

FCA regulated fees and levies 2017/18:

Including feedback on CP17/12 and 'made rules'

Policy Statement

PS17/15

July 2017

This relates to

Consultation Paper 17/12
which is available on our website at
www.fca.org.uk/publications

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1 Overview

Introduction

1.1 We are publishing the 2017/18 periodic regulatory fees and levies for the:

- Financial Conduct Authority (FCA)
- Financial Ombudsman Service general levy
- Money Advice Service¹
- pensions guidance levies
- Illegal money lending levy

1.2 We also publish our feedback on the responses received to the consultation on the draft fees and levies rules in *CP17/12 FCA Regulated fees and levies: Rates proposals 2017/18*, published on 18 April 2017. The consultation period for CP17/12 closed on 9 June 2017.

Who does this affect?

1.3 All fee-payers will be affected by this Policy Statement (PS). There are two tables at the end of this chapter to help fee-payers identify the information in this PS that is relevant to them:

- Table 1.1: fee-payers affected by the final 2017/18 fees and levies in this PS and the feedback provided on the responses received to the proposed draft rules in CP17/12
- Table 1.2: fee-payers affected by the feedback provided in this PS on the responses we received to the proposals in Chapter 8 of CP17/12 relating to Payment Services Directive 2 application fees

Is this of interest to consumers?

1.4 This PS contains no material directly relevant to retail financial services consumers or consumers groups, although fees are indirectly met by financial services consumers.

¹ The Money Advice Service is referred to in the legislation and our FEES manual rules as the Consumer Financial Education Body (CFEB).



Context

1.5 Our annual fees consultation follows this cycle:

- October/November: We consult on any changes to the policy on how fees and levies are raised. Depending on the proposed policy change, we would expect to provide feedback on the responses received to this consultation in the following February Handbook Notice. In November 2016, we published *CP16/33 Regulatory fees and levies: policy proposals for 2017/18* and provided feedback on some of the responses received and final rules in the February 2017 Handbook Notice. We provided feedback on the remaining responses received in Chapter 9 and 10 of CP17/12 (April 2017) together with final rules.
- January: We consult on the Financial Services Compensation Scheme (FSCS) management expenses levy limit. This is a joint consultation with the Prudential Regulation Authority (PRA). We provide feedback on responses received to this consultation 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 Money Advice Service levies, the pensions guidance levies and the Illegal Money Lending levy for the next financial year. In the case of draft fees and levies rates rules for 2017/18 the consultation was set out in April in CP17/12.
- June/July: In this PS we are publishing the feedback on the responses we received to CP17/12 together with the final FCA, Financial Ombudsman Service, Money Advice Service, pensions guidance and Illegal Money Lending fees and levy rate rules for 2017/18, set out in Appendix 1.

1.6 Further information about how we calculate fees and levies is on our website.²

Summary of feedback and our response

1.7 Overall we received 14 responses to CP17/12. The non-confidential respondents are listed in Annex 1.

1.8 A full breakdown on the 'A' to 'G' and 'CC' (consumer credit) fee-blocks we refer to in this section is given in Table 2.2 of Chapter 2.

Responses to FCA periodic fees

1.9 We received 12 responses, of which eight commented on FCA fees.

² www.fca.org.uk/firms/fees/how-we-calculate-annual-fees

- 1.10** Four respondents were supportive of linking minimum fees with movements in our ongoing regulatory activities (ORA) budget and accepted the inflation aligned 1% increase for 2017/18. Some highlighted that in recent years, increases in our ORA had been substantial and were concerned that if this was the case in the future minimum fees could also increase substantially. They did not believe the FCA sees becoming more efficient as enough of a priority for there to be any realistic expectation that ORA will do anything but increase.
- 1.11** One respondent questioned whether part of the 2016/17 underspend should be returned to fee-payers. They also questioned the need to build up reserves to fund 'an office move' and asked for clarity on future EU Withdrawal costs.

Our response

We acknowledge that after the banking crisis there were substantial increases in our ORA to reflect the necessary step change in regulation that followed. More recently, increases in our ORA have been lower and in 2016/17 there was a decrease of 1.6%. Under the new policy, such a decrease would be reflected in minimum fees (and flat fees).

As stated in CP17/12, the link to ORA movements does not prevent us from consulting in the future on not doing so if, in a particular year, an increase is exceptional and to pass on such increases would mean that minimum fees would become too high and therefore impede competition. This situation occurred following the banking crisis, when we effectively froze minimum fees for four years to shelter firms who only pay minimum fees from the exceptional increases in our ORA during that time.

We are committed to operating economically, efficiently and effectively in order to deliver value for money. We are accountable to the Treasury and are required to report to them on, among other things, the extent that we have met the principles of good regulation. These include considering the need to use our resources in the most efficient and economic way. The report to Treasury is laid before Parliament, published as our Annual Report, and discussed at our Annual Public Meeting. We are also subject to National Audit Office and Public Accounts Committee scrutiny.

The retained 2016/17 underspend will be used to help reduce the accumulated deficit on reserves and to mitigate costs in the future, for example costs related to the move to our new offices at The International Quarter (Stratford, London) in 2018 and for further EU Withdrawal costs. This will mean that when these costs are incurred, we will use those reserves to reduce any increase in fees at that time, which will benefit fee-payers. The financial statements in our Annual Report provide details on the costs relating to our move to Stratford. As set out in our Business Plan, the UK's withdrawal from the EU will have important implications for us over the coming years and will be a key area of focus. We have dedicated resource to coordinate and manage this work and are liaising closely with the Treasury and the Bank of England as well as providing the Government with technical



support during the withdrawal process. As we gain more certainty over the process, we will review the need to recover such costs in future years.

1.12 Chapter 2 also provides our feedback on responses we received on other areas:

- information provided in the Business Plan
- post-consultation timetable
- fee structures established under previous consultations

1.13 In Chapter 3, we give feedback on the responses to our proposals on the 'B' to 'G' fee-blocks.

Responses on FCA fee-block allocation policy

1.14 We received four responses. Three were supportive and one commented further in relation to building societies and EU Withdrawal costs. In their view, EU Withdrawal affects the building society sector (the vast majority of which is domestic savings and residential mortgage business only) far less than banks. However, because they are included in the A.1 deposit acceptors fee-block, they will be unfairly penalised by EU Withdrawal costs. As a result, they believed allocation by exception breaks down.

Our response

The allocation by exception policy relates to the allocation of our AFR to fee-blocks. Our 'A' fee-blocks group related regulated activities that firms have permission to undertake. The A.1 fee-block covers the regulated activity of accepting deposits and therefore includes banks, building societies and credit unions. As we highlighted in CP17/12, our current business as usual regulatory model does not facilitate the identification of costs and mapping them to fee-blocks. We believe the current definition of the A.1 fee-block groups together related regulatory activities at the right level. We have treated EU Withdrawal costs as an allocation by exception, allocating them to the fee-blocks which we believe will be most affected. We allocated some of those costs to A.1 but we did not allocate any of those costs to the A.2 fee-block, which covers the regulated activity of home finance providers (ie mortgage providers, which include banks and building societies). As a result we have taken into account the business of building societies to the extent that the 'A' fee-block structure allows.

1.15 Chapter 5 provides feedback to responses received on how the ring-fencing fee fitted in with the allocation by exception approach and that the 'F' fee-block (unauthorised mutuals) should be exempt from general increases in the AFR that come from our activities as a financial services regulator.

Responses on ring-fencing implementation fee

- 1.16** We did not receive any responses to these proposals.

Responses on Payment Services Directive 2 – application fees

- 1.17** We did not receive any responses to these proposals.

Responses on Financial Ombudsman Service general levy

- 1.18** Eleven respondents did not answer this question or provide any comments on the allocation of the general levy between industry blocks. Two respondents welcomed the proposal to recover the same amount as in 2016/17 by general levy.
- 1.19** One respondent argued that financial advisers should not be expected to pay a levy for credit-related activities because advisers' limited activity in the consumer credit area means that their consumer credit revenue will be close to zero. Advisers already contribute to the Financial Ombudsman Service's costs by virtue of their other permissions, so this respondent did not agree that they should be expected to pay any further fee for consumer credit.

Our response

Our fees structures are based on activities and fee-blocks are used to group together firms with similar regulated activities. Depending on the regulated activities a firm has, it could be allocated to one or more fee-blocks. The fee that most firms will pay for consumer credit is a flat fee of £35 (plus £0.02 per £1,000 of annual income on income above £250,000), which we do not consider to be disproportionate. This rule is not a new rule and has been in place since April 2014.

Responses on Money Advice Service levies

- 1.20** We received five responses.
- 1.21** One respondent felt advisers' consumer credit activities are negligible and they already contribute by virtue of their other permissions towards Money Advice Service costs. Therefore they believe that adviser firms should not be expected to pay any further levy in respect of consumer credit activities, particularly as it is intended in part to cover debt advice costs. They hope when the new money guidance body is created, this will be taken into account and the levy approach altered accordingly. One respondent supported the move to reduce fee allocation to the deposit-taking fee-block and welcomed the benefit that this will have for larger credit unions subject to the variable periodic fee.



- 1.22** Two respondents welcomed the reductions in the money advice levy and expressed support for the current method of allocation, and one respondent wanted to see the closure of the Money Advice Service happen sooner as mortgage and advice firms need to see these costs eradicated as it has been acknowledged that the mortgage and advice sectors are already well serviced by other firms and activities.
- 1.23** We received two responses in respect to the debt advice levy. One respondent highlighted concern that the new permission to accept deposits in the UK has resulted in an increase of the Money Advice Service fee, which in some cases is in excess of FCA fees. They would like the policy approach in this area reviewed. One respondent wanted sectors such as energy and telecommunication companies to contribute towards the cost of debt advice.
- 1.24** We have taken into account the underspend for 2016/17 and the additional consumer credit contributions, which means firms will see a reduction in costs for the Money Advice Service levy for the 2017/18 financial year, resulting in £15.9m being levied for money advice and £42.2m for debt advice. We will be consulting in due course about the allocation methods in respect of the levy for the new guidance body. It is expected that the new body will be operational by Autumn 2018 and with the FCA's role limited to collecting the levy.

Responses on Pension guidance levies

- 1.25** We received three responses. One respondent welcomed the significant reduction in the pensions guidance levy (PGL). Another respondent restated their argument that financial advisers are not benefitting from Pension Wise or the pension reforms. This, they say, is because the retirement pots of consumers are too small to make it economic to provide regulated advice and the increasing trend of consumers making their own investment and pension decisions. Therefore they believe the allocation to the A.13 fee-block should be reduced from 12% to 5%.

Our response

From 2015/16, we reduced the allocation to the A.13 fee-block by 50% to 12%. We believe that this has already recognised that financial advisers only benefit from the pension flexibilities and Pension Wise if consumers seek regulated advice.

The A.13 fee-block contains a very diverse spread of types of firms. These include banks, insurance companies, securities brokers who act for retail clients and wholesale market brokers as well as financial advisers.

We estimate that around 3,311 financial advisers, whose main business is to provide advice on retail investment products, will contribute £208,000 (10.1%) of the £2.1m Pension Wise funding requirement allocated to the A.13 fee-block. This means that these firms contribute 1.2% of the total £17.2m Pension Wise funding requirement. The £208,000 represents 0.01% of the £3.2bn income these firms report for fees calculation purposes.

- 1.26** Chapter 10 provides feedback to the response received on the availability of data to inform allocations across PGL fee-blocks.

Responses to Illegal Money Lending Levy

- 1.27** We received one response. While the respondent accepted that in CP17/12 we were only consulting on the variable fee rate for full permission firms, they raised concerns about costs in the context of the increased fees consumer credit firms have had to pay following the transfer of their regulation to the FCA. They also asked for clarification on the benefit to firms of the work carried out by the illegal money lending teams.

Our response

It is a legislative requirement that we raise the levy to cover Treasury's costs for funding the illegal money lending teams. The IML levy has been applied to all firms in the consumer credit market because all benefit from effective policing of the perimeter. The levy funds the teams that investigate and suppress illegal money lending. The team's effective operation helps to maintain consumer confidence in the integrity and legitimacy of the market as a whole.

Compatibility Statement

- 1.28** The rules we have now made do not differ in substance from those proposed in Appendix 1 of CP17/12, except for some periodic fee rates, as explained in Chapters 2 to 11. These changes do not alter the compatibility statements we published with CP17/12.
- 1.29** Annex 2 of CP17/12 included a statement that we did not expect the proposals that we consulted on to have a significantly different impact on mutual societies when compared to other authorised persons. In our opinion, the changes to these proposals set out in this PS do not alter this assessment.

Next steps

What do you need to do next?

- 1.30** We highlighted in CP17/12 that fee-payers should be aware of how the draft fee rates and levies in Appendix 1 of CP17/12 were calculated using estimated fee-payer populations and tariff data (measures of size), which may change when the final fee rates are calculated in June 2017.
- 1.31** Table 2.3 in Chapter 2 shows the estimated firm populations and tariff data contained in CP17/12 and the actual figures used to calculate the final fees rates. It also shows the annual movements in the draft fee rates contained in CP17/12 and the annual movements in the final fee rates in Appendix 1 of this PS.



1.32 Our online fees calculator³ is available for firms to calculate their individual fees based on the final rates in Appendix 1 of this PS. This includes FCA periodic fees, the Financial Ombudsman Service general levies, the Money Advice Service levies, pensions guidance levies and Illegal Money Lending levy.

1.33 In the case of the 'B' to 'G' fee-blocks covered in Chapter 3, we have highlighted where final fee rates have changed since the draft rates in CP17/12.

What will we do?

1.34 We will invoice fee-payers from July 2017 onwards for their 2017/18 periodic fees and levies.

Further consultation on 2017/18 fees and levies

1.35 As explained in Chapter 3 of this PS, we will be consulting on variable fee-rates for Recognised Investment Exchanges (RIEs) and Benchmark Administrators (BAs) in a separate CP to be published at the end of July 2017.

1.36 In it, we will also be consulting on the fee-rates for data reporting services providers (DRSPs).

1.37 As explained in Chapter 9 we are consulting through this PS on formalising the Money Advice Service debt advice concession for smaller Credit Unions into the FEES Manual as set out in Appendix 2. We are also making further changes in order to improve the clarity of our FEES 7 rules. Responses should be submitted to the contact details provided on page 2 of this PS by 4 September 2017.

Table 1.1: Fee-payers affected by the final 2017/18 fees and levies rates rules in this PS and the feedback provided on the responses to CP17/12

Issue	Fee-payers affected	Chapter
FCA		
Periodic fee rates	Authorised firms – the 'A' and 'CC' (consumer credit) fee blocks	2
	All fee payers except authorised firms – fee blocks B to G	3
Applying financial penalties	Fee payers listed in Table 4.1 in Chapter 4	4
FCA fee-block allocation policy from 2018/19	All fee-payers	5
Ring-fencing implementation fee	A.1 deposit acceptors subject to the ring-fencing regime for the UK's largest banks from 1 January 2019	7
Financial Ombudsman Service		
General levy rates	Firms subject to Financial Ombudsman Service general levy	8

³ www.fca.org.uk/firms/fees/calculate-annual-fee

Money Advice Service		
Money Advice Service levy rates	<ul style="list-style-type: none"> • firms subject to money advice levies – authorised firms, payment institutions and electronic money issuers • firms subject to debt advice levies – firms in fee blocks A.1 (deposit acceptors) and A.2 (home finance providers and administrators) • consumer credit firms 	9
Pensions guidance levies		
Pensions guidance levy (PGL) rates	Firms in the following fee-blocks: <ul style="list-style-type: none"> • A.4 insurers – life • A.7 portfolio managers • A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes • A.13 advisors, arrangers, dealers or brokers 	10
Illegal money lending levy		
Recovering HM Treasury's expenses for tackling illegal money lending	All firms with credit related permissions	11

Table 1.2: fee-payers affected by the feedback provided in this PS on the responses we received to the proposals in Chapter 8 of CP17/12

Issue	Fee-payers affected	Chapter
Revised application, reauthorisation, re-registration and exemption fees resulting from the PSD 2	Payment services firms and electronic money firms as well entities considering applying for authorisation or considering registration for these activities	7



2 FCA periodic fees for authorised firms

(FEES 4 Annex 2 AR, final rules in Appendix 1)

2.1 In this chapter we:

- confirm our 2017/18 annual funding requirement (AFR) and allocation across all fee-blocks
- give feedback on the responses to Chapters 2 and 3 of CP17/12, in which we consulted on draft fee rates for authorised firms – the 'A' and 'CC' (consumer credit) fee-blocks
- highlight the changes between the draft fees rates in CP17/12 and the final rates contained in Appendix 1. These changes arise from movements between the estimated fee-payer populations and tariff data (measure of size as a proxy for risk) used to calculate the draft fee rates in CP17/12 and those used to calculate the final fee rates in Appendix 1 of this Policy Statement (PS).

Annual Funding Requirement

2.2 Following the completion of our audited 2016/17 accounts, our total 2017/18 Annual Funding Requirement (AFR) remains unchanged from CP17/12 at £526.9m. This represents an increase of £7.6m (1.5%) which is driven by an inflation-aligned £5.1m (1.0%) increase in our ongoing regulatory activities (ORA) budget and an additional £2.5m for EU withdrawal. Our EU withdrawal costs are to cover additional resource to support our EU planning and general counsel activity. As we gain more certainty over the process we will review the need to recover such costs in the future.

2.3 A breakdown of our AFR is given in Table 2.1 which also confirms the final amount of financial penalty rebate for 2017/18.

Table 2.1: 2017/18 AFR breakdown

	2017/18	2016/17	Movement	
	£m	£m	£m	%
ORA	508.0	502.9	5.1	1.0
Recovery of scope change activities	16.4	16.4	0.0	0.0
EU Withdrawal costs	2.5	0.0	2.5	n/a
AFR	526.9	519.3	7.6	1.5
Financial penalty rebate (i)	(46.1)	(48.7)	(2.9)	6.0
Fees payable	480.8	470.6	10.2	2.2

Note:

(i) The £46.1m rebate in 2017/18 represents the final amount of the 2016/17 financial penalties we can retain to cover 2016/17 enforcement costs (CP17/12 included an estimate of £51.6m). The £46.1m is applied as a rebate against 2017/18 periodic fees in accordance with our financial penalty scheme as set out in chapter 4.

- 2.4** In CP17/12 we proposed to retain our estimated £10m 2016/17 underspend as reserves, after making a £10m contribution to reducing the pension deficit in addition to the annual contribution of £19.5m. The pension deficit relates to the final salary section of the FCA Pension Plan inherited from the Financial Services Authority. The retained reserves are to be used to help reduce the accumulated deficit on reserves and to mitigate costs in the future, for example costs related to the move to our new offices at The International Quarter (Stratford, London) in 2018 and for further EU withdrawal costs.
- 2.5** The actual 2016/17 underspend is £18.1m of which £16.3m (3% of the AFR) will be retained in reserves (net of the additional £10m contribution to reducing the pension deficit) and £1.8m will be returned to ring-fencing in scope firms as set out in Chapter 6.

AFR allocation across fee-blocks

- 2.6** Over the past three years our approach to allocation has been to maintain an even distribution of AFR increases, unless there have been material and explainable exceptions not to do so for individual fee-blocks (allocation by exception approach).
- 2.7** We proposed to continue to follow the same allocation by exception approach for 2017/18. The exceptions to an even distribution of the 1.5% increase in our 2017/18 AFR cover:
- changes to our regulatory scope (scope change)
 - EU withdrawal costs
 - Payments Services Directive (PSD)2 implementation costs, and
 - an adjustment relating to the annual contribution to reducing the FCA pension deficit
- 2.8** We provided detail on each of these allocation exceptions in Chapter 2 of CP17/12.⁴
- 2.9** Table 2.2 confirms that the allocation, across fee-blocks, of the 1.5% increase in our AFR is the same as CP17/12.

Table 2.2: 2017/18 AFR allocation across fee-blocks

AFR allocations to fee-blocks	(i)	Actual 2017/18 £m	Actual 2016/17 £m	Movement over 2016/17
A.0 FCA minimum fee	Solo	19.7	19.2	2.5%
AP.0 FCA prudential fee (ii)	Solo	16.3	16.7	-2.1%
A.1 Deposit acceptors	DR	71.5	73.6	-2.8%
A.2 Home finance providers and administrators	Solo	16.6	18.6	-10.7%

⁴ www.fca.org.uk/publication/consultation/cp17-12.pdf

A.3 Insurers – general	DR	24.9	24.3	2.5%
A.4 Insurers – life	DR	41.8	40.9	2.2%
A.5 Managing agents at Lloyd's	DR	0.2	0.2	2.5%
A.6 The Society of Lloyd's	DR	0.3	0.3	2.5%
A.7 Portfolio managers	Solo	44.9	42.6	5.3%
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Solo	12.3	11.8	4.3%
A.10 Firms dealing as principal (iii)	Solo & DR	52.1	49.3	5.6%
A.13 Advisory arrangers, dealers or brokers	Solo	77.1	73.7	4.7%
A.14 Corporate finance advisors	Solo	14.0	13.5	4.1%
A.18 Home finance providers, advisers and arrangers	Solo	16.3	18.2	-10.6%
A.19 General insurance mediation	Solo	27.5	27.6	-0.6%
A.21 Firms holding client money or assets or both	Solo	13.9	14.3	-3.3%
CC1. Consumer credit – limited permission	Solo	37.8	37.7	-0.3%
CC2. Consumer credit – full permission				
B. Recognised investment exchanges, operators of multilateral trading facilities, recognised auction platforms, service companies, and benchmark administrators	Solo	7.7	7.3	4.6%
C. Collective investment schemes	Solo	2.4	2.4	-0.6%
D. Designated professional bodies	Solo	0.2	0.2	-0.7%
E. Issuers and sponsors of securities	Solo	20.9	21.0	-0.7%
F. Unauthorised mutuals	Solo	1.7	1.7	-0.4%
G. Firms registered under the Money Laundering Regulations 2007; and firms covered by the Regulated Covered Bonds Regulations 2008, Payment Services Regulations 2009 and Electronic Money Regulations 2011; and firms undertaking consumer buy-to-let business	Solo	6.8	3.8	79.4%
H. FCA pensions guidance costs	n/a	0.1	0.3	-83.4%
Total AFR		526.9	519.3	1.5%

Notes:

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

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

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

n/a = Not applicable.

Periodic fees for authorised firms – summary of proposals

2.10 In Chapter 3 of CP17/12 we proposed to:

- Increase the 2017/18 minimum and flat fees by 1% to reflect the inflation increase in our ORA. We also proposed to link minimum fees and flat fees to future movements in our ORA. This link will mean that the level of minimum fees and flat fees will reflect increases in our costs over time rather than only variable fee-payers picking up these increased costs (or any decreases in our costs, if applicable).
- Continue to apply a premium of 25% and 65% to the fee rates for medium-high and high impact firms respectively in the top two bands of the A.1 fee-block (Deposit acceptors)
- Continue to use bandings within the A.21 fee-block, firms holding client money or assets or both) based on the risk classifications we apply to firms in the Client Assets sourcebook (CASS)
- Continue to apply fees discounts for European Economic Area (EAA) passported-in branches. For all relevant fee-blocks the discount is 10%, except for A.19 (general insurance mediation) where the discount is 50%.

2.11 The draft fee rates were contained in Appendix 1 of CP17/12 and our online fees calculator was available to help firms calculate the proposed fees for 2017/18.

2.12 We asked:

Q1: *Do you have any comments on the proposed FCA 2017/18 minimum fees and variable periodic fee rate for authorised firms?*

Responses to proposals

2.13 We received nine responses, of which five commented on the proposals. The five respondents who commented included: four trade bodies representing building societies, credit unions, mortgage brokers, and investment managers and financial advisers, and also a corporate finance adviser firm. The comments from these respondents covered:

- minimum fees, our ORA costs and information provided in the Business Plan
- retaining 2016/17 underspend to reserves
- post-consultation timetable
- fee structures established under previous consultations

Minimum fees, our ORA cost and information provided in the Business Plan

2.14 Four respondents were supportive of linking minimum fees with movements in our ORA and accepted the inflation aligned 1% increase for 2017/18. However, they also raised concerns that in the past, increases in our ORA have been substantial and they did not believe the FCA sees becoming more efficient as enough of a priority for there to be any realistic expectation that ORA will do anything but increase.



- 2.15** One respondent highlighted that the Consultation Paper (CP) focuses on the allocation of costs across fee-blocks and the Business Plan did not provide a detailed analysis of operating costs, which undermines the effectiveness of the consultation process. For example, a breakdown of information technology (IT)⁵ costs and an explanation for the significant increase in professional fees were not provided. They restated their previous call that we should freeze our budget for three years. Another respondent had similar concerns, adding that there was no explanation in the Business Plan on the significant increase in sundry income.

Our response

We acknowledge that after the banking crisis there were substantial increases in our ORA to reflect the necessary step change in regulation that followed. More recently, increases in our ORA have been lower and in 2016/17 there was a decrease of 1.6%. Under the new policy, such a decrease would be reflected in minimum fees (and flat fees).

As stated in CP17/12, the link to ORA movements does not prevent us from consulting in the future on not doing so if, in a particular year, an increase is exceptional and to pass on such increases would mean that minimum fees would become too high and therefore impede competition. This situation occurred following the banking crisis, when we effectively froze minimum fees for four years to shelter firms who only pay minimum fees from the exceptional increases in our ORA during that time.

We are committed to operating economically, efficiently and effectively in order to deliver value for money. We are accountable to the Treasury and are required to report to them on, among other things, the extent that we have met the principles of good regulation. These include considering the need to use our resources in the most efficient and economic way. The report to Treasury is laid before Parliament, published as our Annual Report, and discussed at our Annual Public Meeting. The financial statements in our Annual Report include a breakdown of IS costs. We are also subject to National Audit Office and Public Accounts Committee scrutiny. The £24.4m increase in professional fees mainly relates to the planned Payment Protection Insurance (PPI) consumer communications campaign following the deadline set for consumers to make their PPI complaints. This is offset by a £22.5m increase in sundry income relating mainly to a specific fee levied on 18 firms to fund this campaign, the rules for which were published in Appendix 1 of PS17/3.⁶

Retaining 2016/17 underspend to reserves

- 2.16** One respondent questioned whether at least part of the 2016/17 underspend should be returned to fee-payers. They also questioned the need to build up such a level of reserves to fund an office move and asked for clarity on future EU Withdrawal costs.

⁵ The respondent referred to IT costs. In our Business Plan and Annual Report we refer to information systems (IS).

⁶ www.fca.org.uk/publication/policy/ps17-03.pdf

Our response

The retained 2016/17 underspend will be used to help reduce the accumulated deficit on reserves and to mitigate costs in the future, for example costs related to the move to our new offices at The International Quarter (Stratford, London) in 2018 and for further EU withdrawal costs. This will mean that when these costs are incurred, we will use those reserves to reduce any increase in fees at that time, which will benefit fee-payers. The financial statements in our Annual Report provide details on the costs relating to our move to Stratford. As set out in our Business Plan, the UK's withdrawal from the EU will have important implications for us over the coming years and will be a key area of focus. We have dedicated resource to coordinate and manage this work and are liaising closely with the Treasury and the Bank of England as well as providing the Government with technical support during the withdrawal process. As we gain more certainty over the process, we will review the need to recover such costs in future years.

Post-consultation timetable

- 2.17** CP17/12 was published on 18 April with a closing date for responses of 9 June, and we stated that we planned to publish feedback and final rules at the end of June/early July. One respondent questioned whether this timetable allowed us sufficient time to consider responses and we should build in more post-consultation time next year.

Our response

We generally publish our fee rates CPs at the same time as our Business Plans. The CP sets out the amount of our AFR, how the AFR is allocated across fee-blocks and the fee rates to recover the allocated AFR from each fee-block. The Business Plan sets out how we plan to use these fees to promote our vision and achieve our objectives. This year we wanted to publish our Mission (following earlier consultation) at the same time as our Business Plan and our Sector Views (the first time we published our Sector Views). This meant that our fees CP was published later than end March/early April, which is usually the case, with a closing date end of May. We acknowledge that this year we planned for a much shorter post-consultation period than is usually the case but we have had, in our view, sufficient time to consider the responses received. If there had not been sufficient time under the planned timetable we would have published feedback and finalised the rules later.

Fee structures established under previous consultations

- 2.18** CP17/12 only consulted on the fee rates calculated in accordance with the structures established under previous consultations and the underlying rules for which have been incorporated into the FEES Manual. We received responses that referred back to previous consultations.



Consumer credit fees paid by mortgage brokers and financial advisers

2.19 Two respondents do not believe we should charge mortgage brokers and financial advisers the £303 consumer credit minimum fee in addition to the £1,095 minimum fee they pay in relation to their main business of providing mortgage and financial advice.

Minimum fee for a small corporate finance adviser

2.20 A small corporate finance adviser raised concerns that the minimum fee it pays is too high. In some years the firm's income from providing corporate advice is zero, in others it is between £50,000 and £100,000. The firm highlighted that much of the work that they undertake is technically not regulated by us and they only retain their authorisation for that element of their business.

Our response

Consumer credit fees paid by mortgage brokers and financial advisers

In CP17/12, we only consulted on the 1% increase in these and other minimum fees. The structure of consumer credit minimum fees has been consulted on previously. Our fees follow firms' permissions. Firms therefore only pay fees in the consumer credit fee-blocks if they have applied for and have been given permission to undertake consumer credit activities. It is therefore for individual firms to judge whether they need consumer credit permissions to do their business, and which permissions they may need.

This also applies to firms that undertake regulatory activities in other fee-blocks, such as A.13 (includes financial advisers) and A.18 (mortgage brokers). If these firms have consumer credit permissions (for example, to undertake debt counseling), they pay the same fees as any other firm in the CC2 fee-block – the lowest minimum fee being £303 where income from any of the activities covered by it is below £50,000. If they did not make this contribution to the recovery of consumer credit costs then we would have to either increase consumer credit minimum fees or variable fees for other firms.

Minimum fee for a small corporate finance adviser

In CP17/12, we only consulted on the 1% (£11) increase to £1,095 in the minimum fee paid by small corporate finance advisers with income from those regulated activities of less than £100,000. The structure of the minimum fee for the 'A' fee-blocks and the threshold has been consulted on previously.

Any firm that is authorised to carry out any of the regulated activities covered by the 'A' fee-block is subject to the A.0 minimum fee. The aim of minimum fees is to ensure that all authorised firms (including small firms) contribute to the cost of regulation. It also aims to ensure that the minimum fee level is not too high (which would unnecessarily impede competition) and not too low (which would prejudice existing fee payers). Minimum fees are fixed amounts that each firm pays. They are subject to a size threshold below which only the minimum fee is payable. Above the threshold variable fees are also payable based on the measure of business that is applicable to a particular fee-block – the larger the fee-payer the more it contributes to the recovery of the AFR allocated to the

fee-block. Firms can be in more than one of the 'A' fee-blocks but only pay the one A.0 minimum fee, currently £1,095.

The size threshold for the A.14 fee-block (corporate finance advisors) is £100,000 of income from the regulated activities covered by A.14. A small firm that is below this threshold does not contribute to the £14m of our AFR allocated to A.14. If we reduced the threshold or the minimum fee, then we would have to increase the amount we recover through the variable fee-rate paid by the other firms in the A.14 fee-block.

Changes between draft fee rates and the final rates

- 2.21** We highlighted in CP17/12 that fee-payers should be aware that the draft fee rates and levies in Appendix 1 of CP17/12 were calculated using estimated fee-payer populations and tariff data (measures of size), which may change when the final fee rates are calculated in June 2017.
- 2.22** Table 2.3 shows the estimated firm populations and tariff data contained in CP17/12 and the actual figures used to calculate the final fees rates. It also shows the annual movements in the draft fee rates in CP17/12 and the annual movements in the final fee rates in Appendix 1 of this PS.
- A.21 fee-blocks (Firms holding client money or assets or both)**
- 2.23** We use bandings within the A.21 fee-block based on the risk classifications we apply to firms in the CASS sourcebook. This allows us to align where we apply our resources to the fees we charge firms.
- 2.24** The bandings and level of moderation we are applying to the tariff data for both client money and client assets have not changed since CP17/12 (set out in Table 3.5 of Chapter 3). However, the changes in tariff data since CP17/12 have affected the outcome of this moderation and the final distribution of the £13.9m 2017/18 AFR for A.21 will be as follows (figures in brackets are those estimated in CP17/12):
- CASS large firms 74.30% (74.1%)
 - CASS medium firms 25.67% (25.81%)
 - CASS small firms 0.03% (0.03%)

Consumer credit variable fee rates

- 2.25** The 2017/18 AFR allocated to the two consumer credit fee-blocks CC1 (limited permission) and CC2 (full permission) is £37.8m. This is made up of £6.2m to continue the recovery of the total £62m consumer credit scope change deficit that we planned recovering over 10 years from 2016/17 and £31.6m ongoing costs for 2017/18.



2.26 In CP17/12, we consulted on the variable fee rate as unchanged from 2016/17 at £0.40 for fee-block CC1 and £1.30 for fee-block CC2 per £1,000 of income from consumer credit activities above £250,000. Only 6% of consumer credit firms pay variable fees from whom around 90% of the allocated £37.8m AFR is recovered.

2.27 We are keeping the 2017/18 final variable fee rates unchanged from 2016/17 as consulted on in CP17/12. We are still in the process of collecting and validating the tariff data (income) reported by consumer credit firms. To date this shows that the total income reported is greater than was estimated in April. We expect that keeping the variable fee rates unchanged from 2016/17 will therefore mean that receipts from periodic and application fees will result in us collecting around £3.5m more than the allocated £37.8m. This additional amount will be used to further reduce the scope change deficit. Where such an over collection occurs in future years we intend to take the same approach so that the deficit is reduced sooner than originally planned.

Table 2.3: Changes in data used to calculate draft and final fee rates and year on year movement in actual fee rates between 2016/17 and 2017/18

Fee-block	Tariff base	Number of firms in fee-blocks			Tariff data			Year on year movement in fee rates from 2016/17	
		2017/18 Actual	2016/17 Actual (i)	Change	2017/18 Actual	2016/17 Actual (i)	Change	CP17/12	Actual
A.1	Modified eligible liabilities	836	855	-2.2%	£3,111.2bn	£2,831.3bn	9.9%	-2.9%	-11.8%
A.2	Number of mortgages or other home finance transactions	433	356	21.6%	7.2m	7.3m	-1.1%	-12.2%	-9.8%
A.3	Gross premium income	330	343	-3.8%	£66.0bn	£68.1bn	-3.2%	5.2%	5.7%
	Gross technical liabilities				£137.5bn	£140.4bn	-2.1%	4.9%	4.8%
A.4	Adjusted gross premium income	171	177	-3.4%	£59.7bn	£60.2bn	-0.8%	2.8%	2.7%
	Mathematical reserves				£942.8bn	£944.5bn	-0.2%	2.1%	2.0%
A.5	Active capacity	58	64	-9.4%	£29.9bn	£27.6bn	8.4%	-6.1%	-7.3%
A.7	Funds under management	2,895	2,795	3.6%	£7,684.6bn	£6,322.0bn	21.6%	-12.4%	-14.0%
A.9	Gross income	1,387	1,348	2.9%	£12.9bn	£12.6bn	2.1%	2.3%	2.1%
A.10	Traders	411	421	-2.4%	9,903	10,189	-2.8%	8.6%	8.8%
A.13	Annual income	13,040	9,501	37.2%	£29.1bn	£27.2bn	7.0%	-3.7%	-2.6%

A.14	Annual income	794	783	1.4%	£7.9bn	£6.8bn	14.9%	-8.8%	-9.6%
A.18	Annual income	5,318	5,166	2.9%	£1.5bn	£1.3bn	10.9%	-19.4%	-19.0%
A.19	Annual income	12,845	12,677	1.3%	£16.3bn	£15.5bn	4.8%	-6.2%	-5.4%
A.21	Client money	1,151	1,146	0.4%	£147.3bn	£139.6bn	5.8%	-9.2%	-9.1%
	Assets held				£13,780.1bn	£12,572.8bn	9.6%	-11.5%	-11.8%

Notes: (i) 'Actual' refers to the data as set out in Table 2.3 of PS16/16, published in June 2016.



3 FCA periodic fees for other bodies

3.1 In this chapter we give feedback on the responses to Chapter 4 of CP17/12, which was our consultation on the draft fees rates rules for other bodies that fall within the 'B' to 'G' fee-blocks:

- B, Market infrastructure providers
- C, Collective investment schemes
- D, Designated professional bodies
- E, UK Listing Authority (UKLA)
- F, Unauthorised mutuals
- G, Firms registered under the Money Laundering Regulations; firms covered by the Regulated Covered Bonds Regulations 2008, the Payment Services Regulations 2009 and the Electronic Money Regulations 2011; and firms undertaking consumer buy-to-let business

3.2 We also highlight the changes between the draft fees rates in CP17/12 and the final rates contained in Appendix 1 of this PS.

Periodic fees for other bodies – summary of proposals

3.3 In Chapter 2 of CP17/12 we set out the proposed allocation of our AFR to the 'B' to 'G' fee-blocks.

3.4 In Chapter 4 of CP17/12 we proposed the draft periodic fees to recover the allocated AFR from the fee-payers within each of these fee-blocks. This included proposing to increase 2017/18 minimum and flat fees for the B to G fee-blocks by 1% to reflect the inflation increase in our ongoing regulatory activities (ORA). We also proposed to link minimum fees and flat fees to future movements in our ORA. Such a link will mean that the level of minimum fees and flat fees will reflect increases in our costs over time rather than only variable fee-payers picking up these increased costs (or any decreases in our costs, if applicable).

3.5 As confirmed in Table 2.2 of Chapter 2 of this PS, the allocation of our AFR to these fee-blocks has not changed from CP17/12.

3.6 We asked:

Q2: *Do you have any comments on the proposed FCA 2017/18 minimum fees and periodic fee rates for fee payers other than authorised firms?*

Responses to proposals

3.7 We received three responses.

A recognised investment exchange (RIE) in the B fee-block

3.8 The respondent raised concerns about our statement in CP17/12 that we propose basing the fees for operators of multilateral trading facilities (MTFs) on income. They did not believe that the level of a trading venue's income reflects an effective proxy for the impact risk on our objectives.

Our response

In CP17/12, we were consulting on 2017/18 MTF fee rates for MTFs based on the existing fees structure first introduced following consultation in April 2016 (CP16/9). The existing structure is not based on income.

A consultation on basing the fees structure for MTFs has not yet taken place and we acknowledge that this should have been made clearer in CP17/12.

A standard listed issuer in the E fee-block

3.9 An issuer of securities raised concerns that the proposed 2017/18 fees in CP17/12 followed the structure implemented in 2016/17. As a small standard listed issuer, they pay an annual fee of £19,695 rather than £5,200 for a premium listed issuer. They requested that we reconsider the basis for charging standard listed issuers in the future and revert to a tiered structure at the same level as premium listed issuers.

Our response

In CP17/12, we only consulted on the inflation aligned 1% increase in these periodic fees for 2017/18.

The current periodic fees structure for the E fee-block was consulted on in Chapter 4 of CP15/34 (published November 2015). This followed a review of the deployment of our resources within the E fee-block. CP15/34 proposed that the E3 standard listed issuer fee-block would be merged with the E5 fee-block, covering issuers of global depositary receipts (GDRs), replacing the variable rate fee with a flat rate of £19,500 (at that time). Premium listed issuers in the E2 fee-block retained the variable rate (based on market capitalisation) and had a base fee of £5,150 (at that time). We recognised in CP15/34 that this represented a substantial percentage increase for the smallest standard listed issuers and issuers of GDRs, several of whom had been paying fixed or minimum fees at £4,000 or a little above for many years. However, we did not believe a fee of £19,500 represented a material expense for them. More significantly, our review showed that in the case of standard listed issuers and issuers of GDRs the previous fees structure was not proportionate to the resources we put into enforcing the listing rules or disclosure



and transparency rules and so smaller issuers were not making an appropriate contribution towards recovery of our costs, which were being covered by larger issuers.

We provided feedback on responses received to the above proposals and published final rules in Chapter 3 of Handbook Notice 30 (February 2016) and implemented the changes from 2016/17.

A trade body representing unauthorised mutuals in the F fee-block

3.10 A trade body representing unauthorised mutuals (mutuals) in the F fee-block responded to the proposed increase in their fees ranging from 3.9% to 8.3%. They accepted the 2017/18 fee increases given the under recovery in recent years in the F fee-block. This acceptance was conditional that future changes (including decreases) should only track the costs of our functions in relation to mutuals and should not include the cost of our activities as a financial services regulator. Also, that action should be taken to ensure that the mutuals get adequate value for money for the high fees they pay given the lower fees charged by the Community Interest Companies (CIC) regulator.

Our response

Our fee-block structure already distinguishes the costs relating to the functions we have to undertake with regard to mutuals from the costs of our functions under the Financial Services and Markets Act (FSMA). We allocate £1.7m to the F fee-block, which represents 0.3% of our total £526.9m AFR. Our allocation by exception policy for allocating our AFR to fee-blocks covers exceptional decreases in costs as well as increases.

The CIC Regulator's office is run by staff from the Department for Business, Energy and Industrial Strategy (BEIS) under BEIS terms and conditions. As at the end of 2016/17 financial year, the CIC Regulator's office recovered 74% of its costs and aims to achieve full cost recovery within the next 3 years - this is from a standing start in 2005 when the CIC legislation and office began. As at the end of 2016/17 there were 13,055 CICs on the public register and the CIC Regulator deals with a significant amount of paperwork associated with registration, annual reports, queries and complaints; but no historic records. The Government expects a 'light touch' CIC Regulator to encourage and develop the CIC brand and provide guidance and assistance on matters relating to CICs. Therefore, although the CIC Regulator has investigatory and enforcement powers, it is expected that these are only used on rare occasions - to the extent necessary to maintain confidence in CICs.

We, the FCA, are wholly funded through fees and cover a broader group of legal entities and range of legislation (co-operative societies, community benefit societies, credit unions, friendly societies, building societies). We also inherited a significant amount of historic records in paper form which gives us further challenges and, additionally, we carry out prosecutions.

Changes between draft fee rates and final rates

- 3.11** We highlighted in CP17/12 that fee-payers should be aware that the draft fee rates and levies in Appendix 1 of CP17/12 were calculated using estimated fee-payer populations and tariff data (measures of size as a proxy for risk), which may change when the final fee rates are calculated in June 2017.
- 3.12** We list below, where applicable, the percentage movements in the fee rates between the draft version in CP17/12 and the final rates in Appendix 1 of this PS:
- C, Collective investment schemes – a decrease of 9%
 - E, UKLA – a increase of 0.7% for E002 (premium listed issuer variable rate)
 - G, Payment Services – a decrease of 10.5% in the variable rate

Firms registered under the Money Laundering Regulations

- 3.13** In CP17/12 we set out a 1% increase to periodic fees for firms registered under the Money Laundering Regulations. This formed part of a broader proposal to increase all minimum and flat fees for the B to G fee-blocks to reflect an inflation aligned increase in our ORA. On 26 June the Money Laundering Regulations 2007 were revoked and replaced by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Whilst we may consider revising fees following review, in the interim the periodic fee for firms registered under the Money Laundering Regulations 2007 as communicated in CP17/12, of £438, will also be the fee payable by firms registered under the 2017 regulations. Fees for these firms will be recorded outside the FEES Manual.

B fee-block further consultation on 2017/18 fee rates

- 3.14** From 2017/18 the periodic fees for recognised investment exchanges (RIEs) and benchmark administrators (BAs) will be calculated based on their size as measured by their annual income from the activities that comprise a necessary part of their business as RIEs or BAs. A combination of minimum fee and variable fee rate bands will be used to calculate these fees.
- 3.15** We consulted on the introduction of using income to calculate fees for RIEs and BAs in Chapter 4 of CP16/33 (November 2016)⁷, provided feedback on the responses we received in Chapter 10 of CP17/12 (April 2017)⁸ and published the made rules in Appendix 3 of that CP.
- 3.16** We did not consult on proposed 2017/18 variable fee rates through CP17/12. We needed to wait for the RIEs and BAs income data based on the final income definition and guidance published in CP17/12 to calculate those fee-rates. We got this by the 18 June 2017 and will consult on the 2017//18 variable fee-rates in a separate CP, scheduled to be published at the end of July 2017.

7 www.fca.org.uk/publication/consultation/cp16-33.pdf

8 www.fca.org.uk/publication/consultation/cp17-12.pdf

4 Applying financial penalties

- 4.1** In this chapter we confirm the amount of retained penalties from 2016/17 and the final percentage rebates that will be applied to 2017/18 periodic fees paid by firms.
- 4.2** Each year the financial penalties we impose on regulated persons, as a result of taking enforcement action, must be paid to the Treasury after certain enforcement costs have been deducted (retained penalties). These retained penalties are applied to the benefit of regulated persons through rebates to periodic fees in the following year. How these rebates are calculated is set out in our Financial Penalty Scheme, which we have consulted on previously and was detailed in Chapter 5 of CP17/12, and also in Annex 2 of this PS.
- 4.3** In Chapter 5 of CP17/18 we estimated the retained penalties for 2016/17 to be £51.6m. The amount of the estimated retained penalties allocated to each fee-block and the estimated percentage rebates for 2017/18 periodic fees was set out in Table 5.1 in CP17/12.
- 4.4** The final amount of retained penalties for 2016/17 is £46.1m, 10.7% less than estimated in CP17/12. Table 4.1 sets out how the reduced retained penalties have been distributed across fee-blocks, in the same proportions as CP17/12.

Table 4.1: Final schedule of application of 2016/17 retained penalties in 2017/18

Fee-block	Actual 2016/17 retained penalties to be applied to benefit of fee-payers (£m)	Actual 2017/18 rebate applied to fees	Estimated 2016/17 retained penalties to be applied to benefit of fee-payers (£m)	Estimated 2017/18 rebate applied to fees
AP.0 FCA prudential	0.0	0.0%	0.0	0.0%
A.1 Deposit acceptors	7.3	10.3%	8.1	11.5%
A.2 Home finance providers and administrators	0.7	4.5%	0.8	5.1%
A.3 Insurers – general	1.5	5.9%	1.6	6.6%
A.4 Insurers – life	2.6	6.3%	2.9	7.1%
A.5 Managing agents at Lloyd's	0.0	0.0%	0.0	0.0%
A.6 The Society of Lloyd's	0.0	0.0%	0.0	0.0%
A.7 Portfolio managers	10.7	24.1%	12.0	27.0%
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	1.7	14.0%	1.9	15.7%
A.10 Firms dealing as principal	5.8	11.3%	6.5	12.7%

A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	3.9	5.1%	4.4	5.7%
A.14 Corporate finance advisors	1.8	13.0%	2.0	14.5%
A.18 Home finance providers, advisers and arrangers	3.0	18.5%	3.3	20.8%
A.19 General insurance mediation	2.7	9.8%	3.0	11.0%
A.21 Firms holding client money or assets or both	3.0	22.0%	3.4	24.6%
B. Recognised investment exchanges and operators of multilateral trading facilities (only)	0.0	0.0%	0.0	0.0%
CC.1 Consumer credit – limited permission	0.0	0.0%	0.0	0.0%
CC.2 Consumer credit – full permission	0.0	0.0%	0.0	0.0%
E. Issuers and sponsors of securities	1.4	6.6%	1.5	7.4%
Total	46.1		51.6	



5 FCA fee-block allocation policy

- 5.1** In this chapter we give feedback on the responses to Chapter 6 of CP17/12, in which we consulted on our proposed policy for allocating our annual funding requirement (AFR) across fee-blocks from 2018/19 and for the foreseeable future.
- 5.2** Over the past three years (2014/15 to 2016/17), following consultation, our approach to allocating our AFR across fee-blocks has been to maintain an even distribution of the overall increase in our AFR across fee-blocks other than where, for individual fee-blocks, there has been a material and explainable exception (allocation by exception approach¹). In Chapter 2 of CP17/12 we proposed continuing the allocation by exception approach for the overall 1.5% increase in our 2017/18 AFR. In Chapter 2 of this policy statement (PS) we give our feedback on responses to that consultation.

Summary of proposal

- 5.3** We proposed adopting the allocation by exception approach as our policy from 2018/19. This means that the baseline for the underlying distribution of our AFR across fee-blocks will stay as it was for 2013/14 (the first year that the FCA operated), but it will be adjusted for the material and explainable exceptional movements since then and from 2018/19.
- 5.4** We highlighted that this allocation policy will help firms to predict where changes in the allocation of our AFR to fee-blocks – which in turn affects the fees they pay – are likely to occur. The exceptions relating to scope change, including implementing EU Directives, are highlighted in our Business Plans, often well ahead of us allocating the recovery of their costs to the relevant fee-blocks. As these work streams are managed as specific projects, we can identify their costs and map them to the relevant fee-blocks. This also increases transparency as we explain to fee-payers why those costs have been allocated to their fee-blocks.
- 5.5** We also highlighted that our current business as usual regulatory model does not facilitate the identification of costs and the mapping of them to fee-blocks with the same accuracy as for those relating to our project work. This is for several reasons. We carry out our supervisory functions at the firm or group level as well as through thematic projects. Firms or groups can be in multiple fee-blocks and thematic projects can cut across a range of regulated activities and therefore fee-blocks. Our other functions (e.g. policy, risk and research, competition, enforcement and authorisations) can also cut across a range of regulated activities. This limits the extent to which we can directly allocate the funding of all our functions to fee-blocks and be transparent about shifts that firms in specific fee-blocks see each year in the amount of funding we recover from them.

5.6 We asked:

Q3: *Do you have any comments on the proposed adoption of the allocation by exception approach as our allocation policy from 2018/19 (and for the foreseeable future) and that 2013/14 is the baseline?*

Responses to proposal

- 5.7 Four trade bodies responded to these proposals. Three were supportive and one commented further in relation to building societies and EU Withdrawal costs. In their view, EU Withdrawal affects the building society sector (the vast majority of which is domestic savings and residential mortgage business only) far less than banks. However, because they are included in the A.1 deposit acceptors fee-block, they will be unfairly penalised by EU Withdrawal costs. As a result, they believed allocation by exception breaks down. They also commented that ring-fencing was a prime example where only relevant authorised firms should pay. However, they questioned why ring-fencing costs were recovered by a special fee rather than by an allocation by exception.
- 5.8 Another respondent commented that they believed the 'F' fee-block covering unauthorised mutuals should be exempted from contributing to any general increases in the AFR that come from our activities as a financial services regulator.

Our response

The allocation by exception policy relates to the allocation of our AFR to fee-blocks. Our 'A' fee-block groups related regulated activities that firms have permission to undertake. The A.1 fee-block covers the regulated activity of accepting deposits and therefore includes banks, building societies and credit unions. As we highlighted in CP17/12, our current business as usual regulatory model does not facilitate the identification of costs and mapping them to fee-blocks. We believe the current definition of the A.1 fee-block groups together related regulatory activities at the right level. We have treated EU Withdrawal costs as an allocation by exception allocating them to the fee-blocks that we believe will be most affected. We allocated some of those costs to A.1 but we did not allocate any of those costs to the A.2 fee-block, which covers the regulated activity of home finance providers (ie mortgage providers, which include banks and building societies). As a result, we have therefore taken into account the business of building societies to the extent that the 'A' fee-block structure allows.

In the case of recovering our ring-fencing costs, this work has been treated as a project where we can more easily identify the specific costs. The £5.8m 2017/18 ring-fencing costs are being recovered by a separate fee levied on the in-scope banking groups as set out in Chapter 6 of this PS. Treating ring-fencing as an allocation by exception would



have resulted in the £5.8m being allocated to A.1 and recovered from all firms in that fee-block based on their size as measured by modified eligible liabilities (ie UK deposits).

As stated in our response to this respondent in Chapter 3, our fee-block structure distinguishes the costs relating to the functions we have to undertake with regard to mutuals from the costs of our functions under the Financial Services and Markets Act (FSMA). We allocate £1.7m to the 'F' fee-block, which represents 0.3% of our total £526.9m AFR. Any general increase (or decrease) in our ongoing regulatory activities (ORA) costs will be allocated to the 'F' fee-block in the same proportion.

5.9 We will update our *How we raise our fees* publication on our website.

6 Ring-fencing implementation fee

(FEES 4 Annex 2B, final rules in Appendix 1)

- 6.1** In this chapter we provide feedback on the responses received to our proposals for a ring-fencing implementation fee (RFIF) set out in Chapter 7 of CP17/12

Summary of proposals

- 6.2** We proposed that the RFIF will apply to firms that are ring-fencing their core activities in line with the requirements of the Financial Services (Banking Reform) Act 2013 (FSBRA) ahead of the Government's 1 January 2019 deadline (in-scope banking groups).⁹
- 6.3** The implementation of the new regime requires us to do a significant amount of work through to 2019. In CP17/12 we stated that our budgeted costs associated with this work in 2017/18 would be £5.8m, and this has not changed since CP17/12. In CP17/12 we also estimated there would be a £1.4m 2016/17 underspend against the £6.4m we raised in 2016/17. The final under spend is £1.8m which we will return to firms in proportion to the RFIF they paid in 2016/17.
- 6.4** We proposed that the allocation of our ring-fencing implementation costs to groups will reflect two equally weighted factors (on the same basis as for the RFIF in 2016/17):
- how their core deposits compare with the core deposits of all in-scope banking groups
 - how their total group assets outside their proposed ring-fenced body subgroups compare with the non-ring fenced assets of all in-scope banking groups
- 6.5** We asked:

Q4: *Do you have any comments on the proposed 2017/18 ring-fencing implementation fee?*

Responses to proposal

- 6.6** We did not receive any responses to these proposals.

⁹ The Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 provides that a bank is subject to ring-fencing if it has a three-year average of more than £25 billion 'core deposits' (broadly those from individuals and small and medium-sized enterprises (SMEs)).



7 Payment Services Directive 2 – application fees

7.1 In this chapter we give feedback on the responses to Chapter 8 of CP17/12, in which we consulted on proposed changes to application fees in preparation for the second Payment Services Directive (PSD2). We plan to start these changes from October 2017, subject to Parliament giving us the appropriate powers. This will allow firms to submit applications to us ahead of 13 January 2018, which is the date PSD2 requirements will need to have been implemented in UK law.¹⁰

Summary of proposals

7.2 Our PSD II proposals included the following.

- impact on application fees of changes to definitions of services provided by authorised payment institutions (APIs)
- creation of a new category of registered account information service providers (RAISPs)
- application of reauthorisation and re-registration fees to existing firms
- application of fees for registering exemptions from regulation

7.3 We set out the draft rules in Appendix 2 of CP17/12.¹¹

7.4 We asked:

Q5: *Do you have any comments on our application fees proposals arising out of PSD 2?*

Responses to the proposals

7.5 We did not receive any responses to these proposals.

7.6 After receiving the appropriate powers in legislation, we will ask our Board to make the appropriate rules on all our proposals relating to PSD2 prior to us opening for authorisation and registration applications in October 2017.

PSD2 implementation costs

7.7 Chapter 2 of CP17/12 we set out the allocation of our annual funding requirement (AFR) to fee-blocks, and proposed allocating our PSD2 implementation costs to the G fee-block from 2017/18. In Chapter 4 of CP17/12 we set out our proposals for recovering these costs from payment services firms within the G fee-block. We received no responses to those proposals.

¹⁰ Directive (EU) 2015/2366 (PSD2) was published in the EU's Official Journal on 13 January 2016. Requirements introduced under PSD2 must be implemented by 13 January 2018.

¹¹ Fees (Payment Services) Instrument 2017 (draft rules)

8 Financial Ombudsman Service general levy

(FEES 5 Annex 1R – final rules in Appendix 1)

- 8.1** In this chapter we provide feedback on the responses we received to Chapter 11 of CP17/12. In it, we consulted on the tariff rates for the Financial Ombudsman Service's general levy for 2017/18 and how it is distributed across industry blocks.

Summary of proposals

- 8.2** The Financial Ombudsman Service provides an independent service that resolves disputes for customers of financial services firms. We consulted on proposals to raise the general levy to fund its activities in 2017/18. This will help it to provide a scheme for the quick and informal resolution of disputes between financial services firms and their customers. If the Financial Ombudsman Service functions well it makes an important contribution to our consumer protection objective.
- 8.3** The Financial Ombudsman Service is funded by a combination of annual fees – general levy and voluntary jurisdiction levy¹², and case fees.¹³
- 8.4** The Financial Ombudsman Service consulted on its draft budget and corporate plan between 14 December 2016 and 31 January 2017.¹⁴ In March 2017, it presented a final budget to the FCA Board which approved its total annual budget of £263.5m¹⁵ for 2017/18.
- 8.5** The majority of the Financial Ombudsman Service's income is from case fees, and it has asked us to recover £24.5m by general levy (the same as 2016/17) and allocate this in line with the forecast of where costs will fall. Following the transition of consumer credit regulation from the Office of Fair Trading (OFT) to the FCA, this figure includes consumer credit firms that are now authorised firms covered by the Compulsory Jurisdiction (CJ). The proportions are similar to previous years, and this reflects the Financial Ombudsman Service's forecast that complaints volumes (excluding Payment Protection Payments (PPI) complaints) will remain broadly stable. The annual amounts actually payable by each block will vary to reflect changes in the proportions of cases in each block.

12 The general levy is payable by firms in the compulsory jurisdiction (authorised firms, payment service providers, electronic money issuers, consumer buy-to-let (CBTL) firms, designated finance platforms and designated credit reference agencies), and is collected by the FCA. The Financial Ombudsman Service collects a separate levy from financial businesses that have signed up to its Voluntary Jurisdiction.

13 Case fees are payable by respondents once a case has been resolved.

14 www.financial-ombudsman.org.uk/publications/plan-and-budget-2017-18.pdf

15 Operating costs.



8.6 We asked:

Q6: *Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?*

Responses to proposals

8.7 Eleven respondents did not answer this question or provide any comments on the allocation of the general levy between industry blocks. Two respondents welcomed the proposal to recover the same amount as in 2016/17 by general levy.

8.8 One respondent argued that financial advisers should not be expected to pay a levy for credit related activities because advisers' limited activity in the consumer credit area means that their consumer credit revenue will be close to zero. Advisers already contribute to the Financial Ombudsman Service's costs by virtue of their other permissions, so this respondent did not agree that they should be expected to pay any further fee for consumer credit.

Our response

Our fees structures are based on activities and fee-blocks are used to group together firms with similar regulated activities. Depending on the regulated activities a firm has, it could be allocated to one or more fee-blocks. The fee that most firms will pay for consumer credit is a flat fee of £35 (plus £0.02 per £1,000 of annual income on income above £250,000), which we do not consider to be disproportionate. This rule is not a new rule and has been in place since April 2014.

Changes between draft levy rates and final rates

8.9 We highlighted in CP17/12 that fee-payers should be aware that the draft Financial Ombudsman Service levy rates in Appendix 1 were calculated using estimated fee-payer populations and tariff data (measures of size) which may change when the final levy rates are calculated in June 2017.

8.10 One of the Financial Ombudsman Service rates in Appendix 1 of this PS has changed slightly since we published the draft rates in CP17/12 (industry block I009), but we do not consider the change to be significant.

8.11 Firms can use our online fees calculator¹⁶ to calculate their individual Financial Ombudsman Service levy rates, based on the final rates in Appendix 1 of this PS.

16 www.fca.org.uk/firms/fees/calculate-annual-fee

9 Money Advice Service levies

(FEES 7 Annex 1R final rules in Appendix 1)

9.1 In this chapter we:

- set-out the 2017/18 final levies for the Money Advice Service¹⁷
- provide feedback on the responses we received to Chapter 12 of CP17/12
- consult on formalising a debt advice levy concession for smaller credit unions and further changes in order to improve the clarity of our FEES 7 rules

Background

9.2 The Money Advice Service budget for 2017/18 is £75m (the same as 2016/17). We proposed two separate levies:

- £27m for the delivery of money advice (£30m in 2016/17), although only £15.9m will be levied
- £48m for the coordination and provision of debt advice (£45m in 2016/17), although only £42.2m will be levied

9.3 Since CP17/18 was published, the Money Advice Service has reported an underspend of £7.9m in the money advice budget for 2016/17. We also have more up to date data on expected consumer credit contributions. This means that we will be levying £58.1m from Money Advice Service levies as opposed to £64.1m quoted in CP17/12.

9.4 In CP17/12 we estimated there would be a £10.9m consumer credit contribution and now expect the 2017/18 contribution to be £9m. This will be distributed to offset the levy we collect from the relevant 'A' fee blocks. Firms will see a reduction in costs for the Money Advice Service levy for the 2017/18 financial year, resulting in £15.9m being levied for money advice and £42.2m for debt advice.

Money Advice Service consumer credit levies for 2017/18

9.5 FCA-authorized consumer credit firms also contribute to the Money Advice Service levy as set out in table 9.1. We proposed that these levies remain unchanged for 2017/18.

¹⁷ The Money Advice Service is referred to in the Financial Services and Markets Act 2000 and our FEES manual as the Consumer Financial Education Body (CFEB).



Table 9.1: Proposed Money Advice Service levy rates for consumer credit

	Minimum Annual fee		Variable annual fee on income above £250,000
Type of firm	Income band	Fee	
Limited Permission:			
fee block CC1	Up to £250,000	£10	£10 + £0.37 per £1,000
Full Permission: fee block CC2	Up to £250,000	£10	£10 + £0.37 per £1,000

9.6 We asked:

Q7: *Do you have any comments on the proposed Money Advice Service consumer credit levies for 2017/18 set out in table 9.1?*

Responses to proposal

9.7 We received five responses: two from individual firms and three from trade bodies.

9.8 One respondent felt advisers' consumer credit activities are negligible and they already contribute by virtue of their other permissions towards MAS's costs. Therefore they believe that adviser firms should not be expected to pay any further fee to MAS in respect of consumer credit activities, particularly as it is intended in part to cover debt advice costs. They hope when the new money guidance body is created, this will be taken into account and the levy approach altered accordingly. One respondent supported the move to reduce fee allocation to the deposit-taking fee-block and welcomed the benefit that this will have for larger credit unions subject to the variable periodic fee.

Allocation and recovery for money advice

9.9 The total budget for delivering the money advice function for 2017/18 is £27m. The breakdown of expenditure can be found in the Money Advice Service's business plan that was published on 3 April 2017.¹⁸

9.10 Funding for money advice will come from levies raised from FSMA-authorized firms, payment institutions and electronic money issuers. Table 9.2 at the end of this chapter sets out how this will be allocated. It includes reductions due to the underspend and the consumer credit contributions, resulting in a total levy of £15.9m.

18 https://masassets.blob.core.windows.net/cms/files/000/000/659/original/Money_Advice_Service_2017_2018_Business_Plan_FINAL_PUBLIC_EDITION.PDF

- 9.11** The money advice budget will be allocated based on three equal components that carry equal weighting. These are:
- how consumers use the four channels of the Money Advice Service (web, telephone and web chat, face-to-face and printed literature), which will be weighted by the different costs of the relevant channels
 - Mapping the five Money Advice Service's outcomes in its business plans to appropriate fee blocks. These outcomes are: budgeting to live within means, managing debt well, saving regularly, saving for retirement, protecting assets and making provision for dependents
 - a levy based on our own allocation for 2017/18

9.12 All firms pay a fixed minimum £10 fee.

9.13 We asked:

Q8: *Do you have any comments on the proposed 2017/18 Money Advice Service levy rates for money advice?*

Responses to proposals

9.14 Two respondents welcomed the reductions in the levy and expressed support for the current method of allocation, and one respondent wanted to see the closure of MAS happen sooner as mortgage and advice firms need to see these costs eradicated as it has been acknowledged that the mortgage and advice sectors are already well serviced by other firms and activities.

Allocation and recovery for debt advice

9.15 The total budget for debt advice in 2017/18 is £48m. A breakdown of the budget can be found in the Money Advice Service business plan. Funding for debt advice will come from A1 and A2 fee-blocks, using a model that covers total lending and write-off levels, on a 50% basis for each. This is based on Bank of England data and table 9.2 at the end of this chapter sets out how this will be allocated, covering the consumer credit contributions and resulting in a total levy of £42.2m.

9.16 We asked:

Q9: *Do you have any comments on the proposed 2017/18 Money Advice Service levy rates for debt advice?*

Responses to proposals

9.17 We received two responses in respect to the debt advice levy. One respondent highlighted concern that the new permission to accept deposits in the UK has resulted in an increase of the Money Advice Service fee, which in some cases is in excess of FCA fees. They would like the policy approach in this area reviewed. One respondent wanted sectors such as energy and telecommunication companies to contribute towards the cost of debt advice.



Our response

We have taken into account the underspend for 2016/2017 and the additional consumer credit contributions, which means firms will see a reduction in costs for the Money Advice Service levy for the 2017/18 financial year, resulting in £15.9m being levied for money advice and £42.2m for debt advice. We will be consulting in due course about the allocation methods in respect of the levy for the new guidance body. It is expected that the new body will be operational by Autumn 2018 and with the FCA's role limited to collecting the levy.

Changes between draft levy rates and final levy rates

- 9.18** We highlighted in CP117/12 that fee-payers should be aware that the draft Money Advice Service levy rates in Appendix 1 of CP17/12 were calculated using estimated fee-payer populations and tariff data (measures of size). These may change when the final levy rates are calculated in June 2017.
- 9.19** The Money Advice Service levy rates in Appendix 1 of this PS have changed since the draft rates in CP17/12.
- 9.20** Firms can use our online fee calculator¹⁹ to calculate their individual Money Advice Service levy rates, based on the final rates in Appendix 1.

Debt advice levy concession for smaller Credit Unions

- 9.21** Credit Unions should receive a concession for the Money Advice Service debt advice levy under fee-block A.1 deposit acceptors. No levy should be payable if their reported unsecured debt is less than £250,000.
- 9.22** This concession was proposed in Chapter 11 of CP14/6 published March 2014²⁰ to come into effect from 2014/15. We reported that we would be proceeding with the proposals in CP14/6 in Chapter 7 of PS14/11 published July 2014.²¹ However, no draft rules reflecting this concession were included in CP14/6 and therefore are not included in FEES 7 of our FEES Manual that covers the rules for applying the debt advice levy.
- 9.23** It was our policy intention for this concession to have been applied from 2014/15. We are therefore now consulting on formalising this concession into the FEES Manual as set out in Appendix 2. Appendix 2 also includes further changes in order to improve the clarity of our FEES 7 rules.

Q1: *Do you have any comments on the Money Advice Service debt advice concession for Credit Unions draft rules in Appendix 2?*

¹⁹ www.fca.org.uk/firms/fees/calculate-annual-fee

²⁰ www.fca.org.uk/publication/consultation/cp14-06.pdf

²¹ www.fca.org.uk/publication/policy/ps14-11.pdf

- 9.24** Responses should be submitted to the contact details provided on page 2 of this PS by 4 September 2017.
- 9.25** We will consider comments received and subject to FCA Board approval in October 2017, we plan to publish the outcome of the consultation and final rules in our October 2017 Handbook Notice.
- 9.26** As a consequence of the rules not being included in FEES 7, the concession has not been applied over the past three years (2014/15 to 2016/17) and will not be applied in 2017/18. If the rules in Appendix 2 are made Credit Unions who should have received the concession in 2014/15 to 2017/18 will receive a refund.
- 9.27** We are grateful to the Association of British Credit Unions Ltd who brought this error to our attention by highlighting that our CP17/12 Fees Calculator was not taking this concession into account.

The new single financial guidance body

- 9.28** In CP17/12 we noted that the Government consulted in March 2016 on setting up a two-body delivery model for Government-sponsored guidance. This included replacing the Money Advice Service with a new, streamlined money guidance body and bringing together the Pensions Advisory Service and Pension Wise into a new pension guidance body. However, after considering concerns raised by respondents to the consultation on how the two bodies might work together effectively, the Government announced in October 2016 that a single body would be better at responding to consumers' different financial guidance needs.
- 9.29** The Government consulted on this approach on 19 December 2016 and is expected to respond later this year. It will launch the new single financial guidance body no earlier than autumn 2018 and plans for the funding to keep coming from the financial service levy and the general levy. In the meantime, the Money Advice Service, the Pensions Advisory Service and Pension Wise will continue to do their statutory jobs.
- 9.30** The Government expects that the amounts charged to the levies for the new single body will stay the same as the amounts charged before the new arrangements take effect.
- 9.31** The Government will consider whether the new single body should be given a degree of flexibility in how it uses its funding, but until a decision on this is reached funding will continue to be allocated as previously consulted on and agreed.



Table 9.2: 2017/18 Annual funding requirement (AFR) – consultation compared to final

Fee-block	2017/18 Consultation AFR (£m)	2017/18 Final AFR (£m)	Movement
Money Advice Levy			
A.0 Minimum fee	0.2	0.1	-31.3%
A.1 Deposit acceptors	5.2	3.6	-31.3%
A.2 Home finance providers and administrators	4.2	2.9	-31.3%
A.3 Insurers – general	2.1	1.5	-31.3%
A.4 Insurers – life	3.4	2.3	-31.3%
A.5 Managing agents at Lloyd's	0.0	0.0	0.0%
A.6 The Society of Lloyds'	0.0	0.0	0.0%
A.7 Portfolio managers	1.2	0.8	-31.3%
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	1.2	0.8	-31.3%
A.10 Firms dealing as principal	1.3	0.9	-31.3%
A.13 Advisory arrangers, dealers or brokers	2.7	1.9	-31.3%
A.14 Corporate finance advisors	0.2	0.2	-31.3%
A.18 Home finance providers, advisers and arrangers	0.3	0.2	-31.3%
A.19 General insurance mediation	0.7	0.5	-31.3%
A.21 Firms holding client money or assets or both	0.3	0.2	-31.3%
G Firms covered by Payment Services Regulations 2009 (PSRs) and Electronic Money Regulations 2011 (EMRs)	0.1	0.1	-31.3%
Money Advice Total	23.1	15.9	-31.3%
Debt Advice Levy			
A.1 Deposit acceptors	20.3	20.9	3.0%
A.2 Home finance providers and administrators	20.7	21.3	3.0%
Debt Advice Total	41.0	42.2	3.0%
Money Advice Service Total	64.1	58.1	-9.3%

10 Pension guidance levies

(FEES 10 and 11, final rules in Appendix 1)

10.1 In this chapter we confirm the final 2017/18 Pension Wise funding requirement and give feedback on the responses we received to Chapter 13 of CP17/12 in which we set out our proposed 2017/18:

- pensions guidance levy rates, and
- pensions guidance providers' levy rates

2017/18 Pension Wise funding requirement

10.2 The Department for Work and Pensions (DWP) has notified us that the final 2017/18 Pension Wise funding requirement is £17.2m. This is £1m higher than the estimated £16.2m in CP17/12 due to a final 2016/17 underspend that is lower than they estimated. A breakdown is provided in Table 10.1.

Table 10.1: 2017/18 Pension Wise funding requirement

	2017/18 £m	2016/17 £m	Movement
Pensions guidance service (i)	22.5	29.9	-25%
Less 2016/17 underspend (ii)	(5.3)	(7.4)	-18%
2017/18 funding requirement	17.2	22.5	-24%

Notes:

(i) includes our 2017/18 £0.1m costs for monitoring the Designated Guidance Providers (£0.3m 2016/17) and £0.1m costs for collecting the Pensions Guidance Levy (unchanged from 2016/17)

(ii) includes our 2016/17 £0.1m underspend in our monitoring costs

Pensions guidance levy (PGL) – summary of proposals

10.3 We proposed that the distribution of the allocation of the 2017/18 Pension Wise funding requirement across the PGL fee-blocks should not change from 2016/17 as set out in Table 10.2. Table 10.2 has been updated to reflect the final Pension Wise funding requirement.



Table 10.2: 2017/18 Pension Wise funding allocations

PGL fee-blocks		Actual 2017/18		Actual 2016/17	
		£m	%	£m	%
A.1	Deposit acceptors	4.1	24	5.4	24
A.4	Insurers – life	4.1	24	5.4	24
A.7	Portfolio managers	4.1	24	5.4	24
A.9	Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	2.8m	16	3.6	16
A.13	Advisory arrangers, dealers or brokers	2.1	12	2.7	12
Total		17.2	100	22.5	100

10.4 The allocation is an equal distribution across the five PGL fee-blocks, with the exception of the A.9 and A.13 fee-blocks as detailed in CP17/12.

10.5 We asked:

Q10: *Do you have any comments on the proposed 2017/18 pensions guidance levy (PGL) rates?*

Responses to proposals

10.6 We received three responses from trade bodies representing building societies, credit unions, and investment managers and financial advisers. A respondent welcomed the significant reduction in the PGL. Another respondent noted that the estimated 28% decrease in the funding requirement was not due to efficiency savings or lower demand but largely due to the government's decision not to proceed with putting in place a secondary market for annuities.

10.7 A respondent restated their argument that financial advisers are not benefitting from Pension Wise or the pension reforms. This they say is because the retirement pots of consumers are too small to make it economic to provide regulated advice and the increasing trend of consumers making their own investment and pension decisions. Therefore they believe the allocation to the A.13 fee-block should be reduced from 12% to 5%. Another respondent, while not disagreeing with keeping the allocation of Pension Wise costs across the PGL fee-blocks the same as last year, noted their disappointment that attempts to find data to better allocate costs appears not to have been followed through.

Our response

The DWP has notified us that the final 2016/17 underspend is lower than estimated in CP17/12, therefore the PGL decrease is 24%.

From 2015/16, we reduced the allocation to the A.13 fee-block by 50% to 12%. We believe that this has already recognised that financial advisers only benefit from the pension flexibilities and Pension Wise if consumers seek regulated advice.

The A.13 fee-block contains a very diverse spread of types of firms. These include banks, insurance companies, securities brokers who act for retail clients and wholesale market brokers as well as financial advisers. We estimate that around 3,311 financial advisers, whose main business is to provide advice on retail investment products, will contribute £208,000 (10.1%) of the £2.1m Pension Wise funding requirement allocated to the A.13 fee-block.²² This means that these firms contribute 1.2% of the total £17.2m Pension Wise funding requirement. The £206,000 represents 0.01% of the £3.2bn income these firms report for feed calculation purposes.

We are therefore continuing with the allocations unchanged from CP17/12.

We have said from the outset that it would be challenging to obtain data that reflected what retirement financial products and services consumers would be choosing following the pension reforms and the provision of the Pension Wise service. Such data would need to be specific to each PGL fee-block and measurable to enable the potential benefit to firms in one fee-block to be compared to firms in another. No such data has become available. As we stated in CP17/12, we are also mindful of the changes that will result from the Government's intention to set-up a new Single Financial Guidance Body (SFGB) discussed in paragraphs 10.15 and 10.16 in this chapter. We will work with the SFGB to establish whether appropriate data can be gathered in an efficient and effective way that could inform allocations in the case where its costs are recovered by us.

Changes between draft levy rates and final levy rates

- 10.8** We highlighted in CP17/12 that fee-payers should be aware that the draft PGL rates in Appendix 1 of CP17/12 were calculated using estimated fee-payer populations and tariff data (measures of size), which may change when the final levy rates are calculated in June 2017.
- 10.9** The PGL rates in Appendix 1 of this Policy Statement (PS) have changed since the draft rates in CP17/12.
- 10.10** Our online fee calculator²³ is available for firms to calculate their individual pensions guidance levy rates based on the final rates in Appendix 1 of this PS.

Pensions guidance providers' levy (PGPL) – summary of proposals

- 10.11** The Pension Wise service is provided through the DWP by designated guidance providers (DGPs). We recover our pensions guidance costs from the DGPs. These

²² For the purposes of this data, we have only included firms that pay fees in the A.13 fee-block and complete the Retail Mediation Activities Return (RMAR) through which they report to us their financial information. Banks, life insurance firms and other firms that pay fees in A.13 do not complete the RMAR so we believe that the A.13 firms who do complete the RMAR is a reasonable proxy for financial advisers that cover the regulated activities covered by A.13 in relation to retail investment products.

²³ www.fca.org.uk/firms/fees/calculate-annual-fee

can include our costs for setting the standards of pensions guidance that should be provided by the DGPs, and monitoring their compliance.

- 10.12** Our 2017/18 annual funding requirement (AFR), discussed in Chapter 2, includes our budgeted pensions guidance costs of £54,000 allocated to the 'H' fee-block. We proposed an equal allocation of these costs across the DGPs as set out in Table 10.3, as in 2016/17. The £54,000 levy has not changed since CP17/12 and represents part of the DWP's final £17.2m funding requirement for providing Pension Wise in Table 10.1.

Table 10.3: 2017/18 allocation of FCA monitoring costs

Designated guidance providers	2017/18 £	2016/17 £
The Pensions Advisory Service Limited	13,500	77,500
National Association of Citizens Advice Bureaux	13,500	77,500
Scottish Association of Citizens Advice Bureaux	13,500	77,500
Northern Ireland Association of Citizens Advice Bureaux	13,500	77,500
Total	54,000	310,000

- 10.13** We asked:

Q11: *Do you have any comments on the proposed 2017/18 pensions guidance providers' (PGPL) levy rates?*

Responses to proposals

- 10.14** We did not receive any responses to these proposals.

The new single financial guidance body

- 10.15** In CP17/12 we noted that the Government consulted in March 2016 on setting up a two-body delivery model for Government-sponsored guidance. This included replacing the Money Advice Service with a new, streamlined money guidance body and bringing together the Pensions Advisory Service and Pension Wise into a new pension guidance body. However, after considering concerns raised by respondents to the consultation regarding how the two bodies might work together effectively, the Government announced in October 2016 its view that a single body would be better able to respond to the different financial guidance needs of consumers.
- 10.16** The Government consulted on this approach on 19 December 2016 and is expected to respond later this year. The Government anticipates launching the new single financial guidance body no earlier than autumn 2018 and proposed that it will continue to be funded by the financial service levy and the general levy. In the meantime, the Money Advice Service, the Pensions Advisory Service and Pension Wise will continue to deliver their statutory functions.

11 Illegal money lending levy

(FEES 13 Annex 1R, final rules in Appendix 1)

- 11.1** In this chapter we confirm the final 2017/18 expenses that the Treasury will incur by providing for the teams tackling illegal money lending (IML). We also give feedback on the responses we received to Chapter 14 of CP17/12, in which we set out the proposed 2017/18 IML variable levy rate.
- 11.2** The Treasury has notified us that their final 2017/18 IML expenses will be £5.0m²⁴, unchanged from the estimated amount in CP17/12.

Summary of proposals

- 11.3** The proposed structure for recovering the Treasury's IML expenses was consulted on in Chapter 2 of CP16/33 (November 2016).²⁵ We responded to the feedback we received in our Handbook Notice 41²⁶ and made the final rules in legal instrument FCA 2017/6 Fees (Miscellaneous Amendments) (No 9) Instrument 2017²⁷, published in February 2017. This confirmed the 2017/18 CC1 flat levy of £5 and the CC2 minimum levy of £10.
- 11.4** We therefore only consulted in CP17/12 on the proposed 2017/18 CC2 variable levy rate of £0.192.
- 11.5** We asked:

Q12: *Do you have any comments on the proposed 2017/18 illegal money lending (IML) variable levy rate?*

Responses to proposal

- 11.6** We received one response from a trade body representing organisations active in the debt collection and purchase industry. While they accepted that in CP17/12 we were only consulting on the variable fee rate for full permission firms, they raised concerns about costs to their members/industry in the context of the increased fees consumer credit firms have had to pay following the transfer of their regulation to the FCA. They also asked for clarification on the benefit to firms of the work carried out by the illegal money lending teams.

24 Includes FCA collection costs of £83,000 to set-up and £70,000 to collect.

25 www.fca.org.uk/publication/consultation/cp16-33.pdf

26 www.fca.org.uk/publication/handbook/handbook-notice-41.pdf

27 www.handbook.fca.org.uk/instrument/2017/FCA_2017_6.pdf



Our response

It is a legislative requirement that we raise the levy to cover Treasury's costs for funding the illegal money lending teams. The IML levy has been applied to all firms in the consumer credit market because all benefit from effective policing of the perimeter. The levy funds the teams that investigate and suppress illegal money lending. The team's effective operation helps to maintain consumer confidence in the integrity and legitimacy of the market as a whole.

Changes between the draft levy and final levy rate

- 11.7** We highlighted in CP17/12 that fee-payers should know that the draft IML levy rate in Appendix 1 of CP17/12 was calculated using estimated fee-payer populations and tariff data, which may change when the final levy rates are calculated in June 2017.
- 11.8** The IML variable levy rate in Appendix 1 of this PS has changed since the draft rate in CP17/12.
- 11.9** Our online fee calculator is available for firms to calculate their individual IML levy based on the final rates in Appendix 1 of this PS.

Annex 1

List of non-confidential respondents

Association of British Credit Unions Limited

Association of Mortgage Intermediaries

Building Societies Association

Chartered Institute of Credit Management

Co-operatives UK

Credit Services Association

Finance & Leasing Association

Hurst Booker Financial & Mortgage Solutions Ltd

Jalgos Sports & Social Club

M & M Mortgage Solutions Ltd

Robert A Mack

Personal Investment Management & Financial Advice Association

PV Crystalox Solar plc



Annex 2

FCA financial penalty scheme

1. Paragraph 21 of Schedule 1ZA of the Financial Services and Markets Act 2000 (FSMA) (as amended by the 2012 Act and the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013) sets out how we should treat the financial penalties we impose on regulated persons (firms).
2. The scheme does not apply to revenue from penalties imposed on firms in the 'G' fee-blocks under regulations applying European Union Directives, all of which is paid to the Treasury. The key requirements are set out below.
 - The financial penalties we receive must be paid to the Treasury net of certain enforcement costs incurred in the financial year in which the penalties were received. These enforcement costs, which are defined in the legislation and subject to a power of direction by the Treasury, represent the 'retained penalties'.
 - For retained penalties, we must prepare and operate a scheme (the Financial Penalty Scheme (FPS)) for ensuring that retained penalties are applied for the benefit of firms.
 - Firms that have become liable to pay any penalty to us in any financial year, do not receive any benefit from any penalty imposed on any firm under the scheme in the following year.
3. Under our FPS we apply retained penalties, received in any financial year, as a rebate to the periodic fees paid in the following financial year by firms in the fee-blocks set out in Table A.
4. The total retained penalties from any financial year will be allocated across these fee-blocks in proportion to the allocation of the enforcement budgeted costs for the following financial year. This will target the benefit from retained penalties to the fee-blocks that are paying for enforcement costs.
5. Enforcement costs are not allocated to the A.0 minimum fee fee-block. Therefore, retained penalties are not allocated to this fee-block.
6. The firms on which any penalty was imposed in a financial year will not receive any rebate to their periodic fees paid, for any retained penalties, in the following financial year.
7. Each year we publish a schedule setting out the:
 - total retained penalties in the previous financial year
 - amount of retained penalties allocated to each fee-block, and
 - percentage rebate that will be applied in the following financial year to the periodic fees paid by the firms in those fee-blocks

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

Table A: Financial Penalty Scheme – relevant fee-blocks

Fee-block
AP.0 FCA prudential
A.1 Deposit acceptors
A.2 Home finance providers and administrators
A.3 Insurers – general
A.4 Insurers – life
A.5 Managing agents at Lloyd's
A.6 The Society of Lloyd's
A.7 Portfolio managers
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes
A.10 Firms dealing as principal
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)
A.14 Corporate finance advisors
A.18 Home finance providers, advisers and arrangers
A.19 General insurance mediation
A.21 Firms holding client money or assets or both
B. Recognised investment exchanges and operators of multilateral trading facilities (only)
CCC.1 Consumer credit – limited permission
CCC.2 Consumer credit – full permission
E. Issuers and sponsors of securities

Annex 3

Abbreviations used in this paper

AFR	Annual funding requirement
APIs	Authorised payment institutions
BA	Benchmark administrators
CASS	Client Money Assets sourcebook
CIS	Collective investment schemes
CJ	Compulsory jurisdiction
CP	Consultation Paper
CFEB	Consumer Financial Education Body
DGP	Designated guidance providers
EEA	European Economic Area
FEES	Fees manual
FPS	Financial Penalty Scheme
FSA	Financial Services Authority
FSBRA	Financial Services (Banking Reform) Act 2013
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act
IML	Illegal money lending
MCD	Mortgage Credit Directive
MiFID II	Markets in Financial Instruments Directive II
MiFIR	Markets in Financial Instruments Regulation
MTF	Multilateral trading facilities

OFT	Office of Fair Trading
ORA	Ongoing regulatory activities
PGL	Pensions guidance levy
PGPL	Pensions guidance providers' levy
PPI	Payment protection insurance
PRA	Prudential Regulation Authority
PS	Policy Statement
PSD2	Payment Services Directive 2
RAISP	Registered account information service providers
RIEs	Recognised investment exchanges
RFIF	ring-fencing implementation fee
SC	Service companies
UKLA	UK Listing Authority
VJ	Voluntary jurisdiction

We have developed the policy in this Policy Statement 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.

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 9644 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS



Appendix 1

Periodic Fees (2017/18) and Other Fees Instrument 2017 (made rules)

PERIODIC FEES (2017/2018) AND OTHER FEES INSTRUMENT 2017

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 73A (Part 6 Rules);
 - (b) section 137A (The FCA’s general rules);
 - (c) section 137T (General supplementary powers);
 - (d) section 213 (The scheme);
 - (e) section 214 (Provisions of the scheme);
 - (f) section 234 (Industry funding);
 - (g) section 333Q (Funding of the FCA’s pensions guidance costs);
 - (h) section 333R (Funding of the Secretary of State’s pensions guidance costs);
 - (i) section 333T (Funding of action against illegal money lending);
 - (j) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
 - (k) paragraph 12 in Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body); and
 - (2) regulation 92 (Costs of supervision) of the Payment Services Regulations 2009 (SI 2009/209);
 - (3) regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99);
 - (4) regulation 46 and paragraph 5 of Schedule 1 (Fees) in the Regulated Covered Bond Regulations 2008 (SI 2008/346); and
 - (5) article 25 (Application of provisions of the Act to the FCA in respect of its supervision of consumer buy-to-let mortgage firms) of the Mortgage Credit Directive Order 2015 (SI 2015/910).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 3 July 2017.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

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

Citation

F. This instrument may be cited as the Periodic Fees (2017/2018) and Other Fees Instrument 2017.

By order of the Board
22 June 2017

Annex A

Amendments to the Glossary of definitions

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

Amend the following as shown.

<i>assets outside expected RFB subgroups</i>	the assets of a <i>ring-fencing fees group</i> which its <i>ring-fencing business plan</i> indicated were <u>it has advised the <i>PRA</i> are</u> not intended to be held within <u>by</u> a <i>ring-fenced body</i> or its <i>UK</i> subgroup for <i>ring-fencing</i> purposes on <u>from</u> 1 January 2019.
<i>ring-fencing fees group</i>	a banking group, or part of a banking group, which (i) has submitted a <i>ring-fencing business plan</i> <u>forecasts to the <i>PRA</i> indicating that, from 1 January 2019, it will not meet the <i>core deposit</i> level condition in article 12 of the FSMA (Ring-fenced Bodies and Core Activities) Order 2014 and</u> (ii) was <u>has been</u> notified by the <i>FCA</i> on or prior to <u>between</u> 1 May 2016 <u>and</u> 1 May 2017 that a fee relating to <u>the implementation of <i>ring-fencing</i></u> would <u>will</u> be payable by one or more members of its group.

Delete the following definition. The text is not shown struck through.

<i>ring-fencing business plan</i>	a near final business plan submitted to the <i>PRA</i> on or before 1 March 2016 setting out a <i>firms'</i> proposals for <i>ring-fencing</i> .
-----------------------------------	--

Annex B

Amendments to the Fees manual (FEES)

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

4 Periodic fees

...

4.2 Obligation to pay periodic fees

...

4.2.7K R ...

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

Fee-block	Tariff base	Calculation where trading data are not available
...		
G.1 Firms registered under the Money Laundering Regulations	Flat fee	Not applicable.
...		

...

4.2.11R Table of periodic fees payable to the FCA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
...			
<i>Persons who hold a certificate issued by the FCA under article 54 of</i>	£ 1,084 <u>1,095</u>	(1) Unless (2) applies, on or before 1 August or, if later, within 30 days of the date of the invoice	Certificate issued to <i>person</i> by FCA under Article <u>article</u> 54 RAO

the <i>Regulated Activities Order</i> (Advice given in newspapers etc.)		(2) If an event in column 4 occurs during the course of a <i>fee year</i> , 30 days after the occurrence of that event	
...			

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

Part 1	
...	
...	
Activity group	Fee payer falls in the activity group if
...	
B. Market operators	<p>(1) firms that were prescribed as an operator of a prescribed market under the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996); and</p> <p>(2) firms that are prescribed as a market operator, as defined in article 4(1)(13) of MiFID.</p>
...	

Part 3	
...	
Activity group	Tariff base
...	
B. Market operators	Not applicable.
...	

Part 5	
...	
Activity group	Valuation date
...	
B. Market operators	Not applicable.
...	

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

Part 1		
...		
...		
Activity group	Fee payable	
A.1	Band width (£million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)
		General Periodic fee
	>10 - 140	17.49 <u>15.43</u>
	>140 - 630	17.49 <u>15.43</u>
	>630 - 1,580	17.49 <u>15.43</u>
	>1,580 - 13,400	21.86 <u>19.29</u>
	>13,400	28.86 <u>25.46</u>
	The tariff rates in A.1 are not relevant for the <i>permissions</i> relating to <i>operating a dormant account fund</i> . Instead a flat fee of £6,000 <u>£6,060</u> is payable in respect of these <i>permissions</i>	
A.2	Band width (No. of mortgages and/or home finance)	Fee (£/mortgage)

	transactions)	
	>50	2.55 <u>2.30</u>
A.3	Gross premium income (GPI)	Periodic fee
	Band Width (£million of GPI)	Fee (£/m or part m of GPI)
	>0.5	327.00 <u>345.71</u>
	PLUS	
	Gross technical liabilities (GTL)	General Periodic fee
	Band Width (£million of GTL)	Fee (£/£m or part £m of GTL)
	>1	17.68 <u>18.53</u>
	For <i>UK ISPVs</i> the tariff rates are not relevant and a flat fee of £466 <u>£471</u> is payable in respect of each <i>FCA</i> financial year (the 12 <i>months</i> ending 31 March).	
A.4	Adjusted annual gross premium income (AGPI)	General Periodic fee
	Band Width (£million of AGPI)	Fee (£/£m or part £m of AGPI)
	>1	512.00 <u>525.91</u>
	PLUS	
	Mathematical reserves (MR)	General Periodic fee
	Band Width (£million of MR)	Fee (£/£m or part £m of MR)
	>1	10.86 <u>11.08</u>
A.5	Band Width (£million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	8.31 <u>7.70</u>
A.6	Flat fee (£)	327,149 334,939
A.7	For class 1(C), (2) , (3) and (4) <i>firms</i> :	
	Band Width (£million of	Fee (£/£m or part £m of FuM)

	Funds under Management (FuM))	
	>10	7.08 <u>6.09</u>
	For class 1(B) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 15%. For class 1(A) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 50%.	
A.9	Band Width (£million of Gross Income (GI))	Fee (£/£m or part £m of GI)
	>1	982.68 <u>1,003.52</u>
A.10	Band Width (No. of traders)	Fee (£/person)
	>1	5,033.00 <u>5,473.78</u>
	For <i>firms</i> carrying on <i>auction regulation bidding</i> , the fee in A.10 is calculated as above less 20% for each trader that carries on <i>auction regulation bidding</i> but not <i>MiFID business bidding</i> or <i>dealing in investments as principal</i> .	
A.13	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	2.83 <u>2.756</u>
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	1.98 <u>1.79</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	15.36 <u>12.44</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	1.85 <u>1.751</u>
A.21	<i>Client money</i>	
	Band Width (£ <i>client money</i>) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	128.20 <u>116.50</u>
	an amount equal to or greater than £1 million but less than	96.15 <u>87.38</u>

	or equal to £1 billion	
	more than £1 billion	64.10 <u>58.25</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i>) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £10 million	0.51 <u>0.45</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	0.39 <u>0.34</u>
	more than £100 billion	0.26 <u>0.23</u>
B. Market operators		48,216
B. Service Companies	Band Width	Fee (£/£m or part £ thousand of income)
	Annual income up to and including £100,000	{tbc} <u>1,078.00</u>
	Annual income over £100,000	{tbc} <u>1.80</u>
B. Principal benchmark administrators	£196,800	
...		
B. Recognised auction platforms	{tbc} <u>53,537.00</u>	
B. Recognised overseas investment exchanges	{tbc} <u>61,224.00</u>	
B. MTF operators	As set out in <i>FEES</i> 4 Annex 10 (Periodic fees for MTF operators).	
CC1. Credit-related	Band Width (£ thousands of annual income (AI))	Fee (£)

regulated activities with limited permission	0 - 10	100 <u>101</u>
	>10 - 50	250 <u>253</u>
	>50 - 100	400 <u>404</u>
	>100	500 <u>505</u>
	PLUS:	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	0.40
CC2. Credit-related regulated activities	Band Width (£ thousands of annual income (AI))	Fee (£)
	0 - 50	300 <u>303</u>
	>50 - 100	500 <u>505</u>
	>100	1,000 <u>1,010</u>
	PLUS:	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	1.30

Part 2

...

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

A.0	(1)	£1,084 <u>1,095</u> unless it is a <i>community finance organisation</i> with a tariff base of:
	(a)	up to and including 3 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £166 <u>168</u> is payable; or

	(b)	more than 3 but no more than 10 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £562 <u>568</u> is payable; or
	(c)	more than 10 but no more than 50 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £1,042 <u>1,052</u> is payable.
	...	
AP.0		Periodic fees payable under fee blocks A.2, A.7 to A.19 and A. 21 in Part 1 multiplied by rate £0.118 <u>0.111</u>

Part 2(b) tariff rates (minimum fees) payable to the <i>FCA</i> by <i>PRA-authorised persons</i>			
A.0	(1)	£542 <u>547</u> unless:	
	(a)		It is a <i>credit union</i> that meets the conditions in (2), in which case the minimum fee payable is as set out in (2);
	(b)		it is a <i>non-directive friendly society</i> that falls into the A.3 activity group but not the A.4 activity group and meets the conditions set out in (3)(a), in which case the minimum fee payable is £233 <u>235</u> ; or
	(c)		it is a <i>non-directive friendly society</i> that falls into the A.4 activity group but not the A.3 activity group and meets the conditions in (3)(b), in which case the minimum fee payable is £233 <u>235</u> ; or
	(d)		it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is £233 <u>235</u> .
	(2)	The conditions referred to in (1)(a) are that the credit union has a tariff base (Modified Eligible Liabilities) of:	
	(a)		0 to 0.5million, in which case a minimum fee of £86 <u>87</u> is payable; or
	(b)		greater than 0.5million but less than 2.0million, in which case a minimum fee of £292 <u>295</u> is payable.

	(3)	The conditions referred to in (1) are that:	
		(a)	the <i>non-directive friendly society</i> falls into the A.3 activity group and has, for that activity, 0.5 million or less in gross <i>premium</i> income and holds gross technical liabilities of 1.0 million or less;
		(b)	the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in adjusted gross <i>premium</i> income and holds mathematical reserves of 1.0 million or less.
	The figures for gross <i>premium</i> income, gross technical liabilities, adjusted gross <i>premium</i> income and mathematical reserves are the same as used for Part 1 of this Annex.		

...

4 Annex 2BR Ring-Fencing Implementation Fee

In the <i>fee year</i> starting 1 April 2016 <u>2017</u> and subsequent <i>fee years</i> :	
...	
(4)	<p>The proportion was determined by the <i>FCA</i> as at 1 March 2016 <u>for the 2017/18 <i>fee year</i></u> in accordance with the following formula (all figures are rounded to the nearest whole number):</p> $[(X + Y) \div 2] \%$ <p>where</p> $X = [\text{core deposits (ring-fencing fees group)} \div \text{core deposits (all ring-fencing fees groups)}] \times 100$ <p>and</p> $Y = [\text{assets outside expected RFB subgroup (ring-fencing fees group)} \div \text{assets outside expected RFB subgroups (all ring fencing fees groups)}] \times 100$
(5)	...

4 Annex 3AR Fees relating to the direct reporting of transactions to the FCA under SUP 17 for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

This table shows the fees payable by a <i>firm</i> , a third party acting on behalf of a <i>firm</i> , an <i>approved reporting mechanism</i> , an operator of a <i>regulated market</i> or an operator of an <i>MTF</i> that makes <i>transaction reports</i> directly to the <i>FCA</i> under <i>SUP 17</i> (Transaction reporting).	
Fee	Fee amount (£)
Technical support fee	4,444 <u>5,000</u>
Testing environment fee	3,333 <u>3,750</u>
Variable transaction-based fee	4.56 <u>3.91</u> per 100,000 <i>transaction reports</i> or part 100,000 <i>transaction reports</i> processed during the calendar year ending 31 December before the <i>fee year</i> to which the fee relates

4 Annex 4R Periodic fees in relation to collective investment schemes, AIFs marketed in the UK and small registered UK AIFMs payable for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

Part 1 – Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee
<i>ICVC</i> , <i>AUT</i> , <i>ACS</i> , <i>UK ELTIFs</i> , Section 264 of the <i>Act</i> , <i>schemes</i> other than <i>non-EEA AIFs</i> recognised under section 272 of the <i>Act</i> ,	455 <u>410</u>	1-2	1	455 <u>410</u>
		3-6	2.5	1,138 <u>1,025</u>
		7-15	5	2,275
		16-50	11	<u>2,050</u>
		>50	22	5,005 <u>4,510</u>
<i>Non-EEA AIFs</i> recognised under section 272 of the <i>Act</i>	1,850 <u>1,670</u>	1-2	1	1,850 <u>1,670</u>
		3-6	2.5	4,625
		7-15	5	<u>4,175</u>
				<u>9,250</u>

		16-50	11	<u>8,350</u>
		>50	22	<u>20,350</u> <u>18,370</u>
				<u>40,700</u> <u>36,740</u>

...

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

Kind of notification	Fee per <i>AIF</i> (£)
Notification under regulation 57 of the <i>AIFMD UK regulation</i>	380 <u>345</u>
Notification under regulation 58 of the <i>AIFMD UK regulation</i>	265 <u>240</u>
Notification under regulation 59 of the <i>AIFMD UK regulation</i>	380 <u>345</u>

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

The annual fee for *small registered UK AIFMs* is ~~£750~~ 680

4 Annex 5R Periodic fees for designated professional bodies payable in relation to the period 1 April 2016 2017 to 31 March 2017 2018

Table of fees payable by Designated Professional Bodies

Name of Designated Professional Body	Amount payable (£)
The Law Society of England & Wales	63,140 <u>62,430</u>
The Law Society of Scotland	13,560 <u>13,390</u>
The Law Society of Northern Ireland	12,680 <u>12,520</u>
The Institute of Actuaries	10,090 <u>10,070</u>
The Institute of Chartered Accountants in England and	69,270 <u>68,770</u>

Wales	
The Institute of Chartered Accountants of Scotland	10,980 <u>10,920</u>
The Institute of Chartered Accountants in Ireland	13,140 <u>13,130</u>
The Association of Chartered Certified Accountants	15,850 <u>15,900</u>
The Council for Licensed Conveyancers	11,170
Royal Institution of Chartered Surveyors	13,380 <u>13,400</u>

...

4 Annex 10R Periodic fees for MTF operators payable in relation to the period 1 April 2016 2017 to 31 March 2017 2018

General supervisory category of <i>MTF</i> operator (see Note below)	Fee payable (£)	Due date
		(i) 1 August 2016; or (ii) 30 days from the date of the invoice in the case of a <i>firm</i> which receives <i>permission</i> to be operating a <i>multilateral trading facility</i> or whose <i>permission</i> is extended to include this activity in the course of the relevant financial year.
<i>MTF</i> operator has a named individual fixed portfolio supervisor	300,000 <u>316,710</u>	
All other <i>MTF</i> operators (i.e. those supervised by a team of flexible portfolio supervisors)	28,290 <u>29,867</u>	
[deleted]		
an <i>EEA firm</i>	0	
...		

4 Annex 11R Periodic fees in respect of payment services, electronic money, and regulated covered bonds

This Annex sets out the periodic fees in respect of *payment services* carried on by *fee-paying payment service providers* under the *Payment Services Regulations* and electronic money issuance by *fee-paying electronic money issuers* under the *Electronic Money Regulations* and issuance of *regulated covered bonds* by issuers and *CBTL business* carried on by *CBTL firms* under the *MCD Order* ~~and firms registered under the Money Laundering Regulations~~ in relation to the period 1 April 2017 to 31 March 2018

Part 1 - Method for calculating the fee for fee-paying payment service providers	
...	
(3)	For a <i>fee-paying payment service provider</i> which is required to comply with <i>FEES 4.4.9D</i> (Information on which fees are calculated) and has not done so for this period:
	(a) the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10; and
	(b) an additional administrative fee of £250 is payable.
	(c) [deleted]

...

Part 2AA— Activity groups relevant to firms registered under the <i>Money Laundering Regulations</i>	
Activity Group	Fee payer falls into this activity group if
G.1	it is a firm that is registered under the <i>Money Laundering Regulations</i>

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 the <i>fee-paying payment service providers</i> , <i>fee-paying electronic money issuers</i> , <i>CBTL firms</i> , firms registered under the Money Laundering Regulations and issuers of <i>regulated covered bonds</i> .	
Activity Group	Tariff base

G.1	Not applicable
...	
Part 4 – Valuation period	
...	
Activity Group	Valuation date
...	
Where the tariff data of a <i>fee-paying payment services provider</i> or a <i>fee-paying electronic money issuer</i> is in a currency other than sterling, it must be converted into sterling at the exchange rate prevailing on the relevant valuation date.	
G.1	Not applicable
...	
...	

Part 5 - Tariff rates		
Activity group	Fee payable in relation to 2017/18	
G.1	Flat fee (£)	433
G.2	Minimum fee (£)	433 <u>500</u>
	£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	> 100	0.245 <u>0.6456</u>
G.3	Minimum fee (£)	433 <u>500</u>
	£ thousands or part thousand of Relevant Income	Fee (£/£thousand or part £thousand of Relevant Income)
	> 100	0.1647 <u>0.4341</u>

G.4	Flat fee (£)	433 <u>500</u>
G.5	As in G.3	
G.10	Minimum fee (£)	1,626 <u>1,643</u>
	£million or part m of average outstanding electronic money (AOEM)	Fee (£/£m, or part £m of AOEM)
	>5.0	120.00
G.11	Flat fee (£)	1,084 <u>1,095</u>
G.15	Minimum fee for the first registered programme (£)	90,071 <u>89,876</u>
	Minimum fee for all subsequent registered programmes	75% of minimum fee for first registered programme
	£million or part £m of regulated covered bonds issued in the 12 months ending on the valuation date.	Fee (£/£m or part £m of regulated covered bonds issued in the 12 months ending on the valuation date)
	>0.00	10.79 <u>13.27</u>
	...	
G.20	Flat fee (£)	400.00 <u>404.00</u>
G.21	Flat fee (£)	200.00 <u>202.00</u>

		%
		%
		%

		‰

...

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

Part 1 Base fee		
Activity group or invoice code (Note 1)	Description	Base fee payable (£)
E.1	Discontinued	
E.2	Premium listed issuer	5,150 <u>5,200</u>
E.3	Standard listed issuer	19,500 <u>19,695</u>
E.4	Discontinued	
E.5	Discontinued	
E.6	Non-listed issuer (in DTR)	0
E.7	Primary information provider	16,260 <u>16,425</u>
ES.0 1	Sponsor	27,100 <u>27,370</u>

...

Part 2 Variable fee additional to base fee		
Activity Group	Market capitalisation as at the last <i>business day</i> of the November prior to the <i>fee-year</i> in which the fee is payable in £million	Fee payable in £per

			£million or £part million
E.2	Premium listed issuer (as described in Part 1)	0 – 100	0
		> 100 – 250	28.616971 <u>28.469627</u>
		> 250 – 1,000	11.446028 <u>10.984421</u>
		> 1,000 – 5,000	7.045501 <u>6.761363</u>
		> 5,000 – 25,000	0.171861 <u>0.164930</u>
		> 25,000	0.055524 <u>0.053284</u>

...

5 Financial Ombudsman Service Funding

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5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for ~~2016/17~~ 2017/18

Introduction: annual budget

1. The *annual budget* for ~~2016/17~~ 2017/18 approved by the FCA is ~~£265m~~ 263.5m.
2. The total amount expected to be raised through the *general levy* in ~~2016/17~~ 2017/18 will be £24.5m.

Compulsory jurisdiction - general levy

Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, <i>home finance providers, home finance</i>	Number of accounts relevant to the activities in <i>DISP</i> 2.6.1R as at 31 December In the case of <i>dormant account fund</i>	£0.04530 <u>0.04454</u> per relevant account, subject to a minimum levy of

<i>administrators</i> (excluding <i>firms</i> in block 14) and <i>dormant account fund operators</i>	<i>operators</i> , the tariff base is the number of eligible activated accounts (8).	£100
2-Insurers - general (excluding <i>firms</i> in blocks 13 & 15)	Relevant annual gross premium income	£0.1276 0.1268 per £1,000 of relevant annual gross premium income, subject to a minimum levy of £100
3-The <i>Society</i> (of Lloyd's)	Not applicable	£25,989 to be allocated by the <i>Society</i>
4-Insurers - life (excluding <i>firms</i> in block 15)	Relevant adjusted annual gross premium income	£0.01730 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £130
5. Portfolio managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i>)	Flat fee	Levy of £275 <u>230</u>
6. Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Flat fee	Levy of £60
7-Dealers as principal	Flat fee	Levy of £75
8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	Annual income as defined in <i>FEES</i> 4 Annex 11A relating to <i>firm's relevant business</i> .	£0.149 0.150 per £1,000 of annual income subject to a minimum fee of £45

9-Advisors, <i>arrangers</i> , dealers or brokers not holding and controlling <i>client money</i> and/or assets	Annual income as defined in <i>FEES 4 Annex 11A</i> relating to <i>firm's relevant business</i> .	£0.1 <u>0.070</u> per £1,000 of annual income subject to a minimum fee of £45
10-Corporate finance advisers	Flat fee	Levy of £55
11- <i>fee-paying payment service providers</i> (but excluding <i>firms</i> in any other Industry block except Industry block 18)	For <i>authorised payment institutions, electronic money issuers</i> (except for <i>small electronic money institutions</i>), the Post Office Limited, the Bank of England, government departments and local authorities, and <i>EEA authorised payment institutions</i> relevant income as described in <i>FEES 4 Annex 11 Part 3</i>	£0.0007 per £1,000 of relevant income subject to a minimum levy of £75
	For <i>small payment institutions</i> and <i>small electronic money institutions</i> a flat fee	Levy of £35
12-	N/A for 2016/17	
13-Cash plan health providers	Flat fee	Levy of £65
14- <i>Credit unions</i>	Flat fee	Levy of £55
15- <i>Friendly societies</i> whose tax-exempt business represents 95% or more of their total relevant business	Flat fee	Levy of £65
16- <i>Home finance providers, advisers and arrangers</i> (excluding <i>firms</i> in blocks 13, 14 & 15)	Flat fee	Levy of £90
17 - General insurance mediation (excluding <i>firms</i> in blocks 13, 14 & 15)	<i>Annual income</i> (as defined in <i>MIPRU 4.3</i>) relating to <i>firm's relevant business</i>	£0.490 <u>0.471</u> per £1,000 of <i>annual income</i> (as defined in <i>MIPRU 4.3</i>) relating to <i>firm's relevant business</i>

		subject to a minimum levy of £100
18 - <i>fee-paying electronic money issuers</i>	For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , average outstanding <i>electronic money</i> , as described in FEES 4 Annex 11 Part 3.	£0.0016 <u>0.0007</u> per £1,000 of average outstanding <i>electronic money</i> subject to a minimum levy of £75
	For <i>small electronic money institutions</i> , a flat fee	Levy of £50
19 - <i>Credit-related regulated activities with limited permission</i>	For <i>not-for-profit debt advice bodies</i> , a flat fee	Levy of £0
	For all other <i>firms with limited permission</i> , a flat fee	Levy of £35
20 - <i>Credit-related regulated activities</i>	Annual income as defined in FEES 4 Annex 11BR	Levy of £35 Plus £0.02 <u>0.012</u> per £1,000 of annual income on income above £250,000
21 - <i>CBTL firms that do not have permission to carry out any regulated activities</i>	Flat fee	Levy of £35
22 - <i>designated credit reference agencies (but excluding firms in any other industry block)</i>	Flat fee	[TBC] <u>Levy of £75</u>
23 – <i>designated finance platforms (but excluding firms in any other industry block)</i>	Flat fee	[TBC] <u>Levy of £75</u>

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7 CFEB Levies

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7 Annex 1R CFEB levies for the period from 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

Part 1

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

Activity Group	CFEB levy payable			
A.1	Column 1		Column 2	
	Money advice levy		Debt advice levy	
			(Notes 3 - 6)	
	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part m of MELs)	Bandwidth (£ million of unsecured debt)	Fee (£/£m or part £m of unsecured debt)
	>10	2.59 <u>1.172</u>	>0	176.50 <u>174.98</u>
A.2	Column 1		Column 2	
	General levy		Debt advice levy	
			(Notes 5 -6)	
	Band Width (no. of mortgages and/or <i>home finance transactions</i>)	Fee (£/mortgage)	Band width (£million of secured debt)	Fee (£/£m or part £m of secured debt)
	>50	0.63 <u>0.406</u>	>0	15.87 <u>16.50</u>
A.3	Gross premium income (GPI)			
	Band Width (£ million of GPI)		Fee (£/£m or part £m of GPI)	
	>0.5		34.60 <u>20.36</u>	
	PLUS			

	Gross technical liabilities (GTL)	
	Band Width (£ million of GTL)	Fee (£/£m of part £m of GTL)
	>1	1.87 <u>1.10</u>
A.4	Adjusted annual gross premium income (AGPI)	
	Band Width (£ million of AGPI)	Fee (£/£m or part £m of AGPI)
	>1	41.64 <u>29.26</u>
	PLUS	
	Mathematical reserves (MR)	
	Band Width (£ million of MR)	Fee (£/£m or part £m of MR)
	>1	0.89 <u>0.62</u>
A.5	Band Width (£ million of Active Capacity (AC))	Fee ((£/£m or part £m of AC)
	>50	0.00
A.6	Flat levy	0.00
A.7	For class 1(c),(2), (3) and (4) firms:	
	Band Width (£ million of Funds under Management (FuM))	Fee (£/£m of part £m of FuM)
	>10	0.22 <u>0.11</u>
	For class 1(B) firms: the fee calculated as for class 1(C) firms above, less 15%.	
	For class 1(A) firms: the fee calculated as for class 1(C) firms above, less 50%.	
	Class 1(A), (B) and (C) firms are defined in FEES 4 Annex 1A	
A.9	Band Width (£ million of Gross Income (GI))	Fee (£/£m of part £m of GI)
	>1	55.55 <u>65.20</u>
A.10	Band Width (no. of traders)	Fee (£/trader)

	>1	146.00 <u>92.80</u>
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	0.112 <u>0.068</u>
	For a <i>professional firm</i> in A.13 the fee is calculated as above less 10%.	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	> 100	0.041 <u>0.0215</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fee ((£/£ thousand or part £ thousand of AI)
	>100	0.32 <u>0.175</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	0.038 <u>0.0294</u>
A.21	Band Width (£ <i>client money</i>) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	2.61 <u>1.55</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	1.96 <u>1.16</u>
	more than £1 billion	1.31 <u>0.78</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i>) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £10 million	0.010 <u>0.006</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	0.008 <u>0.005</u>

	more than £100 billion	0.005 <u>0.003</u>
G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	0.03825 <u>0.0219</u>
G.4	Flat fee (£)	10
G.10	Minimum fee (£)	10
	£ million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	>5.0	11.60 <u>6.65</u>
G.11	Flat fee (£)	10
CC.1	Minimum fee (£)	10
	£ thousand of annual income (AI)	Fee (£/£ thousand or part thousand of AI)
	>250	0.37
CC.2	Minimum fee (£)	10
	£ thousands of annual income (AI)	Fee (£/£ thousand or part £ thousand of AI)
	>250	0.37
...		

10 Pensions guidance levy

...

10 Pension guidance levy for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

Annex
1R

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

	(MELs)) >10	1.91 <u>1.329</u>
A.4	Band width (£ million of adjusted annual gross premium income (AGPI) >1	Fee (£/£m or part £m of AGPI) 89.96 <u>69.28</u>
A.7	For class 1(B), 1 (C), (2) and (3) firms: Band width (£ million of funds under management (FuM)) >10	Fee (£/£m or part £m of FuM) 0.88 <u>0.55</u>
A.9	Band width (£ million of gross income (GI)) >1	Fee (£/£m or part £m of GI) 299.15 <u>224.35</u>
A.13	Band width (£ thousands of annual income (AI)) >100	Fee (£/£ thousand or part of £ thousand of AI) 0.105 <u>0.074</u>

11 Pensions guidance providers' levy

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11 Annex 1R Pensions guidance providers' levy for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

The table below shows the *pensions' guidance providers levy* applicable to the *designated guidance providers* for the *fee year* 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018.

(A) Row	(B) Name of designated guidance provider	(C) Pensions guidance providers' levy payable (£)
1	The Pensions Advisory Service Limited	77,500 <u>13,500</u>
2	The National Association of Citizens Advice Bureaux	77,500 <u>13,500</u>
3	The Scottish Association of Citizens Advice Bureaux	77,500 <u>13,500</u>
4	The Northern Ireland Association of Citizens Advice Bureaux	77,500 <u>13,500</u>

5	Any other person designated as a <i>designated guidance provider</i> between 1 April 2016 <u>2017</u> to 31 March 2017 <u>2018</u>	77,500 <u>13,500</u> adjusted in accordance with the formula at <i>FEES</i> 11.2.10R
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13 Illegal money lending levy

...

13 Illegal money lending (IML) levy for 2017/18

Annex
1R

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

Appendix 1 Unauthorised Mutuals Registration Fees Rules

...

App 1 Periodic fees payable for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

Annex 1R

Part 1 Periodic fee payable by Registered Societies (on 30 June ~~2016~~ 2017)

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

Transaction	Total assets (£'000s)	Amount payable (£)
Periodic fee	0 to 50	60 <u>65</u>
	> 50 to 100	120 <u>125</u>
	> 100 to 250	195 <u>205</u>
	> 250 to 1,000	255 <u>265</u>

	> 1,000	460 <u>480</u>
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Appendix 2

Fees (Consumer Finance Education Body Levy) Instrument 2017 (draft rules)

FEES (CONSUMER FINANCE EDUCATION BODY LEVY) INSTRUMENT 2017

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance);
 - (4) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
 - (5) paragraph 12 in Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*] 2017.

Amendments to the Handbook

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

Citation

- E. This instrument may be cited as the Fees (Consumer Finance Education Body Levy) Instrument 2017.

By order of the Board
[*date*] 2017

Annex

Amendments to the Fees manual (FEES)

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

7 CFEB levies

...

7.2 The CFEB levy

...

7.2.3 R The amount payable by a *firm* with respect to a particular activity group is calculated as follows:

- (1) calculate the size of the firm's tariff base for that activity group using:
 - (a) the tariff base calculations in Part 3 of *FEES 4 Annex 1A* ~~and~~, Part 3 of *FEES 4 Annex 11* and Part 3 of *FEES 7 Annex 1*; and
 - (b) the valuation date requirements in Part 5 of *FEES 4 Annex 1A* ~~and~~, Part 3 of *FEES 4 Annex 11* and Part 3 of *FEES 7 Annex 1*;
- (2) use the figure in (1) to calculate which of the bands set out in column 1 and 2 of the table in Part 1 of *FEES 7 Annex 1* the *firm* falls into;
- (3) add together the fixed sums, as set out in column 3 1 and 2 of the table in Part 1 of *FEES 7 Annex 1*, applicable to each band identified under (2);
- (4) the amount in (3) is the amount payable by the *firm* with respect to that activity group.

...

7 Annex CFEB levies for the period from 1 April 2017 to 31 March 2018
1R

Part 1	
This table shows the <i>CFEB levies</i> applicable to each activity group (fee-block)	
Activity Group	<i>CFEB levy payable</i>
	<u>Column 1</u> <u>Column 2</u>

A.1	Column 1 Money advice levy		Column 2 Debt advice levy (Notes 3–6) (see Part 3 A and B)	
	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part m of MELs)	Bandwidth (£ million of unsecured debt)	Fee (£/£m or part £m of unsecured debt)
	>0	...
	<u>If the size of the tariff base for a credit union calculated in accordance with Part 3 A and B of this Annex is less than £250,000 no fee is payable.</u>			
A.2	Column 1 General levy <u>Money advice levy</u>		Column 2 Debt advice levy (Notes 5–6) (see Part 3 C and D)	
	Band Width (no. of mortgages and/or <i>home finance transactions</i>)	Fee (£/mortgage)	Band width (£million of secured debt)	Fee (£/£m or part £m of secured debt)

...	
Notes				
(1) The definitions of fee-blocks G5 and G10 under Part 2 and Part 2A of <i>FEES 4</i> Annex 11 are modified, for the purposes of <i>FEES 7</i> , so that they exclude the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.				
(2) The definitions of those fee-blocks are further amended to exclude EEA <i>firms</i>				

<p>and those which hold a <i>Part 4A permission</i>.</p>	
<p>(3) The tariff base for column 2 in activity group A.1: for <i>credit unions</i>: the total sterling value of all loans LESS total sterling value of any residential loans. for <i>banks and building societies</i>: the sterling value of all outstanding loans to individuals in the <i>UK</i>, excluding bridging loans and loans secured on dwellings and land. The <i>firm</i> must include: (a) any credit card lending; (b) any charge card lending, even if the outstanding balance has to be paid off in full at the end of each charging period; (c) any other loans and advances to individuals that are not bridging loans or secured on dwellings or land; provided that the <i>firm</i> only includes data that it is required to include in entries 29DB3A3 and 29DB3A4 of Form BE (that is, the Additional Sectoral Details Return that is completed to provide information by banks and building societies to the Bank of England).</p>	
<p>(4) The valuation date for column 2 in activity group A.1 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the Form BE or other annual return made in the calendar year prior to the 31 December.</p>	
<p>(5) The tariff base for column 2 in activity group A.2 is the sterling value of any residential loans to individuals being the sum of gross unsecuritised and securitised balances (applying the definitions of Unsecuritised balances and Securitised balances set out in SECTION A: BALANCE SHEET of SUP 16 Annex 19B).</p>	
<p>(6) The valuation date for column 2 in activity group A.2 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the annual return made in the calendar year prior to the 31 December.</p>	
<p>Part 2</p>	
<p>...</p>	<p>...</p>
<p>Part 3</p>	
<p><u>A.</u></p>	<p><u>The tariff base for column 2 in activity group A.1:</u> <u>for <i>credit unions</i>:</u> <u>the total sterling value of all loans LESS total sterling value of any residential loans.</u></p>

	<p><u>for banks and building societies:</u></p> <p><u>the sterling value of all outstanding loans to individuals in the UK, excluding bridging loans and loans secured on dwellings and land.</u></p> <p><u>The firm must include:</u></p> <p><u>(a) any credit card lending;</u></p> <p><u>(b) any charge card lending, even if the outstanding balance has to be paid off in full at the end of each charging period;</u> <u>and</u></p> <p><u>(c) any other loans and advances to individuals that are not bridging loans or secured on dwellings or land;</u></p> <p><u>provided that the firm only includes data that it is required to include in entries 29DB3A3 and 29DB3A4 of Form BE (that is, the Additional Sectoral Details Return that is completed to provide information by banks and building societies to the Bank of England).</u></p>
<u>B.</u>	<p><u>The valuation date for column 2 in activity group A.1 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the Form BE or other annual return made in the calendar year prior to the 31 December.</u></p>
<u>C.</u>	<p><u>The tariff base for column 2 in activity group A.2 is the sterling value of any residential loans to individuals being the sum of gross unsecuritised and securitised balances (applying the definitions of unsecuritised balances and securitised balances set out in SECTION A: BALANCE SHEET of SUP 16 Annex 19B).</u></p>
<u>D.</u>	<p><u>The valuation date for column 2 in activity group A.2 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the annual return made in the calendar year prior to the 31 December.</u></p>

