

UK Listing Authority fees: covering the cost of regulation

February 2015



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We are asking for comments on this Discussion Paper by 20 April 2015.

You can send them to us using the form on our website at:
www.fca.org.uk/your-fca/documents/discussion-papers/dp15-01-response-form

Or in writing to:

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Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Email: dp15-01@fca.org.uk

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

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Abbreviations used in this paper

CP	Consultation paper
DP	Discussion paper
DTRs	Disclosure and Transparency Rules
EU	European Union
FCA	Financial Conduct Authority
FSA	Financial Services Authority
FSMA	Financial Services and Markets Act 2000
ISIN	International Securities Identification Number
LSE	London Stock Exchange
PIP	Primary information provider
UKLA	United Kingdom Listing Authority

1. Overview

Introduction

- 1.1** This discussion paper (DP) sets out some options for discussion on how we should recover the costs incurred by the UK Listing Authority (UKLA) in discharging its duties. In light of the comments we receive, we expect to publish proposals for consultation in October 2015, for implementation from 1 April 2016.
- 1.2** The UKLA exercises the responsibilities of the Financial Conduct Authority (FCA) as the competent authority for overseeing the listing, transparency and prospectus regimes. In particular, it maintains the Official List of securities and enforces compliance with the Disclosure and Transparency Rules (DTR), the Prospectus Rules and the Listing Rules.
- 1.3** We set out below some points about the terminology used in this DP:
- UKLA: Although the UKLA is not a legally defined term, and it is in practice a department within the FCA, it is a familiar name which has been used for many years. We therefore use it throughout this DP as a convenient short-hand to distinguish the UKLA's specialist function from our wider remit as the conduct regulator for UK financial services.
 - Companies: The UKLA interacts with issuers of securities, their sponsors, law firms, primary information providers (PIPs) and other bodies. Many of these are financial services firms with Part 4A permissions under FSMA, but that is not the basis on which they engage with us in the context of the listing, transparency or prospectus regimes. Many are not authorised firms so have no other dealings with the FCA. It is normal in FCA publications to refer to entities authorised under Part 4A of FSMA as 'firms' or 'authorised firms.' To avoid confusion, we do not use the term 'firm' in this DP. Where specific legal terminology such as 'issuer' or 'sponsor' is not appropriate, we use 'company' as a neutral, general term.

Who does this document affect?

- 1.4** This document affects any:
- company that has its securities listed on the Official List or who may apply for listing of securities in the future
 - person who is required to publish an approved prospectus or who may be required to do so in the future
 - company that has been approved by the FCA to act as a sponsor advising premium listed companies on their obligations under the listing regime, or that might seek approval in the future

- primary information provider (PIP) that distributes regulated information on behalf of issuers, or might consider doing so in the future
- person or company who is considering, or may in the future consider, undertaking or advising on transactions or documents that require UKLA approval

Is this of interest to consumers?

- 1.5** It is unlikely to have a direct impact on retail consumers, although consumers may be interested as stakeholders or investors in securities.

Equality and diversity implications

- 1.6** Our equality impact assessment has concluded that the proposals in this DP have no implications for equality or diversity. If you believe they may, please let us know.

Context

- 1.7** The FCA's strategic objective is to ensure that the relevant markets function well. It also has three operational objectives under FSMA:
- securing an appropriate degree of protection for consumers
 - protecting and enhancing market integrity
 - promoting effective competition in the interests of consumers
- 1.8** Our fees raise the finance that enables us to deliver our objectives, but they are not intended in themselves to influence outcomes. It is a fundamental principle of our fees policy that cost recovery should be as transparent and fairly distributed between fee-payers as possible and that:
- our structure of fees does not present any unnecessary barriers to market entry or participation
 - our charges are readily understood
- 1.9** We have no reason to suppose that UKLA fees have any impact on the free working of the market, but the current structure may not be as clear as it might be.
- We have not taken a public view on the extent to which we should balance cost recovery between transaction charges and annual periodic fees.
 - Our transaction charges might benefit from rationalisation.
 - The UKLA fee-blocks, through which we charge periodic (annual) fees are not defined in our Handbook.

- 1.10** We are not considering significant changes to our periodic fees, but we will consult on some clarifications to definitions in our March 2015 fees consultation paper (CP).
- 1.11** Rather than proceeding directly to consultation with substantive proposals on other matters, we believe our thinking will be more effective if it is informed by comments from our stakeholders, in particular those who are subject to the listing, transparency and prospectus regimes. Consequently, we have decided to publish this DP with a range of options and seek views before proceeding to consultation in October on proposals for 2016/17 onwards.

Summary of the discussion

- 1.12** After presenting a brief introduction to the UKLA and its role in Chapter 2, the DP addresses two themes:
- Chapter 3: appropriate balance of cost recovery between transaction charges and periodic fees. At present, roughly 80% of the costs of the UKLA are recovered through periodic fees, with the balance picked up by transaction charges. We present scenarios illustrating the impact on current fees of varying these ratios.
 - Chapter 4: scope for simplifying transaction charges. We discuss options for removing some minor charges, increasing some charges for labour intensive work to more realistic levels and simplifying the range of charges.

Next steps

- 1.13** This DP presents options for discussion. We are not making proposals for action at this stage, but the comments we receive will help us develop our policy proposals for consultation, so we are keen to receive as wide a range of opinion as possible.
- 1.14** Please send us your views by 20 April 2015, using the online response form on our website, or by writing to us at the address or email on page 2.
- 1.15** We intend to set out proposals in the CP on fees that we will publish in October 2015 as part of our normal fees consultation cycle, so that we can introduce any revised charging structure from 1 April 2016.
- 1.16** In March 2015 we will propose some clarifications to the definition of periodic fees and the removal of some minor transaction charges as discussed in paragraphs 4.8 – 4.9.

2. Role of the UKLA

- 2.1** This chapter summarises our regulatory remit as the UKLA, our activities, our current charges and our costs. Most of the figures in this DP relate to 2013/14, which is the latest complete financial year.

UKLA's regulatory remit

- 2.2** The UKLA is the department within the FCA that oversees the listing, transparency and prospectus regimes. It plays a critical part in ensuring investors retain confidence in the UK as a global centre for the issuance of securities. To help maintain the integrity of the securities markets and ensure an appropriate degree of protection for investors, we focus on issuers of listed securities and those who are subject to the transparency and prospectus regimes, some of whom are not listed. We engage with them by overseeing compliance with three sets of rules:

- Disclosure and Transparency Rules – monitoring the release of financial information and market disclosures by issuers and others.
- Prospectus Rules - reviewing and approving prospectuses submitted by issuers and others seeking to offer securities to the public or have their securities admitted to trading on a regulated market.
- Listing Rules - requiring issuers to comply with our Listing Rules (both at the application stage and on an ongoing basis).

- 2.3** We also maintain the Official List, which serves as a record for securities admitted to listing under the Listing Rules. It comprises over 20,000 securities.

UKLA activities

- 2.4** The work is based on five broad types of activity:
- It reviews, approves and comments on documents that are required to be approved under the listing and prospectus regimes and provides guidance on the relevant rules.
 - It investigates potential breaches of the rules, and sanctions offenders, often working with the FCA's Enforcement Division.

- It monitors markets to enforce compliance with issuers' disclosure obligations.
- It has the statutory duty to maintain the list of approved sponsors (intermediary firms advising premium listed issuers) and supervises their activities.
- It ensures that the Official List is up to date and issuers are complying with relevant Listing Rules.

Recovery of costs of UKLA activities

- 2.5** We recover the costs of these activities through a combination of transaction charges (about 22% of UKLA revenue in 2013/14) and annual charges known as periodic fees (about 78% of UKLA revenue). Transaction charges are charged by the UKLA for vetting documents that, under the relevant rules, require our approval.

Revenues from transaction charges

- 2.6** Table 2.1 sets out the main transactional activities charged by the UKLA, our charges and the relevant references in the Fees Manual.
- 2.7** The bulk of our transaction-based revenue (about 90%) is charged for vetting documents submitted to the UKLA, as required under the Listing Rules or the Prospectus Rules – reviewing equity prospectuses, debt prospectuses and circulars, and checking eligibility for listing. The rest comes from eligibility for listing fees and application fees paid by issuers and sponsors. About 50% - 60% of the UKLA's time is spent on this activity.
- 2.8** The UKLA does not charge for the full range of activities involved in maintaining the Official List. There is an application and administrative fee of £225 for each new application for listing or amendments to the Official List with its own ISIN (International Securities Identification Number) and an additional £100 fee each additional ISIN within the same application. There is no charge for some other applications, such as final terms (debt issuance) or what we call listing revisions (removal of matured securities from the Official List).

Table 2.1: The main current transaction charges

Description	Handbook reference	Fee (£)
Application and administration charges – listing rules (FEES 3 Annex 4)		
Application for listing new issue with ISIN	Part 1	225
Additional issue with ISIN		100
Approval as sponsor	Part 2	15,000
Approval as sponsor following change in legal status		5,000
Change to Official List at request of sponsor	Part 3	225
Change to Official List for additional issue with ISIN		100
Eligibility (FEES 3 Annex 5 and FEES 3.2.7)		
Standard or premium listing (satisfying LR6.1.1AR)	Annex 5, Part 1	1,100
Premium listing (not satisfying LR6.1.1AR)		2,450
Premium listing with market capitalisation over £1.5bn	3.2.7 (q)	50,000
Non-equity vetting: FEES 3 Annex 5		
Category 4: Supplementary listing particulars	Part 1	550
Category 7: Supplementary prospectus and details in relation to LR 16.3.6R	Part 2	550
Category 6: Non-equity securities note/ summary		825
Category 5: Non-equity registration document		1,925
Category 4: Non-equity or base prospectus, or equivalent in PR 1.2.2R(2), (3), PR1.2.3(3),(4)		2,750
Category 2: Listing particulars of specialist securities	Part 1	2,750
Category 3: Other vetting only transactions		2,750
Category 1: Class 1 transactions - convertible or asset-backed securities		6,270
Vetting equity (FEES 3 Annex 5 and FEES 3.2.7)		
Category 3: Equity securities note/ summary	Part 2	2,750
Category 2: Equity registration document		3,520
Category 1: Prospectus or listing particulars – equity, equivalent in PR 1.2.2R(2), (3), PR1.2.3(3),(4), depositary receipt, convertible securities, asset-backed security		6,270
As above significant Class 1 transaction (market cap £500m - £5bn)	3.2.7(v)	20,000
As above, super Class 1 transaction (market cap over £5bn)	3.2.7 (q)	50,000
Mineral expert report	3.2.7 (x)	5,000
Reverse or hostile takeover or significant restructuring, market cap over £500m	3.2.7(v)	20,000
Reverse or hostile takeover or significant restructuring, market cap over £1.5bn	3.2.7 (q)	50,000

Revenues from periodic fees

- 2.9** Transaction charges account for about a fifth of the UKLA's revenue. The bulk of the revenue comes from annual periodic fees levied on the issuers of listed securities. The Official List contains over 20,000 securities, but not all securities attract periodic fees. Because equities require the greatest scrutiny under the various FCA rules, obligations attached to other securities should be captured as part of the process. Consequently, our periodic fees are targeted on the issuers of equity securities, depositary receipts and securitised derivatives.
- 2.10** Over 90% of the revenues are paid by issuers of equity securities and equity equivalent securities (depositary receipts). Almost all of the remainder are paid by issuers of securitised derivatives. There are small charges for non-listed companies trading on the Specialist Fund Market or the High Growth Segment markets under the DTRs, and fixed annual fees of £25,000 for sponsors and £15,000 for primary information providers.

Comparable charges by overseas regulators

- 2.11** We have looked at comparable overseas regulators and there do not appear to be common principles for determining charges. In most of continental Europe, regulatory and enforcement proceedings relating to listings lie with the exchanges rather than the regulator, and so the London Stock Exchange (LSE) charges need to be factored in to achieve a realistic comparison of the cost of doing business in the UK. Table 2.2 compares the UKLA's document fees with those of other EU regulators, and Table 2.3 compares the LSE's admission and annual fees. In September 2014, the New York Stock Exchange announced substantial increases in some of its listing fees. Given the range of charging models, we conclude that the UK does not appear to be uncompetitive compared with other markets.

Table 2.2: Examples of document fees charged by EU regulators

	UK		Germany		Ireland		Luxembourg	
	Min	Max	Min	Max	Min	Max	Min	Max
Equity prospectus	€ 8,339	€ 66,500	€ 6,500	€ 9,750	€ 30,000		€ 15,000	€ 100,000
	£6,270	£50,000						
Debt Prospectus	€3,658	€ 8,339	€ 6,500	€ 9,750	€ 1,200	€ 1,800	€ 5,000	€ 15,000
	£2,750	£6,270						

Source: NCA home pages
GBPEUR 1.33

Table 2.3: Comparative admission and annual fees by key EU markets

	LSE		Euronext		Luxembourg		Dublin	
	Min	Max	Min	Max	Min	Max	Min	Max
Equity								
Admission	€ 10,108	€ 585,200	€ 10,000	€ 2,500,000	€ 2,500	€ 7,500	€ 150	€ 110,000
Periodical	€ 6,650	€ 66,500	€ 2,800	€ 50,000	€ 2,500	€ 5,000	€ 1,000	€ 29,300

Debt Eurobond

Admission	€ 3,325	€ 5,586			€ 1,160	€ 2,600		
Periodical	€ -	€ -			€ 285	€ 800		

Programme

Admission	€ 399	€ 4,855	€ 1,000	€ 1,000			€ 1,241	€ 1,991
Periodical	€ -	€ -	€ 600	€ 800			€ 2,000	

Standalone

Admission	€ 6,650	€ 26,600	€ 125	€ 2,500			€ 1,241	
Periodical	€ -	€ -	€ 500				€ 2,000	

Source:

<http://www.londonstockexchange.com/companies-and-advisors/listing/fees/fees-for-issuers-2014-2015.pdf>

Euronext fee book

<https://www.bourse.lu/listing-fees-for-shares-and-depository-receipts>http://www.ise.ie/ISE_Regulation/Equity_Issuer_Rules_/Listing_Rules/ISE_Listing_Rules_Appendix_3.pdf

GBPEUR 1.33

Issues for discussion**2.12** We discuss two topics in this paper, on which we would welcome stakeholder views:

- The appropriate balance of cost recovery between transaction and periodic fees.
- Scope for simplifying transaction charges.

2.13 Each can be treated as a distinct, self-contained topic. They are addressed in the following chapters.

3.

Appropriate balance of cost recovery between transaction charges and periodic fees

- 3.1** In this chapter, we invite comments on the appropriate balance we should strike between cost recovery through transaction charges and periodic fees and present some illustrative scenarios to stimulate discussion.
- 3.2** In 2013/14, transactional charges recovered around 20% of the costs attributed to the UKLA, with the balance recovered through periodic fees. This ratio has not been prescribed. In 2011/12, our receipts from transactional charges were higher and they accounted for around 30% of the costs.
- 3.3** We would welcome comments on the optimum apportionment of cost recovery between transaction charges and periodic fees. Part of the rationale behind this DP is to ensure that our fees policy for the UKLA takes account of economic and competition considerations. An inappropriate balance could result in distortions to competition.
- 3.4** For example, if the proportion of costs that we recovered from periodic fees was too high, then companies engaging in transactions (and causing the UKLA to incur costs) would effectively receive an implicit subsidy from the other companies. On the other hand, if the proportion of costs that we recovered from periodic fees was too low, then companies across the market would be under-paying for the market-wide benefits of the UKLA, with an excessive burden placed on companies engaging in transactions. In Table 3.1, we set out five illustrative scenarios for adjusting the ratio of cost recovery.
- 3.5** The scenarios include an option for full cost recovery from periodic fees, but we do not consider reducing the share of revenue from periodic fees below 60%. This is because we have taken the view that the UKLA undertakes a range of core functions, such as market monitoring and enforcement, which are not related to transactional activity. If you believe we should consider lowering the share from periodic fees below 60%, you will be able to extrapolate the impact from the figures in Table 3.1 and we would welcome your views on the advantages of increasing the share of cost recovery from transactional fees.
- 3.6** By contrast, we believe a case can more readily be made for funding the UKLA entirely through periodic fees. The UKLA's key statutory function is to maintain market integrity. Scrutinising documents before they are issued is intended to ensure the highest standards of conduct across the market as a whole. All companies in the market benefit, so all companies should pay for it. Consequently, we have included a scenario showing the impact of 100% recovery through periodic fees.
- 3.7** The scenarios in Table 3.1 use cost data from 2013/14, the latest complete financial year, to explore the impact on the 2014/15 transaction and periodic fees of adjusting cost recovery up or down from the present ratio.
- 3.8** They are based on the fees structure as it stands now so that companies can review the different ratios in relation to the charges they are familiar with. In Chapter 4, we discuss ways in which

we might revise our transaction fees. When we consult, the rates will take account both of any adjustment to the cost recovery ratio and any changes we make to the fees structure.

- 3.9** In particular, the table does not include the charges of £225 and £100 we make for applications for listing and additional issues. That is because, as we explain in paragraphs 4.8 – 4.9, we are minded to consult on removing these, as we believe it would generate a net efficiency saving for the UKLA. The table also excludes a number of higher rate fees, which we are not proposing to change – the £20,000 significant transaction fee and £50,000 super transaction fee, and the flat rate fees of £25,000 for sponsors and £15,000 for primary information providers.
- 3.10** To keep the scenarios straightforward and facilitate comparison, we have illustrated the impact on a single year only. However, variations from year-to-year could be significant. There is a risk that, the more we increase the proportion of the UKLA's costs to be recovered through transaction charges, the less predictable our periodic fees might become. This is because transactions are demand measures over which we have no control and they are volatile, determined by volumes of activity in the market and the decisions of individual issuers.
- 3.11** In 2011/12, we collected £6.5m through transactions, but only £5.4m the following year and £5.9m in 2013/14. This indicates a potential variance of around 10% - 15% between years, to be picked up through periodic fees. The impact of such variances on periodic fees would be intensified as the proportion of costs to be recovered through transaction charges increased. Consequently, a higher proportion of cost recovery through transaction charges would satisfy the principle that the user should pay, but would leave periodic fees more variable for the other companies that made less use of our resources. Lower reliance on transaction charges would make the periodic fees paid by all firms more predictable, but would reduce the contribution from the issuers that make the heaviest demands on our resources.
- 3.12** A solution might be to adopt a less mechanical relationship between the two sets of fees by targeting transaction charges only on cases known to be the most resource-intensive. If we took this approach, periodic fees would be the default funding mechanism for the UKLA and they would pick up the costs of the smaller transactions, but we would retain charges for the more material transactions. If we adopted this solution, we would create a definitive list of chargeable transactions for consultation. Looking at the current charges to give an illustration of what we have in mind, perhaps we would only retain those now over £1,000, or £5,000, or perhaps even remove all charges under £10,000. We would welcome views on the merits of this additional scenario, under which most of the UKLA's costs would be recovered through periodic fees, with transaction charges limited to the more highly resource-intensive cases.

Q1: Do you have any views on the appropriate balance of cost recovery between transaction and periodic fees?

Table 3.1: Cost recovery scenarios, using 2013/14 cost data and 2014/15 fee-rates

Target ratio of recovery through periodic fees:	Modelled fee rates (2013/14 data)				
	60%	70%	Status quo (78%)	90%	100%
Impact on the main transaction fees					
Standard Listing Eligibility	£1,950	£1,450	£1,100	£935	---
Premium Listing Eligibility	£4,300	£3,200	£2,450	£2,085	---
Suppl. Prosp/Listing particulars	£950	£700	£550	£470	---
Securities Note / Summary	£1,450	£1,050	£825	£700	---
Registration Document (debt)	£3,350	£2,500	£1,925	£1,635	---
Prospectus (debt)	£4,800	£3,600	£2,750	£2,340	---
Convertibles/ABS/Class 1 transaction	£10,950	£8,150	£6,270	£5,330	---
Securitised derivative prospectus	£10,950	£8,150	£6,270	£5,330	---
Structured products prospectus	£10,950	£8,150	£6,270	£5,330	---
Mineral Expert Report	£8,750	£6,500	£5,000	£4,250	---
Securities Note /Summary (equity)	£4,800	£3,600	£2,750	£2,340	---
Summary Document	£4,800	£3,600	£2,750	£2,340	---
Registration Document (equity)	£6,150	£4,600	£3,520	£2,990	---
Prospectus (equity)	£10,950	£8,150	£6,270	£5,330	---
Impact on periodic fees: flat rate minimum + rate per £m of market capitalisation (fee bands in £m)					
Fee-block E2					
0-100: minimum fee	£3,563	£4,275	£4,750	£5,600	£6,333
100-250	£ 21.36	£25.63	£28.47	£33.46	£37.96
>250-1,000	£8.54	£10.25	£11.39	£13.38	£15.18
>1,000-5,000	£5.25	£6.31	£7.01	£8.24	£9.35
>5,000-25,000	£0.12	£0.15	£0.17	£0.20	£0.23
>25,000	£0.04	£0.05	£0.06	£0.06	£0.07
Fee-blocks E3, E5, E6 (these are all charged at the same rates)					
0-100: minimum fee	£3,040	£3,420	£3,800	£4,465	£5,067
>100-250	£18.22	£20.50	£22.78	£26.77	£30.37
>250-1,000	£7.29	£8.20	£9.11	£10.71	£12.15
>1,000-5,000	£4.48	£5.04	£5.6	£6.59	£7.48
>5,000-25,000	£0.11	£0.12	£0.14	£ 0.16	£ 0.18
>25,000	£0.35	£0.04	£0.04	£0.05	£ 0.06
Fee-block E4 (flat rate)	£3,563	£4,275	£4,750	£5,250	£6,333

4.

Scope for simplifying transaction charges

- 4.1** The scenarios in Table 3.1 illustrate the impact on fees, as they currently stand, of adjusting the cost recovery ratio between transactional and periodic fees, to facilitate comparison with the status quo. We have also explored possibilities for improving our charging structure for transactional fees. Removing minor transaction charges and simplifying the range of tariffs might benefit both the UKLA and issuers if it were to have the effect of constraining our administrative costs and the amount we recovered from market participants, while reducing the expense and inconvenience to issuers of complying with a complex set of charges.
- 4.2** In this chapter, we present a number of options that we have considered for simplifying our transaction charges. We recognise that there may be other approaches, and would welcome suggestions. The topics we cover are:
- removing minor charges
 - higher charges for highly labour intensive document
 - simplifying the range of tariffs

Background

- 4.3** We have explored several options for relating transaction charges more closely to the actual cost of reviewing the documents submitted to UKLA. We found that the scope for scientifically targeting cost recovery is limited. Some documents may be vetted by an individual member of staff in a relatively short time, but other apparently similar documents may raise complex questions demanding the involvement of in-house or external lawyers or advisors. The degree of complexity cannot always be assessed when the documents are submitted and the application fee paid. The issues often emerge later, as they are reviewed.
- 4.4** Real-time charging would give a more accurate record. This would mean adopting the model used by solicitors and other professionals. We would keep a strict and accurate record of the time and charge-out rates of every individual involved in a particular case, and then invoice the company after the event.
- 4.5** Real-time charging is attractive in theory, but we believe it would in practice be unnecessarily complex and expensive to administer, and might be perceived (misleadingly) as moving the UKLA towards offering a commercial service.
- It is cheaper and more convenient to collect the fee automatically at the point of submission rather than setting up and maintaining systems for commercially robust time-keeping and then for invoicing, chasing payments and debt recovery.

- We would have to recover these additional costs through higher charges and there would be no compensating savings since the only effect on the way we carry out our work would be the addition of new processes.
- We also believe payment at the point of submission is cheaper and more convenient for companies, who have the certainty of knowing exactly what they will be charged, when and how, and can plan accordingly.
- Payment at the point of submission acts as a filter, reducing the risk that companies might submit incomplete or less than adequate documents.

4.6 If we retain transaction charges, it therefore needs to be recognised that they represent at best an average charge for dealing with a submission. In more complex cases, our costs will outweigh the fee; in simpler cases, our costs will be lower. The balance will also depend on the balance we decide to strike between cost recovery through transaction and periodic fees.

4.7 Within these constraints, we believe there is scope to clarify the fees structure.

Removing minor charges

4.8 We charge £225 for a new listing of securities with their own ISIN or for a change to the Official List, and £100 for any additional issue or change to the List with an existing ISIN. The revenue we collect from these nominal charges is partly offset by the cost of the processes we have to maintain to collect and chase the fees, while the additional steps involved in making and clearing a payment complicate what would otherwise be a simple transaction.

4.9 If we made no charge, we would streamline the process, creating efficiency gains both for the UKLA and issuers. We are therefore considering consulting in our March 2015 fees CP on removing these charges with effect from 1 July 2015.

Higher charges for highly labour intensive documents

4.10 Although we cannot realistically recover the exact costs of assessing documents, our review of UKLA processes has identified a number of highly labour intensive documents whose charges considerably undervalue the average amount of work we put into them. In particular:

	Actual fee	Approximate average cost
Eligibility for premium listing	£2,450	£8,000
Global depositary receipt prospectus	£6,270	£15,000
Structured products prospectus	£6,270	£15,000
Securitised derivatives prospectus	£6,270	£15,000

4.11 If we charged a more realistic fee of £15,000 for reviewing prospectuses for securitised derivatives, we could discontinue fee-block E4, where over 95% of the activity is generated by less than ten companies. This would target our charges on those using our resources, without requiring the rest to pay what is in effect a standing charge.

Range of tariffs

- 4.12** The UKLA maintains a wide variety of tariffs, ranging from £100 for a change to the Official List in respect of additional securities to £50,000 for 'super transactions.' These tariffs have been set up over the years in response to the evolution of our remit and the markets. Each new tariff was based on our estimate at that time of the processing resources it would demand, and we adjust them from time to time as circumstances evolve.
- 4.13** Descriptions of the different charges for transactional activities are in Fees 3.2.7R, FEES 3 Annex 4 and FEES 3 Annex 5. We have summarised these in Table 2.1.
- 4.14** It is questionable whether such a variety of tariffs is necessary. Given that estimating the costs of dealing with specific transactions is not a precise science, a smaller number of broad categories might be preferable. As both the market and regulation evolves and new classes of documents come into existence that require UKLA approval, we would consult on which charging category to slot the new transaction into rather than, as at present, estimating a bespoke price for each type of document.
- 4.15** Excluding the minor charges discussed in paragraph 4.8, which we are minded to remove, the transaction charges in Table 2.1 might be rationalised into broader categories along the following lines:

	Possible fee within range
Category A	£500 – £600
Category B	£2,000 – £3,000
Category C	£10,000 – £15,000
Significant transaction charge (no change)	£20,000
Super transaction charge (no change)	£50,000

- 4.17** Beyond Category C, we are not at this stage considering any change in the significant transaction charge of £20,000 and super transaction charge of £50,000, which are familiar and well understood by the market. In light of our discussion in paragraph 3.12 about focusing on higher charges and in 3.9 and 4.8 – 4.9 about removing minor ones, it might be appropriate to dispense with charges for the less resource intensive transactions altogether and start our charges at transactions that cost us £10,000 or £15,000.
- 4.18** If we decide to proceed with a simplified structure along these lines, we will consult on the precise fee-levels and the allocation of transactions to the various categories. For the present exercise, we would welcome comments on whether this looks in principle like a helpful model for transaction charges.

Conclusion

4.19 We believe there is scope for rationalising the transaction charges along the lines suggested in this chapter. We would welcome comments and also any suggestions for further rationalisation.

Q2: Do you have any comments on our suggestions in paragraphs 4.8 – 4.9 for adjusting individual transaction charges?

Q3: Would it be helpful to simplify our transaction charges into a limited number of broad categories as discussed in paragraphs 4.12 – 4.18

5. Conclusion and next steps

- 5.1** We are publishing this DP to stimulate debate. Having considered all the issues discussed in it, we would appreciate any views you might have on the positive or negative impacts they might have more generally on the principles of good regulation we are required to consider when carrying out our work:

1. Efficiency and economy	We are committed to using our resources in the most efficient and economical way. As part of this the Treasury can commission value-for-money reviews of our operations.
2. Proportionality	We must ensure that any burden or restriction that we impose on a person, firm or activity is proportionate to the benefits we expect as a result. To judge this, we take into account the costs to firms and consumers.
3. Sustainable growth	We must ensure there is a desire for sustainable growth in the economy of the UK in the medium or long term.
4. Consumer responsibility	Consumers should take responsibility for their decisions.
5. Senior management responsibility	A firm's senior management is responsible for the firm's activities and for ensuring that its business complies with regulatory requirements. This secures an adequate but proportionate level of regulatory intervention by holding senior management responsible for the risk management and controls within firms. Firms must make it clear who has what responsibility and ensure that its business can be adequately monitored and controlled.
6. Recognising the differences in the businesses carried on by different regulated persons	Where appropriate, we exercise our functions in a way that recognises differences in the nature of, and objectives of, businesses carried on by different persons subject to requirements imposed by or under FSMA.
7. Openness and disclosure	We should publish relevant market information about regulated persons or require them to publish it (with appropriate safeguards). This reinforces market discipline and improves consumers' knowledge about their financial matters.
8. Transparency	We should exercise our functions as transparently as possible. It is important that we provide appropriate information on our regulatory decisions, and that we are open and accessible to the regulated community and the general public.

Q4: Do you have any comments on the impact, if any, the issues discussed in this DP might have on the principles of good regulation we are required to consider when carrying out our work?

Next steps

- 5.2** We welcome comments on the questions we have set out, and any further suggestions you may have. Please use the contact details on page 2 of this DP or the online inputting form to send us your views by 20 April 2015. We will take the responses into account when preparing our proposals for consultation
- 5.3** The next steps are:
- 20 April 2015 – deadline for sending us your responses.
 - October 2015 – the CP on fees policy we publish each autumn will include our feedback on the responses received and our proposals for consultation.
 - February or March 2016 – we will provide feedback on the consultation and make the final rules for implementation from 1 April 2016. This will either be published in a handbook notice in February or included in our March CP on proposed fee rates.
- 5.4** Meanwhile, in March 2015, we will consult on the clarifications and removal of minor transaction charges that we mentioned in paragraph 1.16. These will take effect in the 2015/16 financial year. Feedback and the rules will be published in June 2015 in our policy statement on regulatory fees and levies.

Annex 1

List of questions

- Q1:** Do you have any views on the appropriate balance of cost recovery between transaction and periodic fees?
- Q2:** Do you have any comments on our suggestions in paragraphs 4.8 – 4.9 for adjusting individual transaction charges?
- Q3:** Would it be helpful to simplify our transaction charges into a limited number of broad categories as discussed in paragraphs 4.12 – 4.18?
- Q4:** Do you have any comments on the impact, if any, the issues discussed in this DP might have on the principles of good regulation we are required to consider when carrying out our work?

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