any invoices or breached the 50,000 floor before 1 April 2013, the accrued hours and disbursements will be allocated towards the <i>FCA</i>'s fee calculation. [deleted]</p>		
...				



# Appendix 3

## Fees (Single Financial Guidance Body Levy)

### Instrument 2018 (draft rules)

**FEES (SINGLE FINANCIAL GUIDANCE BODY LEVY) INSTRUMENT 2018****Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
  - (2) section 137T (General supplementary powers);
  - (3) section 139A (Power of the FCA to give guidance);
  - (4) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
  - (5) section 137SA (Rules to recover expenses relating to the single financial guidance body).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.
- C. As required by section 137SA(5) of the Act, the Secretary of State has consented to rules made under that section.

**Commencement**

- D. This instrument comes into force on [date] 2018.

**Amendments to the Handbook**

- E. The modules of the FCA Handbook listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Credit Unions sourcebook (CREDS)	Annex C

**Citation**

- F This instrument may be cited as the Fees (Single Financial Guidance Body Levy) Instrument 2018.

By order of the Board  
[date] 2018

## Annex A

## Amendment to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless indicated otherwise.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>SFGB</i>	the single financial guidance body established under section 1 (Establishment of the single financial guidance body) of the Financial Guidance and Claims Act 2018.
<i>SFGB debt advice levy</i>	the amount payable to the <i>FCA</i> by a <i>firm</i> to which <i>FEES 7A.3</i> (The <i>SFGB</i> money advice levy and debt advice levy) and <i>FEES 7A Annex 2R</i> apply.
<i>SFGB levy</i>	the levy payable to the <i>FCA</i> pursuant to <i>FEES 7A.2.1R</i> by the <i>persons</i> listed in: <ol style="list-style-type: none"> <li>(1) <i>FEES 1.1.2R(5)</i> in relation to the <i>SFGB money advice levy</i> and <i>SFGB debt advice levy</i>; and</li> <li>(2) <i>FEES 7A.1.2R</i> in relation to the <i>SFGB pensions guidance levy</i>.</li> </ol>
<i>SFGB money advice levy</i>	the amount payable to the <i>FCA</i> by a <i>firm</i> to which <i>FEES 7A.3</i> (The <i>SFGB</i> money advice levy and debt advice levy) and <i>FEES 7A Annex 1R</i> apply.
<i>SFGB pensions guidance levy</i>	the amount payable to the <i>FCA</i> by a <i>firm</i> to which <i>FEES 7A.4</i> (The <i>SFGB</i> Pensions guidance levy) applies.

Amend the following definitions as shown.

<i>electronic money issuer</i>	(1) (except in <i>DISP</i> , <i>FEES 5.5A</i> and <i>FEES 7A</i> ) any of the following <i>persons</i> when they issue <i>electronic money</i> : <p style="text-align: center;">...</p>
	(3) <u>(in <i>FEES 7A</i>) as in (1) but excluding:</u> <ol style="list-style-type: none"> <li>(a) <u>the Bank of England, the European Central Bank and the national central banks of <i>EEA States</i> other than the <i>United Kingdom</i>, when not acting in their capacity as a monetary authority or other public authority; and</u></li> <li>(b) <u>government departments and local authorities when acting in their capacity as public authorities.</u></li> </ol>



- firm* ...
- (5) (in *FEES 3, FEES 4, FEES 5, ~~and FEES 7~~ and FEES 7A*) includes a *fee-paying payment service provider* and a *fee-paying electronic money issuer* in accordance with *FEES 3.1.1AR, FEES 4.1.1AR, FEES 5.1.1AR, ~~and FEES 7.1.1R~~ and FEES 7A1.1R(1)*.
- ...
- payment service provider* (1) (except in *DISP and FEES 7A*) (in accordance with regulation 2(1) of the *Payment Services Regulations*) any of the following *persons* when they carry out a *payment service*:
- ...
- (5) (in *FEES 7A* as in (1) but excluding (1)(g) and (h)).

## Annex B

### Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless indicated otherwise.

## 1 Fees Manual

### 1.1 Application and Purpose

1.1.1 G ...

(8) FEES 7A relates to the SFGB levy.

...

1.1.2 R This manual applies in the following way:

...

(5) FEES 1, 2, ~~and 7~~ and 7A (in relation to the SFGB money advice levy and SFGB debt advice levy only) apply to:

...

...

(7) FEES 7A (in relation to the SFGB pensions guidance levy only) applies to firms referred to in FEES 7A.1.2R.

FEES 1, 2, ~~and 7~~ and 7A do not apply to an *incoming EEA firm* or an *incoming Treaty firm* that has not established a *branch* in the *United Kingdom*.

...

...

## 2 General Provisions

...

### 2.2 Late Payments and Recovery of Unpaid Fees

Late Payments

2.2.1 R If a *person* does not pay the total amount of a periodic fee, *FOS* levy, or share of the *FSCS* levy, ~~or~~ *CFEB* levy or SFGB levy, before the end of the date on which it is due, under the relevant provision in FEES 4, 5, ~~6~~ or 7 or 7A, that *person* must pay an additional amount as follows:

...

- 2.2.2 G The *FCA*, (for *FCA* and *PRA* periodic fees, *FOS* and *FSCS* levies, ~~and~~ *CFEB* levies and *SFGB* levies), expects to issue invoices at least 30 days before the date on which the relevant amounts fall due. Accordingly it will generally be the case that a *person* will have at least 30 days from the issue of the invoice before an administrative fee becomes payable.

#### Recovery of Fees

- 2.2.3 G (1) Paragraph 23(8) of Schedule 1ZA of the *Act* permits the *FCA* to recover fees (including fees relating to *payment services*, the issuance of *electronic money*, *CBTL firms*, *data reporting services providers*, *designated credit reference agencies*, *designated finance platforms* and, where relevant, *FOS* levies, ~~and~~ *CFEB* levies and *SFGB* levies).

...

- 2.2.4 G In addition, the *FCA* may be entitled to take regulatory action in relation to the non-payment of fees, *FOS* levies, ~~and~~ *CFEB* levies and *SFGB* levies. The *FCA* may also take regulatory action in relation to the non-payment of a share of the *FSCS* levy, after reference of the matter to the *FCA* by the *FSCS*. What action (if any) that is taken by the *FCA* will be decided upon in the light of the particular circumstances of the case.

## 2.3 Relieving Provisions

#### Remission of Fees and levies

- 2.3.1 R If it appears to the *FCA* or the *FSCS* (in relation to any *FSCS* levy only) that in the exceptional circumstances of a particular case, the payment of any fee, *FSCS* levy, *FOS* levy, ~~or~~ *CFEB* levy or *SFGB* levy would be inequitable, the *FCA* or the *FSCS* as relevant, may (unless *FEES* 2.3.2BR applies) reduce or remit all or part of the fee or levy in question which would otherwise be payable.
- 2.3.2 R If it appears to the *FCA* or the *FSCS* (in relation to any *FSCS* levy only) that in the exceptional circumstances of a particular case to which *FEES* 2.3.1R does not apply, the retention by the *FCA*, the *FSCS*, or the *CFEB*, as relevant, of a fee, *FSCS* levy, *FOS* levy, ~~or~~ *CFEB* levy or *SFGB* levy which has been paid would be inequitable, the *FCA*, the *FSCS* or the *CFEB*, may (unless *FEES* 2.3.2BR applies) refund all or part of that fee or levy.

...

- 2.3.3 R For *FEES* 7A, the *FCA* is entitled not to consider a claim under *FEES* 2.3.1R or *FEES* 2.3.2R to refund any overpaid amounts due to a mistake of fact or law by the fee-paying *firm* if the claim is made more than two years

after the beginning of the period to which the *SFGB levy* subject to the claim relates.

## 2.4 VAT

- 2.4.1 R All fees payable or any stated hourly rate under *FEES* 3 (Application, notification and vetting fees), *FEES* 4 (Periodic fees), ~~and~~ *FEES* 7 (The CFEB levy) and *FEES* 7A (The SFGB levy) are stated net of VAT. Where VAT is applicable this must also be included.

After *FEES* 7 (CFEB levies) insert the following new chapter *FEES* 7A. The text is not underlined.

## 7A SFGB levies

### 7A.1 Application and purpose

Application

- 7A.1.1 R This chapter applies to the *persons* listed in:
- (1) *FEES* 1.1.2R(5) in relation to the *SFGB money advice levy* and *SFGB debt advice levy*; and
  - (2) *FEES* 7A.1.2R in relation to the *SFGB pensions guidance levy*.
- 7A.1.2 R The *SFGB pensions guidance levy* applies to a *firm* that:
- (1)
    - (a) has a *Part 4A Permission*; or
    - (b) is an *incoming EEA firm* with a *branch* in the *United Kingdom*; or
    - (c) is an *incoming Treaty firm* with a *branch* in the *United Kingdom*; and
  - (2) falls within one or more of the following activity groups listed in Part 1 of *FEES* 4 Annex 1A:
    - (a) A.1 Deposit acceptors;
    - (b) A.4 Insurers – life;
    - (c) A.7 Portfolio managers except Class (1)A *firms*;
    - (d) A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes;

and

- (e) A.13 Advisors, arrangers, dealers or brokers.

#### Purpose

- 7A.1.3 G The purpose of this chapter is to set out the requirements on the *persons* listed in *FEES* 7A.1.1R to fund the Secretary of State costs relating to the *SFGB*, and the related *FCA* collection costs.

#### Background

- 7A.1.4 G Under section 137SA(1) (Rules to recover expenses relating to the single financial guidance body) of the *Act*, the Secretary of State may, from time to time, notify the *FCA* of the expenses incurred, or expected to be incurred, in connection with the operation of the *SFGB* or under section 12 of the Financial Guidance and Claims Act 2018. Expenses arise under section 12 when the Secretary of State:
- (1) pays grants or makes loans, or gives any other form of financial assistance, to meet expenditure in connection with the establishment of the *SFGB*; and
  - (2) pays grants or makes loans, or gives any other form of financial assistance, to the *SFGB* for the purpose of enabling the *SFGB* to carry out its functions.
- 7A.1.5 G When the Secretary of State has notified the *FCA* under section 137SA(1) , under subsections (2) and (3) the *FCA* must make rules requiring *authorised persons, electronic money issuers or payment service providers* (or any specified class of the same) to pay specified sums, or sums calculated in a specified way to the *FCA* with a view to recovering:
- (1) the amount notified by the Secretary of State; and
  - (2) expenses incurred by the *FCA* in connection with its functions under section 137SA of the *Act*.
- 7A.1.6 G This chapter contains the *rules* referred to in *FEES* 7A.1.4G(2).
- 7A.1.7 G Under section 137SA(8) of the *Act*, the *FCA* must pay to the Secretary of State the amounts that it receives pursuant to the *rules* in this chapter, apart from amounts covering its collection costs (which the *FCA* may keep).
- 7A.1.8 G The total amount raised by the *SFGB* levy may vary from year to year depending on the amount notified to the *FCA* by the Secretary of State.

#### Exemption

- 7A.1.9 R A *firm* is not liable to pay a *SFGB* levy in relation to *payment services* or *electronic money* issuance if it is the Bank of England, a government department, a local authority, a municipal bank or the National Savings

Bank.

## 7A.2 The SFGB levy

- 7A.2.1 R The *SFGB levy* is made up of:
- (1) The *SFGB money advice levy*, as set out in *FEES 7A.3*;
  - (2) The *SFGB debt advice levy*, as set out in *FEES 7A.3*; and
  - (3) The *SFGB pensions guidance levy*, as set out in *FEES 7A.4*.

## 7A.3 The SFGB money advice levy and debt advice levy

Obligation to pay money advice levy or debt advice levy

- 7A.3.1 R A *firm* must pay the *SFGB money advice levy* or *SFGB debt advice levy* applicable to it:
- (1) in full and without deduction (unless permitted or required by a provision in *FEES*); and
  - (2) in accordance with the provisions of *FEES 4.3.6R* as modified by *FEES 7A.3.2R*.
- 7A.3.2 R
- (1) For the purposes of *FEES 7A.3.1R(2)*, *FEES 4.3.6R(1C)* to (1E) is modified so that if a *firm's* periodic fee for the previous *financial year* were at least £50,000, the *firm* must pay:
    - (a) an amount equal to 50% of the *SFGB money advice* or *SFGB debt advice levy* payable for the previous year, by 1 April in the *financial year* to which the sum due under *FEES 7A.3.1R* relates; and
    - (b) the balance of the *SFGB money advice levy* or *SFGB debt advice levy* due for the current *financial year* by 1 September in the *financial year* to which that sum relates.
  - (2) For the purposes of *FEES 7A.3.1R(2)*, *FEES 4.3.6R(2)* is modified so that if the *firm's* periodic fee for the previous *financial year* was less than £50,000, the *firm* must pay its *SFGB money advice levy* or *SFGB debt advice levy* in full by 1 July in the *financial year* to which that sum relates.

Calculation of the money advice levy and debt advice levy

- 7A.3.3 R The *SFGB money advice levy* and *SFGB debt advice levy* are each calculated as follows:

- (1) identify each of the activity groups set out in Part 1 of *FEES 7A Annex 1R* and Part 1 of *FEES 7A Annex 2R* that apply to the business of the *firm* for the relevant period (for this purpose, the activity groups under *FEES 7A Annex 1R* are defined in accordance with Part 1 of *FEES 4 Annex 1AR* and the activity groups under *FEES 7A Annex 2R* are defined in accordance with Part 1 of that Annex);
- (2) calculate, for each of those activity groups identified in (1), the amount payable in the way set out in *FEES 7A.3.4R*;
- (3) add each of the amounts calculated under (2);
- (4) work out whether a minimum fee is payable under Part 2 of *FEES 7A Annex 1R* and if so how much;
- (5) add together the amounts calculated under (3) and (4);
- (6) modify the result as indicated by (if applicable) *FEES 4.2.7ER*, *FEES 4.2.7FR*, *FEES 4.2.7GR*, *FEES 4.2.7HR*, *FEES 4.2.7IR*, *FEES 4.2.7JG* and *FEES 4.2.7KR*;
- (7) apply any applicable payment charge specified in *FEES 4.2.4R* to the amount in (6), provided that:
  - (a) for payment by direct debit, successful collection of the amount due is made at the first attempt by the *FCA*; or
  - (b) for payment by credit transfer, the amount due is received by the *FCA* on or before the due date; and
- (8) make the calculations using information obtained in accordance with *FEES 4.4* in the case of *FEES 7A Annex 1R* and Part 3 of *FEES 7A Annex 2R* in the case of Part 2 of that Annex.

7A.3.4 R The amount payable by a *firm* with respect to a particular activity group is calculated as follows:

- (1) calculate the size of the *firm's* tariff base for that activity group using:
  - (a) the tariff base calculations in Part 3 of *FEES 4 Annex 1AR*, Part 3 of *FEES 4 Annex 11* and Part 2 of *FEES 7A Annex 2R*; and
  - (b) the valuation date requirements in Part 5 of *FEES 4 Annex 1AR*, Part 3 of *FEES 4 Annex 11R* and Part 3 of *FEES 7A Annex 2*;
- (2) use the figure in (1) to calculate which of the bands set out in the table in Part 1 of *FEES 7A Annex 1R* and Part 4 of *FEES 7A Annex*

2R the *firm* falls into;

- (3) add together the fixed sums, as set out in the table in Part 1 of *FEES 7A Annex 1R* and Part 4 of *FEES 7A Annex 2R*, applicable to each band identified under (2);
- (4) the amount in (3) is the amount payable by the *firm* with respect to that activity group.

7A.3.5 R For the purposes of *FEES 7A.3.4R*:

- (1) a *firm* may apply the relevant tariff bases and rates to its non-UK business, as well as to its UK business, if:
  - (a) it has reasonable grounds for believing that the costs of identifying the *firm's* UK business separately from its non-UK business in the way described in Part 3 of *FEES 4 Annex 1AR* and Part 1 of *FEES 4 Annex 11R* are disproportionate to the difference in fees payable; and
  - (b) it notifies the *FCA* in writing at the same time as it provides the information concerned under *FEES 4.4* (Information on which fees are calculated), or, if earlier, at the time it pays the fees concerned;
- (2) for a *firm* which has not complied with *FEES 4.4.2R* (information on which fees are calculated) or *FEES 4.4.8D* (Information relating to payment services and the issuance of electronic money) for this period, the *SFGB money advice levy* and *SFGB debt advice levy* is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10.

7A.3.6 R The modifications in Part 3 of *FEES 4 Annex 2AR* and Part 7 of *FEES 4 Annex 11R* apply.

Amount payable by the Society of Lloyds

7A.3.7 R The *SFGB money advice levy* in relation to the *Society* is specified against its activity group in Part 1 of *FEES 7A Annex 1R*.

*FEES 4* rules incorporated into *FEES 7A* by cross-reference

7A.3.8 G The *Handbook* provisions relating to the *SFGB money advice levy* and *SFGB debt advice levy* are meant to follow closely the provisions relating to the payment of periodic fees under *FEES 4.3.1R*. For brevity, not all of these provisions are set out again in *FEES 7A*. In some cases, certain *FEES 4* rules are applied to the payment of the *SFGB money advice levy* and *SFGB debt advice levy* by individual rules in *FEES 7A*. The rest are set out in the table in *FEES 7A.3.10R*.



7A.3.9 R The *rules* set out in the table in *FEES 7A.3.10R* and any other *rules* in *FEES 4* included in *FEES 7A* by cross-reference apply to the *SFGB money advice levy* and *SFGB debt advice levy* in the same way as they apply to periodic fees payable under *FEES 4.3.1R*.

7A.3.10 R Table of rules in *FEES 4* that also apply to *FEES 7A* to the extent that in *FEES 4* they apply to fees payable to the FCA

FEES 4 rules incorporated into FEES 7A	Description
<i>FEES 4.2.4R</i>	Method of payment
<i>FEES 4.2.7ER</i>	Modifications for persons becoming subject to periodic fees during the course of a <i>fee year</i>
<i>FEES 4.2.7FR</i>	Calculating the fee in the firm's first year of authorisation
<i>FEES 4.2.7GR</i>	Calculating fees in the second fee-year where the firm received permission between 1 January and 31 March in its first fee year
<i>FEES 4.2.7HR</i> to <i>FEES 4.2.7KR</i>	Calculating all other fees in the second and subsequent years of authorisation where a full year of tariff data is not available
<i>FEES 4.2.8R</i>	How <i>FEES 4.2.7R</i> applies in relation to an incoming EEA firm or an incoming Treaty firm
<i>FEES 4.2.10R</i>	Extension of time
<i>FEES 4.2.11R</i> (first entry only)	Due date and changes in permission for periodic fees
<i>FEES 4.3.7R</i>	Groups of firms
<i>FEES 4.3.13R</i>	Firms applying to cancel or vary permission before start of period
<i>FEES 4.3.17R</i>	Firms acquiring businesses from other firms
<i>FEES 4.4.1R</i> to <i>FEES 4.4.6R</i>	Information on which fees are calculated

7A.3.11 D *FEES 4.4.7D* to *FEES 4.4.9D* (Information relating to payment services and the issuance of electronic money) also apply to *FEES 7A*.

7A.3.12 R References in a *FEES 4 rule* incorporated into *FEES 7A* by cross-reference to a periodic fee should be read as being to the *SFGB money advice levy* and

*SFGB debt advice levy*. References in a *FEES 4 rule* incorporated into *FEES 7A* to market operators, service companies, MTF operators, investment exchanges, or designated professional bodies should be disregarded.

- 7A.3.13 G In some cases, a *FEES 4 rule* incorporated into *FEES 7A* in the manner set out in *FEES 7A.3.8G* will refer to another *rule* in *FEES 4* that has not been individually incorporated into *FEES 7A*. Such a reference should be read as being to the corresponding provision in *FEES 7A*. The main examples are set out in *FEES 7A.3.14G*.
- 7A.3.14 G Table of *FEES 4* rules that correspond to *FEES 7A* rules

FEES 4 rules	Corresponding FEES 7A rules
<i>FEES 4.2.1R</i>	<i>FEES 7A.3.1R</i>
<i>FEES 4.3.1R</i>	<i>FEES 7A.3.3R</i>
<i>FEES 4.3.3R</i>	<i>FEES 7A.3.3R</i>
<i>FEES 4.3.3AR</i>	<i>FEES 7A.3.3R</i>
<i>FEES 4.3.12R</i>	<i>FEES 7A.3.6R</i>
<i>FEES 4.3.12AR</i>	<i>FEES 7A.3.6R</i>
Part 1 of <i>FEES 4 Annex 2AR</i>	Part 1 of <i>FEES 7A Annex 1R</i>
Part 2 of <i>FEES 4 Annex 11R</i>	Part 1 of <i>FEES 7A Annex 1R</i>
Part 5 of <i>FEES 4 Annex 11R</i>	Part 1 of <i>FEES 7A Annex 1R</i>

#### 7A.4 The SFGB pensions guidance advice levy

Obligation to pay SFGB pensions guidance levy

- 7A.4.1 R A *firm* must pay the *SFGB pensions guidance levy* applicable to it:
- (1) in full and without deduction; and
  - (2) in accordance with the *rules* in this section.

Calculation of SFGB pensions guidance levy

- 7A.4.2 R The *SFGB pensions guidance levy* applicable to a particular *firm* is calculated as follows:

- (1) identify each of the activity groups in *FEES* 7A.1.2R(2) that apply to the business of the *firm* for the relevant period;
- (2) calculate the amount payable under *FEES* 7A.4.3R for each of those activity groups;
- (3) modify the result in accordance with, if applicable, *FEES* 7A.4.4R; and
- (4) apply any payment charge in *FEES* 4.2.4R.

7A.4.3 R The amount payable for a particular activity group is calculated as follows:

- (1) (a) calculate the size of the *firm's* tariff base for the activity group using:
  - (i) the tariff base calculations in Part 3 of *FEES* 4 Annex 1AR; and
  - (ii) the valuation date requirements in Part 5 of *FEES* 4 Annex 1AR;
- (b) exclude best estimate liabilities for fees purposes in the calculation for fee-block A4;
- (2) use the figure in (1) to calculate the levy applicable for each band in *FEES* 7A Annex 3R;
- (3) add together the sums for each applicable band under (2);
- (4) the amount in (3) is the amount payable by the *firm* for that activity group.

7A.4.4 R For the first *fee year* during which *FEES* 7A.4.2R applies to a *firm's* *permission* to carry on a *regulated activity*, the *SFGB pensions guidance levy* applicable to that *permission* must be modified using the formula in *FEES* 4.2.6R.

7A.4.5 R For *FEES* 7A.4.3R, a *firm* may apply the relevant tariff bases and rates to its non-UK business, as well as to its UK business, if:

- (1) it has reasonable grounds for believing that the cost of identifying the *firm's* UK business separately from its non-UK business is disproportionate to the difference in the *SFGB pensions guidance levy* payable by it; and
- (2) it notifies the *FCA* in writing:
  - (a) at the same time as it provides the information concerned under *FEES* 4.4 (Information on which fees are calculated); or

- (b) if earlier, at the time it pays the *SFGB pensions guidance levy* applicable to it.

- 7A.4.6 R The *SFGB pensions guidance levy* is calculated using the same information that is used to calculate a *firm's* periodic fee under *FEES 4*.
- 7A.4.7 R Where a *firm* which has not complied with *FEES 4.4.2R* (information on which fees are calculated) in relation to a particular *fee year* the *SFGB pensions guidance levy* for that *firm* for that *fee year* is calculated using (where relevant) the valuation(s) of business used to calculate the *SFGB pensions guidance levy* for that *firm* for the previous *fee year*, multiplied by the factor of 1.10.

#### Application of FEES 4 to the SFGB pensions guidance levy

- 7A.4.8 G (1) The *Handbook* provisions relating to the *SFGB pensions guidance levy* are meant to follow closely the provisions relating to the payment of periodic fees payable by an *authorised person* under *FEES 4*.
- (2) As such, the table in *FEES 7A.4.11R* lists *rules* in *FEES 4* that also apply, in a modified form, to the *SFGB pensions guidance levy*.
- 7A.4.9 R The *rules* in the table in *FEES 7A.4.11R* and any other *rules* in *FEES* included in *FEES 7A.4* by cross-reference apply to the *SFGB pensions guidance levy* in the same way as they apply to periodic fees payable under *FEES 4*.
- 7A.4.10 R A reference to a periodic fee in a *FEES 4 rule* incorporated into *FEES 7A.4* must be read, for the purposes of applying that *rule* to the *SFGB pensions guidance levy*, as a reference to the *SFGB pensions guidance levy*.
- 7A.4.11 R Table of rules in *FEES 4* that also apply in *FEES 7A.4*.

FEES 4 incorporated into FEES 10	Description	Modifications
<i>FEES 4.2.4R</i>	Method of payment	None
<i>FEES 4.2.7ER</i>	Modifications for persons becoming subject to periodic fees during the course of a fee year	None
<i>FEES 4.2.7FR</i>	Calculating the fee in the firm's first year of authorisation	None

<i>FEES 4.2.7GR</i>	Calculating fees in the second fee year where the firm received permission between 1 January and 31 March in its first fee year	None
<i>FEES 4.2.7HR to FEES 4.2.7KR</i>	Calculating all other fees in the second and subsequent years of authorisation where a full year of tariff data is not available	None
<i>FEES 4.2.8R</i>	How <i>FEES 4.2.7R</i> applies to an incoming EEA firm or an incoming Treaty firm	None
<i>FEES 4.2.9R</i>	Fee payers ceasing to hold relevant status or reducing the scope of their permission after start of relevant period	Reference to column (1) of the table in <i>FEES 4.2.11R</i> is a reference to <i>FEES 7A.1.3G</i>
<i>FEES 4.3.7R</i>	Groups of firms	Reference to <i>FEES 4.2.1R</i> is a reference to <i>FEES 7A.4.1R</i>
<i>FEES 4.3.13R</i>	Firms applying to cancel or vary permission before start of period	Reference to <i>FEES 4.2.1R</i> is a reference to <i>FEES 7A.4.1R</i>
<i>FEES 4.3.17R</i>	Firms acquiring businesses from other firms	Reference to <i>FEES 4.2.7ER to FEES 4.2.7KR</i> is a reference to <i>FEES 7A.4.4R</i>  Reference to <i>FEES 4.2.1R</i> is a reference to <i>FEES 7A.4.1R</i>
<i>FEES 4.4.1R to FEES 4.4.6R</i>	Information on which fees are calculated	None

After FEES 7A (SFGB levies) insert the following new Annexes. The text is not underlined.

**7A SFGB money advice levy for the period from 1 April 2018 to 31 March 2019**  
**Annex**

## 1R

## Part 1

This table shows the *SFGB money advice levy* applicable to each activity group (fee-block).

Activity group	SFGB money advice levy payable	
A.1	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)
	>10	0.0528
A.2	Band Width (no. of mortgages and/or <i>home finance transactions</i> )	Fee (£/mortgage)
	>50	0.0196
A.3	Gross written premium for fees purposes (GWP)	
	Band Width (£ million of GWP)	Fee (£/£m or part £m of GWP)
	>0.5	1.0200
	<b>PLUS</b>	
	Best estimate liabilities for fees purposes (BEL)	
Band Width (£ million of BEL)	Fee (£/£m of part £m of BEL)	

	>1	0.0577
A.4	Gross written premium for fees purposes (GWP)	
	Band Width (£ million of GWP)	Fee (£/£m or part £m of GWP)
	>1	0.4930
	<b>PLUS</b>	
	Best estimate liabilities for fees purposes (BEL)	
	Band Width (£ million of BEL)	Fee (£/£m or part £m of BEL)
	>1	0.0227
A.5	Band Width (£ million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	0.0000
A.6	Flat levy	0.0000
A.7	For class 1(c),(2), (3) and (4) <i>firms</i> :	
	Band Width (£ million of Funds under Management (FuM))	Fee (£/£m of part £m of FuM)
	>10	0.0056
	For class 1(B) <i>firms</i> : the fee calculated as for class 1(C) firms above, less 15%.	

	For class 1(A) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 50%.	
	Class 1(A), (B) and (C) firms are defined in <i>FEES 4 Annex 1AR</i> .	
A.9	Band Width (£ million of Gross Income (GI))	Fee (£/£m of part £m of GI)
	>1	3.1190
A.10	Band Width (no. of traders)	Fee (£/trader)
	>1	5.0874
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	0.0025
	For a <i>professional firm</i> in A.13 the fee is calculated as above less 10%.	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	0.0011
A.18	Band Width (£ thousands of Annual Income (AI))	Fee ((£/£ thousand or part £ thousand of AI)
	>100	0.0080
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	0.0014



A.21	Band Width (£ <i>client money</i> ) (CM) held	Fee (£/£ millions or part £m of CM)
	less than £1 million	0.08
	an amount equal to or greater than £1 million but less than or equal to £1 billion	0.06
	more than £1 billion	0.04
	<b>PLUS</b>	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i> ) (CA) held	Fee (£/£ millions or part £m of CA)
	less than £10 million	0.00027
	an amount equal to or greater than £10 million and less than or equal to £100 billion	0.00021
	more than £100 billion	0.00014
G.3	Minimum fee (£)	0
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)

	>100	0.0011
G.4	Flat fee (£)	0
G.10	Minimum fee (£)	0
	£ million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	>5.0	0.3000
G.11	Flat fee (£)	0
CC.1	Minimum fee (£)	0
	£ thousand of annual income (AI)	Fee (£/£ thousand or part £ thousand of AI)
	>250	0.00433
CC.2	Minimum fee (£)	0
	£ thousands of annual income (AI)	Fee (£/£ thousand or part £ thousand of AI)
	>250	0.00433
Notes		
(1) The definitions of fee-blocks G5 and G10 under Part 2 and Part 2A of <i>FEES</i> 4 Annex 11R are modified, for the purposes of <i>FEES</i> 7A so that they exclude the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.		
(2) The definitions of those fee-blocks are further amended to exclude <i>EEA firms</i> and those which hold a <i>Part 4A permission</i> .		

**7 Annex 2R SFGB debt advice levy for the period from 1 April 2018 to 31 March 2019**

Part 1

This table shows how the *FCA* links the *regulated activities* for which a *firm* has permission to activity groups (fee-blocks). A *firm* can use the table to identify which fee-blocks it falls into based on its *permission* for the purposes of the *SFGB debt advice levy* applicable to each activity group (fee-block).

Activity group	<i>SFGB debt advice levy</i> payer falls in the activity group if:
A.2 Home finance providers and administrators	It falls under activity group A.2 as defined in Part 1 of <i>FEES 4 Annex 1AR</i> .
CC.3 Consumer credit lending	<p>Its <i>permission</i> is in relation to the following regulated activities:</p> <ul style="list-style-type: none"> <li>- <i>entering into a regulated credit agreement as lender</i> (article 60B(1) of the <i>Regulated Activities Order</i>);</li> <li>- <i>exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement</i> (article 60B(2) of the <i>Regulated Activities Order</i>);</li> </ul> <p>which is carried on by way of business and relates to the following <i>specified investments</i>:</p> <ul style="list-style-type: none"> <li>(a) a regulated credit agreement (excluding <i>high-cost short-term credit</i>, a <i>home credit loan agreement</i> and a <i>bill of sale loan agreement</i>);</li> <li>(b) <i>high-cost short-term credit</i>;</li> <li>(c) a <i>home credit loan agreement</i>;</li> <li>(d) a <i>bill of sale loan agreement</i>.</li> </ul>

## Part 2

This table indicates the tariff base for each fee-block set out in Part 1. The tariff base in this Part is the means by which the *FCA* measures the amount of business conducted by a *firm* for the purposes of calculating the *SFGB debt advice levy* payable to the *FCA* by that *firm*.

Activity group	Tariff base
A.2 Home finance providers and administrators	The sterling value of any residential loans to individuals being the sum of gross unsecuritised and securitised balances (applying the definitions of Unsecuritised balances and Securitised balances set out in Section A: Balance Sheet of <i>SUP 16 Annex 19BG</i> .)

CC.3 Consumer credit lending	<p>Value of lending in column A of <i>data item</i> CCR003 reported by <i>firms</i> under SUP 16 Annex 38AR, being the sum of <i>data elements</i> entered in rows:</p> <ul style="list-style-type: none"> <li>- 1 Debt purchasing;</li> <li>- 2 Hire purchase/conditional sale agreements;</li> <li>- 3 Home credit loan agreements;</li> <li>- 4 Bill of sale loan agreements;</li> <li>- 5 Pawnbroking;</li> <li>- 6 High-cost short-term credit;</li> <li>- 11 Overdrafts;</li> <li>- 12 Other running-account credit; and</li> <li>- 8 Other lending.</li> </ul>
Notes	
<p>(1) The tariff base for <i>authorised professional firms</i> that do not submit <i>data item</i> CCR003 under SUP 16 Annex 38AR is the same as set out above and should be reported to the <i>FCA</i> as required by FEES 4.4.1R and FEES 4.4.2R. The valuation date is in accordance with the CC.3 valuation date in Part 3.</p> <p>(2) The tariff base for an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i> is the same as set out above but limited to the <i>regulated activities</i> of the <i>firm</i> which are carried out in the <i>United Kingdom</i>, except those provided on a <i>cross border services</i> basis, and should be reported to the <i>FCA</i> as required by FEES 4.4.1R and FEES 4.4.2R. The valuation date is in accordance with the CC.3 valuation date in Part 3.</p>	

## Part 3

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of the *SFGB debt advice levy* payable to the *FCA* by that *firm*.

Activity group	Valuation date
A.2 Home finance providers and administrators	The 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the annual return made in the calendar year prior to the 31 December.

CC.3 Consumer credit lending	Value of lending under Part 2 valued at the <i>firm's accounting reference date</i> in the calendar year ending 31 December occurring before the start of the period to which the <i>SFGB debt advice levy</i> applies.
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## Part 4

This table shows the tariff rates applicable to each of the fee-blocks set out in Part 1.

Activity group	SFGB debt advice levy payable	
A.2 Home finance providers and administrators	Band width (£million of secured debt) >0	Fee (£/£m or part £m of secured debt) 0.7787
CC.3 Consumer credit lending	Band width (£million of value of lending) >0 (Note 1)	Fee (£/£m or part £m of value of lending) 4.183
Note		
(1) <i>Credit unions</i> and <i>community finance organisations</i> do not pay any <i>SFGB debt advice levy</i> on the first £2,000,000 of value of lending.		

**7A**  
**Annex**  
**3R**

**SFGB pensions guidance levy for the period 1 April 2018 to 31 March 2019**

Activity group	SFGB pensions guidance levy payable	
A.1	Band width (£ million of modified eligible liabilities (MELs)) >10	Fee (£/£m or part £m of MELS) 0.053
A.4	Band width (£ million of gross written premium for fees purposes (GWP)) >1	Fee (£/£m or part £m of GWP) 0.982

A.7	<p>For class 1(B), 1 (C), (2) and (3) firms:</p> <p>Band width (£ million of funds under management (FuM))</p> <p>&gt;10</p>	<p>Fee (£/£m or part £m of FuM)</p> <p>0.0203</p>
A.9	<p>Band width (£ million of gross income (GI))</p> <p>&gt;1</p>	<p>Fee (£/£m or part £m of GI)</p> <p>7.981</p>
A.13	<p>Band width<sup>3</sup> (£ thousands of annual income (AI))</p> <p>&gt;100</p>	<p>Fee (£/£ thousand or part of £ thousand of AI)</p> <p>0.0028</p>

## Annex C

### Amendments to the Credit Unions sourcebook (CREDS)

In this Annex, underlining indicates new text.

#### Sch 3 Fees and other required payments

Sch  
3.2G

Description of fee	Reference
...	...
<i>CFEB levy</i>	<i>FEES 7</i>
<u><i>SFGB levy</i></u>	<u><i>FEES 7A</i></u>
...	



# Appendix 4

## Fees (Tariff data for insurers from 2018/19)

### Instrument 2018 (made rules)



## **FEES (TARIFF DATA FOR INSURERS FROM 2018/2019) INSTRUMENT 2018**

### **Powers exercised by the Financial Ombudsman Service**

- A. The Financial Ombudsman Service Limited fixes and varies the standard terms for Voluntary Jurisdiction participants relating to the payment of fees under the Voluntary Jurisdiction in Annex B to this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 225 (The scheme and the scheme operator); and
  - (2) paragraph 18 (Terms of reference to the scheme) of Schedule 17.
- B. The fixing and variation of standard terms relating to the payment of fees by the Financial Ombudsman Service Limited is subject to the approval of the Financial Conduct Authority.

### **Powers exercised by the Financial Conduct Authority**

- C. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Act:
- (1) section 137A (The FCA’s general rules);
  - (2) section 137T (General supplementary powers);
  - (3) section 139A (Power of the FCA to give guidance);
  - (4) section 234 (Industry funding); and
  - (5) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority).
- D. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.
- E. The Financial Conduct Authority approves the fixing and variation of the standard terms relating to the payment of fees by the Financial Conduct Ombudsman Service Limited.

### **Commencement**

- F. This instrument comes into force on 1 April 2018.

### **Amendments to the Handbook**

- G. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- H. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

### **Citation**

- I. This instrument may be cited as the Fees (Tariff Data for Insurers from 2018/2019) Instrument 2018.

By order of the Board of the Financial Ombudsman Service Limited  
7 March 2018

By order of the Board of the Financial Conduct Authority  
22 March 2018

**Annex A**

**Amendment to the Glossary of definitions**

In this Annex, underlining indicates new text.

Amend the following text as shown.

- non-directive firm* (1) (in *SUP* 11 (Controllers and close links) and *SUP* 16 (Reporting requirements)) (in accordance with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774)) a *UK domestic firm* other than:
- (a) a *credit institution* authorised under the *Banking Consolidation Directive*;
  - (b) an *investment firm* authorised under *MIFID*;
  - (c) a *management company* as defined in article 2(1)(b) of the *UCITS Directive*, authorised under that directive;
  - (d) a *Solvency II firm*.
- (2) (in *FEES* 4 Annex 1AR Part 3) has the meaning given to it in the Glossary of the *PRA Rulebook*.

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 Periodic fees

...

4.2 Obligation to pay periodic fees

...

- 4.2.7K R Where the measure is not cumulative (e.g. the number of traders for fee-block A10), the *firm* must use the figure relating to its annual reporting date (e.g. 31 December for A10) or, if that is not available, the projected figure used when it was authorised. Table A sets out the reporting requirements for the key fee-blocks when actual data is not available:

Table A: calculating tariff data for second and subsequent years of authorisation when full trading figures are not available

Fee-block	Tariff base	Calculation where trading data are not available
...		
A3. Insurers - general	<del>Annual gross premium income</del> <u>Gross written premium for fees purposes (GWP)</u> for the financial year ended in the calendar year ending 31 December and <del>gross technical liabilities</del> <u>best estimate liabilities for fees purposes (BEL)</u> valued at the end of the financial year	<del>Income GWP</del> – apply the formula $(A \div B) \times 12$ to arrive at an annualised figure. <del>Gross technical liabilities and mathematical reserves.</del> Use <u>BEL</u> – use data at valuation date or, if trading has not commenced by then, use projections provided at authorisation.
A4. Insurers - life	<del>Adjusted gross premium income</del> <u>Gross written premium for fees purposes (GWP)</u> for the financial year ended in the calendar year ending 31 December and <del>mathematical reserves</del> <u>best estimate liabilities for fees purposes (BEL)</u> valued at the end of the financial year	
...		

...

**4.4 Information on which fees are calculated**

...

4.4.2 R A *firm* (other than the *Society*) must send to the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) in writing the information required under *FEES* 4.4.1R as soon as reasonably practicable, and in any event within two *months*, after the date specified as the valuation date in Part 5 of *FEES* 4 Annex 1AR in relation ~~of~~ to fees payable to the *FCA* (or *FEES* 4.2.7BR where applicable) unless *FEES* 4.4.2AR applies.

~~[Note: Transitional provisions apply to *FEES* 4.4.1R and *FEES* 4.4.2R for *firms* in activity groups A.3 and A.4 — see *FEES* TP 13]~~

4.4.2A R If a *firm* is a UK Solvency II firm, an *incoming EEA firm* or an *incoming Treaty firm* in activity group A.3 or A.4 and the *PRA* or the *FCA* has either:

- (1) not received the necessary tariff data on a timely basis in line with Part 3 and 5 of *FEES* 4 Annex 1AR; or
- (2) deemed the tariff data received to be incomplete or insufficiently reliable, by reference to a specific *firm* or across all or part of the activity group.

the *FCA* may use tariff data from the previous reporting period for the periodic fees calculation.

...

**4 Annex FCA activity groups, tariff bases and valuation date 1AR**

...

Part 3

This table indicates the tariff base for each fee-block set out in Part 1.

The tariff base in this Part is the means by which the *FCA* measures the amount of business conducted by a *firm* for the purposes of calculating the annual periodic fees payable to the *FCA* by that *firm*.

Activity group	Tariff base
...	
<b>A.3</b>	<b><u>GROSS PREMIUM INCOME GROSS WRITTEN PREMIUM FOR FEES PURPOSES AND GROSS TECHNICAL LIABILITIES BEST ESTIMATE</u></b>

	<p><b><u>LIABILITIES FOR FEES PURPOSES</u></b></p> <p><b><u>For insurers:</u></b></p> <p>The amount of <i>premium</i> receivable which must be included in the documents required to be deposited under IPRU(INS) (as defined in the Fees Part of the <i>PRA</i> Rulebook) 9.6 in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a waiver or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to IPRU(INS) (as defined in the Fees Part of the <i>PRA</i> Rulebook) under transitional provisions relating to written concessions in <i>SUP</i>;</p> <p><u>Gross written premium for fees purposes means:</u></p> <p>(1) for UK Solvency II firms, a <i>firm's</i> gross written premium as reported to the <i>PRA</i>, being the total of items entered under row codes R0110, R0120 and R0130, as expressed in column code C0200 where this column is completed for those row codes of the annual quantitative reporting template S.05.01.01;</p> <p>(2) for incoming EEA firms or incoming Treaty firms, a <i>firm's</i> gross written premium as reported to their <i>Home State regulator</i>, being the total of items entered under row codes R0110, R0120 and R0130, as expressed in column code C0200 where this column is completed for those row codes, of the annual quantitative reporting template S.05.01.01 but only in relation to the <i>regulated activities</i> of the <i>firm</i> which are carried on in the <i>United Kingdom</i>, (except those provided on a <i>cross border services</i> basis); and</p> <p>(3) for non-directive firms, a <i>firm's</i> gross premium written as reported to the <i>PRA</i> under item 11 of form 11, or where this is not reported because the <i>firm</i> is a <i>Swiss general insurer</i>, the entry at sheet 1, line 1, column 1, of form 20A, or where the <i>firm</i> is a <i>friendly society</i>, the income and expenditure account entry for gross premium written or contributions as income receivable, as appropriate under the Friendly Societies (Accounts and Related Provisions) Regulation 1994 (SI 1994/1983).</p>
	<p><b>AND</b> the amount of gross technical liabilities IPRU(INS) (as defined in the Fees Part of the <i>PRA</i> Rulebook) Appendix 9.1 – Form 15, line 19) which must be included in the documents required to be deposited under FUND 3.4.8G IPRU(INS) (as defined</p>

in the Fees Part of the *PRA* Rulebook) 9.6R in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a *waiver* or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to IPRU(INS) (as defined in the Fees Part of the *PRA* Rulebook) under transitional provisions relating to written concessions in *SUP*.

Best estimate liabilities for fees purposes means:

(1) for UK Solvency II firms, a firm's best estimate liabilities as reported to the *PRA*, being the sum of items entered under row codes R0010, R0370, R0380, R0410 and R0420, column code C0180, of the annual quantitative reporting template S17.01.01; plus the sum of items entered under row codes R0010, R0030, column codes C0090, C0140 and C0190, of the annual quantitative reporting template S12.01.01;

(2) for incoming EEA firms or incoming Treaty firms, a firm's best estimate liabilities as reported to their Home State regulator, being the sum of items entered under row codes R0010, R0370, R0380, R0410 and R0420, column code C0180, of the annual quantitative reporting template S17.01.01; plus the sum of items entered under row codes R0010, R0030, column codes C0090, C0140 and C0190, of the annual quantitative reporting template S12.01.01 but only in relation to the regulated activities of the firm which are carried on in the United Kingdom, except those provided on a cross border services basis; and

(3) for non-directive firms, a firm's total gross technical provisions as reported to the *PRA* under item 19 of form 15, or where this is not reported because the firm is a marine mutual, item 29 of form M2, or where the firm is a friendly society, the balance sheet entry C3 'claims outstanding' where this entry is required under the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983); and otherwise zero.

'Annual quantitative reporting template' has the meaning given in Fees Chapter 1 Application and Definitions of the *PRA* Rulebook.

'Corporate pension business' has the meaning given in Fees Chapter 1 Application and Definitions of the *PRA* Rulebook.

'UK Solvency II firm' has the meaning given in Insurance General Application 2 of the *PRA*

	<p><u>Rulebook.</u></p>
	<p><b>Notes:</b></p> <p><del>(1) in the case of either:</del></p> <p><del>(a) a pure reinsurer carrying on general insurance business through a branch in the United Kingdom; or</del></p> <p><del>(b) an insurer whose head office is not in an EEA State carrying on general insurance business through a branch in the United Kingdom; or</del></p> <p><del>(c) an EEA deposit insurer;</del></p> <p><del>the amount only includes premiums received and gross technical liabilities held in respect of its United Kingdom business;</del></p> <p><del>(2) for a Swiss general insurance company, premiums and gross technical liabilities include those relevant to the operations of the company's United Kingdom branch; and</del></p> <p><del>(3) a firm need not include premiums and gross technical liabilities relating to pure protection contracts which it reports, and pays a fee on, in the A.4 activity group.</del></p>
	<p><b>For friendly societies:</b></p> <p><b>Either:</b></p> <p><del>(a) the value of contributions as income under Schedule 7: Part I item 1(a) to the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983) (the regulations) for a non-directive friendly society, included within the income and expenditure account; or</del></p> <p><del>(b) the value of gross premiums written under Schedule 1: Part I items I.1(a) and II.1.(a) of the regulations for a directive friendly society included within the income and expenditure account.</del></p>
	<p><b>Notes:</b></p> <p><del>(1) In both (a) and (b) above only premium receivable in respect of United Kingdom business are relevant.</del></p> <p><u>(1) The recovery of the FCA's annual funding requirement allocated to the A.3 fee-block will be weighted:</u></p> <p><u>(a) 90% from gross written premium for fees purposes; and</u></p> <p><u>(b) 10% from best estimate liabilities for fees</u></p>



	<p><u>purposes.</u></p> <p><u>(2) This tariff base (A.3 fee-block) does not include gross written premium for fees purposes and best estimate liabilities for fees purposes on which a composite firm reports data relevant for fee-block A.4.</u></p> <p><u>(3) Where any figure used in the calculation of this tariff base is a negative number, it shall instead be deemed to be zero.</u></p> <p><u>(2 4) For UK ISPVs the this tariff base is not relevant and a flat fee set out in FEES 4 Annex 2AR is payable.</u></p>
<p><b>A.4</b></p>	<p><b><u>ADJUSTED GROSS PREMIUM INCOME</u></b>  <b><u>GROSS WRITTEN PREMIUM FOR FEES</u></b>  <b><u>PURPOSES AND MATHEMATICAL</u></b>  <b><u>RESERVES BEST ESTIMATE LIABILITIES</u></b>  <b><u>FOR FEES PURPOSES</u></b> (see FEES 4 Annex 12G)</p> <p><del>Amount of new regular premium business (yearly premiums including reassurances ceded but excluding cancellations and reassurances accepted), times ten;</del></p> <p><b>Plus:</b></p> <p><del>amounts of new single premium business (total including reassurances ceded but excluding cancellations and reassurances accepted). Group protection business (life and private health insurance) must be included;</del></p> <p><b>Less:</b></p> <p><del>premiums relating to pension fund management;</del></p> <p><b>Less:</b></p> <p><del>premiums relating to Trustee Investment Plans.</del></p> <p><del>For each of the above, business transacted through independent practitioners or tied agents (either single or multi-tie) will be divided by two in calculating the adjusted gross premium income;</del></p> <p><u>Gross written premium for fees purposes means:</u></p> <p><u>(1) for UK Solvency II firms, a firm's gross written premium as reported to the PRA, being the item entered under row code R1410, column code C0300 of the annual quantitative reporting template S05.01.01 minus corporate pension business as reported to the PRA under the annual quantitative reporting template S14.01.01; and</u></p> <p><u>(2) for incoming EEA firms or incoming Treaty firms, a firm's gross written premium as reported to their</u></p>

	<p><u>Home State regulator, being the item entered under row code R1410, column code C0300 of the annual quantitative reporting template S05.01.01 minus corporate pension business as reported to the PRA under the annual quantitative reporting template S14.01.01 but only in relation to the regulated activities of the firm which are carried on in the United Kingdom, except those provided on a cross border services basis.</u></p>
	<p><b>AND</b></p> <p>the amount of mathematical reserves (IPRU (INS) (as defined in the Fees Part of the PRA Rulebook) Appendix 9.1R – Form 14 , Line 11 ) which must be included in the documents required to be deposited under IPRU (INS) (as defined in the Fees Part of the PRA Rulebook) 9.6R in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a <i>waiver</i> or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to IPRU (INS) (as defined in the Fees Part of the PRA Rulebook) under transitional provisions relating to written concessions in <i>SUP</i>;</p> <p><b>Less</b></p> <p>mathematical reserves relating to <i>pension fund management</i>.</p> <p><b>Less</b></p> <p>mathematical reserves relating to Trustee Investment Plans.</p> <p><u>Best estimate liabilities for fees purposes means:</u></p> <p>(1) for UK Solvency II firms, a <i>firm's</i> best estimate liabilities as reported to the PRA, being the sum of items entered under row codes R0010 and R0030, column codes C0150 and C0210 minus the sum of items entered under row codes R0010 and R0030, column codes C0090, C0140 and C0190 of the annual quantitative reporting template S12.01.01; minus corporate pension business reported under the annual quantitative reporting template S14.01.01; and</p> <p>(2) for <i>incoming EEA firms</i> or <i>incoming Treaty firms</i>, a <i>firm's</i> best estimate liabilities as reported to their <i>Home State regulator</i>, being the sum of items entered under row codes R0010 and R0030, column codes C0150 and C0210 minus the sum of items entered under row codes R0010 and R0030, column codes</p>

C0090, C0140 and C0190 of the annual quantitative reporting template S12.01.01; minus corporate pension business reported under the annual quantitative reporting template S14.01.01 but only in relation to the *regulated activities* of the *firm* which are carried on in the *United Kingdom*, except those provided on a *cross border services* basis.

‘Annual quantitative reporting template’ has the meaning given in Fees Chapter 1 Application and Definitions of the *PRA Rulebook*.

‘Corporate pension business’ has the meaning given in Fees Chapter 1 Application and Definitions of the *PRA Rulebook*.

‘UK Solvency II firm’ has the meaning given in Insurance General Application 2 of the *PRA Rulebook*.

**Notes:**

~~(1) Only *premiums* receivable and mathematical reserves held in respect of *United Kingdom* business are relevant.~~

~~(2) An *insurer* must include in its calculation of adjusted gross premium income (AGPI) and mathematical reserves (MR) the value of MR and AGPI relating to all risks ceded to *ISPVs*.~~

~~(3) Trustee Investment Plans are the class of *contract of insurance* specified in Class III of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long term insurance) and which are invested in pooled funds beneficially owned by the *insurer* and not earmarked to individual beneficiaries by that *insurer*.~~

(1) The recovery of the *FCA*’s annual funding requirement allocated to the A.4 fee-block will be weighted:

(a) ~~7550~~ % from gross written premium for fees purposes; and

(b) ~~2550~~ % from best estimate liabilities for fees purposes.

(2) For *non-directive firms*, including *non-directive composite firms* to the extent that they come within the A.4 fee block, the tariff base is not relevant to the level of fees due and only the minimum fee as specified in Part 2(b) of *FEES 4 Annex 2AR* is payable.

(3) Where any figure used in the calculation of this

	tariff base is a negative number, it shall instead be deemed to be zero.
...	
<p>Part 5</p> <p>This table indicates the valuation date for each fee-block. A <i>firm</i> can calculate its tariff data in respect of fees payable to the <i>FCA</i> by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.</p>	
Activity group	Valuation date
...	
A.3	<p><del>Annual gross <i>premium</i> income (GPI), for the financial year ended in the calendar year ending 31 December.</del></p> <p><b>AND</b></p> <p><del>Gross technical liabilities (GTL) valued at the end of the financial year ended in the calendar year ending 31 December.</del></p> <p>[<del>Note: Transitional provisions apply—see <i>FEES</i> TP 13</del>]</p> <p><u>The <i>firm</i>'s gross written premium for fees purposes and its best estimate liabilities for fees purposes for the <i>firm</i>'s financial year which ends in the calendar year to 31 December prior to commencement of the <i>fee</i> year.</u></p>
A.4	<p><del>Adjusted annual gross <i>premium</i> income (AGPI) for the financial year ended in the calendar year ending 31 December.</del></p> <p><b>AND</b></p> <p><del>Mathematical reserves (MR) valued at the end of the financial year ended in the calendar year ending 31 December.</del></p> <p>[<del>Note: Transitional provisions apply—see <i>FEES</i> TP 13</del>]</p> <p><u>For UK Solvency II firms, including <i>composite UK Solvency II firms</i> to the extent that they are required to report data used for this tariff base, the <i>firm</i>'s gross written premium for fees purposes and its best estimate liabilities for fees purposes, for the <i>firm</i>'s financial year which ends in the calendar year to 31 December prior to commencement of the <i>fee</i> year.</u></p>

...	
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**4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April 2017 2018 to 31 March 2018 2019**

Part 1

This table shows the tariff rates applicable to each of the fee blocks set out in Part 1 of FEES 4 Annex 1AR.

...

Activity group	Fee payable	
...		
A.3	<del>Gross premium income (GPI) Gross written premium for fees purposes (GWP)</del>	Periodic fee
	Band width (£million of <del>GPI GWP</del> )	Fee (£/m or part £m of <del>GPI GWP</del> )
	>0.5	345.71 [tbc]
	PLUS	
	<del>Gross technical liabilities (GTL) Best estimate liabilities for fees purposes (BEL)</del>	General Periodic fee
	Band Width (£million of <del>GTL BEL</del> )	Fee (£/£m or part £m of <del>GTL BEL</del> )
	>1	18.53 [tbc]
	For UK ISPVs the tariff rates are not relevant and a flat fee of £471 [tbc] is payable in respect of each FCA financial year (the 12 months ending 31 March)	
A.4	<del>Adjusted annual gross premium income (AGPI) Gross written premium for fees purposes (GWP)</del>	General Periodic fee
	Band Width (£million of <del>AGPI GWP</del> )	Fee (£/£m or part £m of <del>AGPI GWP</del> )

	>1	525.91 [tbc]
	PLUS	
	<del>Mathematical reserves (MR)</del> Best estimate liabilities for fees purposes (BEL)	General Periodic fee
	Band Width (£million of MR BEL)	Fee (£/£m or part £m of MR BEL)
	>1	11.08 [tbc]
...		

Part 2

The tables below show the tariff rates (minimum fees) applicable to each of the fee blocks set out in Part 2 of FEES 4 Annex 1AR.

Part 2(a) shows the tariff rates (minimum fees) payable to the FCA by FCA-*authorised persons* and Part 2(b) shows the tariff rates (minimum fees) payable to the FCA by PRA-*authorised persons*.

[**Note:** PRA-*authorised persons* will also pay minimum fees to the PRA as set out in Chapter 3 of the Fees Part of the PRA ~~Rulebook~~ Rulebook.]

...

**Part 2(b) tariff rates (minimum fees) payable to the FCA by PRA-*authorised persons***

A.0	(1)	£547 unless:	
		...	
		(b)	it is a <i>non-directive friendly society</i> that falls into the A.3 activity group but not the A.4 activity group <del>and meets the conditions set out in (3)(a) and has, for that activity, 0.5 million or less in gross written premium for fees purposes and holds best estimate liabilities for fees purposes of 1.0 million or less</del> , in which case the minimum fee payable is £235 [tbc]; or
		(c)	it is a <i>non-directive friendly society</i> that falls into the A.4 activity group but not the A.3 activity group <del>and meets the conditions in (3)(b) and has,</del>

			for that activity, written 1.0 million or less in <u>gross written premium for fees purposes</u> and holds <u>best estimate liabilities for fees purposes</u> of 1.0 million or less, in which case the minimum fee payable is £235 [tbc]; or
		(d)	it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is £235[tbc].
	...		
	(3)	The conditions referred to in (1)(d) are that:	
		(a)	the <i>non-directive friendly society</i> falls into the A.3 activity group and has, for that activity, 0.5 million or less in <del>gross premium income</del> <u>gross written premium for fees purposes</u> and holds <del>gross technical liabilities</del> <u>best estimate liabilities for fees purposes</u> of 1.0 million or less;
		(b)	the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in <del>adjusted gross premium income</del> <u>gross written premium for fees purposes</u> and holds <del>mathematical reserves</del> <u>best estimate liabilities for fees purposes</u> of 1.0 million or less.
		The figures for <del>gross premium income, gross technical liabilities, adjusted gross premium income</del> <u>gross written premium for fees purposes</u> and <del>mathematical reserves</del> <u>best estimate liabilities for fees purposes</u> are the same as used for Part 1 of this Annex.	
	...		

...

**4 Annex 12R**     **Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3**

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee-block A.4.

<p><del>Adjusted Gross Premium Income</del> <u>Gross written premium for fees purposes (GWP)</u> and <del>Mathematical reserves</del> <u>Best estimate liabilities for fees purposes (BEL)</u> - calculation of new regular premium business</p>
<p>(1) In calculating the new regular <i>premium</i> business element of its Adjusted Gross Premium Income, a <i>firm</i> (A) should not include business transferred from another <i>firm</i> (B) under the procedure set out at Part VII of the Act, during the relevant financial year, provided that that transfer did not involve the creation of new contracts between the policyholders subject to the transfer and A. This is because</p>

~~that business is existing business even though it is new from the point of view of A. This means that if new contracts are created as part of the transfer, that business should be included in the calculation of A's new regular *premium* income business.~~

(2) If any business is transferred to a *firm* (A) from another *firm* (B) under the procedure set out at Part VII of the *Act* and that business would have been included in B's tariff base ~~as new regular *premium* business~~ in the absence of such a transfer, this business should be included in either A's or B's tariff base, depending on the date of transfer. ~~FEES 4.3.15R~~ 4.3.17R explains in whose tariff base it should be included.

(32) ~~Mathematical reserves~~ Best estimate liabilities for fees purposes should take account of all of A's business, including all new business transferred from B.

...

## 5 Financial Ombudsman Service funding

...

### 5.3 The general levy

...

5.3.8 R A *firm*'s general levy under the ~~*compulsory jurisdiction*~~ *Compulsory Jurisdiction* is calculated as follows:

- (1) identify each of the tariff bases set out in *FEES* 5 Annex 1 which apply to ~~the *relevant business*~~ of the *firm* for the relevant year;
- (2) for each of those tariff bases, calculate the sum payable in relation to the *relevant business* of the *firm* for that year (except *industry blocks* 2 and 4, in which case calculate the sum payable for that year);
- (3) add together the amounts calculated under (2).

~~[Note: Transitional provisions apply to *FEES* 5.3.8R in relation to *firms* in *industry blocks* 2 and 4—see *FEES* TP 13]~~

...

### 5.4 Information requirement

5.4.1 R (1) A *firm* must provide the *FCA* by the end of February each year (or, if the *firm* has become subject to the *Financial Ombudsman Service* part way through the *financial year*, by the date requested by the *FCA*) with a statement of :

- (a) the total amount of *relevant business* (measured in accordance with the appropriate tariff base(s)) which it conducted; or
- (b) in the case of *firms* in *industry blocks* 2 and 4, the gross written



premium for fees purposes as defined in FEES 4 Annex 1AR (unless FEES 5.4.1R(1A) applies),

as at or in the year to 31 December of the previous year as appropriate, in relation to the tariff base for each of the relevant *industry blocks* set out in FEES 5 Annex 1.

~~[Note: Transitional provisions apply to FEES 5.4.1R(1) in relation to firms in industry blocks 2 and 4—see FEES TP 13]~~

(1A) A firm in industry blocks 2 and 4, has notified the FCA of the amount of gross written premium for fees purposes, as defined in FEES 4 Annex 1AR, that relates to relevant business. The notification must be made by the 30 May each year.

- 5.4.1-A R (1) In the case of firms in industry blocks 2 and 4 the requirements under FEES 5.4.1R apply in relation to the tariff bases(s) and tariff data in FEES 5 Annex 1R.
- (2) If a firm is a UK Solvency II firm, an incoming EEA firm or an incoming Treaty firm in industry blocks 2 and 4 in FEES 5 Annex 1R, the FCA may use tariff data from the previous reporting period for the periodic fees calculation if the PRA or the FCA has either:
- (a) not received the necessary tariff data in a timely basis in line with Part 3 and 5 of FEES 4 Annex 1AR; or
  - (b) deemed the tariff data received to be incomplete or insufficiently reliable, by reference to a specific firm or across all or part of the industry block.

5.4.1A D ...

...

**5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2018/19**

...

**Compulsory jurisdiction - general levy**

Industry block	Tariff base	General levy payable by firm
...		

2- Insurers - general (excluding firms in blocks 13 & 15)	<p><del>Relevant annual gross premium income</del> <u>Gross written premium for fees purposes (GWP) as defined in FEES 4 Annex 1AR; or</u>  <u>Relevant gross written premium (RGWP) notified to the FCA under FEES 5.4.1R(1A)</u></p>	£0.1268 [tbc] per £1,000 of <del>relevant annual gross premium income</del> <u>GWP or RGWP</u> , subject to a minimum levy of £100 [tbc]
...		
4- Insurers - life (excluding firms in block 15)	<p><del>Relevant adjusted annual gross premium income</del> <u>Gross written premium for fees purposes (GWP) as defined in FEES 4 Annex 1AR; or</u>  <u>Relevant gross written premium (RGWP) notified to the FCA under FEES 5.4.1R(1A)</u></p>	£0.01730 [tbc] per £1,000 of <del>relevant adjusted annual gross premium income</del> <u>GWP or RGWP</u> , subject to a minimum levy of £130 [tbc]
...		
Notes		
...		
6	Where the tariff base in the table is defined in similar terms as that for the equivalent activity group in Part 3 of FEES 4 Annex 1A or Part 3 of FEES 4 Annex 11, it must be calculated in the same way as that tariff base - taking into account only the <i>firm's relevant business</i> (except for firms in industry blocks 2 and 4).	
...		

**5 Annex 2R Annual Levy Payable in Relation to the Voluntary Jurisdiction 2017/18 2018/19**

**Voluntary jurisdiction - annual levy for VJ participants**

Industry block and business activity		Tariff basis	Tariff rate	Minimum levy
...				
2V	<p><i>VJ participants undertaking general insurance activities</i></p> <p><b>[Note: Transitional provisions apply—see FEES TP 13]</b></p>	<p>per £1,000 of <del>relevant annual gross premium income gross</del> <u>written premium</u></p>	<p>£0.103 [tbc]</p>	<p>£100 [tbc]</p>
3V	<p><i>VJ participants undertaking life insurance activities</i></p> <p><b>[Note: Transitional provisions apply—see FEES TP 13]</b></p>	<p>per £1,000 of <del>relevant adjusted annual gross premium income gross</del> <u>written premium</u></p>	<p>£0.025 [tbc]</p>	<p>£100 [tbc]</p>
...				

Notes

- (1) For the purposes of *FEES 5 Annex 2R* and for *VJ participants undertaking general insurance activities (industry block 2V)* ‘gross written premium’ means:
- (a) if subject to reporting requirements under the *Solvency II Directive*, the total of items entered under row codes R0110, R0120 and R0130, as expressed in column code C0200 where this column is completed for those row codes, of the annual quantitative reporting template S.05.01.01 but only in relation to the *relevant business* of the *VJ participant* (in accordance with *DISP 4.2.6(5)R* and *FEES 5.3.8R*); and
- (b) if not subject to reporting requirements under the *Solvency II Directive*, the gross premiums written but only in relation to the *relevant business* of the *VJ participant* (in accordance with *DISP 4.2.6(5)R* and *FEES 5.3.8R*).
- (2) For the purposes of *FEES 5 Annex 2R* and for *VJ participants undertaking life insurance activities (industry block 3V)* ‘gross written premium’ means:
- (a) if subject to reporting requirements under the *Solvency II Directive*, the item

entered under row code R1410, column code C0300 of the annual quantitative reporting template S05.01.01 minus corporate pension business under the annual quantitative reporting template S14.01.01 but only in relation to the *relevant business* of the *VJ participant* (in accordance with *DISP 4.2.6(5)R* and *FEES 5.3.8R*); and

(b) if not subject to reporting requirements under the *Solvency II Directive*, the *minimum levy* would apply.

(3) ‘Annual quantitative reporting template’ has the meaning given in Fees Chapter 1 Application and Definitions of the *PRA Rulebook*.

(4) ‘Corporate pension business’ has the meaning given in Fees Chapter 1 Application and Definitions of the *PRA Rulebook*.

...

**TP 13 Transitional provisions relating to the calculation of tariff bases for insurers**

13.1		Application	
13.1.1	R	(1)	<i>FEES</i> TP 13 applies to:
		(a)	a <i>firm</i> in activity groups A.3 and/or A.4 in <i>FEES 4 Annex 1AR</i> (FCA activity groups, tariff bases and valuation dates); or
		(b)	a <i>firm</i> in industry blocks 2 and 4 in <i>FEES 5 Annex 1R</i> (Annual General Levy Payable in Relation to the Compulsory Jurisdiction); or
		(c)	a <i>VJ participant</i> in industry blocks 2V and/or 3V in <i>FEES 5 Annex 2R</i> (Annual Levy Payable in Relation to the Voluntary Jurisdiction).
		(2)	<i>FEES</i> TP 13 modifies:
		(a)	<i>FEES 4.2.7R</i> and <i>FEES 4.2.7BR</i> ;
		(b)	<i>FEES 4.3.3R</i> ;
		(c)	<i>FEES 4.4.1R</i> and <i>FEES 4.4.2R</i> ;
		(d)	<i>FEES 4 Annex 1AR</i> , Part 5;
		(e)	<i>FEES 5.3.8R</i> ;
		(f)	<i>FEES 5.4.1R</i> ;
		(g)	<i>FEES 5.8.1R</i> , <i>FEES 5.8.2R</i> and <i>FEES 5.8.3G</i> ; and

		(h)	<del>FEES 5 Annex 2R. [deleted]</del>
13.1.2	G	<del>FEES TP 13 deals with transitional arrangements relating to the calculation of tariff data for insurers for the fee year 2017/18 as a result of the implementation of the Solvency II Directive from 1 January 2016. [deleted]</del>	
<b>13.2</b>	<b>Calculation of tariff bases for fee year 2017/18</b>		
13.2.1	R	Subject to <del>FEES TP 13.2.2R</del> the following will apply to the calculation of tariff bases for firms and VJ participants caught by <del>FEES TP 13.1.1R(1)</del> for the fee year 2017/18:	
		(1)	Subject to <del>FEES TP 13.2.1R(2)</del> and <del>FEES TP 13.2.1R(3)</del> fees (including the <del>general levy</del> and the levy for the <i>Voluntary Jurisdiction</i> specified in <del>FEES 5 Annex 2R</del> ) will be calculated using the tariff base data reported for the <i>financial year</i> ended in the calendar year ending 2015.
		(2)	If a <i>firm</i> or a <i>VJ participant</i> has acquired or disposed of <i>insurance business</i> by way of an <i>insurance business transfer scheme</i> under Part VII of the <i>Act</i> or Part VIII of the <i>Friendly Societies Act 1992</i> , during the period specified in <del>FEES TP 13.2.3R</del> , it must on or before 28 February 2017:
		(a)	notify the <i>FCA</i> (or the <i>Financial Ombudsman Service</i> in the case of a <i>VJ participant</i> ) that such a transfer has taken place; and
		(b)	provide such information as the <i>FCA</i> (or the <i>Financial Ombudsman Service</i> in the case of a <i>VJ participant</i> ) may require to establish the extent to which the tariff base data, referred to in <del>FEES TP 13.2.1R(1)</del> , has increased or decreased as a result of the transfer and the amended data provided will form the basis of the fees calculation (including the <i>general levy</i> and the levy for the <i>Voluntary Jurisdiction</i> specified in <del>FEES 5 Annex 2R</del> ) for the <i>fee year</i> commencing on 1 April 2017.
		(3)	A <i>firm in run-off</i> (or a <i>VJ participant</i> in equivalent circumstances) which commenced during the period specified in <del>FEES TP 13.2.3R</del> may on or before 28 February 2017 resubmit adjusted 2015 tariff base data. <del>[deleted]</del>
		[Note: Under <del>FEES TP 13.2.1R(2)</del> and (3) <i>firms</i> within activity groups A.3 and/or A.4 make resubmissions to the <i>FCA</i> in its capacity as collection agent for the <i>PRA</i> ]	
13.2.2	R	This <i>rule</i> deals with the use of projected valuations in the calculation of fees for <i>firms</i> subject to <del>FEES TP 13</del> where <del>FEES 4.2.7R</del> , <del>FEES 4.2.7BR</del> , <del>FEES 5.8.1R</del> , <del>FEES 5.8.2R</del> or <del>FEES 5.8.3G</del> apply in the fee year 2017/18.	

		(1)	For periodic fees calculations under <i>FEES</i> 4.2.7R or <i>FEES</i> 4.27BR, projected valuations for a <i>firm's</i> first year, as provided in the course of the <i>firm's</i> application will be applied whether in its first <i>fee year</i> , second <i>fee year</i> or subsequent <i>fee year</i> .
		(2)	The <i>general levy</i> calculation based on projected valuations for a <i>firm's</i> first year of business will be applied whether it is in its first or second <i>financial year</i> .
		(3)	The levy calculation for the <i>Voluntary Jurisdiction</i> specified in <i>FEES</i> 5 Annex 2R based on projected valuations for <i>VJ participant's</i> first year of business will be applied whether it is in its first or second <i>financial year</i> . [deleted]
13.2.3	R		The period referred to <i>FEES</i> TP 13.2.1R(2) and <i>FEES</i> TP 13.2.1R(3) is the period:
		(1)	from the <i>firm's financial year</i> ended in the calendar year ending 2015; to
		(2)	the end of the calendar year ending 2016. [deleted]
13.2.4	R		To assist with the formulation of fees and <i>general levy</i> policy for the <i>fee year</i> and <i>financial year</i> commencing on 1 April 2018 and subsequent <i>fee years</i> and <i>financial years</i> , <i>firms</i> are required to comply with the requests of the <i>FCA</i> for tariff data in respect of the <i>firm's financial years</i> :
		(1)	ended in the calendar year ending 31 December 2016; and
		(2)	ended in the calendar year ending 31 December 2017. [deleted]



# Appendix 5

## Fees (Consumer Financial Education Body Levy) Instrument 2018 (made rules)

## FEES (CONSUMER FINANCIAL EDUCATION BODY LEVY) INSTRUMENT 2018

### Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
  - (2) section 137T (General supplementary powers);
  - (3) section 139A (Power of the FCA to give guidance);
  - (4) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
  - (5) paragraph 12 in Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

### Commencement

- C. This instrument comes into force on 1 April 2018.

### Amendments to the Handbook

- D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

### Citation

- E. This instrument may be cited as the Fees (Consumer Financial Education Body Levy) Instrument 2018.

By order of the Board  
22 March 2018



## Annex

### Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

#### 7 CFEB levies

...

#### 7.2 The CFEB levy

...

Calculation of the CFEB levy

7.2.2 R The *CFEB* levy is calculated as follows:

- (1) identify each of the activity groups set out in Part 1 of *FEES 7 Annex 1R* and Part 1 of *FEES 7 Annex 2R* that apply to the business of the *firm* for the relevant period (for this purpose, the activity groups under *FEES 7 Annex 1R* are defined in accordance with Part 1 of *FEES 4 Annex 1AR* and the activity groups under *FEES 7 Annex 2R* are defined in accordance with Part 1 of that Annex);

...

- (6) modify the result as indicated by ~~the table in *FEES 4.2.6R* and *FEES 4.2.7R*~~ *FEES 4.2.7ER*, *FEES 4.2.7FR*, *FEES 4.2.7GR*, *FEES 4.2.7HR*, *FEES 4.2.7IR*, *FEES 4.2.7JG* and *FEES 4.2.7KR* (if applicable);

...

- (8) make the calculations using information obtained in accordance with *FEES 4.4* in the case of *FEES 7 Annex 1R* and Part 3 of *FEES 7 Annex 2R* in the case of Part 2 of that Annex.

7.2.3 R The amount payable by a *firm* with respect to a particular activity group is calculated as follows:

- (1) calculate the size of the *firm*'s tariff base for that activity group using:
  - (a) the tariff base calculations in Part 3 of *FEES 4 Annex 1AR*, Part 3 of *FEES 4 Annex 11R* and ~~Part 3 of *FEES 7 Annex 1*~~ Part 2 of *FEES 7 Annex 2R*; and
  - (b) the valuation date requirements in Part 5 of *FEES 4 Annex 1AR*,

Part 3 of *FEES 4 Annex 11R* and Part 3 of *FEES 7 Annex 1 2R*;

- (2) use the figure in (1) to calculate which of the bands set out in ~~column 1 and 2~~ of the table in Part 1 of *FEES 7 Annex 1R* and Part 4 of *FEES 7 Annex 2R* the *firm* falls into;
- (3) add together the fixed sums, as set out in ~~columns 1 and 2~~ of the table in Part 1 of *FEES 7 Annex 1R* and Part 4 of *FEES 7 Annex 2R*, applicable to each band identified under (2);
- (4) the amount in (3) is the amount payable by the *firm* with respect to that activity group.

...

- 7.2.9 R Table of rules in *FEES 4* that also apply to *FEES 7* to the extent that in *FEES 4* they apply to fees payable to the *FCA*

<i>FEES 4</i> rules incorporated into <i>FEES 7</i>	Description
<i>FEES 4.2.4R</i>	Method of payment
<del><i>FEES 4.2.7BR</i></del>	<del>Calculation of periodic fee and tariff base for a <i>firm's</i> second financial year</del>
<i>FEES 4.2.7ER</i>	Modifications for persons becoming subject to periodic fees during the course of a fee year
<i>FEES 4.2.7FR</i>	Calculating the <i>fee</i> in the <i>firm's</i> first year of <i>authorisation</i>
<i>FEES 4.2.7GR</i>	Calculating <i>fees</i> in the second fee-year where the <i>firm</i> received <i>permission</i> between 1 January and 31 March in its first fee year
<i>FEES 4.2.7HR</i> to <i>FEES 4.2.7KR</i>	Calculating all other <i>fees</i> in the second and subsequent years of <i>authorisation</i> where a full year of tariff data is not available
<i>FEES 4.2.8R</i>	How <i>FEES 4.2.7R</i> applies in relation to an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i>
<i>FEES 4.2.10R</i>	Extension of time
<i>FEES 4.2.11R</i> (first entry only)	Due date and changes in <i>permission</i> for periodic fees
<i>FEES 4.3.7R</i>	Groups of <i>firms</i>
<i>FEES 4.3.13R</i>	<i>Firms</i> applying to cancel or vary <i>permission</i> before start of

	period
<del>FEES 4.3.15R</del> <del>4.3.17R</del>	<i>Firms</i> acquiring businesses from other <i>firms</i>
<del>FEES 4.4.1R to</del> <del>FEES 4.4.6R</del>	Information on which fees are calculated

...

**7 Money advice CFEB levies levy for the period from 1 April 2017 2018 to 31 March 2018 2019**

**Annex 1R**

Part 1

This table shows the money advice CFEB levies levy applicable to each activity group (fee-block)

Activity Group group	The money advice CFEB levy payable			
	Column 1		Column 2	
A.1	<b>Money advice levy</b>		<b>Debt advice levy</b>	
			<b>(see Part 3A and B)</b>	
	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part m of MELs)	Bandwidth (£ million of unsecured debt)	Fee (£/£m or part £m of unsecured debt)
	>10	1.172 [tbc]	≥0	174.98
				For a <i>credit union</i> no levy is payable on the first £250,000 of the tariff base calculated in accordance with Part 3 A and B of this Annex.

A.2	<del>Money Advice levy</del>		<del>Debt advice levy</del>	
			<del>(see Part 3 C and D)</del>	
	Band Width (no. of mortgages and/or <i>home finance transactions</i> )	Fee (£/mortgage)	Band width (£million of secured debt)	Fee (£/£m or part £m of secured debt)
>50	0.406 [tbc]	≥0	16.50	
...				
Notes				
(1) The definitions of fee-blocks G5 and G10 under Part 2 and Part 2A of <i>FEES 4 Annex 11R</i> are modified, for the purposes of <i>FEES 7</i> , so that they exclude the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.				
(2) The definitions of those fee-blocks are further amended to exclude <i>EEA firms</i> and those which hold a <i>Part 4A permission</i> .				

Part 2	
(1)	This Part sets out the minimum <u>money advice CFEB levy</u> applicable to the <i>firms</i> specified in (3) below.
(2)	The minimum <u>money advice CFEB levy</u> payable by any <i>firm</i> referred to in (3) is <u>£10</u> .
(3)	A <i>firm</i> is referred to in this paragraph if it falls within the following activity groups: A.1; A.2; A.3 (excluding <i>UK ISPVs</i> ); A.4; A.5; A.7; A.9; A.10; A.12; A.13; A.14; A.18; A.19; G.3 and G.10.

Part 3	
(A)	The tariff base for column 2 in activity group A.1:

	<p><i>for credit unions:</i></p> <p>the total sterling value of all loans LESS total sterling value of any residential loans.</p> <p><i>for banks and building societies:</i></p> <p>the sterling value of all outstanding loans to <i>individuals</i> in the <i>UK</i>, excluding <i>bridging loans</i> and loans secured on dwellings and land.</p> <p>The <i>firm</i> must include:</p> <p>(a) any credit card lending;</p> <p>(b) any charge card lending, even if the outstanding balance has to be paid off in full at the end of each charging period; and</p> <p>(c) any other loans and advances to <i>individuals</i> that are not <i>bridging loans</i> or secured on dwellings or land;</p> <p>provided that the <i>firm</i> only includes data that it is required to include in entries 29DB3A3 and 29DB3A4 of Form BE (that is, the Additional Sectoral Details Return that is completed to provide information by banks and building societies to the Bank of England).</p>
(B)	<p>The valuation date for column 2 in activity group A.1 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the Form BE or other annual return made in the calendar year prior to the 31 December.</p>
(C)	<p>The tariff base for column 2 in activity group A.2 is the sterling value of any residential loans to individuals being the sum of gross unsecuritised and securitised balances (applying the definitions of unsecuritised balances and securitised balances set out in SECTION A: BALANCE SHEET of SUP 16 Annex 19B).</p>
(D)	<p>The valuation date for column 2 in activity group A.2 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the annual return made in the calendar year prior to the 31 December.</p>

After FEES 7 Annex 1R (Money advice CFEB levy for the period from 1 April 2018 to 31 March 2019) insert the following new Annex FEES 7 Annex 2R. The text is not underlined.

## 7 Annex 2R Debt advice CFEB levy for the period from 1 April 2018 to 31 March 2019

### Part 1

This table shows how the *FCA* links the *regulated activities* for which a *firm* has permission to activity groups (fee-blocks). A *firm* can use the table to identify which fee-blocks it falls into based on its *permission* for the purposes of the debt advice *CFEB* levy applicable to each activity group (fee-block).

Activity group	Debt advice <i>CFEB levy</i> payer falls in the activity group if:
A.2 Home finance providers and administrators	It falls under activity group A.2 as defined in Part 1 of <i>FEES</i> 4 Annex 1AR.
CC.3 Consumer credit lending	<p>Its <i>permission</i> is in relation to the following regulated activities:</p> <ul style="list-style-type: none"> <li>- <i>entering into a regulated credit agreement as lender</i> (article 60B(1) of the <i>Regulated Activities Order</i>);</li> <li>- <i>exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement</i> (article 60B(2) of the <i>Regulated Activities Order</i>);</li> </ul> <p>which is carried on by way of business and relates to the following <i>specified investments</i>:</p> <ul style="list-style-type: none"> <li>(a) a regulated credit agreement (excluding <i>high-cost short-term credit</i>, a <i>home credit loan agreement</i> and a <i>bill of sale loan agreement</i>);</li> <li>(b) <i>high-cost short-term credit</i>;</li> <li>(c) a <i>home credit loan agreement</i>;</li> <li>(d) a <i>bill of sale loan agreement</i>.</li> </ul>

## Part 2

This table indicates the tariff base for each fee-block set out in Part 1. The tariff base in this Part is the means by which the *FCA* measures the amount of business conducted by a *firm* for the purposes of calculating the debt advice *CFEB levy* payable to the *FCA* by that *firm*.

Activity group	Tariff base
A.2 Home finance providers and administrators	The sterling value of any residential loans to individuals being the sum of gross unsecuritised and securitised balances (applying the definitions of Unsecuritised balances and Securitised balances set out in Section A: Balance Sheet of <i>SUP</i> 16 Annex 19BG.)

CC.3 Consumer credit lending	<p>Value of lending in column A of <i>data item</i> CCR003 reported by <i>firms</i> under SUP 16 Annex 38AR, being the sum of <i>data elements</i> entered in rows:</p> <ul style="list-style-type: none"> <li>- 1 Debt purchasing;</li> <li>- 2 Hire purchase/conditional sale agreements;</li> <li>- 3 Home credit loan agreements;</li> <li>- 4 Bill of sale loan agreements;</li> <li>- 5 Pawnbroking;</li> <li>- 6 High-cost short-term credit;</li> <li>- 11 Overdrafts;</li> <li>- 12 Other running-account credit; and</li> <li>- 8 Other lending.</li> </ul>
Notes	
<p>(1) The tariff base for <i>authorised professional firms</i> that do not submit <i>data item</i> CCR003 under SUP 16 Annex 38AR is the same as set out above and should be reported to the <i>FCA</i> as required by FEES 4.4.1R and FEES 4.4.2R. The valuation date is in accordance with the CC.3 valuation date in Part 3.</p> <p>(2) The tariff base for an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i> is the same as set out above but limited to the <i>regulated activities</i> of the <i>firm</i> which are carried out in the <i>United Kingdom</i>, except those provided on a <i>cross border services</i> basis, and should be reported to the <i>FCA</i> as required by FEES 4.4.1R and FEES 4.4.2R. The valuation date is in accordance with the CC.3 valuation date in Part 3.</p>	

### Part 3

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of the debt advice *CFEB levy* payable to the *FCA* by that *firm*.

Activity group	Valuation date
A.2 Home finance providers and administrators	The 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the annual return made in the calendar year prior to the 31 December.
CC.3 Consumer credit lending	Value of lending under Part 2 valued at the <i>firm's accounting reference date</i> in the calendar year ending 31 December occurring before the start of the period to which the debt advice <i>CFEB levy</i> applies.

## Part 4

This table shows the tariff rates applicable to each of the fee-blocks set out in Part 1.

Activity group	Debt advice <i>CFEB</i> levy payable	
A.2 Home finance providers and administrators	Band width (£million of secured debt) >0	Fee (£/£m or part £m of secured debt)  [tbc]
CC.3 Consumer credit lending	Band width (£million of value of lending) >0 (Note 1)	Fee (£/£m or part £m of value of lending)  [tbc]
Note		
(1) <i>Credit unions</i> and <i>community finance organisations</i> do not pay any debt advice <i>CFEB</i> levy on the first £2,000,000 of value of lending.		



