

Financial Services Compensation Scheme Levy Calculation Notes 2019/20 Final Rates

HOW IS THE FSCS LEVY CALCULATED?

A. Overview

The FSCS levy is made up of two elements:

- Management expenses; and
- Compensation costs.

Management expenses levy – covers the costs of running the compensation scheme. The management expenses levy is made up of **base costs** (operating costs not directly related to the payment of compensation) and **specific costs** (operating costs that are directly related to the payment of compensation arising from valid claims).

The management expenses levy limit for 2019/20 was consulted on in the joint FCA/PRA consultation paper [CP19/9 PRA CP2/19](#) (January 2019).

Compensation costs levy – provides the funds to make valid compensation payments.

All participant firms are required to contribute to **base costs**. **Specific costs** and **compensation costs** are not payable by FSCS exempt firms or newly authorised firms in their first authorised year.

Since legal cutover in April 2013, firms who are dual regulated will pay FSCS Base Costs towards both their FCA and PRA fee-blocks.

For further details of the FSCS levy for 2019/20, please refer to the [FSCS website](#).

B. Exemptions

Firms that have submitted valid exemptions (under *FEES 6.2.1R*), are excluded from specific and compensation costs, but are still liable for their share of base cost levies.

C. FSCS Levy - calculation

To calculate the FSCS Base Costs levy we need to know the Total Base Costs the FSCS require to raise in 2019/20 and the total Regulatory Costs of the FSCS participants for each contribution group within both FCA and PRA. The table below lists the information used for the 2019/20 rates.

Contribution Group	Total Regulatory Cost	FSCS Base Costs to be Levied
AP00	17,205,420	425,621
A000	20,491,156	541,607
A001	73,073,406	1,855,054
A002	17,904,202	444,401
A003	26,571,177	593,571
A004	43,958,578	785,435
A006	353,834	7,906
A007	45,448,583	1,131,784
A009	11,770,876	270,355
A010	50,481,635	1,253,800
A013	76,929,872	1,987,747
A014	14,236,332	362,039
A018	17,346,604	446,189
A019	28,546,060	720,648
A021	14,692,642	363,751
CC01	4,537,647	14,614
CC02	41,478,120	-1,500,547
PA00	446,613	14,328
PA01	152,104,366	6,908,323
PA03	32,092,185	1,358,384
PA04	41,872,691	1,965,416
PA06	1,802,788	80,220
PA10	9,864,823	420,613
Total		20,451,259

To calculate the specific costs levy and compensation costs levy we also need to know the total FSCS tariff data for each class and the amounts FSCS are to raise for each class. The table below details these figures for 2019/20.

Class – Tariff Base	Tariff Base	FSCS Specific Costs	FSCS Class Compensation Costs
SA01	1,211,387,010,727	11,382,538	4,617,462
SB01 - RNPI	39,394,086,745	3,864,143	117,635,857
SB01 - EL	71,907,802,438	1,288,048	39,211,952
CLGID-1	10,830,732,249	4,315,862	7,781,699
CLGID-2 - RNPI	41,977,086,745	1,044,160	1,882,669
CLGID-2 - EL	75,709,802,438	348,053	627,556
CLII-1	9,049,483,977	16,346,617	137,107,928
CLII-2 - RNPI	108,403,479,109	1,787,911	14,996,180
CLII-2 - EL	991,115,952,565	595,970	4,998,727
CLII-3	10,217,659,009	3,405,545	28,564,152
CLII-4	734,100,273	340,555	2,856,415

CLIP	10,217,659,009	3,006,168	97,993,832
CLHFI-1	1,749,218,431	813,441	2,822,923
CLHFI-2	6,890,252	305,040	1,058,596
Total		48,844,052	462,155,948

Class SA01 - Deposit Takers Risk Based Levy - Following the publication in September 2016 of the PRA's policy statement [PS25/16](#) 'Implementing risk-based levies for the Financial Services Compensation Scheme deposits class', FSCS compensation costs levies are adjusted for the degree of risk incurred by deposit takers.

Compensation costs levies for this class were previously based solely on the proportion of protected deposits held by a firm. As required by the recast Deposit Guarantee Schemes Directive, these levies are now also adjusted for the degree of risk the firm incurs.

A firm's risk adjustment is calculated using several quantitative indicators such as: capital; leverage; liquidity; and asset quality.

A firm's aggregate risk weighting will be included on its FCA Regulatory Fees and Levies invoice. More information on the risk adjustment can be found on the [PRA Website](#) or in the PRA's [Statement of Policy](#) 'Calculating risk-based levies for the Financial Services Compensation Scheme deposits class' – paragraph 4.

Review of the funding of the FSCS

Following the FCA's review of the funding of the FSCS (see the publications on this [here](#)), from 2019/20 the changes proposed to the pooling of the FSCS's compensation costs will come into effect. This means that insurance and investment providers are now required to contribute to the costs of advice failures and life, pensions and investment advisers are grouped together.

Product providers will now be required to contribute approximately 25% of the levies falling to the FCA intermediation classes (General Insurance Distribution, Investment Intermediation and Home Finance Intermediation).

The FSCS Classes from 2019/20 are as follows:

SA01	Deposit acceptors
SB01	General insurance provision
SC01	Life & pensions provision
CLGID-1	General insurance distribution
CLGID-2	General insurance provision
CLII-1	Life distribution and investment intermediation
CLII-2	Life insurance provision
CLII-3	Investment provision
CLII-4	Structured deposits provision
CLIP	Investment provision claims
CLHFI-1	Home finance intermediation
CLHFI-2	Home finance provision

Example calculation

Firm X is solo regulated by the FCA and is allocated to the A013 contribution group and in FSCS class CLII-1 (Life distribution and investment intermediation).

At the valuation date of 31 December 2018, it had annual income of £580,000 in respect of FCA fee-block A013 and £338,000 of eligible annual income in respect of FSCS class CLII-1.

Based on the annual income of £580,000 the A013 FCA regulatory cost (the FCA charge after discounts but before deductions) for 2019/20 would be £1,227.84.

The FCA regulatory cost for the minimum fee (fee-block A000) for 2019/20 is £1,151, and the FCA prudential costs (fee-block AP00) for 2019/20 would be £133.96.

Base Costs Levy: Base costs are calculated by reference to the share of a firm's regulatory cost as a proportion of the total regulatory costs (in each contribution group). The calculation is shown below.

A000 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's A000 FSCS Reg.Cost} \times \text{A000 Base Costs to be raised}}{\text{Total A000 FSA Regulatory Costs}}$	$\frac{1,151 \times 425,621}{17,205,420}$	£30.42
Total A000 FSCS Base Costs Levy			£30.42

A013 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's A013 FSCS Reg.Cost} \times \text{A013 Base Costs to be raised}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{1,227.84 \times 1,987,747}{76,929,872}$	£31.73
Total A013 FSCS Base Costs Levy			£31.73

AP00 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's AP00 FSCS Reg.Cost} \times \text{AP00 Base Costs to be raised}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{133.96 \times 425,621}{17,205,420}$	3.31
Total AP00 FSCS Base Costs Levy			£3.31

Compensation and Specific Costs Levy: The Specific and Compensation costs are calculated by reference to the share of the firm's tariff data as a proportion of the total FSCS tariff data (in each FSCS class). These calculations are shown below.

CLII-1 Class: Life Distributions & Investment Intermediation			
Specific Costs Levy	$\frac{\text{Firm's CLII-1 tariff data} \times \text{Total FSCS CLII-1 Specific Cost}}{\text{Total CLII-1 fee tariff base}}$	$\frac{338,000 \times 16,346,617}{9,049,483,977}$	£610.55
Compensation Costs Levy	$\frac{\text{Firm's CLII-1 tariff data} \times \text{Total FSCS CLII-1 Compensation Cost}}{\text{Total CLII-1 fee tariff base}}$	$\frac{338,000 \times 137,207,927}{9,049,483,977}$	£5,121.01
Total CLII-1 FSCS Levy			£5,731.56

Therefore, the FSCS Levy total for Firm X for 2019/20 will be:

FSCS Levy Type	Value
A000 Levy (Base Costs)	£30.42
A013 Levy (Base Costs)	£31.73
AP00 Levy (Base Costs)	£3.31
CLII-1 Levy (Life Distributions & Investment Intermediation)	£5,731.56
Net FSCS Levy Total	£5,797.02