

Regulatory fees and levies: policy proposals for 2019/20

Consultation Paper

CP18/34**

November 2018



How to respond

We are asking for comments on this Consultation Paper (CP) by 14 January 2019. You can send them to us using the form on our website at www.fca.org.uk/cp18-34-response-form

Or in writing to:

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How to navigate this document onscreen

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1 Summary

Why we are consulting

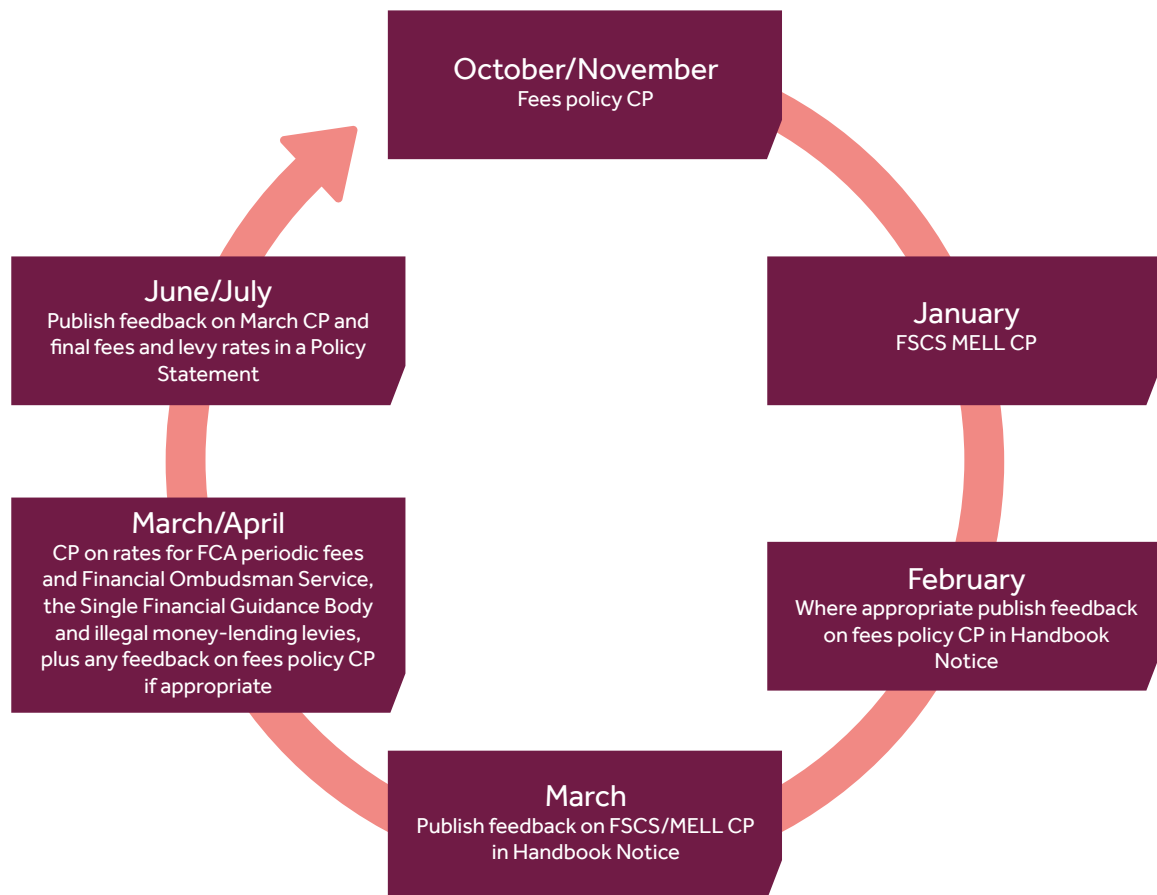
- 1.1** This consultation paper (CP) sets out our proposed policy changes to the way that we will raise FCA fees from 2019/20. We are funded entirely by the fees and levies from the firms we regulate. We do not receive any funding from other sources.

Who this applies to

- 1.2** This document applies to all FCA fee-payers and to credit rating agencies (CRAs) and trade repositories (TRs). These firms are currently regulated by the European Securities and Markets Authority (ESMA). Responsibility for regulating these firms in the UK is expected to pass to the FCA when the UK leaves the European Union (EU). Each chapter deals with a specific policy area and identifies the bodies it will affect. There is a summary in Table 1.1 of this CP.
- 1.3** This CP is not directly relevant to retail financial services consumers, although our fees are indirectly paid by users of financial services.

The wider context of this consultation

- 1.4** Generally, our annual fees consultation follows this cycle:
- October/November - we consult on any changes to our policy on how we raise fees and levies. We give our feedback on the consultation responses in the following February/March Handbook Notice or the March/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 give our feedback on the consultation responses in the March Handbook Notice.
 - March/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, the Single Financial Guidance Body levies and illegal money-lending levies for the next financial year.
 - June/July - we publish feedback on the responses received to the March CP together with final fees and levy rates in a policy statement.



Summary of proposals

- 1.5** Each chapter deals with a self-contained area of policy, summarised below.
- 1.6** Chapter 2 sets out arrangements for recovering the costs of supervising CRAs and TRs if responsibility for their regulation passes to us from ESMA when the UK leaves the EU on 29 March 2019.
- 1.7** Chapter 3 proposes to discontinue fee-block F, which contains mutual societies that are registered by us on the mutuals register but not authorised by us under the Financial Services Act 2000. We would charge the cost of maintaining the register as an FCA overhead, representing an addition of approximately 0.3% to the fees of variable fee-payers. We also propose to remove charges for inspecting the register, except where a member of the public requests a personal visit to FCA offices.
- 1.8** Chapter 4 covers the tariff data used to calculate periodic fees for insurers. We make proposals for the weightings we apply to the premium and liabilities parts of the tariff data from 2019/20.
- 1.9** Chapter 5 clarifies how we apply the on-account payment rules to the illegal money-lending levy and the Single Financial Guidance Body levies and proposes to remove consumer credit fees from community finance organisations and credit unions.
- 1.10** Chapter 6 proposes that UK firms who currently contribute to debt advice funding across the UK will continue to do so. However, part of their contribution will be designated for the devolved authorities' debt advice in Scotland, Wales and Northern Ireland. This chapter also proposes that firms in the temporary permissions regime will contribute to the devolved authorities' debt advice levy on the same basis as UK firms.

Next steps

- 1.11** Please consider our proposals and send us your comments on the questions in this CP by 14 January 2019. Use the online response form on our website or write to us at the address on page 3 of this document.
- 1.12** We will consider your comments and publish our feedback, along with our rules, in our Handbook Notice in February or March 2019.

Equality and diversity considerations

- 1.13** We have considered the equality and diversity issues from our proposals.
- 1.14** Overall, we do not consider that the proposals negatively affect 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.
- 1.15** In the meantime, we welcome your input to this consultation on this.

Table 1.1: Fee-payers likely to be affected by each chapter of this CP

Issue	Fee-payers likely to be affected	Chapter
Transferring regulation of certain types of firm to the FCA from ESMA	Firms which are, or intend to become, credit rating agencies or trade repositories	2
Discontinuing fee-block F and removing charges for inspecting the mutuals register	All fee-payers but especially mutual societies in fee-block F which are not authorised under FSMA; members of the public inspecting the mutuals register	3
Tariff measures for insurers' – weighting between premium and liabilities	General insurers in fee-block A.3 and life insurers in fee-block A.4	4
Other fees policy proposals	Firms that pay the: <ul style="list-style-type: none"> • illegal money lending levy • Single Financial Guidance Body levy All consumer credit fee-payers but especially community finance organisations and credit unions	5
Recovering costs of debt advice in the devolved authorities through a new levy and applying that levy to firms in the temporary permissions regime as well as UK firms	Firms in the A.2 (Home finance providers and administrators) and CC3 ¹ (Consumer credit lending) fee blocks, especially firms in the temporary permissions regime	6

¹ The full definition of fee-block CC3 together with tariff base and valuation point can be found in FEES 7A Annex 2 www.handbook.fca.org.uk/handbook/FEES/7A/Annex2.html



2 Recovering the costs of regulating credit rating agencies and trade repositories after the UK leaves the European Union

(Draft rules in Appendix 1)

- 2.1** We expect the FCA to become the regulatory authority in the UK for CRAs and TRs after the UK leaves the EU. The Treasury has published draft regulations which would allow us to use our powers under the Financial Services and Markets Act 2000 (FSMA) to recover fees from these firms once they come into our scope.²
- 2.2** ESMA currently supervises CRAs and TRs throughout the EU. ESMA recovers part of its costs through fees paid by its regulated firms.
- 2.3** Our proposals in this chapter are based on the draft regulations published by the Treasury. The proposals assume that we will receive the necessary powers on 29 March 2019 when the UK leaves the EU. If Parliament amends the regulations or alternative arrangements are agreed with the EU, we will adjust or defer our proposals accordingly. To maintain continuity and minimise disruption for the firms, most of which will continue to operate in the EU and be regulated by ESMA, we have tried to minimise divergence from ESMA's fees structure. Where we do diverge, we explain the reasons. We propose to maintain some of ESMA's current fees and fee thresholds. Since these are charged in euros, we propose to convert them to sterling as at the final working day of UK membership of the EU (ie 29 March 2019). We propose to use the Bank of England's published spot rate. For the consultation, we have used the spot rate for 31 October 2018, the end of the month preceding publication of this consultation. This rate is £0.8868.
- 2.4** FSMA allows us to raise fees to recover our costs and our FEES manual sets out the detailed framework for calculating and collecting fees under FSMA. ESMA does not have equivalent general powers. The rules regarding the fees that ESMA charges to its regulated firms are set out in specific delegated regulations. We do not need to replicate these requirements because we propose to apply the standard provisions of our FEES manual to CRAs and TRs. The details are in Appendix 1.
- 2.5** We present the key features of our proposals under the following headings:
- application fees
 - periodic fees
 - third-country CRAs and TRs
 - cost recovery

² www.legislation.gov.uk/ukdsi/2018/9780111171394/contents

Application fees

- 2.6** When the UK leaves the EU, CRAs and TRs will need to keep or set up a legal entity in the UK to be eligible to register with us. Firms registered with ESMA and currently established in the UK will be able to 'convert' their ESMA registration to registration with us without having to pay an application fee. When they tell us that they intend to convert their registration, they will have to provide us with basic information, such as contact details and data required for periodic fees. They will have to pay periodic fees from the date on which the UK leaves the EU.
- 2.7** CRAs and TRs currently established outside the UK will need to establish a legal entity in the UK to be eligible to register with us. They will also need to apply to us for registration before the UK leaves the EU and pay the application fee when our fee-raising powers take effect in order to complete the application. In line with our standard policy, they will not be able to get any refund or rebate of application or periodic fees if their application for registration is unsuccessful.
- 2.8** We believe that assessing CRAs' and TRs' applications will be comparable to determining 'moderately complex' FSMA applications by home finance providers, portfolio managers and investment fund managers. The fee for a moderately complex application is £5,000 so this is the charge we propose for registration applications from all three categories of firm.
- 2.9** This charge does not fully cover the level of work we expect to undertake in deciding the applications. We have a longstanding policy of sharing the costs of applications between new applicants and existing fee-payers. This policy was established by our predecessor, the Financial Services Authority (FSA), through its first consultation on fees when it was set up in 2000. Our policy is based on the principle that the authorisation process is intended to support the whole market. Firms that are already authorised benefit from our effective control of market entry so should contribute towards the costs. By ensuring that new entrants meet minimum standards, we reduce the risk of firms failing and maintain market confidence. Charging applicants significant fees might discourage firms from entering the market, with a negative effect on competition and innovation. In 2014, we reviewed these issues in detail in a discussion paper.³ On average, we recover about 35% of the processing costs through fees paid by new applicants.
- 2.10** We recognise that our moderately complex charge differs significantly from ESMA's charging model. ESMA applies tiered charges that reflect the complexity and size of the applicants, with rates ranging from €2,000 to €125,000. We considered transposing ESMA's model, as we do have a small number of high application fees for specialist applicants. For example, we charge recognised investment exchanges £100,000, designated investment exchanges £50,000 and recognised auction platforms £35,000. However, these are exceptional and we do not think they are equivalent to CRAs or TRs. Consequently, we propose to fit these firms into our standard FSMA complexity categories, which are:
- Straightforward cases - £1,500: includes advisors, arrangers, dealers, brokers, corporate finance advisers.

3 Recovering the costs of administering the regulatory gateway through applications fees (DP14/1, June 2014)



- Moderately complex cases - £5,000: includes home finance providers and administrators, portfolio managers, managers and depositaries of investment funds, operators of collective investment schemes, service companies.
- Complex cases - £25,000: includes deposit acceptors, insurers, operators of multilateral and organised trading facilities.

2.11 When a firm applies to carry out new activities, we usually apply a discount of 50% for the variation of permission (VoP). This is because we have already established that they meet the threshold conditions for regulation. Because the threshold conditions for CRAs and TRs do not match the FSMA requirements, we are not offering discounts for authorised firms seeking to extend their permissions. If they apply to become CRAs or TRs they will have to pay the full fee.

Q1: Do you agree that we should charge a moderately complex application fee of £5,000 from applicants who wish to set up credit rating agencies or trade repositories? Please give reasons for your answer.

Periodic fees

2.12 We target the recovery of our regulatory costs by grouping fee-payers into a series of 'fee-blocks.' These enable us to link together firms with similar permissions. We allocate our relevant regulatory and supervisory costs to each fee-block and recover them through periodic fees (variable annual fees), based on a metric known as a tariff base, which is common to fee-payers in the fee-block. The most common tariff measure is income. The tariff base is intended to be an objective, transparent and simple measure that we can consistently apply across the fee-block to ensure cost recovery is distributed fairly. The total amount we want to recover from a fee-block is known as the annual funding requirement (AFR). This is based on operational costs, plus project set-up costs if the activity is new. We calculate the fee rate by dividing the AFR by the total value of the tariff data (usually the income) reported by all the fee-payers in the fee-block. This enables us to collect a fixed amount each year and make sure we are distributing the costs within each fee-block based on the income size of each fee-payer.

2.13 Although ESMA does not use formal fee-blocks, their methodology achieves the same result. This is because they allocate the appropriate costs to the different categories of firm and only charge the relevant firms. The metric of 'applicable turnover' they base their calculation on is compatible with our standard definition of income. So our intention is to transpose ESMA's fees model into ours, so that firms pay fees to both bodies on the same basis. We have relied on different sources for transposing ESMA's fees:

- CRAs: we are able to base our proposals on the current EU Commission Delegated Regulation governing ESMA's charging structure for CRAs (Regulation 272/2012).
- TRs: ESMA has consulted on amending the current fees Commission Delegated Regulation for TRs in preparation for implementing the Securities Financing Transactions Regulation (SFTR – Regulation 2015/2356). As part of this consultation, they have proposed a simpler definition of applicable turnover for

TRs. This proposed definition will strip out the transactional data which form part of the current specification and expand the definition to cover revenue from ancillary services. This brings the definition into line with the definition for CRAs. Accordingly, our proposals are based on the draft delegated regulation the EU Commission published in November 2017⁴, and not on Regulation 1003/2013 which will eventually be replaced.

2.14 The key features of our proposals on periodic fees are set out below.

Fee-blocks

2.15 We are proposing separate fee-blocks for each type of firm:

- CRAs: fee-block J.1
- TRs: fee-block J.2

2.16 We will decide the AFRs for each fee-block separately so that we target cost recovery on the relevant firms.

Tariff-base

2.17 The tariff base will be applicable turnover for the UK entity, using ESMA's definitions which we have incorporated into the instrument in Appendix 1.

2.18 Commission Delegated Regulation 272/2012 defines the tariff base for CRAs as 'revenue from the CRA's rating activities and ancillary services.' This is a good summary of applicable turnover for all three types of firm, but the draft definitions for TRs give further clarification. These draft definitions specify that turnover is the sum of revenues from the core functions under the appropriate regulations and ancillary services that are directly related to the core functions. Appendix X (FEES 4 Annex 16) sets out the definition for each category of firm.

Reporting tariff data to the FCA

2.19 We normally allow firms to report their tariff data based on their own financial years. However, ESMA requires firms to apply a January – December financial year and so we are setting the same requirement. We are asking firms to send the data to us by 28 February each year. This is a date we prescribe to many other firms because it allows us to calculate a fee-rate for consultation in March or April.

Thresholds and minimum fees

2.20 We propose to retain ESMA's thresholds and minimum fees:

- CRAs – firms whose turnover is less than €10m (£8.868m at current rate) will pay no fee
- TRs – the minimum payment will be €30,000 (ie £26,604)

2.21 We explain in paragraph 2.3 our approach to converting from euros to sterling.

⁴ Draft Commission delegated regulation supplementing Regulation (EU) 2015/2365 of the European Parliament and of the Council with regard to fees charged by the European Securities and Markets Authority to trade repositories (Ref Ares(2017)5597698, 16 November 2017)

Invoicing and payment by instalments

- 2.22** ESMA requires firms to pay their fees in two instalments, by the end of February and the end of August. We propose to apply the standard FCA rule, which also sets two instalments for large firms, but on a slightly different timetable. Firms whose previous year's FCA fee was £50,000 or more must pay the equivalent of half their previous year's fee by the end of April and the balance of the current year's fee by the end of September. All other firms make a single payment and are invoiced in July – September.
- 2.23** In the first year of regulation, firms will have no previous year's FCA fee to work from and so all firms will pay a single invoice.

Calculating and paying the fee in the first year of regulation

- 2.24** We will not have the data we need to calculate the fees when we take over regulation. But we will ask firms to estimate their relevant turnover for their first year of business when they inform us they intend to convert or apply for registration. We will use that information to calculate a fee-rate for consultation after we leave the EU. Assuming exit day is 29 March 2019, we would consult over the summer with the aim of finalising the rate and issuing invoices in the autumn. Firms would be liable for a full year's fee covering April 2019 to March 2020.

Q2: Do you have any comments on our proposals for calculating and charging periodic fees for credit rating agencies and trade repositories? Are there any significant aspects of the ESMA fees regime which we have overlooked or misinterpreted?

Third country CRAs and TRs

- 2.25** The certification and recognition regimes will be available to CRAs and TRs in third countries. There are no arrangements for third country SRs. Our proposals are:
- Application fees: ESMA charges €10,000 for certifying a CRA. TRs pay a recognition fee of €20,000 plus a proportion of €35,000 divided between other TRs recognised from the same country. We propose a flat fee of €1,500 for both CRAs and TRs with no top-up formula. This is equivalent to a 'straightforward' fee so reflects our policy on application fees discussed in paragraphs 2.9-2.10. Like registered firms, third country CRAs or TRs which are already certified or registered by ESMA will pay no fee to convert to our regime when we leave the EU.
 - Periodic fees: We propose to maintain ESMA's structure, converting to sterling on the basis explained in paragraph 2.3 –
 - certified CRAs will pay no fee if their revenue is below €10m (£8.868m at current rate), and €6,000 (ie £5,321) above that – since they will not have legal entities in the UK, this will be their total turnover not their UK turnover
 - recognised TRs will pay a flat fee of €5,000 (ie £4,434)

Q3: Do you agree with our proposals for charging third country certified credit rating agencies and recognised trade repositories?

Cost recovery

- 2.26** When we consult on a new fees regime, we usually quote a range of indicative fee-rates to give firms a picture of the charges they might expect to pay. That is not possible in this instance because firms are still reviewing how to restructure their businesses after the UK leaves the EU. This means no data are available to us on the scale of trade they expect to undertake in the UK going forward. Instead, we are presenting our current estimates of the costs we would be recovering from firms in 2019/20 if we take over the regulation of CRAs and TRs from 29 March 2019. We will distribute recovery of those costs between fee-payers based on their share of the market as measured by their relevant turnover. Individual firms will be able to estimate their likely charges based on their own understanding of the market.
- 2.27** We will be recovering both the annual running costs of regulating the firms and our project set-up costs. Table 2.1 gives our current estimates of how much we might recover in 2019/20. Since these are estimates, the figures may well change by the time we consult on fee-rates, when we will have greater information on actual spend. We have not yet taken a decision on the period over which we will spread recovery of the set-up costs, but our working assumption in preparing the table was five years. We will decide the recovery period when we consult and know the number of fee-payers who will be sharing the costs.

Table 2.1: Estimates of costs to be recovered through fees, assuming exit date of 29 March 2019

	Annual running cost	Total set-up cost	Recovery of set-up cost for 2019/20	Total cost recovery for 2019/20
CRAs	£1.0m	£3.6m	£0.7m	£1.7m
TRs	£0.7m	£2.3m	£0.4m	£1.1m



3 Charges for mutual societies

(Draft rules in Appendix 2)

- 3.1** In this chapter, we propose to discontinue fee-block F (unauthorised mutual societies). Fee-block F is a vehicle for recovering our costs in acting as Registrar of the mutuals register. We will recover these costs instead by including them in our overheads. The impact on firms paying variable annual fees would have been an additional 0.3% in 2018/19. We are also removing most of our charges for public access to the register. We will keep charges for societies applying to be registered.

The mutuals register

- 3.2** The 'Mutuals Register' is a listing of bodies registered with the FCA under seven separate pieces of legislation⁵:
- Building Societies Act 1986
 - Co-operative and Community Benefit Societies Act 2014 (CCBSA)
 - Credit Unions Act 1979
 - Friendly Societies Act 1992
 - Friendly Societies Act 1974
 - Co-operative and Community Benefit Societies Act (Northern Ireland) 1969
 - The Credit Unions (Northern Ireland) Order 1985
- 3.3** Maintaining the register is not a regulatory function along the lines of our other functions under FSMA. Our role is restricted to acting as Registering Authority. We use societies' annual returns to check that they continue to comply with the mutuals legislation so should remain on the register, and we ensure public access to the register. We have no supervisory responsibility towards the societies and no rule making powers except in relation to fees.
- 3.4** We maintain the register as a public good, for the wider benefit of society.
- Protecting third parties: Being registered gives a society and its members the benefit of body corporate status and limited liability. In return for that limited liability, which is otherwise a risk to creditors, societies must send us annual returns and accounts so that we can make them public. This public register means that creditors and other third parties can assess the society they are about to do business with before

⁵ These are the main pieces of legislation. All have had numerous amendments, revisions and predecessor statutes. In particular, the Co-operative and Community Benefit Societies Act 2014 replaced the Industrial and Provident Societies Act 1965, which has been repealed. Most recently the Financial Services Act 2012 (Mutual Societies) Order 2018 has transferred to the FCA responsibility for registering Northern Ireland credit unions, co-operative societies and community benefit societies.

entering into any contracts. The greater the level of access to data, the more the risk of limited liability is reduced.

- Legal status of societies: We are responsible for publishing documents that deal with the administration or liquidation of societies so that the public have access to crucial information about the legal status of the societies they are dealing with.
- Definitive position on rules of societies: Our registration and subsequent publication of documents gives public access to the definitive position of the rules of a society. The rules bind all societies and their members, and form the basis of action for breach of contract in disputes. If the rules are made up of a series of documents, with many partially amended over time, it can be extremely difficult to establish the current rules from a society's own records. Courts, and those starting legal proceedings, regularly rely on our register to get the definitive set of rules for a society.
- Status of charities exempt from registration with the Charity Commission: Several hundred societies are charities, but in England and Wales are exempt from registering with the Charity Commission. To be a charity, organisations must exist for the public benefit. So it is important that the public can identify the objects a charity is set up to meet and see its report on its activities. The register gives open access to this critical information which might be difficult to get otherwise.
- Services to other agencies and government bodies: Credit reference agencies, the Pension Protection Fund, HMRC, the PRA, Charity Commission, Social Housing Regulator, and other government bodies rely on access to our register to undertake their own responsibilities.

Our power to charge for maintaining the register comes from FSMA through the Financial Services Act 2012 (Mutual Societies) Order 2013.

Maintenance charges

- 3.5** There are roughly 9,900 societies on the register. About 800 are also authorised by the FCA for Part 4A activities – all credit unions (520), all building societies (44), about 200 of the approximately 1,000 friendly societies, and a small number of consumer credit organisations. These societies pay FCA fees in the appropriate fee-blocks. The rest are registered by us but not authorised and pay fees as 'unauthorised mutuals' in fee-block F. The unauthorised mutuals are a wide range of bodies. While some are large businesses such as retail societies, many are run by volunteers, have few resources and do not always have highly developed systems of record keeping. This is one of the reasons why maintaining the public register is so important for third parties attempting to do business with them.
- 3.6** Unauthorised mutuals pay flat annual fees, ranging from £67 for a society with assets under £50,000 to £495 for a society with assets over £1m. The information on assets can give a misleading impression of a society's actual resources. For example, an allotment society which owns the land its members cultivate may have nominal assets of over £1m. But it is unlikely to have more cash at its disposal than a society which rents its land from the local authority, and covenants may prevent it from being able to sell the land freely on the open market. We have considered replacing assets with



income as the basis for societies' fees, but that would not address any of our wider concerns.

3.7 It costs us roughly £1m to maintain the register, but at least £150,000 of that represents the cost of collecting the fees, so the net cost of the register itself is around £850,000. The process of collecting fees from unauthorised mutuals is becoming increasingly expensive and is preventing us from introducing full online invoicing, which would deliver significant savings for both authorised firms and the FCA:

- Many unauthorised mutuals submit their documents on paper and we have no power to require them to send them to us online. Therefore, we cannot require them to accept online invoicing and have to issue paper invoices to most societies. The cost of collecting a paper invoice (including chasing and debt collection) is about £150, but the fees of many unauthorised mutuals fall below this at £67 - £129. We would have to raise the lowest fee by some 125% to cover the cost of invoicing, which is an unreasonable burden on a voluntary group. Adjusting the higher fees proportionately would lead to us recovering considerably more than the cost of the register.
- We have one full-time post dedicated to dealing with the fees of unauthorised mutuals. A large part of the job involves tracking down individuals and explaining the position to them. Because many key people running mutuals are volunteers, mostly working from their own homes, they often move on without informing us of their successor's address, or without briefing their successors.
- We only require information on assets for fees. Since it is taken from societies' paper accounts, it has to be transcribed into a database. This creates a high risk of human error and requires a significant quality assurance process to ensure accuracy. We would like to move over to universal online invoicing and there was strong support for this when we consulted last year.⁶ However, we will have to maintain paper invoices for most mutuals for the foreseeable future. This is an increasingly expensive process. If we replaced assets with income, we would have to rely on the same manual transcription process.

3.8 We have considered a number of alternatives. In particular:

- We considered replacing the annual fee with a charge for societies submitting their annual returns, but we have no power to do this. It might also increase our collection costs as we would have to introduce a manual process to link payments, often made by cheque, to the relevant paper returns and to identify and chase returns submitted without payment. This could deter some societies from submitting their annual returns, which risks creating public harm by increasing the risk posed by limited liability (detailed above).
- Another alternative would be to accept that it is unrealistic to set cost effective charges for the smaller mutuals and instead charge only the largest societies, based on assets or income. This would involve keeping the current inefficient manual transcription of data from their accounts, but only to confirm that most had nothing to pay.

⁶ Regulatory fees and levies: policy proposals for 2018/19 (CP 17/38, October 2017)

- 3.9** Had we been asked to take on responsibility for the mutuals register today at a cost of about £850,000, we would have been unlikely to add a further £150,000 to create a cumbersome structure of paper-based billing for small voluntary bodies, especially when the register is maintained largely for the benefit of the wider public. We believe we would instead have recommended absorbing the cost into our overheads, where it would represent an addition of 0.3% on the bill of variable fee-payers – ie £30 for a firm paying a fee of £10,000. Firms paying minimum fees only will not be affected.
- 3.10** We will of course continue to monitor the cost of maintaining the register and review our charging policy if there was a significant increase in costs.

Q4: Do you agree that we should discontinue fee-block F and fund the costs of maintaining the mutuals register as an FCA overhead?

Charges for public inspection of the register

- 3.11** We propose to remove charges for inspecting the register, except where a member of the public asks to inspect the register in person on FCA premises.
- 3.12** The charges for public inspection of the mutuals register range from £12 for an electronic document to £27 for the first 20 sheets of paper copies plus 60p per page. We have been criticised for these charges because they conflict with the government's Open Data policy, especially since Companies House has removed the equivalent charges and the Charity Commission has never charged. The charges raise only around £80,000 annually. This is not a substantial amount and to some extent must be put against the cost of the charging process itself. So we propose to remove the charges because they are an unnecessary barrier to public access and align ourselves more closely with the Open Data policy.
- 3.13** However, we propose to keep and increase the charge for personal inspections to reflect the actual cost. We currently charge £26.50 per society file for a person to come into the FCA office and inspect documents personally. This bears no relationship to our actual cost. We carry out preparatory work to retrieve the documents from storage, check that they are the correct ones and ensure they are in reasonable order. We also have to make a viewing area available on the day and the visitor has to be accompanied by a member of staff throughout the visit which may take several hours. This is an unproductive use of staff time.
- 3.14** Our proposal is to base the fee for personal visits on the hourly rate we charge on special project fees (SPFs) for an associate (currently £75). There would be a minimum charge of one hour and then the full rate for every subsequent hour or part-hour of the visit. The draft rule does not quote the rate but refers back to the table of hourly rates for SPFs in FEES 3 Annex 9. These rates are consulted on, which ensures that the inspection charge will always be up to date.

Q5: Do you agree that we should remove the charges for online public inspection of the mutuals register, but retain and enhance the charge for personal inspections to reflect our actual costs?



Application fees

- 3.15** We do not propose any changes to the application fees for registering a new society, which range from £40 - £950 depending on the model rules used. We also do not propose any changes to the fee of £950 for sponsoring bodies.

4 Insurers' tariff data from 2019/20

(Draft rules in Appendix 2)

- 4.1** In this chapter, we set out our proposals for the weightings we apply to the premium and liabilities parts of the tariff data we use to calculate periodic fees for insurers. This covers general insurers in the A.3 fee-block and life insurers in the A.4 fee-block.

Previous consultation

- 4.2** In chapter 2 of CP17/38 (November 2017)⁷ we consulted on revised tariff data (measure of size of firms within a fee-block) for insurers. The revised tariff data take into account changes in the regulatory reporting requirements of firms that come under Solvency II and implications for 'non-Directive firms' (firms that do not come under Solvency II). Our proposals used the revised tariff data that the Prudential Regulation Authority (PRA) also consulted on. We provided feedback on the responses received to CP17/38 in chapter 7 of CP18/10 (April 2018)⁸ and we applied the revised tariff data to the calculation of 2018/19 periodic fees for insurers.
- 4.3** This previous consultation included proposals on the weightings between the premium data part (gross written premium - GWP) and the liabilities data part (best estimate liabilities - BEL) of the tariff data for insurers as set out in table 4.1.

Table 4.1: Previous weightings proposals

Fee-block	Weightings		
		Premium (GWP)	Liabilities (BEL)
A.3 insurers general	Existing	90%	10%
	Proposed	Unchanged	
A.4 insurers life	Existing	75%	25%
	Proposed	50%	50%

- 4.4** For the A.3 fee-block, our proposals on weightings were different from the PRA's. The PRA proposed changing the weightings to 75% premiums and 25% liabilities.
- 4.5** The PRA carried out their consultation before we carried out ours. Two trade bodies disagreed with our proposal to change the weightings for life insurers. They pointed to the PRA's decision not to proceed with this change (and their proposed change to the weightings for general insurers) until further review and consultation in 2018/19. In CP18/10 we said that we were also deferring changing the weightings until the outcome of the PRA's further review and consultation in 2018/19.
- 4.6** The PRA have completed their review and in their November 2018 consultation paper the PRA are proposing to leave the weightings unchanged for A.3 (90% premiums: 10%

⁷ www.fca.org.uk/publication/consultation/cp17-38.pdf

⁸ www.fca.org.uk/publication/consultation/cp18-10.pdf

liabilities) and revise the weightings for A.4 to 60% premiums and 40% liabilities, to come into effect from 2019/20.

Our weightings proposals from 2019/20

- 4.7** We continue to propose no change to the existing weightings for the A.3 insurers general fee-block (90% premiums:10% liabilities). The existing weightings reflect that we focus our resources on the underlying regulated activities and the annual renewal cycle of general insurance business. Excluding liabilities altogether would mean that firms that are winding down or in run-off would not make a proportionate contribution to our costs, although they would continue to be a risk to our consumer protection and market integrity objectives.
- 4.8** We also continue to propose changing the existing weightings for the A.4 insurers life fee-block but not to the same extent as we proposed last year. Our proposal last year for life insurers was aligned to the PRA's proposal. We believed that a change from the existing weightings to 50% premium and 50% liabilities better reflected the long-term nature of life insurers business, the risks they pose to our objectives and the work we undertake. The PRA's current proposal is still a move in that direction but to a lesser extent and consequently results in a reduction in the level of movements in firm's fees. We are therefore proposing that the weightings for the A.4 fee-block from 2019/20 is 60% premiums and 40% liabilities.

Impact of changes to weightings for A.4 life insurers

- 4.9** We have set out in Table 4.2 the overall impact on the periodic fees paid by life insurers from the proposed change in weightings. The table shows the proportion of firms that will see lower, unchanged or higher fees.

Table 4.2: Overall impact of proposed revised A.4 weightings

	Number of firms	Proportion
Firms that will have lower fees	47	27.5%
Firms that will have no change in their fees (i)	81	47.4%
Firms that will have higher fees	43	25.1%
Total	171	100.0%
Notes:		
(i) Tariff data less than the minimum size thresholds so these firms are not variable fee payers		

- 4.10** So that firms can assess the impact on their individual fees, we set out in Table 4.3 the effect on 2018/19 fee-rates if the previous proposed weightings had applied and the revised proposed weightings had applied.

Table 4.3: Impact on fee-rates

Tariff data	Minimum threshold	Previous proposed change to 50:50 split	Revised proposed change to 60:40 split
GWP	>£1m	£262.78 to £175.49 (-33.2%)	£262.78 to £210.59 (-20%)
BEL	>£1m	£8.25 to £16.41 (+99%)	£8.25 to £13.13 (+59%)

Q6: Do you agree with our proposals on tariff data weightings between premium and liabilities from 2019/20. If not please tell us why.



5 Other fees policy proposals

(Draft rules in Appendix 2)

- 5.1** In this chapter, we clarify our on-account payment rules and propose to remove fees from community finance organisations (CFOs) and credit unions (CUs).

On-account payment rules

- 5.2** On-account payment rules do not apply to levies which we raise on behalf of the:
- Treasury – the illegal money lending (IML) levy. The IML levy recovers the expenses the Treasury incurs in providing funding for the teams tackling illegal money lending.
 - Department for Work and Pensions (DWP) – the Single Financial Guidance Body (SFGB) levies. SFGB levies contribute to the recovery of the DWP's costs of operating the SFGB.

On-account payment rules in general

- 5.3** If a firm pays at least £50,000 for a particular fee or levy in one year they are required to pay 50% of that fee or levy as an on-account payment towards their fees or levies for the following year. They must make this on-account payment by 1 April. The balance of the fee or levy must be paid by 1 September. In the case of the FCA, these on-account payments provide us with cash-flow for the first 3 to 4 months of the fee-year (commences 1 April). This is because without the on-account payment rule all fees would not be paid until 1 August. The FCA on-account payment rules are set out in FEES 4.3.6R.⁹
- 5.4** For example, if the FCA periodic fees for firm A in 2017/18 were £55,000 then it would pay £27,500 as an on-account payment towards its 2018/19 fees. If, following the consultation on 2018/19 fee rates, its 2018/19 fee was £56,650 it would pay £29,150 as the balance of its 2018/19 fees by 1 September 2018.

IML levy

- 5.5** The Treasury does not require us to collect on-account payments on its behalf for recovering its expenses for providing funding for the teams tackling illegal money lending. We have not collected any on-account payments for the IML levy since it started in 2017/18. FEES 13 covers the rules for the IML levy and an on-account payment rule was included by mistake. We are now deleting this rule.

⁹ www.handbook.fca.org.uk/handbook/FEES/4/3.html#D134

SFGB levy

5.6 The SFGB levy rules started from 2018/19 and are made up of three levies:

- SFGB money advice levy and SFGB debt advice levy, the rules for these mirrored those which applied to the equivalent levies under the Money Advice Service (MAS).¹⁰ The MAS rules included on-account payment rules to provide MAS with cash-flow on the same basis as the FCA.
- SFGB pensions guidance levy, the rules for these mirrored those which applied to the equivalent levy to fund Pension Wise on behalf of the DWP. The DWP did not require us to collect on-account payments on its behalf for the recovery of the funding for Pension Wise so no on-account rules were included.

5.7 The SFGB levies for 2018/19 raised the set-up costs of the SFGB and the MAS and Pension Wise levies raised the 2018/19 funding requirements for MAS and Pension Wise. We consulted on all these levies in CP18/10 (April 2018)¹¹ and provided feedback on responses in policy statement PS18/13 (July 2018).¹² For 2019/20 the SFGB will replace MAS and Pension Wise so we will not levy the MAS and Pension Wise levies in 2019/20.

5.8 The DWP does not require us to collect on-account payments for all SFGB levies. So we are now deleting the on-account payment rule for the SFGB money advice and debt advice levies.

Q7: Do you have any comments on the clarification we are making to the application of the on-account rule in the case of the IML levy and the SFGB money advice and debt advice levies?

Community finance organisations and credit unions

5.9 We are proposing to extend our concessions for CFOs and CUs by exempting them from all payment of consumer credit fees. This proposal affects FCA fees only but, in the light of the consultation responses, we would welcome views on whether similar concessions should be considered for the other levies we collect.

5.10 CFOs provide alternative finance. They are defined as community benefit societies, registered charities or community interest companies limited by guarantee. The term includes some community development finance institutions (CDFIs), though not all CDFIs are also CFOs. When we began regulating consumer credit in 2014, we exempted CFOs and CUs from payment of minimum fees up to £250,000 of credit-related income. Above that threshold, they pay on the same basis as all other consumer credit firms – £1,095 minimum fee in 2018/19 plus the variable rate. We explained in our first CP on consumer credit fees that we were introducing this concession to support the government's policy of improving the range of socially responsible choices available to vulnerable consumers.¹³

¹⁰ The Money Advice Service is referred to in the legislation and our FEES manual as the Consumer Financial Education Body (CFEB)

¹¹ www.fca.org.uk/publication/consultation/cp18-10.pdf

¹² www.fca.org.uk/publication/policy/ps18-13.pdf

¹³ *Regulatory fees and levies: policy proposals for 2014/15* (CP13/14, October 2013). CFOs and CUs also benefit from a flat rate consumer credit application fee of £200, instead of the standard charge ranging from £600 to £15,000.



5.11 Having administered this concession for several years, we consider it is an inefficient use of our resources. We analyse the data from 534 CFOs and CUs, merely to exclude all but 18 of them from paying fees. It would be more straightforward to treat them like not-for-profit (NFP) bodies with limited permission for debt counselling. These pay no fees at all. The reduction in revenue would be less than £110,000, equivalent to under 0.3% of revenue from consumer credit fees, but all fee-payers would benefit from us streamlining our administrative process.

Q8: Do you agree that we should extend our concessions on consumer credit fees for community finance organisations (CFOs) and credit unions (CUs) by exempting them from consumer credit fees?

6 Debt advice levy for devolved authorities

(Draft rules in Appendix 3)

- 6.1** In this chapter, we consult on rules for recovering the cost of providing free-to-consumer debt advice in Scotland, Wales and Northern Ireland by the devolved authorities. This will enable us to fulfil our duty under the Financial Guidance and Claims Act 2018. We propose that UK firms which currently contribute to debt advice funding across the UK will continue to do so. However, part of their contribution will be designated for the devolved authorities' debt advice in Scotland, Wales and Northern Ireland. We also propose that firms in the temporary permissions regime will contribute to the devolved authorities' debt advice levy on the same basis as UK firms.

Debt advice levy for the devolved authorities will mirror the debt advice levy for the Money Advice Service

- 6.2** Currently UK firms contribute to a single debt advice levy for the Money Advice Service (MAS) which provides debt advice across the UK. In future, the provision of debt advice in the UK will be split between the devolved authorities and the Single Financial Guidance Body (SFGB).¹⁴ We have already made rules to collect a levy for the debt advice which the SFGB will provide in England.¹⁵ Those rules mirror the existing rules for the MAS debt advice levy for the UK. We are now consulting on a levy for the debt advice which will be provided in Scotland, Wales and Northern Ireland by the devolved authorities. We propose that the rules for the devolved authorities debt advice levy will also mirror the existing rules for the MAS debt advice levy.
- 6.3** The devolved authorities are the Scottish Ministers, the Welsh Ministers and the Department for Communities in Northern Ireland. Under the Financial Guidance and Claims Act 2018 the devolved authorities will take responsibility for delivering debt advice in Scotland, Wales and Northern Ireland, and we must collect the funding for that advice. The Treasury will inform us of the funding required and will transfer the funding to the devolved authorities after we have collected it from the relevant firms. The Government expects the devolved authorities to start delivering debt advice in Scotland, Wales and Northern Ireland in January 2019. At the same time, the provision of debt advice in England will become the responsibility of the SFGB and MAS will stop providing debt advice across the UK.
- 6.4** Under our proposal, firms currently contributing to the cost of debt advice across the UK will continue to do so. However, they will contribute through two separate levies – one for the devolved authorities (to fund debt advice in Scotland, Wales and Northern Ireland) and one for the SFGB (to fund debt advice in England).
- 6.5** In our April 2019 fee rates consultation paper we will consult on the rate for the devolved authorities debt advice levy for the 2019/20 year. At the same time we will also consult on the rate for the SFGB debt advice levy for England.

14 The Single Financial Guidance Body (SFGB) will bring together the functions of the MAS, the Pensions Advisory Service, and Pension Wise, with the exception of the MAS function to provide debt advice in Scotland, Wales and Northern Ireland.

15 PS18/13 FCA regulated fees and levies 2018/19: Including feedback on CP18/10 and 'made rules' www.fca.org.uk/publication/policy/ps18-13.pdf



Q9: Do you agree with our proposal that firms who currently contribute to the debt advice levy across the UK will contribute to the debt advice levy for the devolved authorities? If not, please tell us why not.

Firms in the temporary permissions regime will contribute to the devolved authorities debt advice levy

- 6.6** In our October 2018 paper CP18/29: Temporary permissions regime for inbound firms and funds we consulted on establishing a temporary permissions regime. This regime will allow firms based in the European Economic Area (EEA) to provide financial services in the UK if the UK leaves the EU without arrangements in place for EU law to continue to apply in the UK. As part of that consultation we are proposing that firms in the temporary permissions regime should contribute to the costs of the SFGB on the same basis as UK firms. We now propose that firms in the temporary permissions regime should also contribute to the costs of the devolved authorities debt advice levy in the same way as UK firms.
- 6.7** Under existing debt advice levy rules, branches of EEA firms contribute to the costs of debt advice using the same discounts that currently apply to FCA fees. EEA service firms do not contribute. Our proposal that all firms in the temporary permissions regime should contribute to the costs of the devolved authorities debt advice on the same basis as UK firms mirrors our proposed approach to FCA fees¹⁶ and the SFGB levy.¹⁷ This will mean that discounts will no longer apply for EEA branch firms and EEA services firms will pay the relevant fees and levies where they currently do not.
- 6.8** The rate for the devolved authorities debt advice levy in 2019/20 will be set to recover the funding amount required for the devolved authorities' provision of debt advice in Scotland, Wales and Northern Ireland. We will consult on the 2019/20 rate in our April 2019 fee rates consultation paper.

Q10: Do you agree that firms in the temporary permissions regime should be required to contribute to the devolved authorities' debt advice costs on the same basis as UK firms from 30 March 2019 onwards? If not, please tell us why not?

¹⁶ CP18/29: Temporary permissions regime for inbound firms and funds

¹⁷ CP18/29: Temporary permissions regime for inbound firms and funds

Annex 1

Questions in this paper

- Q1:** Do you agree that we should charge a moderately complex application fee of £5,000 from applicants who wish to set up credit rating agencies or trade repositories? Please give reasons for your answer.
- Q2:** Do you have any comments on our proposals for calculating and charging periodic fees for credit rating agencies and trade repositories? Are there any significant aspects of the ESMA fees regime which we have overlooked or misinterpreted?
- Q3:** Do you agree with our proposals for charging third country certified credit rating agencies and recognised trade repositories?
- Q4:** Do you agree that we should discontinue fee-block F and fund the costs of maintaining the mutuals register as an FCA overhead?
- Q5:** Do you agree that we should remove the charges for online public inspection of the mutuals register, but retain and enhance the charge for personal inspections to reflect our actual costs?
- Q6:** Do you agree with our proposals on tariff data weightings between premium and liabilities from 2019/20. If not, please tell us why not?
- Q7:** Do you have any comments on the clarification we are making to the application of the on-account rule in the case of the IML levy and the SFGB money advice and debt advice levies?
- Q8:** Do you agree that we should extend our concessions on consumer credit fees for community finance organisations (CFOs) and credit unions (CUs) by exempting them from consumer credit fees?
- Q9:** Do you agree with our proposal that firms who currently contribute to the debt advice levy across the UK will contribute to the debt advice levy for the devolved authorities? If not, please tell us why not?
- Q10:** Do you agree that firms in the temporary permissions regime should be required to contribute to the devolved authorities' debt advice costs on the same basis as UK firms from 30 March 2019 onwards? If not, please tell us why not?



Annex 2

Compatibility statement

Compliance with legal requirements

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 is exempt from the requirement to carry out and publish a cost benefit analysis for such proposals.
2. When consulting on new rules, section 138I(2)(d) of FSMA requires us to include an explanation of why we believe making the proposed rules is (a) compatible with our general duty, under s.1B(1) of FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, and (b) our general duty under s.1B(5)(a) of FSMA to have regard to the regulatory principles in s.3B of FSMA. We are also required by s.138K(2) of 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 which 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 also explains how we have considered the Treasury's recommendations under s.1JA of FSMA of aspects of Her Majesty's Government's economic policy which we should consider in connection with our general duties.
5. This annex includes our assessment of the equality and diversity implications of these proposals.

The FCA's objectives and regulatory principles: Compatibility statement

6. Our proposals in this consultation are not intended in themselves to advance our operational objectives, but the fees we collect will fund our capacity to achieve them. 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

7. We also think that these proposals are compatible with our strategic objective of ensuring that the relevant markets function well, albeit indirectly. This is because they will enable us to fund the activities to help us meet that objective. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F of FSMA. In the rest of this annex, reference to objectives means both our strategic objective and operational objectives.
8. The proposals in Chapter 6 for a debt advice levy for the devolved authorities will enable us to meet our obligations under the Financial Guidance and Claims Act 2018.
9. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s.3B of FSMA. Most of the relevant regulatory principles are considered below:

The need to use our resources in the most efficient and economic way

10. Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We aim 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.
11. Our proposals in chapter 3 to discontinue fee-block F are intended to make our invoicing processes more cost effective by ending charges for a body of fee-payers whose fees are uneconomical to collect and whose preference for paper invoices is restricting our ability to achieve universal online invoicing to achieve savings for ourselves and other fee-payers.
12. The clarification in Chapter 5 of the application of our on-account rules in relation to the Single Financial Guidance Body levies means that we do not need to incur costs changing our levy collection systems and processes.

The principle that a burden or restriction should be proportionate to the benefits

13. Our fees are necessary for us to meet our objectives. As outlined above, we aim to use our resources in the most efficient and economic way, while delivering benefits to UK consumers, through our regulatory activities.
14. In chapter 2, we are seeking to keep our fees structure for credit rating agencies and trade repositories as close as possible to the structure already established by ESMA. This will help to minimise disruption when their regulation in the UK is passed to us after the UK leaves the EU.
15. In chapter 4, the proposed revised weightings used in the tariff base for the A.4 life insurers fee-block, better reflect the long-term nature of life insurers business, the risks they pose to our objectives and the work we undertake.

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

16. Our proposals in chapter 3 recognise that we have a narrower range of responsibilities for registered mutual societies than for authorised firms that we regulate and that we maintain the mutuals register as a public good.

The principle that we should exercise of our functions as transparently as possible

17. Our consultation processes are intended to ensure that we are transparent about the thinking behind our proposals and clearly explain what we expect to achieve. We believe that this CP meets these objectives.



Expected effect on mutual societies

18. Chapter 3 sets out proposals which are intended to benefit mutual societies not also authorised under FSMA by removing the annual fees they currently pay. The proposal in chapter 5 to exempt community finance organisations and credit unions from consumer credit fees will also benefit mutual societies.
19. The impact on authorised firms that are mutual societies, from the proposals in Chapter 4 on revised weightings used in the tariff base for the A.4 life insurers fee-block, is not significantly different from the impact on other authorised firms.

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

20. Our proposals in chapter 6 will impact on mutual societies in the UK in the same way they impact on other authorised persons in the UK, and mutual societies in the TPR will be treated in the same way as mutual societies in the UK.
21. These proposals 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. Fees are not intended in themselves to influence firms' behaviour.

Equality and diversity

22. We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we may conduct an equality impact assessment to ensure that the equality and diversity implications of any new policy proposals are considered.
23. As explained in paragraphs 1.14 to 1.15 of this CP, we do not think that the proposals negatively affects 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.

The Treasury's recommendations about economic policy

24. Each year, the Treasury makes recommendations to us under section 1JA of FSMA about aspects of economic policy which we should consider when undertaking our functions. Our fees proposals indirectly take account of the Treasury's recommendations by providing the resources that enable us to meet our objectives in taking responsibility for the claims management market.

Annex 3

Abbreviations used in this paper

AFR	Annual funding requirement
BEL	Best estimate liabilities
CDFI	Community development finance institution
CFO	Community finance organisation
CRA	Credit rating agency
CU	Credit union
DWP	Department for Work and Pensions
EEA	European Economic Area
ESMA	European Securities and Markets Authority
EU	European Union
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
GWP	Gross written premium
HMRC	Her Majesty's Revenue and Customs
IML	Illegal money lending
MAS	Money Advice Service
NFP	Not-for-profit
PRA	Prudential Regulation Authority
SFGB	Single Financial Guidance Body
TR	Trade repository



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.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN



Appendix 1

Draft Handbook text

**FEES (CREDIT RATING AGENCIES AND TRADE REPOSITORIES)
INSTRUMENT 2019**

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);
and
 - (2) [*As yet unmade SI*].
- 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*] 2019.

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 (Credit Rating Agencies and Trade Repositories) Instrument 2019.

By order of the Board
[*date*]

Annex

Amendments to the Fees manual (FEES)

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

3 Application, Notification and Vetting Fees

...

3.2 Obligation to pay fees

...

- 3.2.5 G (1) (a) The appropriate authorisation or registration fee is an integral part of an application for, or an application for a variation of, a *Part 4A permission*, authorisation, registration or variation under the *Payment Services Regulations* or the *Electronic Money Regulations*, registration under article 8(1) of the *MCD Order*, authorisation under regulation 7 of the *DRS Regulations* or verification under regulation 8 of the *DRS Regulations*, ~~or~~ notification or registration under the *AIFMD UK regulation*, registration or certification under the Credit Rating Agencies Regulation, registration or recognition under the European Market Infrastructure Regulation.

...

...

...

- 3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable (£)	Due date
...
<u>(zzd) UK-based applicants for registration as a credit rating agency; a trade repository; or a third-</u>	<u>The fee set out in FEES 3 Annex 13R.</u>	<u>On or before the date the application is made.</u>

<u>country <i>firm</i> seeking certification as a credit rating agency or recognition as a trade repository.</u>		
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After FEES 3 Annex 12R (UKLA transaction fees) insert the following new Annex, FEES 3 Annex 13R. The text is not underlined.

3 Annex 13R Fees payable for registration as a credit rating agency or trade repository

Application type	Amount payable
Credit rating agency	£5,000
Trade repository	£5,000
Third country <i>firm</i> seeking certification as a <i>credit rating agency</i>	£1,500
Third country <i>firm</i> seeking recognition of a trade repository	£1,500

Amend the following as shown.

4 Periodic fees

...

4.2 Obligation to pay periodic fees

...

4.2.11 R 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
...
<i>A benchmark endorser</i>	The tariff specified in <i>FEES 4 Annex 15R</i>	Payable in accordance with <i>FEES 4.3.6R</i>	Not applicable
<u>Any UK-based firm registered as a credit rating agency; a trade repository; or any third-country firm certified as a credit rating agency or recognised as a trade repository.</u>	<u>The tariff specified in FEES 4 Annex 15R</u>	<u>Within 30 days of the date of the invoice</u>	<u>Not applicable</u>

...

After FEES 4 Annex 15R (Fees relating to the recognition of benchmark administrators and the endorsement of benchmarks for the period 29 June 2018 to 31 March 2019) insert the following new Annex, FEES 4 Annex 16R. The text is not underlined.

4 Annex 16 Periodic fees for credit rating agencies and trade repositories in relation to the period 1 April 2019 to 31 March 2020

This Annex sets out the periodic fees in respect of credit rating agencies and trade repositories.

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

The periodic fee is calculated by identifying the relevant activity group under Part 2 and multiplying the tariff base identified in Part 3 of FEES 4 Annex 16R by the appropriate rates in the table at Part 5.

Part 2 – Activity groups	
Activity group	Fee payer falls into this group if:
J.1	it is a credit rating agency or certified credit rating agency; or
J.2	it is a trade repository or recognised trade repository.

Part 3	
This table indicates the tariff base for each fee-block. The tariff base is the means by which the <i>FCA</i> measures the amount of business conducted by a <i>firm</i> .	
J.1 Credit rating agencies	<p>APPLICABLE TURNOVER</p> <p>This is revenue generated from the credit rating agency's rating activities and ancillary services.</p>
J.2 Trade repositories	<p>APPLICABLE TURNOVER</p> <p>This is the sum of revenues generated from:</p> <p>(a) the core functions of centrally collecting and maintaining records of derivatives; and</p> <p>(b) ancillary services that are directly related to centrally collecting and maintaining records of derivatives.</p> <p>Ancillary services include:</p> <p>(i) direct provision by the trade repository;</p> <p>(ii) indirect provision by a company within the trade repository's group; and</p> <p>(iii) where an entity with which the trade repository has concluded an agreement in the context of the trading or post-trading chain or business line to cooperate in the provision of services provides the ancillary services.</p> <p>Where a trade repository's accounts do not distinguish revenue streams from ancillary services under different activities, it should determine the share each activity represents of the turnover from providing core services and apply that to the composite ancillary revenue figure.</p>

Part 4 – Valuation date

For fee blocks J.1 to J.3, the valuation date is for the calendar year ending 31 December before the start of the relevant *fee year*. Applicable turnover is to be reported by 28 February before the *fee year*. Where turnover is in a currency other than sterling, it must be converted into sterling at the exchange rate prevailing of the relevant 31 December.

[**Note:** the *fee year* runs from 1 April to 31 March.]

Part 5 – Tariff rates

Fee block	Activity group	Fee payable in relation to the fee year 2019/2020
J.1	Registered credit rating agencies and third-country certified credit rating agencies with applicable turnover of £[8.868]m or less	Exempt
	Registered credit rating agencies with turnover above £[8.868]m	£[tbc] per £1k or part-£1k (applies to all turnover)
	Certified credit rating agencies with turnover above £[8.868]m	£[5,321]
J.2	Registered trade repositories	£[tbc] per £1k or part-£1k, subject to a minimum payment of £[26,604]
	Recognised trade repositories	£[4,434]

After FEES TP 20 (Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2019/20) insert the following new transitional provision, FEES TP 21. The text is not underlined.

TP 21 Transitional provisions relating to fees for credit rating agencies and trade repositories for the 2018/19 financial year, following EU exit day

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision dates in force	(6) Handbook provisions coming into force
-----	--	-----	----------------------------	---	---

21.1	<i>FEES 4 Annex 16</i>	R	<p>For the period between <i>exit day</i> and 31 March 2019, the <i>FCA</i> will waive the periodic fee for credit rating agencies (including certified credit rating agencies) and trade repositories (including recognised trade repositories). No periodic fee will be required to be paid to the <i>FCA</i> for this period.</p> <p>This transitional provision does not apply to an application fee that may fall due during this period.</p>	From 29 March 2019 to 31 March 2019	[tbc]
------	------------------------	---	--	-------------------------------------	-------



Appendix 2

Draft Handbook text

FEES (MISCELLANEOUS AMENDMENTS) (No [13]) INSTRUMENT 2019

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in 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) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority);
 - (e) section 137SA (Rules to recover expenses incurred by the single financial guidance body); and
 - (2) paragraphs 2 and 6 of the Financial Services Act 2012 (Mutual Societies) Order 2013/496.
- 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 [*date*] 2019.

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 13]) Instrument 2019.

By order of the Board
[*date*] 2019

Annex

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

1.1.1A G *FEES* App 1 Annex 1A applies to all persons required to pay a fee or any other amount to the *FCA* under the Unauthorised Mutuals Registration Fees Rules, as made by the Fees (Unauthorised Mutual Societies Registration) Instrument 2002 (FSA 2002/4) and amended from time to time. *FEES* App 1 Annex 5 applies to all persons required to pay a fee for inspecting any document or documents on the Mutuals Register.

...

1.1.2 R This manual applies in the following way:

...

(6) *FEES* App 1 Annex 1A applies to every:

...

...

...

4 Periodic fees

...

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

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*.

Activity group	Fee payer falls in the activity group if:
...	...
CC1. Credit-related regulated activities with limited permission	<p>it carries on <i>credit-related regulated activities</i>; and</p> <p>it has a <i>limited permission</i>; and</p> <p>it is not a <i>not-for-profit debt advice body</i>; and</p> <p>it is not a <i>credit union</i> or <i>community finance organisation</i> with annual income as defined in <i>FEES 4 Annex 11BR</i> of less than £250,000.</p>
CC2. Credit-related regulated activities	<p>it carries on <i>credit-related regulated activities</i>; and</p> <p>it does not have a <i>limited permission</i>; and</p> <p>it is not a <i>not-for-profit debt advice body</i>; and</p> <p>it is not a <i>credit union</i> or <i>community finance organisation</i> with annual income as defined in <i>FEES 4 Annex 11BR</i> of less than £250,000.</p>

...

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
...	...
A.4	...
	<p>Notes:</p> <p>(1) The recovery of the <i>FCA</i> 's annual funding requirement allocated to the A.4 fee-block will be weighted:</p> <p>(a) 75 <u>60</u>% from gross written premium for fees purposes; and</p> <p>(b) 25 <u>40</u>% from best estimate liabilities for fees purposes.</p> <p>...</p>
...	...

7A SFGB levies

...

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

Obligation to pay SFGB money advice 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 by 1 August or, if later, within 30 days of the date of the invoice in the *fee year* to which that sum relates.~~
- 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. [deleted]~~

...

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 by 1 August or, if later, within 30 days of the date of the invoice in the *fee year* to which that sum relates; and

- (2) in accordance with the *rules* in this section.

...

13 Illegal money lending levy

...

13.2 The IML levy

Obligation to pay the IML levy

13.2.1 R A *firm* must pay each *IML levy* applicable to it:

- (1) in full and without deduction (~~unless permitted or required by a provision in FEES~~) by 1 August (or, if later, within 30 days of the date of the invoice) in the financial year to which the sum relates; and
- (2) in accordance with the ~~provisions of FEES 4.3.6R (Time of payment) as modified by FEES 13.2.2R~~ rules in this chapter.

13.2.2 R (1) ~~For the purposes of FEES 13.2.1R(2), FEES 4.3.6R(1C) to (1E), as applied by FEES 13.2.8R, is modified so that if a firm's periodic fees for the previous financial year were at least £50,000, the firm must pay:~~

- (a) ~~an amount equal to 50% of the IML levy payable for the previous year, by 1 April in the financial year to which the sum due under FEES 13.2.1R relates; and~~
- (b) ~~the balance of the IML levy due for the current financial year by 1 September in the financial year to which that sum relates.~~
[deleted]

App 1 Unauthorised Mutuals Registration Fees Rules

...

App 1.1 Introduction

...

App 1.1.2 G (1) The purpose of these rules is to set out the requirements for registered societies and sponsoring bodies to pay ~~periodic and application fees which, together, will provide the funding for the FCA's functions in respect of the registrant only fee block (Category F).~~

...

Background

- App 1.1.3 G ~~Most of the detail of the periodic fees which will be payable by *registered societies* is set out in Annex 1R to these rules, the provisions of which will vary from one financial year to another. Accordingly, a revised Annex 1R will come into force, following consultation, for each financial year. Most of the detail of the application fees which will be payable by *registered societies* and *sponsoring bodies* is set out in FEES App 1 Annex 1A, the provisions of which may not change each year. [deleted]~~

...

- App 1.1.5 G ~~The periodic fee set for *registered societies* is a tiered fee, which is payable annually. The amount payable is dependent upon the *R* declared by the *registered society* in the most recent *R* required to be filed with the *FCA*. [deleted]~~

...

App 1.2 Periodic Fees

General

- App 1.2.1 R ~~A *registered society* must pay to the *FCA*, in full and without deduction, the periodic fee applicable to it under Annex 1R for a financial year during which, or part of which, the society is registered, except as provided for in 1.2.5R and 1.2.6R. [deleted]~~
- App 1.2.2 R [deleted]

Methods of payment

- App 1.2.3 R ~~A *registered society* must pay its periodic fee by one of the methods specified in Annex 1R. [deleted]~~

Due dates

- App 1.2.4 R ~~A *registered society* must pay a periodic fee on or before the relevant due date for payment specified in Annex 1R for the relevant year. [deleted]~~

Exceptions

App 1.2.5 R ~~A registered society is not required to pay the periodic fee for the financial year in which it is first registered. [deleted]~~

App 1.2.5A R ~~A registered society which has not been required to file an R before the commencement of a given fee year must pay the lowest periodic fee for a registered society specified in Annex 1R for that year. [deleted]~~

App 1.2.5B R ~~If a registered society fails to file an R by the date it is required to be filed:~~

(1) ~~the R used to determine the amount of the periodic fee payable by the registered society will be that shown in the R last filed with the FCA by its predecessor, and~~

(2) ~~the registered society must pay an administrative fee equal to the lower of the periodic fee payable by the registered society under Annex 1R for that year, and £250. [deleted]~~

App 1.2.6 R ~~If a registered society ceases to be a registered society on or after 1 April in a particular financial year, but before an invoice for the periodic fee payable under 1.2.1R for the financial year in which the society ceases to be a registered society has been issued by the FCA, the periodic fee payable by that registered society under 1.2.1R is the amount of the periodic fee under Annex 1R for the immediately preceding financial year. [deleted]~~

App 1.2.7 R [deleted]

Extension of time

App 1.2.8 R ~~A registered society need not pay a periodic fee on the date which it is due under the relevant provision in these rules, if:~~

(1) ~~that date falls during a period during which circumstances of the sort set out in R (Emergencies) exist, and that registered society has reasonable grounds to believe that those circumstances impair its ability to pay the fee, in which case it must pay on or before the fifth business day after the end of that period; or~~

(2) ~~that date would otherwise fall on or before the 30th day after the date on which the FCA has sent written notification to that registered society of the fee payable on that date, in which case it must pay on or before the 30th day after the date on which the FCA sends the notification. [deleted]~~

Late payment

- App 1.2.9 R ~~If a *registered society* does not pay the total amount of a periodic fee or a fee payable under 1.4.2R on the date on which it is due under the relevant provisions of these rules, that *registered society* must pay an additional amount as follows:~~
- ~~(1) if the fee is not paid in full before the due date, an administrative fee of £250; plus~~
 - ~~(2) if the fee is not paid in full before the end of 15 days after the due date, interest on any unpaid part of the fee at the rate of 5% per annum above the Official Bank Rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due. [deleted]~~
- App 1.2.10 G ~~The *FCA* expects to issue invoices for periodic fees at least 30 days before the date on which they fall due. Accordingly, it will generally be the case that a *registered society* will have at least 30 days from the issue of the invoice before an administrative fee becomes payable, and at least 45 days before any interest becomes payable. [deleted]~~
- App 1.2.11 G ~~If a *sponsoring body* does not pay the required periodic fee for a set of by the due date, the rules will cease to be *model rules* and applications for the registration of societies that use the rules will be charged by the *FCA* as if the rules were a free draft. [deleted]~~

Amending model rules

- App 1.2.12 G ~~If a *sponsoring body* wished to change a set of *model rules*, it should supply a copy to the *FCA* indicating the proposed changes. No application fee is payable for such charges.~~

Refunds

- App 1.2.13 G ~~The *FCA* will not refund periodic fees in any circumstances. [deleted]~~

...

App 1 ~~Periodic fees payable for the period 1 April 2018 to 31 March 2019 [deleted]~~
Annex 1R

Part 1 Periodic fee payable by Registered Societies (on 30 June 2018)

This fee is not payable by a *credit union*.

Transaction	Total assets (£'000s)	Amount payable (£)
Periodic fee	0 to 50	67
	> 50 to 100	129
	> 100 to 250	211
	> 250 to 1,000	273
	> 1,000	495

Part 2 Methods of payment of periodic fees

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

...

App 1 Further information on fees
Annex 2G

	Purpose
1	The purpose of this annex is to set out further information on fees applicable to <i>registered societies</i> which form the registrant only block (Category F).
	Background
2	Paragraph 23 of Schedule 1ZA to the <i>Act</i> enables the <i>FCA</i> to charge fees to cover its expenses in carrying out its functions. [deleted]
3	The fees payable by <i>registered societies</i> will vary from one financial year to another and will reflect the <i>FCA's</i> funding requirement for the registrant only fee block. [deleted]

4	For periodic fees, the key components of the fee mechanism are:	
	(1)	a funding requirement derived from:
	(a)	the FCA's financial management and reporting framework;
	(b)	the FCA's budget;
	(c)	adjustments, as appropriate, for audited variances between budgeted and actual expenditure in the previous accounting year and reserves movements (in accordance with FCA's reserves policy);
	(2)	fee blocks, which are broad groupings of fee payers offering similar products and services and presenting broadly similar risks to the FCA's regulatory objectives;
	(3)	a costing system to allocate an appropriate part of the funding requirement to each fee block; and
	(4)	tariff bases, which, when combined with fee tariffs, allow the calculation of fees. [deleted]
	(5)	The FCA defines fee blocks so that they will depend, for the most part, upon the regulated activities included in the permission held by firms, with a separate fee block for mutual societies which do not conduct regulated activities (registrants). By basing fee blocks on categories of business, the FCA aims to minimise cross-sector subsidies. The funding requirement for the registrant only fee block will accordingly reflect only the cost of the registration function plus a share of corporate overheads. It will not include any indirect regulatory overheads. [deleted]
	Recovery of fees	
	(6)	Paragraph 23(8) of Schedule 1ZA of the Act permits the FCA to recover fees as a debt owed to the FCA and the FCA will consider court action for recovery through the civil courts.

**App 1
Annex 3**

Emergencies ~~[deleted]~~

- † R The FCA recognises that there may be occasions when, because of a particular emergency, a *registered society* may be unable to comply with a particular rule. The purposes of this annex is to provide appropriate relief

~~from the consequences of contravention of a rule in those circumstances.~~

- (1) ~~If any emergency arises which:~~
- ~~(a) could not have been avoided by the *registered society* taking all reasonable steps;~~
 - ~~(b) makes it impracticable for a *registered society* to comply with a particular rule; and~~
 - ~~(c) is outside the control of the *registered society*, its members and employees;~~

~~the *registered society* will not be in contravention of that rule to the extent that, in consequence of the emergency, compliance with that rule is impracticable.~~

- (2) ~~Paragraph (1) applies only for so long as:~~
- ~~(a) the consequences of the emergency routine; and~~
 - ~~(b) the *registered society* can demonstrate that it is taking all practicable steps to deal with those consequences, to comply with the rule.~~
- (3) ~~A *registered society* must notify the *FCA* as soon as practicable of the emergency and of the steps it is taking or proposes to take to deal with the consequences of the emergency.~~
- (4) ~~A *registered society* should continue to keep the *FCA* informed of the steps it is taking under 1.2.8(a)R. In the context of 1.2.8(a)R, an action is not practicable if it involves a *registered society* going to unreasonable lengths.~~

...

After FEES Appendix 1 Annex 4 (Glossary of definitions) insert the following new Annex, FEES Appendix 1 Annex 5. The text is not underlined.

App 1 Personal inspection
Annex 5

- 1 R Any *person* may attend the *FCA* offices to inspect any document or documents from the Mutuals Register, upon appointment and payment of the relevant fee.

- 2 R The relevant fee for personal inspection is the hourly rate for an Associate, as set down in *FEES* 3 Annex 9(11)R. The full hourly rate is payable for each hour or part-hour of the visit.



Appendix 3

Draft Handbook text

FEES (DEVOLVED AUTHORITIES DEBT ADVICE LEVIES) INSTRUMENT 2019**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 137SB (Rules to recover debt advice expenses incurred by the devolved authorities).
- 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 137SB(5) of the Act, the Treasury has consented to rules made under that section.

Commencement

- D. This instrument comes into force on [*date*] 2019.

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

Notes

- F. In Annex B to this instrument, the notes (indicated by “**Note:**” and “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the Fees (Devolved Authorities Debt Advice Levies) Instrument 2019.

By order of the Board
[*date*] 2019

Annex A

Amendment to the Glossary of definitions

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

- Devolved Authorities* for the purposes of the *DA levy* in relation to providing debt advice to members of the public in Scotland, Wales and Northern Ireland, the devolved authorities are defined in section 137SB(11) of the *Act* as:
- (a) the Scottish Ministers;
 - (b) the Welsh Ministers; and
 - (c) the Department for Communities in Northern Ireland.
- DA levy* the levy payable to the *FCA* in respect of the provision of debt advice by the *Devolved Authorities* under *FEES 7C*.
- TPR DA levy* the levy payable to the *FCA* in respect of the provision of debt advice by the *Devolved Authorities* under *FEES 7D*.

Amend the following definitions as shown. Underlining indicates new text and striking through indicates deleted text.

- electronic money issuer* (1) (except in *DISP*, *FEES 5.5A*, ~~and *FEES 7A*~~ and *FEES 7C*) any of the following *persons* when they issue *electronic money*:
- ...
- ...
- (3) (in *FEES 7A* and *FEES 7C*) as in (1) but excluding:
- (a) the Bank of England, the European Central Bank and the national central banks of *EEA States* other than the *United Kingdom*, when not acting in their capacity as a monetary authority or other public authority; and
 - (b) government departments and local authorities when acting in their capacity as public authorities.
- firm* ...
- (5) (in *FEES 3*, *FEES 4*, *FEES 5*, *FEES 7*, ~~and *FEES 7A*~~ and *FEES 7C*) 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, *FEES* 7.1.1R, ~~and~~ *FEES* 7A.1.1R(1) and *FEES* 7C.1.1R(1).

...

*payment
service
provider*

- (1) (except in *DISP*, ~~and~~ *FEES* 7A and *FEES* 7C) (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 and *FEES* 7C) as in (1) but excluding (1)(g) and (h).

[*Editor's note:* The text in this Annex takes account of the changes suggested by the draft instrument included in CP18/29 'Temporary permissions regime for inbound firms and funds' (October 2018) as if they were made.]

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 ...

(10) FEES 7C relates to the *DA* levy.

(11) FEES 7D relates to the *TPR DA* levy.

...

Application

1.1.2 R ...

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

...

...

(8) *FEES 7B* (in relation to the *TPR SFGB money advice levy* and *TPR SFGB debt advice levy* only) and 7D apply to:

...

...

FEES 1, 2, 7~~2~~ and 7A and 7C 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, *CFEB* levy, ~~or~~ *SFGB* levy, *DA* levy or *TPR DA* levy, before the end of the date on which it is due, under the relevant provision in *FEES* 4, 4A 5, 6, 7, 7A, ~~or~~ 7B, 7C or 7D, that *person* must pay an additional amount as follows:

...

- 2.2.2 R The *FCA*, (for *FCA* and *PRA* periodic fees, *FOS* and *FSCS* levies, *CFEB* levies, ~~and~~ *SFGB* levies, a *DA* levy or a *TPR DA* levy), 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, *CFEB* levies, *SFGB* levies, ~~and~~ *TPR SFGB* levies, a *DA* levy and a *TPR DA* levy).

...

- 2.2.4 R In addition, the *FCA* may be entitled to take regulatory action in relation to the non-payment of fees, *FOS* levies, *CFEB* levies, ~~and~~ *SFGB* levies, a *DA* levy and a *TPR DA* levy. 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, *CFEB* levy ~~or~~ *SFGB* levy, *DA* levy or *TPR DA* 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, *CFEB* levy, ~~or~~ *SFGB* levy, *DA* levy

or *TPR DA 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.

...

- 2.3.2C R For *FEES 7A*, *FEES 7C* and *FEES 7D*, 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*, *DA levy* or *TPR DA 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), *FEES 4A* (Periodic fees for *TP persons*), *FEES 7* (The *CFEB* levy), *FEES 7A* (The *SFGB* levy), ~~and~~ *FEES 7B* (the Temporary Permissions Regime *SFGB* levy), *FEES 7C* (The *DA* levy) and *FEES 7D* (The *TPR DA* levy) are stated net of VAT. Where VAT is applicable this must also be included.

After *FEES 7B* (Temporary Permissions Regime (TPR) – Single Financial Body levy) insert the following new chapter, *FEES 7C*. The text is not underlined.

7C The DA levy

7C.1 Application and purpose

Application

- 7C.1.1 R This chapter applies to every *person* listed in *FEES 1.1.2R(5)*.

Purpose

- 7C.1.2 G The purpose of this chapter is to set out the requirements on the *persons* listed in *FEES 7C.1.1R* to fund the Treasury's costs relating to the provision of debt advice by the *Devolved Authorities*, and the related *FCA* collection costs.

Background

- 7C.1.3 G The Treasury's debt advice costs are defined in subsection 1 of section 137SB (Rules to recover debt advice expenses incurred by the devolved authorities) of the *Act* as the expenses incurred, or expected to be incurred, by the *Devolved Authorities* in connection with the provision of information and advice on debt to members of the public in Scotland, Wales and Northern Ireland.

- 7C.1.4 G (1) Under section 137SB(1) of the *Act*, the Treasury may notify the *FCA* of the amount of the debt advice costs.
- (2) Sections 137SB(2) and (3) of the *Act* require the *FCA* to make *rules* requiring *authorised persons*, *electronic money issuers* or *payment service providers* to pay specified sums, or sums calculated in a specified way to the *FCA* with a view to recovering:
- (a) the amount notified by the Treasury; and
- (b) expenses incurred by the *FCA* in connection with its functions under section 137SB of the *Act*.
- 7C.1.5 G This chapter contains the *rules* referred to in *FEES* 7C.1.4G(2).
- 7C.1.6 G Under section 137SB(8) of the *Act*, the *FCA* must pay to the Treasury the amounts that it receives under these *rules*, apart from amounts covering its collection costs (which it may keep).
- 7C.1.7 G The total amount raised by the *DA levy* may vary from year to year depending on the amount notified to the *FCA* by the Treasury.
- 7C.1.8 G These *rules* were made with the consent of the Treasury pursuant to section 137SB(5) of the *Act*.

Exemption

- 7C.1.9 R A *firm* is not liable to pay a *DA 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.

7C.2 The DA levy

Obligation to pay DA levy

- 7C.2.1 R A *firm* must pay the *DA levy* applicable to it:
- (1) in full and without deduction (unless permitted or required by a provision in *FEES*); and
- (2) by 1 August or, if later, within 30 days of the date of the invoice in the *fee year* to which that sum relates.

Calculation of DA levy

- 7C.2.2 R The *DA levy* is calculated as follows:
- (1) identify each of the activity groups set out in Part 1 of *FEES* 7C Annex 1R that apply to the business of the *firm* for the relevant period (for this purpose, the activity groups under *FEES* 7C Annex 1R are defined in that Annex or in accordance with Part 1 of *FEES* 4

Annex 1AR);

- (2) for each of those activity groups, calculate the amount payable in the way set out in *FEES 7C.2.3R*;
- (3) add each of the amounts calculated under (2);
- (4) modify the result as indicated by the table in *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);
- (5) apply any applicable payment charge specified in *FEES 4.2.4R* to the amount in (4), 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
- (6) make the calculations using information obtained in accordance with Part 3 of *FEES 7C Annex 1R* in the case of Part 2 of that Annex.

7C.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 2 of *FEES 7C Annex 1R*; and
 - (b) the valuation date requirements in Part 3 of *FEES 7C Annex 1R*;
- (2) the amount payable in (1) is the amount payable by the *firm* with respect to that activity group.

7C.2.4 R For the purposes of *FEES 7C.2.3R*:

- (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 2 of *FEES 7C Annex 1R* 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 *DA levy* is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10.

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

- 7C.2.5 G The *FCA Handbook* provisions relating to the *DA levy* are meant to follow closely the provisions relating to the payment of periodic fees under *FEES* 4.3.1R. In the interests of brevity, not all of these provisions are set out again in *FEES* 7C. In some cases, certain *FEES* 4 rules are applied to the payment of the *DA levy* by individual rules in *FEES* 7C. The rest are set out in the table in *FEES* 7C.2.7R.
- 7C.2.6 R The rules set out in the table in *FEES* 7C.2.7R and any other rules in *FEES* 4 included in *FEES* 7C by cross-reference apply to the *DA levy* in the same way as they apply to periodic fees payable under *FEES* 4.3.1R.
- 7C.2.7 R Table of rules in *FEES* 4 that also apply to *FEES* 7C to the extent that in *FEES* 4 they apply to fees payable to the *FCA*

<i>FEES 4</i> rules incorporated into <i>FEES 7C</i>	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 fee year
<i>FEES 4.2.7FR</i>	Calculating the fee in the <i>firm's</i> first year of <i>authorisation</i>
<i>FEES 4.2.7GR</i>	Calculating fees 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 fees in the second and subsequent years of <i>authorisation</i> where a full year of tariff data is not available
<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
<i>FEES 4.3.17R</i>	<i>Firms</i> acquiring businesses from other <i>firms</i>
<i>FEES 4.4.1R</i> to <i>FEES 4.4.6R</i>	Information on which fees are calculated

- 7C.2.8 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 7C*.
- 7C.2.9 G References in a *FEES 4 rule* incorporated into *FEES 7C* by cross-reference to a periodic fee should be read as being to the *DA levy*. References in a *FEES 4 rule* incorporated into *FEES 7C* to *market operators, service companies, MTF operators, investment exchanges, or designated professional bodies* should be disregarded.
- 7C.2.10 G In some cases, a *FEES 4 rule* incorporated into *FEES 7C* in the manner set out in *FEES 7C.2.5G* will refer to another *rule* in *FEES 4* that has not been individually incorporated into *FEES 7C*. Such a reference should be read as being to the corresponding provision in *FEES 7C*. The main examples are set out in *FEES 7C.2.11G*.

7C.2.11 G Table of *FEES 4* rules that correspond to *FEES 7C* rules

<i>FEES 4</i> rules	Corresponding <i>FEES 7C</i> rules
<i>FEES 4.2.1R</i>	<i>FEES 7C.2.1R</i>
<i>FEES 4.3.1R</i>	<i>FEES 7C.2.2R</i>
<i>FEES 4.3.3R</i>	<i>FEES 7C.2.2R</i>
<i>FEES 4.3.3AR</i>	<i>FEES 7C.2.2R</i>

7C DA levy for the period from 1 April 2019 to 31 March 2020
Annex
1R

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 *DA* levy applicable to each activity group (fee-block).

Activity group	DA levy 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</i> 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"> - <i>entering into a regulated credit agreement as lender</i> (article 60B(1) of the <i>Regulated Activities Order</i>); - <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>); <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"> (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>); (b) <i>high-cost short-term credit</i>; (c) a <i>home credit loan agreement</i>;

	(d) a <i>bill of sale loan agreement</i> .
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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 *DA 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	Value of lending in column A of <i>data item CCR003</i> reported by <i>firms</i> under <i>SUP 16 Annex 38AR</i> , being the sum of <i>data elements</i> entered in rows: <ul style="list-style-type: none"> - 1 Debt purchasing; - 2 Hire purchase/conditional sale agreements; - 3 Home credit loan agreements; - 4 Bill of sale loan agreements; - 5 Pawnbroking; - 6 High-cost short-term credit; - 11 Overdrafts; - 12 Other running-account credit; and - 8 Other lending.
[Note: The tariff base for <i>authorised professional firms</i> that do not submit <i>data item CCR003</i> under <i>SUP 16 Annex 38AR</i> is the same as set out above and should be reported to the <i>FCA</i> as required by <i>FEES 4.4.1R</i> and <i>FEES 4.4.2R</i> . The valuation date is in accordance with the CC.3 valuation date in Part 3.]	

Part 3

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

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

After FEES 7C (DA levy) insert the following new chapter, FEES 7D. The text is not underlined.

7D Temporary Permissions Regime (TPR) – Devolved Authorities levy

7D.1 Application and purpose

Application

7D.1.1 R This chapter applies to every *person* listed in *FEES* 1.1.2R(8).

Purpose

7D.1.2 G The purpose of this chapter is to set out the requirements on the *persons* listed in *FEES* 7D.1.1R to fund the Treasury's costs relating to the provision of debt advice by the *Devolved Authorities*, and the related *FCA* collection

costs.

Background

- 7D.1.3 G The Treasury's debt advice costs are defined in subsection 1 of section 137SB (Rules to recover debt advice expenses incurred by the devolved authorities) of the *Act* as the expenses incurred, or expected to be incurred, by the *Devolved Authorities* in connection with the provision of information and advice on debt to members of the public in Scotland, Wales and Northern Ireland.
- 7D.1.4 G (1) Section 137SB(1) of the *Act* requires the Treasury to notify the *FCA* of the amount of the debt advice costs.
- (2) Section 137SB(2 and 3) of the *Act* requires the *FCA* to make rules requiring *authorised persons, electronic money issuers or payment service providers* to pay specified sums, or sums calculated in a specified way to the *FCA* with a view to recovering:
- (a) the amount notified by the Treasury; and
- (b) expenses incurred by the *FCA* in connection with its functions under section 137SB of the *Act*.
- 7D.1.5 G This chapter contains the *rules* referred to in *FEES* 7D.1.4G(2).
- 7D.1.6 G Under section 137SB(8) of the *Act*, the *FCA* must pay to the Treasury the amounts that it receives under these *rules*, apart from amounts covering its collection costs (which it may keep).
- 7D.1.7 G The total amount raised by the *TPR DA levy* may vary from year to year depending on the amount notified to the *FCA* by the Treasury.
- 7D.1.8 G These rules were made with the consent of the Treasury pursuant to section 137SB(5) of the *Act*.

7D.2 The TPR DA levy

Obligation to pay TPR DA levy

- 7D.2.1 R A *firm* must pay the *TPR DA levy* applicable to it:
- (1) in full and without deduction by 1 August (or, if later, within 30 days of the date of the invoice) in the *financial year* to which the sum relates; and
- (2) in accordance with the *rules* in this chapter.

Calculation of TPR DA levy

- 7D.2.2 R The *TPR DA levy* is calculated as follows:

- (1) identify each of the activity groups set out in Part 1 of *FEES 7D Annex 1R* that apply to the business of the *firm* for the relevant period (for this purpose, the activity groups under *FEES 7D Annex 1R* are defined in that Annex or in accordance with Part 1 of *FEES 4 Annex 1AR*);
- (2) calculate, for each of those activity groups identified in (1), the amount payable in the way set out in *FEES 7D.2.3R*; and
- (3) add each of the amounts calculated under (2).

7D.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 2 of *FEES 7D Annex 1R*; and
 - (b) the valuation date requirements in Part 3 of *FEES 7D Annex 1R*;
- (2) the amount payable in (1) is the amount payable by the *firm* with respect to that activity group.

7D.2.4 R For the purposes of *FEES 7D.2.3R*:

- (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 its *UK* business separately from its non-*UK* business in the way described in Part 2 of *FEES 7D Annex 1R* 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 7D.2.3R(1)*, or, if earlier, at the time it pays the *TPR DA levy* applicable to it.
- (2) for a *firm* which has not complied with *FEES 4A.2.6R* for this period, the *TPR DA levy* is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10.

TPR DA levy commencement

7D.2.5 R The *TPR DA levy* under *FEES 7D* relates to the whole of any *fee year* and is due for payment from the commencement of the *fee year*. Any payment made under *FEES 7D.2.1R* is not refundable.

7D.3 FEES 4 rules incorporated into FEES 7D by cross-reference

- 7D.3.1 R The *FCA Handbook* provisions relating to *FEES 7D* are meant to follow closely the provisions relating to the payment of the periodic fees in *FEES 4*. In the interests of brevity, not all of these provisions are set out again in *FEES 7D*. In some cases, certain *FEES 4 rules* are applied to the payment of the *TPR DA levy* by individual *rules* in *FEES 7D*. The rest are set out in the table in *FEES 7D.3.3R*.
- 7D.3.2 R The *rules* set out in the table in *FEES 7D.3.3R* and any other *rules* in *FEES 4* included in *FEES 7D* by cross-reference apply to the *TPR DA levy* in the same way as they apply to periodic fees payable under *FEES 4*.
- 7D.3.3 R Table of rules in *FEES 4* that also apply to *FEES 7D* to the extent that in *FEES 4* they apply to fees payable to the *FCA*

FEES 4 rules incorporated into FEES 7D	Description
<i>FEES 4.2.4R</i>	Method of payment
<i>FEES 4.2.10R</i>	Extension of time
<i>FEES 4.3.7R</i>	Groups of firms
<i>FEES 4.3.17R</i>	Firms acquiring businesses from other firms

7D TPR DA levy for the period from 1 April 2019 to 31 March 2020
Annex
1R

This table shows the *TPR DA levy* applicable to each activity group (fee-block).

Part 1

Activity group	A <i>TP firm</i> 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	Its permission is in relation to the following regulated activities: - <i>entering into a regulated credit agreement as lender</i> (article 60B(1) of the <i>Regulated Activities Order</i>); - <i>exercising, or having the right to exercise, the lender's rights</i>

	<p><i>and duties under a regulated credit agreement (article 60B(2) of the Regulated Activities Order);</i></p> <p>which is carried on by way of business and relates to the following <i>specified investments</i>:</p> <p>(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>);</p> <p>(b) <i>high-cost short-term credit</i>;</p> <p>(c) a <i>home credit loan agreement</i>;</p> <p>(d) a <i>bill of sale loan agreement</i>.</p>
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Part 2

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 SUP 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"> - 1 Debt purchasing; - 2 Hire purchase/conditional sale agreements; - 3 Home credit loan agreements; - 4 Bill of sale loan agreements; - 5 Pawnbroking; - 6 High-cost short-term credit; - 11 Overdrafts; - 12 Other running-account credit; and - 8 Other lending.

Part 3

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of the *TPR DA 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>TPR DA 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	TPR DA 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]
<p>[Note: <i>Credit unions</i> and <i>community finance organisations</i> do not pay any <i>TPR DA levy</i> on the first £2,000,000 of value of lending.]</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 3.2 G

Description of fee	Reference
...	...
<u>DA levy</u>	<u>FEES 7C</u>
<u>TPR DA levy</u>	<u>FEES 7D</u>

