

# FCA regulated fees and levies 2015/16

Including feedback on CP15/14  
and 'made rules'

June 2015





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In this Policy Statement we report on the main issues arising from Consultation Paper 15/14 (*FCA Regulated fees and levies: Rates proposals 2015/16*) and publish the final rules.

Please send any comments or enquiries to:

Peter Cardinali  
Finance and Operations Division  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

**Telephone:** 020 7066 5596  
**Email:** cp15-14@fca.org.uk

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## Abbreviations used in this paper

<b>AFR</b>	Annual funding requirement
<b>AIFMD</b>	Alternative Investment Fund Managers Directive
<b>ARMs</b>	Approved reporting mechanisms
<b>CASS</b>	Client Money Assets sourcebook
<b>CFEB</b>	Consumer Financial Education Body
<b>CIS</b>	Collective investment schemes
<b>CJ</b>	Compulsory jurisdiction
<b>CP</b>	Consultation paper
<b>DGPs</b>	Designated guidance providers
<b>DPBs</b>	Designated professional bodies
<b>EEA</b>	European Economic Area
<b>FEES</b>	FEES manual
<b>FSA</b>	Financial Services Authority
<b>FPS</b>	Financial Penalty Scheme
<b>FSCS</b>	Financial Services Compensations Scheme
<b>FSMA</b>	Financial Services and Markets Act
<b>LIBOR</b>	London interbank offered rate
<b>MTFs</b>	Multilateral trading facilities
<b>NFPs</b>	Not-for-profit bodies
<b>OFT</b>	Office of Fair Trading
<b>Ombudsman Service</b>	Financial Ombudsman Service
<b>ORA</b>	Ongoing regulatory activity

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<b>PGL</b>	Pensions guidance levy
<b>PGPL</b>	Pensions guidance providers' levy
<b>PRA</b>	Prudential Regulation Authority
<b>PS</b>	Policy statement
<b>PSR</b>	Payment Systems Regulator
<b>RDR</b>	Retail Distribution Review
<b>RIEs</b>	Recognised investment exchanges
<b>ROIEs</b>	Recognised overseas investment exchanges
<b>UKLA</b>	UK Listing Authority
<b>VJ</b>	Voluntary jurisdiction

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# 1. Overview

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## Introduction

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- 1.1** We are publishing the 2015/16 periodic regulatory fees and levies rules for the:
- Financial Conduct Authority (FCA)
  - Pensions guidance levies
  - Financial Ombudsman Service (ombudsman service) general levy, and
  - Money Advice Service.<sup>1</sup>
- 1.2** We also publish our feedback on the responses received to the consultation on the draft fees and levies rules in CP15/14 *FCA Regulated fees and levies: Rates proposals 2015/16*, published 26 March 2014. The consultation period for CP15/14<sup>2</sup> closed on 18 May 2014.

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## Who does this affect?

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- 1.3** All fee-payers will be affected by this Policy Statement (PS). We have provided two tables at the end of this chapter to help fee-payers identify what chapters in this PS are relevant to them:
- Table 1.1 – Fee-payers affected by the final 2015/16 fees and levies rates in this PS and the feedback provided on the draft rules in CP15/14.
  - Table 1.2 – Fee-payers affected by the fees policy rules in this PS and the feedback on the proposals in Chapter 12 of CP15/14.

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## Is this of interest to consumers?

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

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<sup>1</sup> The Money Advice Service is referred in the legislation and our FEES manual rules as the Consumer Financial Education Body (CFEB)

<sup>2</sup> [www.fca.org.uk/static/documents/consultation-papers/cp15-14.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp15-14.pdf)

## Context

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- 1.5** Generally, our annual fees consultation follows this cycle:
- **October/November** – we consult on any changes to the policy as to 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/March. In the case of the fees policy proposals in CP14/26<sup>3</sup> published November 2014, we provided feedback on responses received and published the final rules through CP15/14.
  - **January** – we consult on the Financial Services Compensation Scheme (FSCS) management expenses levy limit (MELL). This is a joint consultation with the Prudential Regulation Authority (PRA). We provide feedback on responses received to this consultation in the March Handbook Notice.
  - **March** – 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 pensions guidance levy, ombudsman service general levy and Money Advice Service levies for the next financial year. In the case of draft fees and levies rates rules for 2015/16 the consultation was set out in the March CP15/14.
  - **June/July** – in this PS we are publishing the feedback on the responses we received to CP15/14 together with the final FCA, pensions guidance levy, ombudsman service and Money Advice Service fees and levies rates for 2015/16, set out in Appendix 1.
- 1.6** Further information about our approach to fees is presented in our publication available on our website, *How we raise our fees*<sup>4</sup>, which explains how we calculate FCA, FSCS, the ombudsman service and Money Advice Service fees and levies. FCA 2015/16.

## Summary of feedback and our response

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- 1.7** Overall, we received 76 responses to CP15/14. The non-confidential respondents are listed in Annex 1.
- 1.8** A full breakdown of the 'A' to 'G' fee-blocks we refer to in this section is given in Table 2.2 of chapter 2.

## Responses on FCA fees

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- 1.9** We received 70 responses on our proposals for FCA fees including eight trade bodies that represented credit unions, insurers, financial advisers, mortgage advisers, wholesale market and energy brokers. There were also responses from two insurers, five trading venues<sup>5</sup>, two consultancy firms and a network providing support services to financial advisers and/or mortgage advisers as well as 52 responses related to individual financial adviser and/or mortgage adviser firms.

<sup>3</sup> [www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf)

<sup>4</sup> [www.fca.org.uk/your-fca/documents/how-we-raise-our-fees](http://www.fca.org.uk/your-fca/documents/how-we-raise-our-fees)

<sup>5</sup> recognised investment exchanges, recognised overseas investment exchanges, and operators of multilateral trading facilities that come within the 'B' fee-block.

- 1.10** In the main all respondents raised concerns about the overall increase in our annual funding requirement (AFR). These concerns can be summarised as:
- the increase is far in excess of the rate of inflation and on the back of significant increases over the last few years, and/or
  - the FCA's ever-increasing cost base stands in stark contrast to the pressure to reduce costs that applies generally in both the public and private sectors
- 1.11** A trade body representing insurers, while welcoming our value for money (VFM) strategy in our 2015/16 *Business Plan*, believed that alongside this should be a greater transparency and accountability to demonstrate strong cost control and were looking forward to seeing how VFM measures impact on FCA costs.
- 1.12** A trade body representing mortgage advisers referred to the National Audit Office (NAO) March 2014 report and highlighted from it the NAO's expectation that in future one of the ways it will expect the FCA to demonstrate the value that it is achieving for consumers and the taxpayer is by clearly linking resource allocation to regulatory effectiveness.

### Our response

#### Our 2015/16 AFR in the context of how it will be used

Our Business Plan is one of the key ways that we demonstrate accountability and transparency over how we use our resources to achieve our overall objective of ensuring that markets work well, and our three supporting objectives of protecting the consumer, promoting competition and enhancing the integrity of markets.

In Chapter 2 of this PS we summarise from our 2015/16 *Business Plan* how our total AFR will be used to undertake our key priorities, core ongoing activities and how we will operate under our new strategy.

#### Overall increase in our 2015/16 AFR

Our 2015/16 AFR remains unchanged from CP15/14 at £481.6m, an increase of £35.2m (7.9%) over 2014/15 (£446.4m). The increase is mainly driven by a £27m (6.0%) increase in our ongoing regulatory activities (ORA) which will enable us to:

- deliver our competition objective, undertake more enforcement activity to combat market abuse and unauthorised business, and enhance our supervisory model for benchmarks
- invest in our people, as it is vital that we attract and retain the right people to achieve our objectives and invest in the FCA Academy to offer continuous, relevant training and development for our people
- invest in Project Innovate, our new initiative to ensure the regulatory environment supports innovation in the market, and
- continue ongoing work to upgrade and improve our information systems (IS) and technology platform to ensure that our systems efficiently support our key regulatory functions

Tighter budgeting has resulted in no under spend to be returned to fee-payers, as lower fees, in 2015/16 (£10m in 2014/15). The costs of funding additional responsibilities placed on us (scope change), has decreased by £1.8m. Combined these account for the remaining £8.2m (1.9%) of the AFR increase.

We are entering our third year of being operational. In 2013/14 the combined ORA of the FCA and PRA increased 24% compared to the previous and last year of the predecessor regulator, the FSA. This increase included funding the transition to the new dual-regulation regime and also reflected the need for the FCA to start to deliver on its new market integrity, consumer protection and competition objectives. In 2014/15 our ORA increased by 1.4% and we delivered on our public commitment to keep FSA legacy costs at the same level as 2013/14.

We believe the 6% increase in our ORA this year is necessary to meet our objectives as explained in our 2015/16 *Business Plan* and referred to above.

In our *Business Plan* (BP page 72) we have stated that our overarching VFM strategy is to maximise our impact on our statutory objectives and desired outcomes, while minimising cost. It also highlights our plans to monitor, measure and report on VFM initiatives we implement. In addition we will continue to work together with the NAO to address the recommendations from their review.

We also believe the Business Plan demonstrates that we are committed to working as efficiently as possible with firms to deliver value for money, as well as achieving the right outcomes for consumers and the financial markets. As an organisation we are continuously looking at the way we work to make sure that we are meeting challenges head on and achieving the high standards expected of us.

As indicated above our *Business Plan* is one of the key ways that we demonstrate accountability and transparency. We are also 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 the Treasury is laid before Parliament, published as our Annual Report, and discussed at our Annual Public Meeting. Our Annual Report for 2014/15 will be published in July.

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**1.13** Chapter 2 also provides our feedback on responses we received under six other areas:

- Minimum fees.
- Allocation of AFR to the mortgage fee-blocks (A.2 and A.18)
- European economic area (EEA) fees discounts for general insurers in the A.3 fee-block.
- Financial advisers in the A.13 fee-block.
- Wholesale markets brokers in the A.13 fee-block.
- Comparisons with other regulators.

- 1.14** In Chapter 3 we provide feedback on the specific responses to our proposals on the 'B' to 'G' fee-blocks.

### Responses on Consumer Credit periodic fees

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- 1.15** We received 43 responses to our proposals to keep consumer credit periodic fees for the FCA, ombudsman service and the Money Advice Service unchanged from those that applied in 2014/15.
- 1.16** The main issue raised by respondents related to the situation of financial advisers and mortgage advisers who carry on consumer credit activities that are incidental (or ancillary) to their primary business (investment and/or mortgage advice). Overall respondents highlighted that they do not receive income from their clients for incidental consumer credit activities and as such they should not be required to pay the FCA minimum fee of £300 (for income up to £50,000) or it should be lower for these firms.

#### Our response

During the consultation for the 2014/15 fee rates we originally proposed a minimum fee of £500 for firms whose income was up to £100,000. Under these proposals financial advisers and mortgage advisers where consumer credit activities were incidental to their primary business would have paid this £500 minimum fee. Taking into account comments from respondents on this proposal we later consulted on introducing the £50,000 threshold so that firms with income up to this amount paid a lower minimum fee of £300 and only firms with income above £50,000 and up to £100,000 would pay a minimum fee of £500. In order to achieve the reduced minimum fee of £300 we consulted on increasing the full permission variable fee rate from the previous indicative amount of £0.30 to the current £0.78 per £1,000 of income.

If we exclude financial advisers and mortgage advisers from paying the reduced £300 minimum fee we would need to either increase the minimum fee or increase the variable rate further for other consumer credit firms. We continue to believe that it was justifiable to give additional support to the smallest firms and to achieve this by increasing the variable fee when the fees were set for 2014/15. However, we do not believe that it is justifiable to now increase minimum fees for the smallest firms or the variable fee for medium and large firms in order to exclude a section of firms that are carrying on consumer credit activities, albeit as incidental to their primary business of providing financial advice or mortgage advice.

We are keeping the 2015/16 periodic fees and levies for the FCA, ombudsman service and Money Advice Service at the same amounts as consulted on in CP15/14 and which are set out in tables 5.1 to 5.3 in Chapter 5 which also provides further feedback on issues raised by respondents.

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## Responses on the pensions guidance levy

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- 1.17** Under the Pension Schemes Act 2015 (the Act)<sup>6</sup>, which came into effect 1 April 2015, we are required to recover from authorised firms the Treasury's costs for providing pensions guidance – Pension Wise<sup>7</sup>, the Government's impartial guidance service to help consumers understand the greater flexibility they will have with their pension pots resulting from the pension reforms under the Act.
- 1.18** CP15/14 was the third consultation on how we recover these costs through the pensions guidance levy (PGL). We proposed to allocate the estimated £39.1m costs across the PGL fee-blocks as set out in Table 6.2 in Chapter 6 of this PS.
- 1.19** We received 49 responses. The main issue raised was that the reduced allocation of 12% to A.13 fee-block, which includes financial advisers, did not sufficiently take into account the extent that, financial advisers would only benefit from the provision of Pension Wise if consumers who used this service went on to obtain advice from regulated financial advisers.

### Our response

We reduced the allocation of Pension Wise costs to 12% for A.13 in recognition that financial adviser firms will only benefit if, after using Pension Wise, consumers seek advice from regulated financial advisers. However, the firms in the other four PGL fee-blocks will more likely benefit as the monies released through greater pension flexibility, if used for investment, will be distributed among them. The other four fee-blocks cover cash deposits, insurance and investment products (and related services), investment management services and pension services. As we stated in our feedback to the previous consultations this lower allocation to A.13, compared to these other four fee-blocks, is intended to make an initial allowance for this difference.

In Chapter 6 we provide further feedback on this and other issues raised by respondents covering financial advisers as well as on issues raised by two trade bodies representing wholesale and energy market brokers.

The final PGL rates in Appendix 1 of this policy statement have been calculated on the basis of the allocation proportions set out in Table 6.2 in Chapter 6 which also confirms the total cost of £39.1m has not changed from CP15/14.

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<sup>6</sup> The Act amends the Financial Services and Markets Act 2000

<sup>7</sup> [www.pensionwise.gov.uk/](http://www.pensionwise.gov.uk/)

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## Responses on other fees policy proposals

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**1.20** These are covered in full in Chapter 7 of this PS.

### Consumer buy-to-let (CBTL)

**1.21** Most responses supported without further comment our proposed application fee rates (27 firms), and the framework we proposed for FCA periodic fees (30 firms) and the ombudsman service levy (27). There were altogether five substantive responses criticising the imposition of these additional fees on mortgage brokers, and one respondent who made a comment about the development of silo mentalities.

#### Our response

We do not have the option to absorb these charges into our existing fees because CBTL is not going to be regulated under FSMA so have to recover our costs separately. We will consult on the rates for FCA periodic fees and the ombudsman service levy in March 2016.

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### Benchmark administrators

**1.22** We received two responses. One was concerned that our fees were too high considering that some benchmarks are not commercially profitable. The other was concerned that they were too low and might not cover our costs, leading to higher fees in the future.

#### Our response

The fees we have consulted on reflect our best estimate of our costs but we may consult on a new long-term structure in October 2015 once we have practical experience of the regime and the resources involved in regulating it.

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### Consumer credit – proxy measure of annual income for retail firms

**1.23** We received 32 responses. All but two criticised the proposal on the grounds that it was confusing and unreasonable to levy fees when there has been no charge to the customer. One pointed out that applying our formula to buy-to-let (BTL) mortgage broking would generate higher income figures than we intended.

#### Our response

Whether or not firms charge their customers, they are undertaking a regulated activity which we have to supervise. If they do not contribute towards our costs, somebody else must pay on their behalf. All firms should pay their fair share towards our regulatory costs.

We have reviewed the rule and attempted to clarify it. As notified in CP15/14, we are extending it to include regulated consumer hire agreements. We are excluding BTL mortgage broking which will be removed from our regulatory remit when the Mortgage Credit Directive Order comes into effect on 21 March 2016.

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### UKLA fees

- 1.24** We received no comments on UKLA fees so we are implementing our proposals, unchanged.

### Responses to ombudsman service general levy

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- 1.25** The majority of respondents did not 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 2014/15 by general levy and to maintain the same proportions across industry blocks.

#### Our response

We have decided to proceed with the levy rates as proposed. We highlighted in CP15/14 that fee-payers should be aware that the draft ombudsman service levy rates in Appendix 5 were calculated using estimated fee-payer populations and tariff data, which may change when the final levy rates are calculated. Three of the ombudsman service levy rates have changed slightly (industry blocks I001, I002 and I017) but we do not consider the changes to be significant.

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### Responses to Money Advice Service levies

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- 1.26** We received 43 responses on the money advice levy and 10 on the debt advice levy. Just under half of the respondents commented that the review into the Money Advice Service should be completed without delay. A variety of other views were expressed with some saying the Money Advice Service should be publically funded and did not provide value for money and others approving the reduction in the levy and recognising that the Service had an important role to play.

#### Our response

We have decided to proceed with the levy rates as proposed. The Farnish report into the Money Advice Service was published on 20 March 2015. The Service is implementing most of the recommendations and carrying out an assessment on the practicalities of implementing the remainder, reporting to the Treasury in the Autumn. We will keep the funding under review and look at the allocation methods again once the Treasury has considered the Money Advice Service's report.

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### Compatibility statement

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- 1.27** The rules we have now made do not differ in substance from those proposed in Appendices 4, 5 and 6 of CP15/14, except regarding certain periodic fee rates, as explained in Chapters 2 to 9. However, these changes do not alter the compatibility statements we published with CP15/14.

- 1.28** Annex 2 of CP15/14 included a statement that we did not expect the proposals 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.

### **Payment Systems Regulator (PSR)**

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- 1.29** In Chapter 8 of CP15/14 we set out our proposed periodic fees to fund the PSR in 2015/16. We subsequently published a supplementary paper that provided some clarification of statements and tables provided in CP15/14. We extended the consultation period from the 18 May to 29 May 2015.
- 1.30** We will provide feedback on this consultation separately in due course. Appendix 1 of this PS excludes the fee rate rules for FEES 9 Annex 1R that relate to that consultation.

### **What do you need to do next?**

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- 1.31** We highlighted in CP15/14 that fee-payers should be aware that the draft fee rates and levies in Appendix 4 of CP15/14 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 2015.
- 1.32** Table 2.3 in Chapter 2 shows the estimated firm populations and tariff data contained in CP15/14 and the actual figures used to calculate the final fees rates. It also shows the year on year movements in the draft fee rates contained in CP15/14 and the year on year movements in the final fee rates in Appendix 1 of this PS.
- 1.33** Our online fees calculator is available for firms to calculate their individual fees based on the final rates in Appendix 1 of this PS. This includes FCA fees, pensions guidance levy, the ombudsman service general levies and Money Advice Service levies.
- 1.34** 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 CP15/14.

### **What will we do?**

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- 1.35** We will invoice fee-payers from June 2015 onwards for their 2015/16 periodic fees.

**Table 1.1: Fee-payers affected by the final 2015/16 fees and levies rates rules in this PS and the feedback provided on the draft rules in CP15/14**

<b>Issue</b>	<b>Fee-payers affected</b>	<b>Chapter</b>
<b>FCA</b>		
Periodic fee rates	Authorised firms – the 'A' 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
<b>Consumer Credit periodic fees</b>		
FCA, ombudsman service and Money Advice Service periodic fees and levies	Consumer credit firms who became authorised during 2014/15 or become authorised during 2015/16	5
<b>Pension guidance levies</b>		
Pensions guidance levy (PGL)	Firms in the following fee-blocks: A.1 deposit acceptors 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	6
<b>Ombudsman service</b>		
General levy rates	Firms subject to the ombudsman service	8
<b>Money Advice Service</b>		
Money Advice Service levy rates	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)	9

**Table 1.2: Fee-payers affected by the fees policy rules in this PS and the feedback on the proposals in Chapter 12 of CP15/14**

Issue	Fee-payers affected	Chapter
Consumer buy-to-let (CBTL): Application and structure of periodic fees Ombudsman service structure of annual general levy	Mortgage lenders, administrators and intermediaries (including advisors and arrangers) carrying out CBTL mortgage business	7
Benchmarks - application and periodic fees	Benchmark administrators	
Definition of consumer credit income	All firms in the consumer credit market or considering entry	
UKLA: removing minor charges updating the rules on periodic fees charged to standard listed issues to bring them into line with policy and practice	Listed issuers and applicants for listing	

## 2. FCA fees for authorised firms

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

#### 2.1 In this chapter we:

- confirm our 2015/16 annual funding requirement (AFR) and allocation across all fee-blocks
- give feedback on the responses to Chapter 2 and 3 of CP15/14, in which we consulted on the draft fees rates rules for authorised firms – the 'A' fee-block
- highlight the changes between the draft fees rates in CP15/14 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<sup>8</sup>) used to calculate the draft fee rates in CP15/14 and those used to calculate the final fee rates in Appendix 1 of this policy statement

### 2015/16 AFR and allocation across fee-blocks

- 2.2 Following completion of our audited 2014/15 accounts, our total 2015/16 AFR remains unchanged from CP15/14 at £481.6m. A breakdown is given in Table 2.1 which also confirms the final amount of financial penalty rebate on 2015/16 fees.

**Table 2.1: AFR break down**

	2015/16	2014/15	Movement	
	£m	£m	£m	%
Ongoing regulatory activity (ORA)	479.0	452.0	27.0	6.0%
Underspend	(0.0)	(10.0)	10.0	-100.0%
<b>AFR before scope change</b>	<b>479.0</b>	<b>442.0</b>	<b>37.0</b>	<b>8.4%</b>
Recovery of scope change activities	2.6	4.4	1.8	-41.0%
<b>AFR</b>	<b>481.6</b>	<b>446.4</b>	<b>35.2</b>	<b>7.9%</b>
Financial Penalty Rebate (i)	(39.7)	(39.1)	(0.6)	1.5%
Fees payable	441.9	407.3	34.6	8.5%

**Notes:** (i) The £39.7m rebate represents the final amount of the 2014/15 financial penalties we can retain to cover 2014/15 enforcement costs (CP15/14 included an estimated figure of £40.3m). The £39.7m is applied as a rebate against 2015/16 periodic fees in accordance with our financial penalty scheme as set out in Chapter 4.

<sup>8</sup> See Chapter 3 of *How we raise our fees* at: [www.fca.org.uk/static/documents/how-we-raise-our%20fees.pdf](http://www.fca.org.uk/static/documents/how-we-raise-our%20fees.pdf)

**2.3** Our approach to the allocation of the 2015/16 AFR was to maintain an even distribution of the before scope change increase (8.4% highlighted in Table 2.1) across all fee-blocks unless there had been a material reason not to for an individual fee-block. This was the case in the following fee-blocks (explanations were provided in Chapter 2 of CP15/14):

- A.0. FCA minimum fee +5.3%
- A.7 Portfolio managers +3.5%
- A.9 Managers and depositaries of investment funds and operators of collective investment schemes or pension schemes -2.6%
- A.13 Advisory arrangers, dealers and brokers +10.2%

**2.4** We have continued with this approach when allocating the final £35.2m AFR increase and Table 2.2 confirms that the allocations across fee-blocks are unchanged from CP15/14.

**Table 2.2: FCA AFR allocations to fee-blocks**

<b>Fee-block</b>	<b>(i)</b>	<b>Actual 2015/16 £m</b>	<b>Actual 2014/15 £m</b>	<b>Movement</b>
A.0 FCA minimum fee	Solo	19.0	18.0	5.3%
AP.0 FCA prudential fee (ii)	Solo	17.0	15.6	8.5%
A.1 deposit acceptors	DR	67.5	62.3	8.3%
A.2 home finance providers and administrators	Solo	17.3	16.0	8.5%
A.3 insurers – general	DR	24.7	22.8	8.5%
A.4 insurers – life	DR	41.6	38.5	8.2%
A.5 managing agents at Lloyd's	DR	0.2	0.2	8.5%
A.6 the Society of Lloyd's	DR	0.3	0.3	8.4%
A.7 portfolio managers	Solo	44.9	43.4	3.5%
A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Solo	13.0	13.4	-2.6%
A.10 firms dealing as principal (iii)	Solo & DR	50.1	46.2	8.5%
A.13 advisory arrangers, dealers or brokers	Solo	74.9	68.0	10.2%
A.21 firms holding client money or assets or both	Solo	14.6	13.4	8.5%
A.14 corporate finance advisors	Solo	13.7	12.6	8.5%
A.18 home finance providers, advisers and arrangers	Solo	17.0	15.7	8.5%
A.19 general insurance mediation	Solo	28.1	25.9	8.5%

B. recognised investment exchanges, operators of multilateral trading facilities, recognised auction platforms and service companies	Solo	7.5	6.9	8.4%
C. collective investment schemes	Solo	2.4	2.3	8.4%
D. designated professional bodies	Solo	0.2	0.2	8.4%
E. issuers and sponsors of securities	Solo	21.4	19.7	8.4%
F. unauthorised mutuals	Solo	1.8	1.6	8.4%
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	Solo	3.8	3.5	8.4%
H. FCA pensions guidance costs	N/A	0.6	-	-
<b>Total</b>		<b>481.6</b>	<b>446.4</b>	<b>7.9%</b>

**Notes:**

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

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

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

## Periodic fees for authorised firms – summary of proposals

**2.5** In chapter 3 of CP15/14 we proposed:

- to increase minimum fees by 8.4% - the standard minimum fee increasing by £84 to £1,084 with the same level of increase applied to the concessionary minimum fees for smaller credit unions and smaller friendly societies
- to continue to apply a premium of 25% and 65% to the fee rates for medium-high and high-impact firm respectively in the top two bands of the A.1 fee-block (Deposit acceptors)
- to 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)
- to continue to apply the 2014/15 level of 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%

**2.6** The draft fee rates were contained in Appendix 4 of CP15/14 and our online fees calculator was available to help firms calculate the proposed fees for 2015/16.

**2.7** We asked:

**Q1: *Do you have any comments on the proposed FCA 2015/16 minimum fees and variable periodic fee rates for authorised firms?***

## Responses to proposals

**2.8** We received 70 responses including eight trade bodies that represented credit unions, insurers, financial advisers, mortgage advisers, wholesale market and energy brokers. There were also responses from two insurers, five trading venues<sup>9</sup>, two consultancy firms and a network providing support services to financial advisers and/or mortgage advisers as well as 52 responses related to individual financial adviser and/or mortgage adviser firms.

**2.9** We have set out the issues raised by respondents and our response to them under seven areas:

- Overall increase in our AFR.
- Minimum fees.
- Allocation of AFR to the mortgage fee-blocks (A.2 and A.18).
- EEA fees discounts for general insurers in the A.3 fee-block.
- Financial advisers in the A.13 fee-block.
- Wholesale markets brokers in the A.13 fee-block.
- Comparisons with other regulators.

### Overall increase in AFR

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**2.10** In the main all respondents raised concerns that can be summarised as:

- the increase is far in excess of the rate of inflation and on the back of significant increases over the last few years, and/or
- the FCA's ever-increasing cost base stands in stark contrast to the pressure to reduce costs that applies generally in both the public and private sectors

**2.11** We received no comments on our proposed approach to allocating the AFR increase across fee-blocks. A trading venue questioned why the benchmark should be the 7.9% increase in the AFR. Their understanding was that the difference between the AFR and the ORA related to the

<sup>9</sup> recognised investment exchanges, recognised overseas investment exchanges, and operators of multilateral trading facilities that come within the 'B' fee-block.

cost of our work to embed the Alternative Investment Fund Managers Directive (AIFMD) and it was not obvious why UK exchanges should be funding this exercise.

- 2.12** A trade body representing insurers while welcoming our value for money (VFM) strategy in our 2015/16 *Business Plan*, believed that alongside this should be a greater transparency and accountability to demonstrate strong cost control and were looking forward to seeing how VFM measures impact on FCA costs.
- 2.13** A trade body representing mortgage advisers referred to the National Audit Office (NAO) March 2014 report and highlighted from it the NAO's expectation that in future it will expect the FCA to demonstrate the value that it is achieving for consumers and the taxpayer including by clearly linking resource allocation to regulatory effectiveness.

### Our response

#### Our 2015/16 AFR in the context of how it will be used

Our *Business Plan* is one of the key ways that we demonstrate accountability and transparency over how we use our resources to achieve our overall objective of ensuring that markets work well, and our three supporting objectives of protecting the consumer, promoting competition and enhancing the integrity of markets.

Our 2015/16 *Business Plan (BP)*<sup>10</sup> set out that our priorities for this year will cover the following five key areas:

- **A strategic markets-led approach to regulation** – As part of the new FCA strategy, we have shifted the emphasis of some of our work to be more markets-focused, looking broadly across the sectors we regulate. We will conduct competition market studies, looking at the operation of the markets we regulate, and deciding whether interventions are needed if those markets are not working in the interests of consumers (*BP page 40*).
- **Protecting consumers** – It is part of our job to protect consumers from the harm that can be caused by bad conduct in the financial services industry. This affects most people in the UK, but over the coming year we will focus particularly on examining youth indebtedness, and the older population, who will be affected by the changes happening in pensions legislation (*BP page 49*).
- **Individual accountability** – To drive a cultural change in the industry that puts consumers and market integrity at the heart of the way firms do business, we must ensure that senior individuals in positions of responsibility are held personally accountable for how their firm operates, and for the consequences of misconduct (*BP page 54*).
- **International issues** – Many of the rules that we implement in the UK originate from EU and international agendas. The financial industry is a globally connected system – we saw in the financial crisis how issues in one area can have a huge impact elsewhere – so it is vital that we work together to ensure that the markets, and ultimately consumers, are safe (*BP page 56*).

<sup>10</sup> [www.fca.org.uk/static/documents/corporate/business-plan-2015-16.pdf](http://www.fca.org.uk/static/documents/corporate/business-plan-2015-16.pdf)

- **Our people** – Demand for the knowledge and skills required to manage good conduct is growing in the financial services sector, and as a result our people are in high demand. We are actively building our ability to attract and retain talent (*BP page 59*).

Alongside these key priorities we will also undertake our core ongoing activities and deliverables (*BP page 61*) which include:

- **Assessing firms** – as they apply to be authorised in order to prevent firms from entering the market that we believe may pose a significant risk to consumers or to the market through poor behaviour.
- **Supervising firms** – we supervise the conduct of about 26,000 (excluding consumer credit firms<sup>211</sup>) financial services firms operating in the UK, and we prudentially supervise those that are not covered by the Prudential Regulation Authority (PRA). Where we find poor practice we use our supervisory and enforcement tools to deter others, mitigate risks and secure redress for consumers where necessary.
- **Developing policy** – when we make policy we set out what we expect from authorised persons and other market participants, focusing in particular on changing behaviour in financial markets. We consult publicly with the industry, consumers and other interested parties on our rules and guidance before they are published. The evidence and analysis behind our proposals looks at the expected costs and benefits, and how the proposals are compatible with our statutory objectives, general duties and regulatory principles. We also consider the effects of rule changes on the different categories of the organisations and activities we regulate.
- **Enforcement** – we will continue to pursue a strategy of credible deterrence, taking tough and meaningful action against the firms and individuals who break our rules, reinforcing proper standards of market conduct and ensuring that firms put consumers at the heart of their businesses.

In addition to setting out our work programme for our key priorities and our core activities, our *Business Plan* this year also highlighted that in December 2014 we announced a new strategy for the FCA (*BP page 35*). This is an evolution of our regulatory approach, in the light of new developments in financial services and the continued expansion of our remit. Our strategy now places more emphasis on sector and market-wide analysis. This will put us in a stronger position to identify and address risks we set out in the Risk Outlook chapter of the *Business Plan* (*BP page 13*). We will change our intelligence and data analysis processes to form a more consistent, collective view on key markets and sectors, and address the issues they identify in a more strategic way with greater prioritisation. This prioritisation will inform the programme of work we set out in our business plans each year.

11 50,000 firms carrying out consumer credit business have registered with us for interim permission, many of them new to the FCA and some already authorised by us. The cost of our regulation of consumer credit is not included in our ORA or AFR in Table 2.1.

**Overall increase in our 2015/16 AFR**

Our 2015/16 AFR remains unchanged from CP15/14 at £481.6m, an increase of £35.2m (7.9%) over 2014/15 (£446.4m). The increase is mainly driven by a £27m (6.0%) increase in our ORA which will enable us to:

- deliver our competition objective, undertake more enforcement activity to combat market abuse and unauthorised business, and enhance our supervisory model for benchmarks
- invest in our people, as it is vital that we attract and retain the right people to achieve our objectives and invest in the FCA Academy to offer continuous, relevant training and development for our people
- invest in Project Innovate, our new initiative to ensure the regulatory environment is supporting innovation in the market, and
- continue ongoing work to upgrade and improve our information systems (IS) and technology platform to ensure that our systems efficiently support our key regulatory functions

Tighter budgeting has resulted in no under spend to be returned to fee-payers, as lower fees, in 2015/16 (£10m in 2014/15). The costs of funding additional responsibilities placed on us (scope change), has decreased by £1.8m. Combined these account for the remaining £8.2m (1.9%) of the AFR increase.

We are entering our third year of being operational. In 2013/14 the combined ORA of the FCA and PRA increased 24% compared to the previous and last year of the predecessor regulator, the FSA. This increase included the funding the transition to the new dual-regulation regime and also reflected the need for the FCA to start to deliver on its new market integrity, consumer protection and competition objectives. In 2014/15 our ORA increased by 1.4% and we delivered on our public commitment to keep FSA legacy costs at the same level as 2013/14.

We believe the 6% increase in our ORA this year is necessary to meet our objectives as explained in our 2015/16 Business Plan and referred to above.

In our Business Plan (BP page 72) we have stated that our overarching VFM strategy is to maximise our impact on our statutory objectives and desired outcomes, while minimising cost. It also highlights our plans to monitor, measure and report on VFM initiatives we implement. In addition we will continue to work together with the NAO to address the recommendations from their review.

We also believe the Business Plan demonstrates that we are committed to working as efficiently as possible with firms to deliver value for money, as well as achieving the right outcomes for consumers and the financial markets. As an organisation we are continuously looking at the way we work to make sure that we are meeting challenges head on and achieving the high standards expected of us.

As indicated above our Business Plan is one of the key ways that we demonstrate accountability and transparency. We are also 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. Our Annual Report for 2014/15 will be published in July.

For the respondent who questioned why costs relating to the AIFMD were allocated to UK exchanges (which come under the 'B' fee-block) we would highlight that the increase applied across all fee-blocks was the 8.4% AFR uplift before scope change activities (see Table 2.1). This reflects the 6% increase in ORA and that there was no underspend to off-set against the 2015/16 ORA compared to the £10.0m that was available in 2014/15. The net overall impact of AIFMD scope change cost recoveries were reflected in the year on year movements in the A.7 and A.9 fee-blocks as noted under paragraph 2.3 above and explained in detail in Chapter 2 of CP15/14.

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## Minimum fees

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**2.14** We received five responses on the proposals to increase minimum fees:

- a trade body representing financial advisers, while welcoming that minimum fees had been frozen for four years, commented that the 8.4% increase was too much. A network firm providing support services to financial advisers made similar comments
- two individual financial adviser firms commented that minimum fees should be increased at the same rate as variable periodic fees (i.e. those that apply to firms with income above the minimum threshold of £100,000). One of these firms also commented that small/medium size firms with small appointed representatives (ARs) have to pass on the increases in variable periodic fees and small ARs have not been protected by the four year freeze of minimum fees
- a trade body representing credit unions expressed their continued support for the concessionary minimum fees for the smallest credit unions. However, they are seeking clarification whether we intend to always increase minimum fees in line with AFR increases in future years

### Our response

Minimum fees were not increased initially to shelter these small firms from the costs of implementing the step-change in the FSA regulation in the aftermath of the banking crisis. In more recent years we have kept them unchanged pending the outcome of reviews we have carried out on how we raise our fees. As we highlighted in CP15/14 if the standard A.0 minimum fee had been increased in line with AFR increases over the past four years it would have been be at £1,462 – 46% higher than the frozen £1,000 level.

We continue to believe that the 8.4% increase in minimum fees is proportionate as it ensures that firms who only pay minimum fees continue to make a fair contribution to the recovery of our costs. Minimum fees have not been raised for four years, since 2010.

We acknowledge that small ARs of small/medium size finance adviser firms may not have benefited from the past freezing of minimum fees. We levy fees on firms not their ARs. How firms recover the cost of our fees, which are made up of the £1,084 minimum fee plus the variable fees on its income above £100,000, will depend on the agreement each firm has with their ARs.

It is not our intention to automatically link minimum fees to year on year movements in our AFR. As advised in Chapter 1 of CP14/263<sup>12</sup> (November 2014), when we reported on the outcome of our review of how minimum fees should be calculated, any future changes will be consulted on as part of our annual March fees consultation.

### Allocation of AFR to the mortgage fee-blocks (A.2 and A.18)

- 2.15** A trade body representing mortgage intermediaries/advisers challenged the total amount of our AFR allocated to the mortgage lender and broker fee-blocks, A2 and A18 respectively. They noted that for 2015/16 this is £34.3m up from £31.7m last year (2014/15), up from £24.0m in 2010/11 and significantly higher than the £4.0m the Mortgage Code Compliance Board was charging in 2005.

### Our response

We continue to believe that the AFR allocated to the A.2 and A.18 fee-blocks is proportionate given our statutory responsibilities which are significantly greater than those of the Mortgage Code Compliance Board that was in place before the Government increased the regulatory scope, of our predecessor the FSA, to include the regulation of the mortgage market.

We, and the FSA previously, have consulted each year on the increase in fees for these fee-blocks to fund the additional costs that were believed to be necessary to meet our statutory objectives in regulating the mortgage sector. As now these consultations will have been supported by the publication of *Business Plans* explaining the reasons for these increased costs.

<sup>12</sup> [www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf)

For example the increase to £24.0m in 2010/11 was attributed in part to the projected increase in work arising from the issues highlighted at the commencement of the Mortgage Market Review (MMR). The FSA's *Business Plan* at that time noted that the MMR signalled a major change in its approach to the regulation of this market. During the subsequent period the FSA continued with the MMR and reported on its development.

In our 2014/15 *Business Plan* we flagged that we would review how the market has responded to the MMR – for example, how firms are implementing the new affordability rules and how they give advice to customers.

In our 2015/16 *Business Plan* we noted that we will continue our assessment of how firms are implementing our post-MMR rules, including completing our advice and distribution review in the summer, and completing our review into responsible lending from April 2015. Building on this, from autumn 2015 we will begin a wider assessment of barriers to competition (such as factors affecting consumers' ability to access credit and ability to switch providers, and barriers to entry and/or expansion) with a view to launching a market study in early 2016 on those aspects of the mortgage market that are not working to the benefit of consumers.

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### EEA fees discounts for general insurers in the A.3 fee-block

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- 2.16** A trade body representing general insurers, while welcoming the continued implementation of a 10% discount to incoming EEA branches, questioned the proportionality of charging 90% of the full fee, especially given that there is a 50% discount for block A19, a block which would require significant conduct regulation. This also follows the FCA's decision in 2013/14 to reduce the level of discount for incoming EEA firms' regulatory fees from 90% to 5% which substantially increased the fees for incoming EEA branches.

#### Our response

We agree that the regulated activities covered by the A.19 fee-block (general insurance mediation) require significant conduct regulation - £28.1m of our AFR is allocated to this fee-block.

UK branches of A.19 firms have a larger discount to take into account the more limited nature of our regulatory responsibilities in relation to them, which includes recognition of the fact that the conduct requirements of the insurance mediation directive are generally home state requirements.

When the FSA first consulted (October 2012) on the level of discount that should apply to the A.3 fee-block when the FSA's prudential and conduct responsibilities for insurers were split between the PRA and FCA respectively, they proposed a 0% discount. Taking into account responses to that consultation and further consultations we increased the discount to 5% and then to 10%. We continue to believe that 10% is the appropriate level.

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## Financial advisers in the A.13 fee-block

**2.17** A trade body representing financial advisers, two consultancy firms and a network firm providing support services to financial advisers together with 25 individual financial adviser firms raised issues that relate to financial advisers in the A.13 fee-block (advisory arrangers, dealers and brokers) which can be summarised as:

- The cost of advice has risen and access to advice remains a challenge for many consumers. The trade body highlighted a survey they commissioned which showed that just over 60% of advisers surveyed said they had turned clients away in 2014 most saying that the service was either uneconomic for the client or servicing the client would be unprofitable for the firm. Further, that their research has shown that an average adviser spends 12% of their revenue on regulation, so any fee increase will likely be passed on to consumers which will further reduce their access to advice.
- Small-to-medium sized firms make up a large proportion of the directly authorised markets and would seem to pose a much smaller risk (e.g. based on complaints data from the ombudsman service) compared to networks and banks.
- The setting of our fees needs to take into account other regulatory costs such as the capital adequacy and professional indemnity requirements we place on firms.
- The setting of our fees needs to take into account the fees of other organisations that financial advisers have to pay – the ombudsman service levy, Money Advice levies and FSCS compensation levies.

### Our response

#### Our fees

As discussed in our feedback on the issues raised by respondents to the overall increase in our 2015/16 AFR, our fees are set to recover the funding of the resources we need to achieve our overall objective of ensuring that markets work well, and our three supporting objectives of protecting the consumer, promoting competition and enhancing the integrity of markets. In that section we also highlighted that the Business Plan and Annual Report we publish each year are the key ways we demonstrate accountability and transparency over how we use those resources. Our Annual Report also reports on the extent that we have met the principles of good regulation, which includes the need to use our resources in the most efficient way.

The A.13 fee-block covers a very diverse range of types of firms. These include banks, life insurers, non-discretionary investment managers, securities dealers, wholesale market/energy market brokers and financial advisers. The £74.9m of our AFR allocated to the A.13 fee-block is recovered from these firms based on their size as a proxy for the risk to our statutory objectives if they fail. The measure of size differs across fee-blocks, but within a fee-block it represents an objective and transparent measure of the regulated activity that can be consistently applied to all firms in the fee-block. The measure of size for A.13 is the income that firms report from the regulated activities covered by that fee-block.

Firms with income of less than £100,000 do not pay fees in the A.13 fee-block and if they do not carry on the regulated activities covered by the other fee-blocks they only pay the minimum fee of £1,084 that all firms in the 'A' fee-blocks pay. If they do carry out the regulated activities covered by the other fee-blocks, typically the mortgage and general insurance advice in A.18 and A.19 and report income from those activities below the £100,000 minimum thresholds of these fee-blocks they still pay only £1,084.

We have estimated that the proportion of the A.13 fee-block AFR that is recovered from 2,920 (55.4% of total) financial advisers who do pay fees in A.13 to be £7.2m (9.6%).<sup>13</sup>

We believe that the way we recover the AFR allocated to A.13 is proportionate for all firms, including financial advisers because:

- the minimum size thresholds makes provision for the small firms not to pay fees other than the minimum fee, and
- for the firms that come above the minimum threshold, the larger (by income reported) a firm is relative to others in A.13 the higher its fees are and the smaller a firm is relative to other firms the lower its fees.

We acknowledge that our fees are a cost to financial advisers and that cost may be passed on to consumers of their services. However, we believe that the funding those fees provide enable us to meet our objectives, including protecting consumers, resulting in a benefit for consumers.

#### **Other regulatory costs**

The total income reported by financial advisers for our fees purposes is £2.6bn which means the total fees paid by them in fee-block A.13 of £7.2m represents 0.3% of their reported income. However, we acknowledge that there are other regulatory costs.

In the case of requirements we impose on firms when making new rules and guidance our consultation includes the evidence and analysis behind our proposals and sets out their costs and benefits. We also set out how the proposals are compatible with our statutory objectives, general duties and regulatory principles. For example this was carried out for our proposed new capital resources requirements for personal investment firms in CP15/17<sup>14</sup> published 28 May 2015. In addition, we will often carry out a post implementation review of policy changes to ensure that they are delivering on their intended outcomes.

Overall, we make new rules and guidance only if we think they will be effective at dealing with and are proportionate to the problem identified.

<sup>13</sup> For the purposes of this data we have only included firms that pay fees in the A.13 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 activity covered by A.13 in relation to retail investment products. .

<sup>14</sup> [www.fca.org.uk/static/documents/consultation-papers/cp15-17.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp15-17.pdf)

### **Fees and levies of other organisations**

As indicated above our fees are set to recover the funding of the resources we need to achieve our statutory objectives as set out in our Business Plans each year. To that extent they cannot be reduced to take account of the fees and levies that firms pay to other organisations. If they did then we would not be raising the funding we believe we need to meet our statutory objectives. The fees and levies raised by other organisations are set to raise the funding needed to meet their statutory objectives as summarised below.

#### *The ombudsman service*

The ombudsman service provides an independent service for resolving disputes for customers of financial services firms. Each year the ombudsman service publishes its budget and we consult on the raising of the general levy. The general levy, which all firms contribute to, represents around 10% of the budget of the ombudsman service. This means that around 90% of the costs of the ombudsman service is met through case fees which are paid only by the firms that received the related complaints. For 2015/16 our consultation on the general levy rates was through Chapter 13 of CP15/14 and we provide our feedback on responses to that consultation in Chapter 8 of this PS.

#### *The Money Advice Service*

The Money Advice Service is an independent organisation that was set up to enhance the understanding and knowledge of members of the public on financial matters and to enhance the ability of members of the public to manage their own financial affairs. In April 2012 the Money Advice Service took on additional responsibility for the co-ordination of debt advice. Each year the Money Advice Service publishes its budget and we consult on the raising of the money advice and debt advice levies. For 2015/16 our consultation was through Chapter 14 of CP15/14 and we provide feedback on the responses to that consultation in Chapter 9 of this PS.

#### *The FSCS*

The FSCS is the UK's statutory fund of last resort for customers of authorised financial services firms. This means that the FSCS can pay compensation for valid claims if a firm is unable, or likely to be unable, to pay claims against it. Effective compensation arrangements have a key role to play in enabling us to meet our consumer protection objective. The existence of the FSCS also leads to greater confidence in consumers' dealings with financial services firms.

The FSCS can levy authorised firms to cover the compensation costs that the FSCS incurs in paying claims that fall within the scope of the FSCS and meet the conditions for payment of compensation. The compensation costs paid by the FSCS flow directly from the liabilities that authorised firms incur in relation to their customers and are unable to meet themselves. Compensation costs have increased over the past four years and we are very conscious that FSCS levies, including interim levies are a concern to firms. Our rules therefore limit the amount that the FSCS can levy from each FSCS funding class in any one year. These limits are set on the basis of what is affordable to each funding class. We have committed to review FSCS funding in 2016 and will issue a consultation paper seeking comments from stakeholders.

### Wholesale markets brokers in the A.13 fee-block

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- 2.18** The joint response from the trade bodies representing wholesale market and energy market brokers, welcomed the merging of the old A.12 fee-block with fee-block A.13 (advisory arrangers, dealers and brokers) and the formation of the new A.21 fee-block (firms holding client money or assets or both). The A.12 fee-block covered the same activities as A.13 plus those that have now been separated out in to A.21.
- 2.19** However, they are concerned that the A.13 still contains an overly diverse mix of wholesale and retail firms which they think unfairly penalises wholesale firms because their revenue is far greater than per unit of FCA supervision allotted.

#### Our response

Currently we have 16 separate 'A' fee-blocks 13 of which group together related regulated activities. This enables us to allocate our costs to the grouped regulatory activities covered by each fee-block and recover those costs only from the firms that fall within that fee-block.

We believe that the current number of fee-blocks represents the right level of recognition of the diversity of authorised firms which account for 92% of our AFR – a level across which we can allocate our AFR with reasonable accuracy and transparency. If we split A.13 in two fee-blocks with each covering the same regulated activities but one only including firms that are 'wholesale' and the other 'retail', we would have to do the same for other fee-blocks which would further increase the number of fee-blocks.

As discussed in the previous feedback section relating to financial advisers in the A.13 fee-block, the AFR allocated to the fee-blocks is recovered from firms based on their size as a proxy for the risk to our statutory objectives if they fail. The measure of size for A.13 is income reported from the regulated activities covered by this fee-block, not by a unit of supervision allotted to firms that come within it.

Our comments in the previous section on the very diverse range of types of firms covered by A.13 and how the fees paid by firms is in proportion to their size relative to the other firms in A.13 also apply here.

We believe that the firms in A.13 represented by these trade bodies are limited licence/limited activity firms. These 100 firms reported in total £1.4bn income and pay in total £4.4m fees in A.13 which is 5.9% of the total AFR allocated to it.

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### Comparisons with other regulators

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- 2.20** A trade body representing insurers highlighted that cost of financial regulation is significantly higher in the UK compared to other EU Member States. They acknowledged that it is not straightforward to make international comparisons because regulatory structures and aims vary, and so do insurance products and providers. Nevertheless they repeated their call for the

FCA to benchmark itself internationally in the interest of transparency and to help address the question of whether the significant regulatory cost to UK customers is appropriate.

**2.21** A trade body representing mortgage advisers referred to our membership of the UK Regulators Network (UKRN)<sup>15</sup>, which consists of the UK's economic regulators stating that:

- the total operating costs of five of its other members is over £140m less than the FCA's 2015/16 operating costs alone, and
- the memorandum of understanding (MoU) between members refers to commitments for each regulator to collaborate closely to achieve objectives that include achieving efficient regulation and to improve efficient delivery of regulation. The trade body did not consider the FCA to be meeting these objectives and that they believe that before the FCA can make better use of its resources it first needs to acknowledge that they are limited.

### Our response

#### Comparisons with other EU financial services regulators

We agree that comparisons of our costs with other financial services regulators are not straight forward. In addition to the varying regulatory structures and remits of EU regulators we would add that the size and complexity of the various financial markets also needs to be taken into account. For example the UK general insurance market is one of the largest markets in the wider EEA. The tariff data reported to us in respect of our 2015/16 fees gives a good indication of its size and significance to the UK financial system. A.3 general insurers' reported £63.9bn of total gross premium and total gross technical liabilities reported amounted to £133.1bn (as stated in Table 2.3). We question whether claims that our costs are significantly more than other EU regulators take into account all relevant factors.

#### Comparisons with other types of regulator

We do not believe comparing our costs with regulators of other very different industries and with their differing remits, provides a true comparison. The members of UKRN cover a diverse range and size of non-financial services sections of the economy. This can be seen by the industries covered by the five members referred to by the respondent:

- Civil Aviation Authority (CAA)
- Office of Communications (Ofcom)
- Office of Gas and Electricity Markets (Ofgem)
- Water Services Regulation Authority (Ofwat)
- Office of Rail Regulation (ORR)

The UKRN highlights that their members are independent bodies with a range of duties including economic regulation, consumer protection and competition law. The MoU referred to by the respondent also points out that although we

<sup>15</sup> [www.ukrn.org.uk/](http://www.ukrn.org.uk/)

have competition and consumer protection functions the Government does not class us as an economic regulator, which further demonstrates the difference between ourselves and other members of the UKRN.

We are pleased to be a member UKRN and we will continue to collaborate closely with other members to meet the objectives of the MoU which includes 'seeking to address shared issues across sectors while recognising differences between sectors, including different powers and duties'.

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### Changes between draft fee rates and final rates

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- 2.22** We highlighted in CP15/14 that fee-payers should be aware that the draft fee rates and levies in Appendix 4 of CP15/14 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 2015.
- 2.23** Table 2.2 shows the estimated firm populations and tariff data contained in CP15/14 and the actual figures used to calculate the final fees rates. It also shows the year-on-year movements in the draft fee rates in CP15/14 and the year-on-year movements in the final fee rates in Appendix 1 of this policy statement.

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

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- 2.24** We use bandings within the A.21 fee-block based on the risk classifications we apply to firms in the CASS sourcebook. This enables us to align where we apply our resources to the fees we charge firms.
- 2.25** The bandings and level of moderation we are applying to the tariff data for both client money and client assets have not changed since CP15/14 (set out in Table 3.3 of Chapter 3). However, the changes in tariff data since CP15/14 have affected the outcome of this moderation as the final distribution of the 2015/16 £14.6m AFR for A.21 will be as follows (figures in brackets are those estimated in CP15/14):
- CASS large firms 72.74% (73.15%)
  - CASS medium firms 27.21% (26.82%)
  - CASS small firms 0.05% (0.03%)

**Table 2.3: Changes in data used to calculate draft and final fee rates and year on year movement in actual fee rates between 2014/15 and 2015/16**

Fee-block	Tariff base	Number of firms in fee-blocks			Tariff data			Year on year movement in fee rates from 2014/15	
		2015/16 Actual	2015/16	Change	2015/16 Actual	2015/16 Estimated	Change	CP15/14	Actual
A.1	Modified eligible liabilities	878	889	-1.2%	£2,818.6bn	£2,858.2bn	-1.4%	8.4%	10.2%
A.2	Number of mortgages or other home finance transactions	317	313	1.3%	7.2m	7.3m	-1.5%	8.3%	10.1%
A.3	Gross premium income	357	364	-1.9%	£63.9bn	£66.6bn	-3.9%	7.6%	12.2%
	Gross technical liabilities				£133.1bn	£135.2bn	-1.6%		
A.4	Adjusted gross premium income	196	200	-2.0%	£58.8bn	£60.1bn	-2.2%	12.0%	14.4%
	Mathematical reserves				£952.4bn	£889.4bn	7.1%		
A.5	Active capacity	64	62	3.2%	26.8bn	26.8bn	0.0%	8.0%	8.0%
A.7	Funds under management	2,741	2,706	1.3%	£6.146.1bn	£5,646.7bn	8.8%	1.8%	-8.1%
A.9	Gross income	1,281	1,223	4.7%	£11.9bn	£11.0bn	7.5%	-8.8%	-17.5%
A.10	Traders	423	430	-1.6%	9,700	9,833	-1.4%	7.3%	8.5%
A.13	Annual income	9,233	9,204	0.3%	£24.7bn	£25.1bn	-1.4%	10.3%	12.1%
A.14	Annual income	768	775	-0.9%	£6.5bn	£5.7bn	13.7%	7.0%	-7.4%
A.18	Annual income	5,037	5,097	-1.2%	£1.2bn	£1.2bn	3.6%	-3.0%	-10.1%
A.19	Annual income	12,586	12,677	-0.7%	£15.4bn	£15.6bn	-1.3%	5.6%	7.3%
A.21	Client money	993	991	0.2%	£131.5bn	£133.5bn	-1.5%	22.4%	25.4%
	Assets held				£12,563bn	£12,355.0bn	1.7%		

## 3.

# FCA fees for other bodies

- 3.1** In this chapter we give feedback on the responses to Chapter 4 of CP15/14, in which we consulted 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, issuers and sponsors of securities (UK Listing Authority – UKLA)
  - F, unauthorised mutual, and
  - G, firms registered under the Money Laundering Regulations 2007 and firms covered by the Regulated Covered Bonds Regulations 2008, the Payment Services Regulations 2009 and the Electronic Money Regulations 2011
- 3.2** We also highlight the changes between the draft fees rates in CP15/14 and the final rates contained in Appendix 1 of this policy statement.
- 3.3** In Chapter 7 we provide feedback on the following that were consulted on in Chapter 12 of CP15/14:
- periodic fees and application fees relating to benchmark administrators that fall within the 'B' fee-block, and
  - updating of the rules on periodic fees charged to standard listed issuers, that fall within the 'E' fee-block, to bring them into line with practice and policy intention
- 3.4** In Chapter 6 we provide feedback on the consultation in Chapter 10 of CP15/14 on the levies for the new 'H' fee-block to recover our pensions guidance costs.

### Periodic fees for other bodies – summary of proposals

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- 3.5** In Chapter 2 of CP15/14 we set out the proposed allocation of our AFR to the 'B' to 'G' fee-blocks. In Chapter 4 of CP15/14 we proposed the draft periodic fees to recover the allocated AFR from the fee-payers within each of these fee-blocks. This included increasing certain minimum and flat fees by 8.4%.
- 3.6** As confirmed in Table 2.2 of Chapter 2 of this policy statement, the allocation of our AFR to these fee-blocks has not changed from CP15/14.

3.7 We asked:

**Q2: Do you have any comments on the proposed GCA 2015/16 minimum fees and variable periodic fee rates for fee-payers other than authorised firms?**

### Responses to proposals

3.8 We had no responses from fee-payers in the 'C' to 'G' fee-blocks.

#### 'B' fee-block – market infrastructure providers

3.9 The 'B' fee-block includes recognised investment exchanges (RIEs), recognised overseas investment exchanges (ROIEs) and operators of multilateral trading facilities (MTFs) which we refer collectively in this PS as 'trading venues'. We received five responses from these 'trading venues' and one from a trade body that represents a number of them.

3.10 The main concern for these respondents was the level of the overall increase in our AFR. Our feedback on these responses has been included in Chapter 2. Other issues raised by individual respondents included:

- Fees across competing venues should be more comparable.
- The underlying methodology of how the fees are calculated should be based on other metrics.
- Higher fees for RIEs create a barrier to entry for exchanges.

#### Our response

Following the consultation process and the concerns raised by respondents we have reassessed the trading venue fee figures from CP15/14. As a result of further work we have reduced the overall fee increases for trading venues by 7.7%. For a full list of the changes, please see the Table 3.1:

The overall allocation of our AFR to the B-Block remains unchanged.

- The fees that trading venues are charged are based on a number of factors including the level of resource it takes to supervise each entity. Therefore, our fees are typically higher for RIEs to reflect the greater amount of supervision that is undertaken.
- CP15/14 consulted on the periodic fees that will be charged in the B-Block. The methodology on which the fees were calculated was not.<sup>16</sup> Notwithstanding this, presently we consider the current methodology to be the most appropriate one for trading venue fees to be calculated on.

<sup>16</sup> We consulted on the methodology for MTFs in Chapter 4 of CP14/6 published March 2014 at: [www.fca.org.uk/static/documents/consultation-papers/cp14-06.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp14-06.pdf)  
We had no responses to the proposals as confirmed in Chapter 3 of PS14/11 published July 2014 at: [www.fca.org.uk/static/documents/policy-statements/ps14-11.pdf](http://www.fca.org.uk/static/documents/policy-statements/ps14-11.pdf)

- The minimum regulatory fee reflects the level of supervisory resource that is attributed to exchanges. We do not believe that this should represent a significant barrier to entry.

**Table 3.1: Revised fees for trading venues**

	2015/16 Final	As proposed in CP15/14
<b>MTF Operators</b>		
CAT 1	£300,000	£300,000
CAT 2	£62,000	£63,000
CAT 3	£18,500	£19,000
<b>ROIEs</b>		
All	£62,000	£63,000
<b>RIEs</b>		
London Stock Exchange plc	£950,000	£1,000,000
ICAP Securities & Derivatives Exchange Limited	£335,000	£340,000
BATS Trading Limited	£505,000	£515,000
LIFFE Administration & Management	£300,000	£300,000
ICE Futures Europe	£1,300,000	£1,300,000
The London Metal Exchange	£685,000	£700,000
CME Europe Ltd	£350,000	£400,000
Euronext London Ltd	£320,000	£330,000
Any other RIE	£300,000	£300,000

### Changes between draft fee rates and final rates

- 3.11** We highlighted in CP15/14 that fee-payers should be aware that the draft fee rates and levies in Appendix 4 of CP15/14 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 2015.
- 3.12** We list below, where applicable, the percentage movements in the fee rates between the draft version in CP15/14 and the final rates in Appendix 1 of this policy statement:
- C, Collective investment schemes – a decrease of 2.5%.
  - E, Issuers and sponsors of securities (UK Listing Authority – UKLA). In the case of issuers, a decrease of 2.6% (other than the minimum fee).

- G, Fee-payers covered by the Payment Services Regulations 2009. An increase of 4.3% (other than minimum fees)
- G, Fee-payers covered by the Electronic Money Regulations 2011 – a decrease of 10.0% (other than minimum fee).

## 4.

# Applying financial penalties

- 4.1** In this chapter we confirm the amount of retained penalties from 2014/15 and the final percentage rebates that will be applied to 2015/16 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 (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 CP15/14, and also in Annex 2 of this policy statement.
- 4.3** In Chapter 5 of CP15/14 we estimated the retained penalties for 2014/15 to be £40.3m. In addition we included £3.5m relating to an under application from 2014/15. The amount of the estimated retained penalties and additional amount, total £43.8m, allocated to each fee-block and the estimated percentage rebates for 2015/16 periodic fees was set out in Table 5.1 in CP15/14.
- 4.4** The final amount of retained penalties for 2014/15 is £ 39.7m which together with the final additional amount of £3.9m means that the final total amount of rebate for 2015/16 is £43.6m, 0.6% less than estimated in CP15/14. Table 4.1 sets out how the reduced retained penalties have been distributed across fee-blocks, which is in the same proportions as CP15/14.

**Table 4.1: Final schedule of application of 2014/15 retained penalties in 2015/16**

<b>Fee-block</b>	<b>Actual 2014/15 retained penalties applied to benefit of fee-payers £m</b>	<b>Actual rebate applied to 2015/16 fees</b>	<b>Estimated 2014/15 retained penalties applied to benefit of fee-payers £m</b>	<b>Estimated rebate applied to 2015/16 fees</b>
AP.0 FCA prudential	0.0	0.0%	0.0	0.0%
A.1 deposit acceptors	6.9	12.4%	6.9	12.6%
A.2 home finance providers and administrators	0.7	5.0%	0.7	5.0%
A.3 insurers – general	1.4	6.8%	1.4	6.9%
A.4 insurers – life	2.5	7.3%	2.5	7.4%
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	10.1	27.6%	10.2	28.0%
A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	1.6	15.2%	1.6	15.4%
A.10 firms dealing as principal	5.5	13.5%	5.6	13.7%
A.13 advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	3.7	6.0%	3.7	6.1%
A.14 corporate finance advisors	1.7	15.2%	1.7	15.4%
A.18 home finance providers, advisers and arrangers	2.8	20.3%	2.8	20.6%
A.19 general insurance mediation	2.5	11.0%	2.5	11.1%
A.21 firms holding client money or assets or both	2.8	23.9%	2.9	24.3%
B. recognised investment exchanges and operators of multilateral trading facilities (only)	0.0	0.0%	0.0	0.0%
CCC.1 consumer credit – limited permission	0.0	0.0%	0.0	0.0%
CCC.2 consumer credit – full permission	0.0	0.0%	0.0	0.0%
E. issuers and sponsors of securities	1.3	7.4%	1.3	7.5%
<b>Total</b>	<b>43.6</b>		<b>43.8</b>	

## 5. Consumer credit periodic fees

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

**5.1** In this chapter we:

- confirm that the 2015/16 final consumer credit periodic fees and levies for the FCA, the ombudsman service and the Money Advice Service have not changed from those proposed in Chapter 6 of CP15/14 (these were the same as those that applied in 2014/15)
- provide feedback on the responses received to Chapter 6 of CP15/14

### **Summary of proposals**

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**5.2** Firms do not pay FCA periodic fees, ombudsman service or Money Advice Service levies, while they have interim permission. There has been a flow of firms into the consumer credit regime throughout 2014/15, as from 1 April 2014, we started accepting new applications and applications from firms with interim permission that we have asked to apply for full authorisation. When a firm is authorised it does not pay a full year's fee or levy, but is charged pro-rata on the basis of the number of months remaining in the fee-year. Consequently, no firms have paid the full rate in 2014/15 and this will continue to be the case for firms that become authorised in 2015/16. It will be 2016/17 before the status of all the former Office of Fair Trading (OFT) licensees is determined and we have a full population of consumer credit firms.

**5.3** We therefore proposed that the fee and levy rates for 2015/16 should be unchanged from those that applied for 2014/15 as set out in Tables 5.1 to 5.3 at the end of this chapter.

**5.4** We asked:

**Q3:** *Do you have any comments on the proposed Consumer Credit fees for the FCA, ombudsman service and Money Advice service for 2015/16?*

### **Responses to the proposals**

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**5.5** We received 43 responses made up of:

- two trade bodies that represented financial advisers and mortgage advisers, 37 individual financial adviser and/or mortgage adviser firms that carry on consumer credit activities that are incidental to their primary business and two consultancy firms and a network providing support services to such businesses (42 respondents)

- one trade body representing insurers
- 5.6** The main issue raised by the above 42 respondents related to the situation of financial advisers and mortgage advisers who carry on consumer credit activities that are incidental (or ancillary) to their primary business (investment and/or mortgage advice). One of the consultancy firms highlighted that the two common incidental activities are; advising the paying down of debts before investment (debt counselling) and allowing payment of fees over a period of more than 12 months when arranging regular payment contracts (entering into a regulated credit agreement as lender). Overall respondents highlighted that they do not receive income from their clients for incidental consumer credit activities and as such they should not be required to pay the FCA minimum fee of £300 (for income up to £50,000) or it should be lower for these firms.
- 5.7** One consultancy firm highlighted that:
- under the previous OFT consumer credit regime the closest equivalent to the FCA proposed periodic fees was the consumer credit 'maintenance charge' which was payable by firms on a five yearly basis. The OFT 'maintenance charge' for 2013/14 was £208 for sole traders and £505 for all other organisations
  - the periodic fees proposed in CP15/14, for full permission firms with minimal consumer credit income (below £50,000), is £345 per annum (FCA £300+ombudsman service £35+money advice service £10). Over a five year period and assuming the fees did not change, this would amount to £1,725. For sole traders this is eight times the level of fees under the OFT over the five year period and three times as much for other organisations
- 5.8** We note that the £140 ombudsman service levy firms would have paid under the OFT has not been included in the above figures. This would bring the OFT fees paid by a sole trader to £348 and £645 for all other organisations.
- 5.9** The trade body representing insurers expressed their disappointment that the FCA consumer credit variable fee had been maintained at £0.78 per £1,000 of income. They highlighted that during the consultation for 2014/15 fees we had explained that this fee had been set at this level in order to allow a reduction in fees for smaller firms and they repeated their belief that it is neither proportionate nor reasonable that only medium and large firms bear the brunt of the cost of regulation.

### Our response

As we highlighted during the consultation ahead of setting the 2014/15 fees, the Government has given us more responsibilities and stronger powers than the OFT. The enhanced regulatory regime is inevitably more costly but we believe it will improve public confidence in the consumer credit market and, in the long run, all participants will benefit.

Overall, our fees reflect this step change in the regulation of consumer credit and we therefore do not believe they are directly comparable with the fees under the OFT. We also believe that all firms that carry on consumer credit activities should contribute to the recovery of those regulatory costs.

Financial advisers and mortgage advisers that carry on consumer credit activities will pay the £300 full permission minimum fee. This is the same amount as small consumer credit firms whose income from those activities, as their

primary business, is up to £50,000 but for some firms can be much less than this threshold.

During the consultation for the 2014/15 fee rates we originally proposed a minimum fee of £500 for firms whose income was up to £100,000. Under these proposals financial advisers and mortgage advisers where consumer credit activities were incidental to their primary business would have paid this £500 minimum fee. Taking into account comments from respondents on this proposal we later consulted on introducing the £50,000 threshold so that firms with income up to this amount paid a lower minimum fee of £300 and only firms with income above £50,000 and up to £100,000 would pay a minimum fee of £500. In order to achieve the reduced minimum fee of £300 we consulted on increasing the full permission variable fee rate from the previous indicative amount of £0.30 to the current £0.78 per £1,000 of income.

If we exclude financial advisers and mortgage advisers from paying the reduced £300 minimum fee we would need to either increase the minimum fee or increase the variable rate further for other consumer credit firms. We continue to believe that it was justifiable to give additional support to the smallest firms and to achieve this by increasing the variable fee when the fees were set for 2014/15. However, we do not believe that it is justifiable to now increase minimum fees for the smallest firms or the variable fee for medium and large firms in order to exclude a section of firms that are carrying on consumer credit activities, albeit as incidental to their primary business of providing financial advice or mortgage advice.

We are keeping the 2015/16 periodic fees and levies for the FCA, ombudsman service and Money Advice service at the same amounts as consulted on in CP15/14 and which are set out in tables 5.1 to 5.3 below.

**Table 5.1: Actual FA periodic fee rates for consumer credit, 2015/16**

Type of firm	Minimum annual fee		Variable annual fee on income above £250,000
	Income band	Fee	
Limited Permission: fee-block CC1	Up to £10,000	£100	£500 + £0.40 per £1,000
	Over £10,000 to £50,000	£250	
	Over £50,000 to £100,000	£400	
	Over £100,000 to £250,000	£500	
Full Permission: fee-block CC2	Up to £50,000	£300	£1,000 + £0.78 per £1,000
	Over £50,000 to £100,000	£500	
	Over £100,000 to £250,000	£1,000	

**Table 5.2: Actual ombudsman service levy rates for consumer credit, 2015/16**

Type of firm	Minimum annual fee		Variable annual fee on income above £250,000
	Income band	Fee	
Limited permission - industry block 19	For not-for-profit debt advice bodies, a flat fee	£0	N/A
	For all other firms with a limited permission, a flat fee	£35	N/A
Full Permission – industry block 20	Up to £250,000	£35	£35 + £0.02 per £1,000

**Table 5.3: Actual Money Advice Service levy rates for consumer credit, 2015/16**

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

**Notes:**

(i) In Chapter 10 of CP14/26 (November 2014) we consulted on introducing a variable fee for limited permission firms with over £250,000 of consumer credit income, and charge the same rates to firms in both fee-blocks. In Chapter 11 of CP15/14 we provided feedback on those proposals.

## 6. Pensions guidance levies

### ***(FEES 10, final rules in Appendix 1 and 3)***

- 6.1** In this chapter we give feedback on the responses we received to Chapter 10 of CP15/14 in which we set out our proposed 2015/16:
- pensions guidance levy rates and
  - pensions guidance providers' levy rates

### **Background**

#### **Pensions guidance levy**

- 6.2** Under the Pension Schemes Act 2015 (the Act)<sup>17</sup>, which came into effect 1 April 2015, we are required to recover from authorised firms the Treasury's costs for providing pensions guidance – Pension Wise<sup>18</sup>, the Government's impartial guidance service to help consumers understand the greater flexibility they will have with their pension pots resulting from the pension reforms under the Act.
- 6.3** Before CP15/14 we carried out two earlier consultations on how we will recover these costs through the pensions guidance levy (PGL):
- Chapter 3 of CP14/11 (July 2014)<sup>19</sup> with feedback provided in Chapter 3 of CP14/26 (November 2014)<sup>20</sup> and
  - Chapter 4 of CP14/26 with feedback provided in Chapter 9 of CP15/14 (March 2015)<sup>21</sup>
- 6.4** The Act requires us to consult the Treasury on draft PGL rules ahead of consultation with the industry and to obtain the Treasury's consent to make the final rules. We may retain an amount from the PGL raised to cover our collection costs.

#### **Pensions guidance providers' levy**

- 6.5** The Act also requires us to recover our pensions guidance costs from the designated guidance providers (DGPs). These can include our costs of setting the standards for the giving of pensions guidance by the DGPs and the monitoring of their compliance with meeting those standards. We are required to consult the Treasury on the draft rules ahead of consultation.

<sup>17</sup> The Act amends the Financial Services and Markets Act 2000

<sup>18</sup> [www.pensionwise.gov.uk/](http://www.pensionwise.gov.uk/)

<sup>19</sup> [www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf)

<sup>20</sup> [www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf)

<sup>21</sup> [www.fca.org.uk/static/documents/consultation-papers/cp15-14.pdf](http://www.fca.org.uk/static/documents/consultation-papers/cp15-14.pdf)

**6.6** The DGPs are:

- Pensions Advisory Service Limited
- National Association of Citizens Advice Bureau
- Scottish Association of Citizens Advice Bureau
- Northern Ireland Association of Citizens Advice Bureau

**6.7** We refer to this levy as the pensions guidance providers' levy (PGPL).

### Summary of proposals

#### PGL 2015/16 rates

- 6.8** The draft rates were based on an estimate of the costs of providing Pension Wise in 2015/16 of £39.1m. We advised in CP15/14 that this may be revised when the PGL rates are finalised in June. The Treasury has notified us that the amount for 2015/16 is £39.1m unchanged from CP15/14. Table 5.1 provides a breakdown of how much we will be retaining from the PGL which has also not changed from CP15/14.

**Table 5.1: PGL final 2015/16 breakdown [to be updated when we receive final figure from the Treasury]**

Costs	£m
Pension Wise	38.8
FCA budgeted collection costs which includes £200,000 set-up costs for changes to our fees collection systems to accommodate the raising of the PGL	0.3
<b>Total</b>	<b>39.1</b>

#### Allocation across PGL fee-blocks

- 6.9** We proposed to allocate estimated costs of Pension Wise across the five PGL fee-blocks in the proportions set out in Table 5.2. Table 5.2 uses the unchanged cost of £39.1m.

**Table 5.2: PGL allocation for 2015/16 pensions guidance costs**

PGL fee-blocks		Allocation proportions proposed in CP15/14	
A.1	deposit acceptors	£9.4m	24%
A.4	insurers – life	£9.4m	24%
A.7	portfolio managers	£9.4m	24%
A.9	managers and depositaries of investment funds, and operators of collective investment schemes or pensions schemes	£6.2m	16%
A.13	advisory arrangers, dealers or brokers	£4.7m	12%
		<b>£39.1m</b>	<b>100%</b>

- 6.10** The proposed allocation was based on an equal distribution with the following adjustments:
- **A.13 allocation of 12%** – the A.13 fee-block includes firms that provide financial advice who will only benefit if, after using Pension Wise, consumers seek advice from regulated financial advisers. However, firms in the other four fee-blocks will more likely benefit as the monies released through greater pension flexibility, if used for investment, will be distributed amongst them. The reduced allocation to A.13 is intended to make an initial allowance for this difference. This level of allocation will be reviewed when data is available on what retirement financial products and services consumers will be choosing as a result of the pension reforms and availability of Pension Wise. This adjustment was made as part of the second consultation referred to in paragraph 6.3
  - **A.9 allocation of 16%** – this further adjustment from an equal allocation was proposed in CP15/14. It was aimed at taking into account that the A.7 and A.9 fee-blocks includes the regulated activities of managing an AIF (alternative investment fund) or UCITS (undertaking for collective investment in transferable securities) that are common to both fee-blocks A.7 and A.9. Therefore firms managing an AIF or UCITS can pay the PGL in both A7 and A9. In the case of firms managing an AIF or UCITS the potential benefit is the additional charges they receive from enlarged funds if consumers invest their pension pots directly or indirectly in the AIFs or UCITS they are managing. This benefit relates to the same regulated activity but they can pay the PGL in both A.7 and A.9. This situation does not occur for the regulated activities covered by the other PGL fee-blocks.
- 6.11** The draft fee PGL rates were contained in Appendix 4 of CP15/14 and our online fees calculator was available to help firms calculate the proposed levies for 2015/16.
- 6.12** We asked:
- Q5: Do you have any comments on the proposed 2015/16 pensions guidance (PGL) rates?**

#### **PGPL 2015/16 rates**

- 6.13** We proposed that we recover our 2015/16 pensions guidance costs of £600,000 equally across the four DGPs (listed in paragraph 5.6). The £600,000 was made of:
- £100,000 to cover our 2014/15 costs of setting the standards for the giving of pensions guidance, and
  - £500,000 to cover our estimated costs for monitoring the DGP's compliance with meeting those standards during 2015/16
- 6.14** The £600,000 total levy represents part of the unchanged Treasury's £39.1m costs of providing Pension Wise in Table 5.1.
- 6.15** We also proposed that certain other FCA fees rules and/or guidance set out in Appendix 6 of CP15/14 should apply to the PGPL which related to:
- obligation to pay
  - time and method of payment

- late payment and unpaid levies
- revocation of DGPs
- becoming a DGP
- VAT treatment of levies

**6.16** We asked:

**Q6:** *Do you have any comments on the proposed 2015/16 pensions guidance providers' (PGPL) rates and the application of certain other FCA rules?*

## Responses to the proposals

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### PGL 2015/16 rates

**6.17** We received 49 responses made up of:

- a trade body that represented financial advisers, 43 individual financial adviser firms and two consultancy firms and a network providing support services to such businesses (47 respondents)
- a joint response from two trade bodies representing wholesale markets and energy brokers

**6.18** The main issue raised by the 47 respondents was that the reduced allocation of 12% to A.13 did not sufficiently take into account the extent that, financial advisers would only benefit from the provision of Pension Wise if consumers who used this service went on to obtain advice from regulated financial advisers.

**6.19** The trade body representing financial advisers repeated, from their response to CP14/26, why they believed that financial advisers are unlikely to benefit from Pension Wise which in the main were:

- the vast majority of pension pots (75% to 80%) are below £50,000 and therefore paying for full advice is unlikely to be economic for most consumers and/or profitable for the firm
- there is an increasing trend of people making their own investment and pension decisions, with fewer people seeking regulated advice and that the appetite for seeking regulated advice after a 'guidance guarantee session' is limited

**6.20** They added that in the light of recent experience, since the pension reforms came into force advisers have not seen a surge in demand for their service. They therefore believe the amount allocated to A.13 is still too high when compared to the proportions allocated to banks and product providers and the proportion for A.13 should be 5% and subject to review when the relevant data is available.

**6.21** The network respondent also questioned the extent that financial advisers will benefit from Pension Wise and proposed that the allocation to A.13 is reduced to 10%.

- 6.22** The two consultancy firms also called for the allocation to A.13 to be reduced or held back until later in the year when relevant data is available to inform the allocation proportion. One consultancy firm welcomed that no PGL will be payable by firms where their income is below £100,000. However, they went on to comment that there will be disparities between, say, a sole adviser firm trading below this level and a multi-adviser firm trading just above it. Individual income within a multi-adviser business will be proportionately lower but costs will be disproportionately higher. They asked for our view on the consequences of this.
- 6.23** The trade bodies making a joint response repeated their comments in their response to CP14/26. The members of these trade bodies include wholesale market brokers in the financial, energy, commodity and emissions, markets and their traded derivatives. They again highlighted that their members deal only in wholesale markets and being Limited Licence /Limited Activity firms they do not hold the FCA permissions to deal with retail clients and do not interact or generate order flow from the retail sector. So they again proposed that their members should be exempt from the PGL.

## Our response

### A.13 and financial advisers

We reduced the allocation of Pension Wise costs to 12% for A.13 in recognition that financial adviser firms will only benefit if, after using Pension Wise, consumers seek advice from regulated financial advisers. However, the firms in the other four PGL fee-blocks will more likely benefit as the monies released through greater pension flexibility, if used for investment, will be distributed among them. The other four fee-blocks cover cash deposits, insurance and investment products (and related services), investment management services and pension services. As we stated in CP15/14 when we provided feedback on the responses to CP14/26 this lower allocation to A.13, compared to these other four fee-blocks, is intended to make an initial allowance for this difference.

We again acknowledge that from previous consultations the majority of respondents favour an allocation basis that would reflect what retirement financial products and services consumers are choosing. This data would need to reflect that position for each PGL fee-block, not just for A.13 and be comparable across them. We continue to believe that such data is not available at this time and is likely to be challenging to obtain in the future. If such data does become available we will consider how efficiently and effectively it could be used to better align the allocation of the PGL to the firms that could benefit most.

We again highlight that the A.13 fee-block covers a very diverse spread of types of firms. Apart from financial advisers and wholesale market brokers (discussed below) it also includes banks, insurance companies and securities brokers who act for retail clients. We estimate that around 2,920 financial advisers, whose main business is providing advice on retail investment products, will contribute £451,200 (9.6%) of the £4.7m Pension Wise costs allocated to the A.13 fee-block.

We again acknowledge that there will be firms in A.13 that will not benefit from Pension Wise. This is the same as for other fee-blocks, e.g. private client investment managers in A.7 (portfolio managers) who may not find it profitable to provide their services for consumers with pension pots under a certain size. This reflects that the fee-blocks represent broad groupings of different firms with different business models.

Through the consultation in CP14/26 we excluded firms who fall below the minimum size thresholds for each PGL fee-block. This was because we did not believe that setting a fixed minimum levy would be proportionate to the benefit that such small firms may receive from the provision of Pension Wise. For the PGL A.13 fee-block the measure of size is the amount of income received from undertaking the regulated activity covered by A.13, which is the same measure used for FCA fees purposes. It is not intended to take account of the costs of doing the business, which we accept will vary as a proportion of income depending on the number of advisers generating that income. Such a measure would be nearer to a measure of gross profit. It is also worthwhile highlighting that the multi-adviser trading just above the minimum threshold will only pay the PGL rate on the income above the threshold.

The final PGL rates in Appendix 1 of this policy statement have been calculated on the basis of the allocation proportions set out in Table 6.2.

#### **A.13 and Limited Licence /Limited Activity firms**

Retail clients are one of three client categories which firms can be permitted to act for. The other two, eligible counterparties and professional clients both include: credit institutions (e.g. banks); investment firms; insurance companies; and management companies of collective investment schemes. These regulated firms, as eligible counterparties and professional clients, fall within the other four PGL fee-blocks as potential beneficiaries of Pension Wise.

We accept that wholesale market brokers do not supply products or services directly to retail clients who use Pension Wise and therefore will not benefit from the pensions reforms in this way. However, we believe that as long as they participate in transactions in the financial markets they could potentially benefit from the reallocation of capital to a wider range of investments that will result from the pensions reforms. So we continue to believe that all firms in A.13 should pay the PGL, including wholesale firms.

As discussed above, we applied the lower allocation of Pension Wise costs to A.13 in recognition of the position of some financial advisers. However, this will also mean that wholesale firms will be contributing to a lower proportion of the overall costs than the professional clients and eligible counterparties they will be transacting business with. In the case of the 100 limited licence/limited activity firms in A.13 we estimate they will contribute £277,300 (5.9%) of the £4.7m Pension Wise costs allocated to A.13.

#### **PGPL 2015/16 rates**

- 6.24** We received two responses both individual financial adviser firms (A.13 fee-block). One commented that financial advisers were being asked to contribute twice. The other commented that our proposal was a wholly misguided and unreasonable approach but did not propose an alternative.

#### **Our response**

No A.13 firm is paying twice. The PGPL will be recovered from the designated guidance providers and those costs are included in the Treasury's £39.1m cost of providing Pension Wise which will be recovered through the PGL.

## 7.

# Feedback on fees policy proposals from CP15/14

**7.1** In chapter 12 of CP15/14, we consulted on four miscellaneous fees proposals:

- consumer buy-to-let
- benchmark administrators
- consumer credit income: proxy measure for retail firms and
- UKLA fees

**7.2** We are proceeding with our proposals without material change, apart from some adjustments to the new proxy measure of annual income for credit-related regulated activities for retail firms which are discussed in the appropriate section below.

### Consumer buy-to-let (CBTL)

**7.3** The Mortgage Credit Directive (MCD) Order will – from 21 March 2016 – remove the broking of buy-to-let (BTL) properties from consumer credit regulation, but it also introduces a non-FSMA regime for 'consumer buy-to-let' (CBTL) mortgage intermediation, lending, administering and advising. BTL mortgage activities other than broking were out of scope of the consumer credit regime. CBTL is a subset of the BTL market. It applies when a BTL customer is not acting wholly or predominantly for business purposes – for example, when a property is inherited but cannot immediately be sold. Our proposals were:

- **Application fees:** We proposed a charge of £100 for firms already authorised and £500 for others.
- **Periodic fees:** We proposed to create two new fee-blocks – G20 for lenders and administrators and G21 for intermediaries, including both advisors and arrangers. We did not consult on the periodic fees themselves, but to help firms with their business planning, we quoted indicative upper flat-rate fees of £500 for G20 and £250 for G21. We will consult on definitive fee rates for 2016/17 in March 2016 when we know how many firms have applied and are better placed to assess the resources we will need to supervise them.
- **Ombudsman service levy:** The CP also proposed, jointly with the Financial Ombudsman Service, to structure the general levy on the same basis as the FCA fees, with two new industry blocks – G20 for CBTL lenders and G21 for CBTL arrangers and advisors.

7.4 Our consultation questions were:

**Q7:** *Do you agree with our proposed application fees for CBTL firms?*

**Q8:** *Do you agree with our proposed structure of separate fee-blocks for CBTL lenders and CBTL arrangers/advisers?*

**Q9:** *Do you agree with our proposed structure of separate ombudsman service activity groups for CBTL lenders and CBTL arrangers/advisers?*

#### Consultation responses

7.5 27 firms supported our proposals on application fees and 30 supported our proposals on periodic fees without further comment. 28 supported the ombudsman service proposals without comment, and one referred us back to its substantive argument about the additional cost of FCA fees.

7.6 Three respondents provided substantive responses. All criticised the additional cost. One had made similar criticisms in response to our original policy consultation on CBTL (CP15/3 – *Buy-to-let mortgages: implementing the Mortgage Credit Directive Order 2015*) and so we also took these into account. Another firm which did not respond to CP15/14 had criticised our references to fees in CP15/3 and we informed them that we would treat these comments as a response to the fees CP. None of these respondents made separate comments on the FOS proposals, but referred back to the arguments presented on FCA fees.

7.7 The concern of these four respondents was that our charges were disproportionately high. Mortgage brokers already pay fees for their primary business and many also pay fees for consumer credit permissions which they have taken on as a precaution in case they need to discuss their customers' debts but from which they do not derive any income. The CBTL market might be small, but many mortgage brokers were likely to register for CBTL as a precaution. They would therefore become liable to pay a third set of fees, for business which they did not expect to undertake. Alternatively, if they decided not to take on this extra charge, that would reduce the range of options available for those few customers who needed advice on CBTL.

#### Our response

We have to recover the costs of supervising CBTL separately from our wider costs of mortgage supervision because CBTL is not going to be regulated under FSMA. So we do not have the option to bring these charges into our existing fees structure.

We were not consulting on the indicative periodic fee rates at this stage. We will have a fuller understanding of the scale of the activity and the resources needed to regulate it by the time we consult on the rates next March.

## Benchmark administrators

**7.8** As part of the Government's Fair and Effective Markets Review, the Treasury specified seven new benchmarks to be regulated by the FCA. We started regulating them on 1 April 2015. Previously, LIBOR was the only regulated benchmark. The proposals we consulted on retained the existing fees for benchmark administrators with slight modifications:

- The application fee for benchmark administration remains £25,000.
- We are lifting the annual fee from £175,000 to £200,000 in line with the 7.9% overall increase in the FCA's AFR together with a contribution towards recovery of the additional costs of regulating a larger number of benchmarks and administrators.
- Since we are aware that some administrators will not take on the full range of functions, we proposed a lower application fee of £5,000 and a periodic fee of £50,000 for any firm which opts for the lesser role and does not apply to become a principal benchmark administrator.

**7.9** Our consultation question was:

**Q10: Do you agree with our proposed structure of fees for benchmark administrators for 2015/16?**

### Consultation responses

**7.10** We received two responses. One was concerned that our fees are too high considering that, in the respondent's opinion, some benchmarks are not commercially profitable. The other response was concerned that our fees are too low and might not cover our costs, leading to higher fees in the future.

### Our response

The fees we have consulted on reflect our best estimate of our costs but we may consult on a new long-term structure in October once we have practical experience of the regime and the resources involved in regulating it.

### Consumer credit – proxy measure of annual income for retail firms

**7.11** We are introducing a proxy measure to capture the credit related regulated activity undertaken by retail firms<sup>22</sup> which receive no consumer credit annual income as defined in FEES 4, Annex 11BR 1(a) to 1(c).

**7.12** This occurs when they enter into loan agreements to enable their customers to purchase their goods or services or, acting as credit brokers, they arrange loans. The proxy measure will apply, for example, when retail firms do not charge interest on loans, receive commission or receive a broking commission and so do not receive any annual consumer credit income from the credit-related regulated activities they have undertaken.

<sup>22</sup> Set out in FEES 4 Annex 11BR2(a)(i) as a firm whose main business is to sell goods or supply services and is not to carry on credit broking in relation to credit agreements, consumer hire agreements or does not enter into regulated credit agreements as lender or regulated consumer hire agreements as owner.

- 7.13** Our validation of the first consumer credit income returns revealed that, where retail firms receive the full amount of the loan without charging interest, paying a credit broking charge or receiving a commission, our rules as currently drafted allow them to report zero income. They report no income because they do not have an average interest-rate or commission charge from which they can calculate a 'fair value' equivalent, as a firm with lending or broking as its main business would do.
- 7.14** We proposed in the CP to ask retail firms which receive no consumer credit annual income as defined in FEES 4, Annex 11BR 1(a) to 1(b), and are unable to estimate a fair value as prescribed in FEES 4, Annex 11BR 1(c), to report a fixed proportion of the value of the loan as a measure of regulatory activity. Our proposed multiplier was the Bank of England base rate (currently known as the 'Official Bank Rate') prevailing on the final day of the firm's accounting reference date plus 5%.<sup>23</sup> This formula would also replace the 'lender's credit-broking charge' in FEES 4 Annex 11BR(d) since it is a more straightforward measure.
- 7.15** In addition, we gave notice in CP15/14 that we proposed to expand the formula to include consumer hire, putting forward an adapted proxy measure on which we invited comments.
- 7.16** Our consultation question was:

**Q11: Do you agree with our proposed formula for retailers to report a proxy measure of regulated activity where they have no consumer credit income?**

#### Consultation responses

- 7.17** We received 32 responses. All but two criticised the proposal, arguing that it was confusing and unreasonable to levy fees when there has been no charge to the customer. They saw this as a further manifestation of the escalating costs of consumer credit regulation, which many had already commented on in connection with the consumer credit fee-rates. One respondent pointed out that applying our formula to buy-to-let (BTL) mortgage broking would generate higher income figures than we intended.

#### Our response

Whether or not firms charge their customers, they are undertaking a regulated activity which we have to supervise – and if they are not contributing towards our costs, somebody else must be paying on their behalf. Our objective is to ensure that all firms pay their fair share towards our regulatory costs.

We received no comments on our proposal to include consumer hire, but we subsequently had helpful discussions with a trade body about valuing goods under consumer hire arrangements. We have therefore extended the definition of the proxy to include carrying on credit broking for consumer hire agreements, or entering into a regulated consumer hire agreement as owner. The proxy measure for annual income for these consumer hire activities is the gross value of all goods under all agreements falling within these consumer hire activities multiplied by the percentage multiplier set out at paragraph 7.14.

<sup>23</sup> Historic Bank of England base rates are available at: [www.bankofengland.co.uk/statistics/Documents/rates/baserate.pdf](http://www.bankofengland.co.uk/statistics/Documents/rates/baserate.pdf)

We have also reviewed the rule and clarified it by:

- specifying that the proxy measure applies only to firms whose main business is to sell goods or supply services and their main business is **not to** carry on credit broking in relation to credit agreements, consumer hire agreements or entering into regulated credit agreements as lender or regulated consumer hire agreements as owner.
- setting out, to ensure all relevant agreements are captured, that credit broking applies to most credit and consumer hire agreements and not just to regulated agreements.

A number of firms will benefit from the recent legislative amendments that removed from regulatory scope interest-free credit agreements repaid in twelve-month instalments.

We are grateful to the firm which drew our attention to the impact on BTL mortgage brokers. BTL mortgage broking will be removed from our regulatory remit when the Mortgage Credit Directive Order comes into effect on 21 March 2016. If it was to remain within our scope, we would have had to develop an alternative measure, but that would be disproportionate for the final few months of the regime. Accordingly, we have amended the instrument to exclude BTL mortgage broking from the calculation. This exclusion will become redundant from 21 March 2016 when BTL mortgage broking ceases to be a regulated activity. CBTL mortgage broking will as discussed at the beginning of this chapter be regulated under a separate non-FSMA regime.

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## UKLA fees

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**7.18** We received no comments on our consultation question on UKLA fees:

**Q12: Do you agree with our proposals for UKLA fees?**

**7.19** Our proposals, which we are implementing unchanged, were:

- remove charges of £225 for new listings and £100 for subsequent amendments from 1 July 2015 and
- clarify the periodic fee rates by presenting separate tables of fees for premium and standard listed issuers.

## 8. Financial Ombudsman Service general levy

- 8.1** In this chapter we provide feedback on the responses received to Chapter 13 of CP15/14 in which we consulted on the tariff rates for the Financial Ombudsman Service's (ombudsman service) general levy for 2015/16 and the distribution across industry blocks.
- 8.2** The ombudsman service provides an independent service for resolving disputes for customers of financial firms. The proposals we consulted on to raise the general levy to fund its activities in 2015/16 will indirectly help it to meet its statutory function of providing a scheme for the quick and informal resolution of disputes between financial services firms and their customers. The proper functioning of the ombudsman service also helps us to meet our consumer protection objective. The ombudsman is funded by the industry through:
- a.** a general levy, payable by authorised firms in the compulsory jurisdiction of the ombudsman service and
  - b.** case fees, payable by individual firms for complaints dealt with by the ombudsman service
- 8.3** The ombudsman service consulted on its draft budget and corporate plan in January. In March, it presented a final budget to the FCA Board<sup>24</sup>, which approved its total annual budget of £270.3m<sup>25</sup> for 2015/16, including the general levy, case fees and the number of free cases.
- 8.4** The approved budget requires the FCA to recover £23.3m by general levy (which is the same amount asked for in 2014/15) and to maintain the same proportions across the industry blocks. This reflects its forecasts that complaints volumes – excluding payment protection insurance (PPI) complaints – will remain broadly stable. Annually, the amounts payable by each block will vary to reflect changes in the proportions of cases in each block.
- 8.5** In CP 15/14 we asked:

**Q13:** *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 proportioned?*

### Summary of feedback and our response

- 8.6** Most respondents did not comment on the allocation of the general levy between industry blocks. Two respondents welcomed the proposal to recover the same amount as in 2014/15 by general levy and to maintain the same proportions across industry blocks.

<sup>24</sup> The final plan and budget is available at: [www.financial-ombudsman.org.uk/publications/plan-budget.htm](http://www.financial-ombudsman.org.uk/publications/plan-budget.htm)

<sup>25</sup> (operating costs)

- 8.7** One respondent suggested that the ombudsman service should introduce a new fee for claims management companies (CMCs) or adopt a policy to not charge firms a case fee if a claim brought by a CMC turns out to be unfounded, vexatious or frivolous. Another respondent suggested that it would be helpful if the free case allowance for IFA Networks could reflect the number of appointed representative firms in the network. These suggestions are not relevant to the allocation of the general levy so are outside the scope of this consultation.

### **Changes between draft levy rates and final rates**

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- 8.8** We highlighted in CP15/14 that fee-payers should be aware that the draft ombudsman service levy rates in Appendix 5 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 2015.
- 8.9** Three of the ombudsman service levy rates in Appendix 1 of this policy statement have changed slightly since the draft rates in CP14/6 (industry blocks I001, I002 and I017) but we do not consider the changes to be significant.
- 8.10** Our online fees calculator<sup>26</sup> is available for firms to calculate their individual ombudsman service levy rates based on the final rates in Appendix 1 of this policy statement.

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<sup>26</sup> [www.fca.org.uk/firms/being-regulated/fees/calculator](http://www.fca.org.uk/firms/being-regulated/fees/calculator)

## 9. Money Advice Service levies

### ***(FEES 7 rules in Appendix 1)***

**9.1** In this chapter we provide feedback on the responses received to Chapter 14 of CP15/14, in which we consulted on the 2015/16 levy rates for the Money Advice Service.<sup>27</sup> Two separate levies were proposed for it:

- £34.1m for the delivery of money advice
- £45m for the coordination and provision of debt advice

### **Allocation and recovery for money advice**

**9.2** The total budget for delivering the money advice function for 2015/16 is £34.1m. The breakdown of expenditure can be found in the Money Advice Service's business plan that was published on 30 March.<sup>28</sup>

**9.3** Funding for money advice will come from levies raised from FSMA-authorized firms, payment institutions and electronic money issuers. Table 9.1 at the end of this chapter sets out how this will be allocated.

**9.4** The allocation of the money advice budget will be based on three equal components that carry equal weighting. All firms pay a fixed minimum £10 fee. The three components are:

- How consumers use the four channels of the Money Advice Service (web, telephone, 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 previous and 2015/16 business plans, to appropriate fee blocks. These outcomes are: budgeting to live within means, managing debt well, saving regularly, saving for retirement, and protecting assets/making provision for dependents.
- A levy based on our own allocation for 2015/16.

**9.5** We asked:

**Q14: Do you have any comments on the proposed 2015/16 Money Advice levy rates for money advice?**

<sup>27</sup> 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)

<sup>28</sup> The Money Advice Business Plan 2015/16: [www.moneyadvice.service.org.uk/en/static/publications](http://www.moneyadvice.service.org.uk/en/static/publications)

### Responses to consultation

- 9.6** We received 43 responses; 37 from individual firms, five from trade bodies and one from a consumer organisation. Here we summarise the responses received and our feedback.
- 9.7** Just under half of respondents commented that the future of the Money Advice Service was unclear and the review into the Service should be completed without delay. Four respondents approved of the reduction in the levy and another four recognised that the MAS had an important role to play. A number of small independent advisers disagreed with the principle of paying for the Money Advice Service as it did not benefit them, provided poor value for money and felt it should be publically funded. Three respondents questioned the title of 'money advice' which they felt needed to be defined as the Service does not provide advice but guidance. Two respondents were disappointed that the decrease in the money advice budget would result in less money to fulfil its financial capability functions. And two respondents felt that wholesale firms should not have to contribute to the levy.

#### Our response

Having considered the responses received we have decided to apportion the money advice levy as set out in CP15/14. We note the responses about the review into the Money Advice Service. The Farnish report into the Money Advice Service was published on 20 March 2015. It confirmed the important role the Money Advice Service has to play in helping consumers. The Service is implementing most of the recommendations, and is carrying out an assessment on the practicalities of implementing the remainder, reporting to the Treasury in the autumn.

### Allocation and recovery for debt advice

- 9.8** The total budget for debt advice in 2015/16 is £45m. In addition utility industries are providing £2m towards the cost of debt advice bringing the total to £47m. 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 takes account of both total lending and write-off levels, on a 50% basis for each, based on Bank of England data. Table 9.1 at the end of this chapter sets out how this will be allocated.
- 9.9** We asked:
- Q15: Do you have any comments on the proposed 2015/16 Money Advice levy rates for debt advice?**
- 9.10** We received 10 responses all of which were from individual firms.
- 9.11** The respondents expressed a variety of views which again included the review of the Money Advice Service being completed as soon as possible, that the Service should be publically funded and it did not provide value for money.

### Our response

Having considered the responses received we have decided to apportion the debt advice levy as set out in CP15/14. Following publication of the Farnish report, the Money Advice Service is setting up a Debt Advice Sector Steering Group. This Group will work strategically with the Money Advice Service to identify opportunities to improve the efficiency, effectiveness and reach of free debt advice in the UK and address the debt advice recommendations in the Farnish report. The Service will publish terms of reference and membership of the group shortly.

**Table 9.1 The revised AFR allocation table comparing 2015/16 to final AFR**

Fee-Block	2015/16 Consultation AFR (£m)	2015/16 Final AFR (£m)	Movement
<b>Money Advice Levy</b>			
A.0 minimum fee	0.1	0.1	0.0%
A.1 deposit acceptors	8.2	8.2	0.0%
A.2 home finance providers and administrators	5.2	5.2	0.0%
A.3 insurers - general	3.2	3.2	0.0%
A.4 insurers - life	5.8	5.8	0.0%
A.5 managing Agents at Lloyd's	0.0	0.0	0.0%
A.6 the Society of Lloyd's	0.0	0.0	0.0%
A.7 portfolio managers	1.9	1.9	0.0%
A.9 managers and depositaries of investment funds, and operators of collective investment schemes and pension schemes	0.9	0.9	0.0%
A.10 firms dealing as principal	1.9	1.9	0.0%
A.13 advisory arrangers, dealers and brokers	4.2	4.2	0.0%
A.14 corporate finance advisers	0.3	0.3	0.0%
A.18 home finance providers, advisers and arrangers	1.2	1.2	0.0%
A.19 general insurance mediation	0.7	0.7	0.0%
A.21 firms holding client assets or money	0.3	0.3	0.0%
G. firms covered by Payment Services Regulations 2009 and Electronic Money Regulations 2011	0.1	0.1	0.0%
<b>Money Advice Total</b>	<b>34.1</b>	<b>34.1</b>	<b>0.0%</b>

<b>Debt Advice Levy</b>			
A.1 deposit acceptors	22.2	22.2	0.0%
A.2 home finance providers and administrators	22.7	22.7	0.0%
<b>Debt Advice Total</b>	<b>44.9</b>	<b>44.9</b>	<b>0.0%</b>
<hr/>			
<b>Money Advice Service Total</b>	<b>79.0</b>	<b>79.0</b>	<b>0.0%</b>

### Changes between draft levy rates and final levy rates

- 9.12** We highlighted in CP15/14 that fee-payers should be aware that the draft Money Advice Service levy rates in Appendix 4 of CP15/14 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 2015.
- 9.13** The Money Advice Service levy rates in Appendix 1 of this policy statement have changed since the draft rates in CP15/14.
- 9.14** Our online fee calculator is available for firms to calculate their individual Money Advice Service levy rates based on the final rates in Appendix 1 of this policy statement.

# Annex 1

## List of non-confidential respondents

Advance Mortgage Funding Ltd  
Alan Steel Asset Management Limited  
Alchemy Financial Limited  
Association of British Credit Unions Ltd  
Association of British Insurers  
Association of Mortgage Intermediaries  
Association of Professional Financial Advisers  
Sharon Batchelor  
Black Swan Financial Management  
Brunsdon Financial Services Limited  
Cairn Independent Ltd  
Caledonia Asset Management Ltd  
Christmas Financial Planners Ltd  
City & Trust Finance Limited  
Clarkson Gray Financial Planning Ltd  
David Cope & Partners Limited  
Edwards Veeder Financial Services  
Ellaby Pollard Ltd  
Euronext London Ltd  
Fidelis Financial Planning Ltd  
Finance and Leasing Association  
Financial Planning Wales Ltd

First Complete Ltd  
FiveWays Financial Planning Ltd  
Kylie Flett  
Forty Two Financial Planning Ltd  
Granite Financial Services (UK) Limited  
Greystone  
Richard Harris  
Rachael Hartwell  
Robert Hodson  
ICE Benchmark Administration Limited  
Independent Financial Advisor Limited  
Independent Financial Strategies Limited  
Institute of Financial Planning  
International Underwriting Association  
Jewell & Petersen Ltd  
Johnson Fleming Group Limited  
Kershaw Spencer Associates Limited  
King's Court  
Kingsfleet Wealth  
Lloyd's Market Association  
London Energy Brokers' Association  
London Stock Exchange plc  
Darren Madden  
Millcroft Wealth Management Ltd  
Money Advice & Planning Ltd  
Ovation Finance Ltd  
PCM Asset Management Ltd

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QS Financial

RHG

RMB Financial Management (UK) Ltd

Roebridge Financial Management Ltd

Santorini Financial Planning Ltd

Scammell Associates LLP

Sedulo Wealth Management Limited

SimplyBiz Group

Society of Lloyd's

Solomon's

Sovereign Independent Financial Advisers Ltd

Tenet Group Limited

The Money Charity

The Red House Consulting Ltd

threesixty services LLP

True Bearing Chartered Financial Planners

Unique Wealth Management Limited

ValidPath Ltd

Wealthcare Limited

Whiting & Partners Wealth Management

Wholesale Markets Brokers' Association

## Annex 2

# FCA financial penalties

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 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 HM 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**

<b>Fee-block</b>	
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

# **Appendix 1**

## **Periodic Fees (2015/16) and Other Fees**

### **Instrument 2015 [made rules]**

## PERIODIC FEES (2015/2016) AND OTHER FEES INSTRUMENT 2015

### Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137T (General supplementary powers);
    - (b) section 139A (Power of the FCA to give guidance);
    - (c) section 234 (Industry funding);
    - (d) section 333R (Funding of the Treasury’s pensions guidance costs);
    - (e) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
    - (f) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body);
  - (2) the following provisions of the Payment Services Regulations 2009 (SI 2009/209):
    - (a) regulation 82 (Reporting requirements);
    - (b) regulation 92 (Costs of supervision); and
    - (c) regulation 93 (Guidance);
  - (3) the following provisions of the Electronic Money Regulations 2011 (SI 2011/99):
    - (a) regulation 49 (Reporting requirements);
    - (b) regulation 59 (Costs of supervision); and
    - (c) regulation 60 (Guidance); and
  - (4) the following powers and related provisions in the Regulated Covered Bond Regulations 2008 (SI 2008/346):
    - (a) regulations 18, 20, 24 and 25 (notification requirements);
    - (b) regulation 42 (Guidance); and
    - (c) regulation 46 and paragraph 5 of Schedule 1 (fees).
- 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 19 June 2015.

### Amendments to the FCA Handbook

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

**Citation**

- E. This instrument may be cited as the Periodic Fees (2015/2016) and Other Fees Instrument 2015.

By order of the Board of the Financial Conduct Authority  
18 June 2015

## Annex A

## Amendments to the Fees manual (FEES)

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

### 3 Application, Notification and Vetting Fees

...

#### 3.2 Obligation to pay fees

...

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

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee Payable	Due date
...		
(ga) Any applicant for: (i) a <i>Part 4A permission</i> to carry out the <i>regulated activity of administering a specified benchmark for one or more specified benchmarks</i> ; or (ii) varying its <i>Part 4A permission</i> to carry out the <i>regulated activity of administering a specified benchmark for one or more specified benchmarks</i>	<i>FEES 3 Annex 3, part 1</i>	On or before the date the application is made
...	...	...
(i) An applicant for <i>listing</i> (under the <i>listing rules</i> ) <del>[deleted]</del>	<i>FEES 3 Annex 4, part 1</i>	On or before the date the application is made
...		
(k) Issuers of tranches from debt issuance programmes and <i>securitised derivative</i>	<i>FEES 3 Annex 4, part 1</i>	An upfront fee is required per tranche for draw downs in the following 12 months

tranches [deleted]		
...		
(w) A listed <del>issuer</del> that requests or whose representative requests the <del>FCA</del> to amend the <del>Official List</del> , or any records held by the <del>FCA</del> in relation to the <del>Official List</del> , otherwise than pursuant to an application for listing. [deleted]	<del>FEES 3 Annex 4 part 3</del>	On or before the date the request is made.
...		

...

**3 Annex 3R Application fees payable in connection with Recognised Investment Exchanges, Recognised Auction Platforms and Benchmark Administrators**

Description of applicant	Amount payable	Due date
Part 1 (Recognised bodies)		
...		
Any applicant for: (i) a <i>Part 4A permission</i> to carry out the regulated activity of administering a <i>specified benchmark</i> where the applicant intends to administer the arrangements for determining one or more <i>specified benchmarks</i> ; or (ii) varying its <i>Part 4A permission</i> to carry out the regulated activity of administering a <i>specified benchmark</i> where the applicant intends to administer the arrangements for determining one or more <i>specified benchmarks</i>	£25,000	Date the application is made
<u>Any applicant for:</u> (i) a <i>Part 4A permission</i> to carry out the regulated activity of administering a <i>specified benchmark</i> where the applicant does not intend to administer the arrangements for determining a <i>specified</i>	<u>£5,000</u>	<u>Date the application is made</u>

<i>benchmark</i> ; or  (ii) <i>varying its Part 4A permission to carry out the regulated activity of administering a specified benchmark where the applicant does not intend to administer the arrangements for determining a specified benchmark</i>		
...		

**3 Annex 4R Application and administration fees in relation to listing rules**

Part 1

[deleted]

Fee type	Fee amount
Application Fees	
Application for <i>listing</i>	<del>225 plus 100 per each additional issue of securities with its own International Securities Identification Number unless the fee in Categories 6 or 8 of FEES 3 Annex 5 Part 2 applies.</del>

...

Part 3

[deleted]

Fee type	Fee amount
<del>Administration fee where the FCA makes amendments to the Official List, or any records held by the FCA in relation to the Official List, as a result of a request made by a listed issuer or its representative.</del>	<del>225 plus, if the request relates to more than one issue of securities, 100 per each additional issue of securities (with its own International Securities Identification Number).</del>

**3 Annex 5R Document vetting and approval fees in relation to listing and prospectus rules**

...

For the purposes of categories 1-3 of this fee schedule, equity does not include

convertible securities or depositary receipts. These are treated as non-equity.

Where a fee in category 6 or 8 of this fee schedule is payable, the listing application fee under *FEES 3 Annex 4 Part 1* does not apply.

...

...

**3 Annex 9R Special Project Fee for restructuring**

...	...	...
(11) AR	Table of <i>PRA</i> hourly rates	
	PRA pay grade	Hourly rates (£)
	Administrator	30
	Associate	<del>55</del> <u>60</u>
	Technical Specialist	90
	Manager	115
	Any other person employed by the <i>PRA</i>	<del>165</del> <u>170</u>

...

...

**4 Periodic fees**

...

4.2.11 R Table of periodic fees payable to the FCA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
...			

<i>Persons who hold a certificate issued by the FCA under article 54 of the Regulated Activities Order (Advice given in newspapers etc.)</i>	£1,000 <u>£1,084</u>	...	...
...	...	...	...
<i>Sponsors</i>	<u>£25,000</u> <u>£27,100</u> per year for the period from 1 April to 31 March the following year <u>fee year</u> (see Note)		
...			

...

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

Part 1	
This table shows how the <i>FCA</i> links the <i>regulated activities</i> for which a <i>firm</i> has <i>permission</i> to activity groups (fee-blocks). A <i>firm</i> can use the table to identify which fee-blocks it falls into based on its <i>permission</i> .	
Activity Group	Fee payer falls in the activity group if
...	
B. MTF operators	...
B. <u>Principal Benchmark</u> benchmark administrators	It is a <i>benchmark administrator</i> <u>who administers the arrangements for determining one or more specified benchmarks.</u>
B. <u>Benchmark</u>	<u>It is a benchmark administrator who does not administer</u>

<u>administrators</u>	<u>arrangements for determining one or more <i>specified benchmarks</i>.</u>
...	

...

**4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016**

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

...	
(3)	For a <i>firm</i> which has not complied with <i>FEES</i> 4.2.2R (Information on which fees are calculated) for this period:
	...
(b)	an additional fee of £250 is payable unless the <i>firm</i> is a <i>PRA-authorized person</i> in which case an additional fee of £125 is payable instead; and
(c)	the minimum total fee (including the administrative fee in (b)) is <del>£430</del> <u>£466</u> , unless the firm is a <i>PRA-authorized person</i> in which case the total minimum total fee (including the administrative fee in (b)) is <del>£215</del> <u>£233</u> .

Activity group	Fee payable	
A.1	Band width (£million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)
		General Periodic fee
	>10 - 140	<del>14.56</del> <u>16.04</u>
	>140 - 630	<del>14.56</del> <u>16.04</u>
	>630 - 1,580	<del>14.56</del> <u>16.04</u>
	>1,580 - 13,400	<del>18.20</del> <u>20.05</u>
	>13,400	<del>24.02</del> <u>26.47</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 is payable in respect of these <i>permissions</i> .	
A.2	Band width (No. of mortgages and/or home finance transactions)	Fee (£/mortgage)
	>50	<del>2.18</del> <u>2.40</u>
A.3	Gross premium income (GPI)	Periodic fee
	Band Width (£million of GPI)	Fee (£/m or part m of GPI)
	>0.5	<del>314.73</del> <u>353.12</u>
	PLUS	
	Gross technical liabilities (GTL)	General Periodic fee
	Band Width (£million of GTL)	Fee (£/£m or part £m of GTL)
	>1	<del>17.04</del> <u>18.92</u>
For <i>UK ISPV-s</i> the tariff rates are not relevant and a flat fee of <del>430</del> <u>466</u> is payable in respect of each <i>FCA</i> financial year (the 12 months 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	<del>464.98</del> <u>531.90</u>
	PLUS	
	Mathematical reserves (MR)	General Periodic fee
	Band Width (£million of MR)	Fee (£/£m or part £m of MR)
	>1	<del>10.76</del> <u>10.93</u>
A.5	Band Width (£million of Active Capacity (AC))	Fee (£/£m or part £m of AC)

	>50	<del>8.00</del> <u>8.64</u>
A.6	Flat fee (£)	<del>306,774</del> <u>332,455</u>
A.7	For class 1(C), (2), (3) and (4) <i>firms</i> :	
	Band Width (£million of Funds under Management (FuM))	Fee (£/£m or part £m of FuM)
	>10	<del>8.30</del> <u>7.63</u>
	For class 1(B) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 15%. For class 1(A) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 50%.	
A.9	Band Width (£million of Gross Income (GI))	Fee (£/£m or part £ m of GI)
	>1	<del>1,425.00</del> <u>1,175.00</u>
A.10	Band Width (No. of traders)	Fee (£/person)
	>1	<del>4,960.00</del> <u>5,380.00</u>
	For <i>firms</i> carrying on <i>auction regulation bidding</i> , the fee in A.10 is calculated as above less 20% for each trader that carries on <i>auction regulation bidding</i> but not <i>MiFID business bidding</i> or <i>dealing in investments as principal</i> .	
	...	
A.13	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>2.81</del> <u>3.15</u>
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>2.30</del> <u>2.13</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>17.53</del> <u>15.76</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)

	>100	<del>1.78</del> <u>1.91</u>
A.21	<i>Client money</i>	
	Band Width (£ <i>client money</i> ) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	<del>110.20</del> <u>138.20</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	<del>82.65</del> <u>103.65</u>
	more than £1 billion	<del>55.10</del> <u>69.10</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i> ) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £10 million	0.52
	an amount equal to or greater than £10 million and less than or equal to £100 billion	0.39
	more than £100 billion	0.26
B. Market operators		<del>£45,000</del> <u>49,000</u>
B. Service Companies	Band Width	Flat fee (£)
	Annual income up to and including £100,000	<del>1,000</del> <u>1,084</u>
	Annual income over £100,000 up to and including £1,000,000	<del>10,000</del> <u>11,000</u>
	Annual income over £1,000,000	<del>45,000</del> <u>49,000</u>
	<i>A service company that fails to provide income data for the relevant fee year is deemed to fall within the highest band width.</i>	
B. <u>Principal Benchmark benchmark administrators</u>	<del>£175,000</del> <u>£200,000</u>	

<u>B. Benchmark administrators</u>	<u>£50,000</u>	
...		

## Part 2

This table shows the tariff rates applicable to each of the fee blocks set out in Part 2 of FEES 4 Annex 1AR.

...	(1)	£1,000 <u>1,084</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 <del>£430</del> <u>£466</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 <del>£430</del> <u>£466</u> ; or
		(d)	it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is <del>£430</del> <u>£466</u> .
	(2)	The conditions referred to in (1)(a) are that the <i>credit union</i> has a tariff base (Modified Eligible Liabilities) of:	
		(a)	0 to 0.5million, in which case a minimum fee of <del>£160</del> <u>£172</u> is payable; or
		(b)	greater than 0.5million but less than 2.0 million, in which case a minimum fee of <del>£540</del> <u>£584</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)	For <i>PRA-authorized persons</i> , the minimum fee is 50% of any fee stated in (1) or (2) above.
AP.0	Periodic fees payable under fee blocks A.2, A.7 to A.19 and A.21 in Part 1 multiplied by rate <del>£ 0.118</del> <u>£0.116</u>	

...

**4 Annex 3AR Fees relating to the direct reporting of transactions to the FCA under SUP 17 for the period 1 April 2015 to 31 March 2016**

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	<del>{tbe}</del> <u>5,000</u>
Testing environment fee	<del>{tbe}</del> <u>3,750</u>
Variable transaction-based fee	<del>{tbe}</del> <u>6.00</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 2014 2015 to 31 March 2015 2016**

Part 1 – Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)

ICVC, AUT, ACS, Section 264 of the Act, schemes other than non-EEA AIFs recognised under section 272 of the Act;	<u>715 595</u>	1 – 2	1	<u>715 595</u>
		3 – 6	2.5	<u>1,788 1,488</u>
		7 – 15	5	<u>3,575 2,975</u>
		16 – 50	11	<u>7,865 6,545</u>
		> 50	22	<u>15,730</u> <u>13,090</u>
Non-EEA AIFs recognised under section 272 of the Act;	<u>2,910 2,420</u>	1 – 2	1	<u>2,910 2,420</u>
		3 – 6	2.5	<u>7,275 6,050</u>
		7 – 15	5	<u>14,550</u> <u>12,100</u>
		16 – 50	11	<u>32,010</u> <u>26,620</u>
		> 50	22	<u>64,020</u> <u>53,240</u>

...

**4 Annex 5R Periodic fees for designated professional bodies payable in relation to the period 1 April 2014 2015 to 31 March 2015 2016**

Name of Designated Professional Body	Amount payable (£)
The Law Society of England & Wales	<u>£85,910 75,390</u>
The Law Society of Scotland	<u>£14,690 14,400</u>
The Law Society of Northern Ireland	<u>£13,690 13,330</u>
The Institute of Actuaries	<u>£10,130 10,100</u>
The Institute of Chartered Accountants in England and Wales	<u>£27,490 54,910</u>
The Institute of Chartered Accountants of Scotland	<u>£11,410 11,250</u>
The Institute of Chartered Accountants in Ireland	<u>£10,750 13,200</u>

The Association of Chartered Certified Accountants	£18,480 <u>18,710</u>
The Council for Licensed Conveyancers	£11,550 <u>11,370</u>
Royal Institution of Chartered Surveyors	£14,620 <u>14,360</u>

...

**4 Annex 6R** **Periodic fees for recognised investment exchanges, and recognised auction platforms payable in relation to the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016**

...

Part 1 – Periodic fees for UK recognised investment exchanges

Name of UK recognised body	Amount payable (£)
ICE Futures Europe Ltd	£890,000 <u>1,300,000</u>
LIFFE Administration and Management	£890,000 <u>300,000</u>
London Metal Exchange	£645,000 <u>685,000</u>
London Stock Exchange plc	£870,000 <u>950,000</u>
ICAP Securities & Derivatives Exchange Limited (RIE)	£315,000 <u>335,000</u>
BATS Trading Limited	£475,000 <u>505,000</u>
CME Europe Limited	£300,000 <u>350,000</u>
<u>Euronext London Limited</u>	£300,000 <u>320,000</u>
Any other UK <i>recognised clearing house investment exchange</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	£300,000

Part 1A – Periodic fees for recognised auction platforms

Name of recognised auction platform	Amount payable (£)
An <i>RAP</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	£50,000 <u>54,200</u>

Part 2 – Periodic fees for overseas recognised investment exchanges (£)	
The Chicago Mercantile Exchange (CME) (ROIE)	£ <del>58,000</del> <u>62,000</u>
Chicago Board of Trade	£ <del>58,000</del> <u>62,000</u>
EUREX (Zurich)	£ <del>58,000</del> <u>62,000</u>
National Association of Securities and Dealers Automated Quotations (NASDAQ)	£ <del>58,000</del> <u>62,000</u>
New York Mercantile Exchange Inc.	£ <del>58,000</del> <u>62,000</u>
The Swiss Stock Exchange	£ <del>58,000</del> <u>62,000</u>
Sydney Futures Exchange Limited	£ <del>58,000</del> <u>62,000</u>
ICE Futures US Inc.	£ <del>58,000</del> <u>62,000</u>
<del>NYSE Liffe US</del>	£ <del>58,000</del>
Any other <i>overseas investment exchange</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	£ <del>58,000</del> <u>62,000</u>

**4 Annex 7R** Periodic fees in relation to the Listing Rules for the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

Fee type	Fee amount
Annual fees for the period 1 April <del>2014</del> <u>2015</u> to 31 March <del>2015</del> <u>2016</u>	
Annual Issuer Fees ...	... (2) For all other <i>issuers</i> , fees to be determined according to 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, are set out in Table 1A for <i>issuers with a standard</i>

	<p><i>listing of shares and issuers</i> of global depositary receipts and Table 2 for other <i>issuers</i>. The fee is calculated as follows:</p> <p>(a) the relevant minimum fee; plus</p> <p>(b) the cumulative total of the sums payable for each of the bands calculated by multiplying each tranche of the <i>firm's issuer's</i> market capitalisation by the rate indicated for that tranche.</p> <p>(3) <del>Notwithstanding (2), overseas issuers with a listing of equity securities which is not a premium listing will only pay 80% of the fee otherwise payable under (2). [deleted]</del></p>
...	

Table 1

The annual fee for issuers of *securitised derivatives* is ~~£4,750~~ £5,150

Table 1A

Tiered annual fees for issuers of global depositary receipts and issuers with a standard listing of shares

Fee payable	
Minimum fee (£)	<del>3,800</del> <u>4,120</u>
£ million of 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	Fee (£/£m of part £m of 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)
0 – 100	0
> 100 – 250	<del>22.778828</del> <u>23.384654</u>
> 250 – 1,000	<del>9.110927</del> <u>9.353241</u>
> 1,000 – 5,000	<del>5.608150</del> <u>5.757304</u>
> 5,000 – 25,000	<del>0.136800</del> <u>0.140438</u>
> 25,000	<del>0.044197</del> <u>0.045372</u>

Table 2

Tiered annual fees for all other issuers

Fee payable	
Minimum Fee (£)	<del>£4,750</del> <u>5,150</u>
£ million of 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	Fee (£/£m of part £m of 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)
0 – 100	0
> 100 – 250	<del>28.473535</del> <u>29.230818</u>
> 250 – 1,000	<del>11.388659</del> <u>11.691551</u>
> 1,000 – 5,000	<del>7.010187</del> <u>7.196630</u>
> 5,000 – 25,000	<del>0.171000</del> <u>0.175548</u>
> 25,000	<del>0.055246</del> <u>0.056715</u>

**4 Annex 8R** Periodic fees in relation to the Disclosure and Transparency Rules for the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

Annual fees for the period 1 April <del>2014</del> <u>2015</u> to 31 March <del>2015</del> <u>2016</u>	
...	

Table 1

Annual fees for non-listed issuers of securitised derivatives, depositary receipts and global depositary receipts

Issuer	Fee amount (£)
<i>Issuers of securitised derivatives</i>	<del>£3,800</del> <u>4,120</u>
<i>Issuers of depositary receipts and global depositary receipts</i>	<del>£3,040</del> <u>3,295</u>

Table 2

Fee payable
-------------

Minimum Fee (£)	<del>3,800</del> <u>4,120</u>
...	
0 – 100	0
> 100 – 250	<del>22.778828</del> <u>23.384654</u>
> 250 – 1,000	<del>9.110927</del> <u>9.353241</u>
> 1,000 – 5,000	<del>5.608150</del> <u>5.757304</u>
> 5,000 – 25,000	<del>0.136800</del> <u>0.140438</u>
> 25,000	<del>0.044197</del> <u>0.045372</u>

...

Table 3 – Primary information providers

Fee payable
<del>£15,000</del> <u>£16,260</u>

**4 Annex 10R** **Periodic fees for MTF operators payable in relation to the period 1 April 2014 2015 to 31 March ~~2015~~ 2016**

General supervisory category of <i>MTF</i> operator (see Note below)	Fee payable (£)	Due date
		1 August <del>2014</del> <u>2015</u> or, if later, 30 days from the date of the invoice
Category 1	£300,000	
Category 2	<del>£58,000</del> <u>62,000</u>	
Category 3	<del>£17,500</del> <u>18,500</u>	
...	In the case of an <i>EEA firm</i> that:  (a) has not carried on the activity of <i>operating a multilateral trading facility</i> in the UK at any time in the	...  In any other case, 1 August <del>2014</del> <u>2015</u>

	<p>calendar year ending 31 December <del>2013</del> <u>2014</u>; and</p> <p>(b) notifies the <i>FCA</i> of that fact by the end of March <del>2014</del> <u>2015</u>;</p> <p>the fee is zero.</p> <p>.....</p> <p>In any other case  <del>£17,500</del> <u>18,500</u></p>	
--	---	--

....

**4 Annex 11R 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 in relation to the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016**

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</i> 4.4.9D (Information on which fees are calculated) and has not done so for this period:	
	...	
	(c)	the minimum total fee (including the administrative fee) is <del>£650</del> <u>£683</u> .

Part 1A – Method for calculating the fee for fee-paying electronic money issuers		
...		
(3)	For a <i>fee-paying electronic money issuer</i> which is required to comply with <i>FEES</i> 4.4 (Information on which fees are calculated) and has not done so for this period:	
	...	
	(c)	the minimum total fee (including the administrative fee in (b)) is <del>£650</del> <u>£683</u> .

...

Part 5 – Tariff rates		
Activity group	Fee payable in relation to <del>2014/15</del> <u>2015/16</u>	
G.2	Minimum fee (£)	<del>400</del> <u>433</u>
	£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	> 0.1	<del>0.27450</del> <u>0.29990</u>
G.3	Minimum fee (£)	<del>400</del> <u>433</u>
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	> 100	<del>0.18470</del> <u>0.20170</u>
G.4	Flat fee (£)	<del>£400</del> <u>433</u>
G.5	As in G.3.	
G.10	Minimum fee (£)	<del>1,500</del> <u>1,626</u>
	£million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	>5.0	<del>200.00</del> <u>180.00</u>
G.11	Flat fee (£)	<del>£1,000</del> <u>1,084</u>
G.15	Minimum fee for the first registered <i>programme</i> (£)	<del>£84,439</del> <u>91,531</u>
	...	...
	>0.00	<del>86.22</del> <u>12.07</u>
	...	
...		

...

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

**(1) Annual income definition for *credit related regulated activities***

“Annual income” ...

Plus

~~(d) for *credit broking* where a *firm* effects an introduction between a *lender* and a *borrower* with a view to the *borrower* entering into a *regulated credit agreement* to finance the purchase of goods and/or services by the *borrower* from the *firm*, the difference between the amount of credit the *lender* provides to the *borrower* and the amount *A* accepts from the *lender*. [deleted]~~

Or

(e) The figure must be reported using the proxy measure of annual income if the *firm* receives no annual income of the type in 1(a) to (c) and meets the criteria in (2).

**(2) Proxy measure of annual income**

(a) A *firm* that receives no annual income of the type in 1(a) to (c) must report its annual income using the proxy measure in (b) if:

(i) its main business is to sell goods or supply services, and is not to carry on a credit activity in 2(a)(ii) or 2(a)(iii);

and

(ii) it carries on:

(aa) *credit broking* in relation to *credit agreements*, except for *credit broking* in relation to buy-to-let mortgages; or

(bb) *entering into a regulated credit agreement as lender*;

or

(iii) it carries on:

(aa) *credit broking* in relation to *consumer hire agreements*; or

(bb) *entering into a regulated consumer hire agreement as owner*.

(b) The proxy measure for annual income is calculated:

(i) for activities in 2(a)(ii), by multiplying the gross loan amount under all agreements falling within the activity by the percentage value at (b)(iii);

(ii) for activities in 2(a)(iii), by multiplying the gross value of all goods under all agreements falling within the activity by the percentage value at (b)(iii);

(iii) the percentage value is 5% plus the Bank of England base rate on the final day

of the firm's accounting reference date.

**(3) Where the firm's regulated activities are being carried on by an appointed representative of the firm**

...

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

...

Table 2

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee blocks CC.1 and CC.2

...

**Lender's credit broker charge**

(6A) ~~An example of when a *firm* should report under paragraph (d) of FEES 4 Annex 11B is set out below:  
If a retailer arranges a loan for £1,000 to enable a *consumer* to purchase goods from it priced at £1,000, it may agree to accept £950 directly from the *lender* as payment for those goods to provide an incentive for the *lender* to enter into the loan. The retailer should report the £50 difference as a measure of the *regulated activity* of *credit broking*.  
The *lender* should report the £50 difference along with any subsequent interest or administration or penalty charges paid by the consumer to the *lender*, as the *lender's* income from the *regulated credit agreement*.~~  
[deleted]

(6B) Proxy measure of annual income FEES 4 Annex 11BR(2)  
FEES 4 Annex 11BR(2) sets out the proxy measure of annual income for a *firm* defined in FEES 4 Annex 11BR(1)(e). An example of what a *firm* would report as a proxy measure of annual income is provided below:  
If a *firm* enters into a regulated credit agreement as *lender*:  
(a) providing a gross loan amount of £1,000;  
(b) to enable a *customer* to purchase goods from it priced at £1,000; and  
(c) the Bank of England base rate on the final day of the *firm's* accounting reference date is 0.5%;  
the *firm* should report:  $(5\% + 0.5\%) \times (£1000) = £55$   
(Historic Bank of England base rates (currently known as the Official

Bank Rate) are available here: <a href="http://www.bankofengland.co.uk/statistics/Documents/rates/baserate.pdf">http://www.bankofengland.co.uk/statistics/Documents/rates/baserate.pdf</a>
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## 5 Financial Ombudsman Service Funding

...

### 5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2014/15 2015/16

#### Introduction: annual budget

1. The *annual budget* for 2014/15 2015/16 approved by the FCA is ~~£277.4m~~ £270.3m.
2. The total amount expected to be raised through the *general levy* in 2014/15 2015/16 will be £23.3m.

#### Compulsory jurisdiction – general levy

Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, <i>home finance providers, home finance administrators</i> (excluding <i>firms</i> in block 14) and <i>dormant account fund operators</i>	...	<del>£0.043350</del> <u>£0.04425</u> per relevant account, subject to a minimum levy of £100
2-Insurers - general (excluding <i>firms</i> in blocks 13 & 15)	...	<del>£0.1319</del> <u>£0.1330</u> per £1,000 of relevant annual gross premium income, subject to a minimum levy of £100
3-The <i>Society</i> (of Lloyd's)	...	£25,989 to be allocated by the <i>Society</i>
4-Insurers - life (excluding <i>firms</i> in block 15)	...	<del>£0.01650</del> <u>£0.01830</u> 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	...	Levy of £275

not holding <i>client money/assets</i> )		
6-Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	...	Levy of £60
7-Dealers as principal	...	Levy of £75
8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	...	<del>£0.160</del> <u>£0.149</u> per £1,000 of annual income subject to a minimum fee of £45
9-Advisors, <i>arrangers</i> , dealers or brokers not holding and controlling <i>client money</i> and/or assets	...	<del>£0.1085</del> <u>£0.1</u> per £1,000 of annual income subject to a minimum fee of £45
10-Corporate finance advisers	...	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, fee-paying electronic money issuers</i> (except for <i>small electronic money institutions</i> ), ... relevant income as described in <i>FEES 4 Annex 11R 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 <del>2014/15</del> <u>2015/16</u>	
13-Cash plan health providers	...	Levy of £65
14- <i>Credit unions</i>	...	Levy of £55
15- <i>Friendly societies</i> whose tax-exempt business represents 95% or more of their total	...	Levy of £65

relevant business		
16-Home finance providers, advisers and arrangers (excluding firms in blocks 13, 14 & 15)	...	Levy of £90
17-General insurance mediation (excluding firms in blocks 13, 14 & 15)	...	£0.4852 <del>£0.484</del> per £1,000 of <i>annual income</i> (as defined in <i>MIPRU</i> 4.3) relating to <i>firm's relevant business</i> subject to a minimum levy of £100
18-fee-paying electronic money issuers	For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , average outstanding <i>electronic money</i> , as described in <i>FEES</i> 4 Annex 11R Part 3.	£0.0016 per £1,000 of average outstanding electronic money subject to a minimum levy of £75
	For <i>small electronic money institutions</i> , a flat fee	Levy of £50
19 – Credit-related regulated activities with limited permission	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 – Credit-related regulated activities	Annual income as defined in <i>FEES</i> 4 Annex 11BR	Levy of £35 Plus £0.02 per £1,000 of annual income on income above £250,000

...

## 7 CFEB levies

...

7 Annex 1R CFEB levies for the period from 1 April 2014 2015 to 31 March 2015 2016

## Part 1

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

Activity Group	<i>CFEB levy payable</i>			
A.1	<b>Column 1 Money advice levy</b>		<b>Column 2 Debt advice levy (Notes 3 – 6)</b>	
	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fixed sum (£/£m or part £m of MELs)	Bandwidth (million of unsecured debt)	Fixed sum (/m or part m of unsecured debt)
	> 10	3.55 <u>2.93</u>	> 0	190.76 <u>211.00</u>
	...			
A.2	<b>Column 1 General levy</b>		<b>Column 2 Debt advice levy (Notes 5 – 6)</b>	
	Band Width (no. of mortgages and/or <i>home finance transactions</i> )	Fixed sum (£/mortgage)	Bandwidth (million of secured debt)	Fixed sum (/m or part m of secured debt)
	>50	0.96 <u>0.72</u>	> 0	15.80 <u>18.29</u>
A.3	<b>Gross premium income (GPI)</b>			
	Band Width (£ million of GPI)		Fixed sum (£/£m or part £m of GPI)	
	>0.5		52.34 <u>45.28</u>	

	PLUS	
	<b>Gross technical liabilities (GTL)</b>	
	Band Width (£ million of GTL)	Fixed sum (£/£m of part £m of GTL)
	>1	<del>2.84</del> <u>2.43</u>
A.4	<b>Adjusted annual gross premium income (AGPI)</b>	
	Band Width (£ million of AGPI)	Fixed sum (£/£m or part £m of AGPI)
	>1	<del>74.81</del> <u>74.05</u>
	PLUS	
	<b>Mathematical reserves (MR)</b>	
	Band Width (£ million of MR)	Fixed sum (£/£m or part £m of MR)
	>1	<del>1.74</del> <u>1.53</u>
A.5	Band Width (£ million of Active Capacity (AC))	Fixed sum (£/£m or part £m of AC)
	>50	<del>0.42</del> <u>0.00</u>
A.6	Flat levy	£12,663.30 <u>0.00</u>
A.7	For class 1(c), (2), <del>and</del> (3) <u>and</u> (4) firms:	
	Band Width (£ million of Funds under Management (FuM))	Fixed sum (£/£m of part £m of FuM)
	>10	<del>0.47</del> <u>0.33</u>
	...	
A.9	Band Width (£ million of Gross Income (GI))	Fixed sum (£/£m of part £m of GI)
	>1	<del>129.40</del> <u>80.31</u>
A.10	Band Width (no. of traders)	Fixed sum (£/trader)

	> 1	<del>258.58</del> <u>207.90</u>
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.15</del> <u>0.18</u>
	...	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.09</del> <u>0.05</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100	<del>2.38</del> <u>1.14</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100	<del>0.075</del> <u>0.047</u>
A.21	Band Width (£ <i>client money</i> ) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	<del>13.25</del> <u>3.24</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	<del>9.94</del> <u>2.43</u>
	more than £1 billion	<del>6.63</del> <u>1.62</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i> ) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £ 10 million	<del>0.062</del> <u>0.013</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	<del>0.047</del> <u>0.010</u>
	more than £ 100 billion	<del>0.034</del> <u>0.007</u>

G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	<del>0.0246</del> <u>0.0338</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	<del>7.90</del> <u>10.85</u>
G.11	Flat fee (£)	10
CC.1	Minimum fee	£10
	Band Width (£ thousand of annual income (AI))	Fee (£/£ thousand of part thousand of AI)
	>250	<del>[...]</del> <u>0.37</u>
CC.2	Minimum fee	£10
	Band Width (£ 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 2015 to 31 March 2016

#### Annex 1R

<b>Activity Group</b>	<b>Pension guidance levy payable</b>
-----------------------	--------------------------------------

A.1	Band width (£ million of modified eligible liabilities (MELs)) >10	Fixed sum (£/£m or part £m of MELs) tbe <u>3.35</u>
A.4	Band width (£ million of adjusted annual gross premium income (AGPI)) >1	Fixed sum (£/£m or part £m of AGPI) tbe <u>160.80</u>
A.7	For class 1(B), 1 (C), (2) and (3) firms: Band width (£ million of funds under management (FuM)) >10	Fixed sum (£/£m or part £m of FuM) tbe <u>1.57</u>
A.9	Band width (£ million of gross income (GI)) >1	Fixed sum (£/£m or part £m of GI) tbe <u>551.95</u>
A.13	Band Width (£ thousands of annual income (AI)) >100	Fixed sum (£/£ thousand or part of £ thousand of AI) tbe <u>0.20</u>

## Appendix 1 Unauthorised Mutuals Registration Fees Rules

...

### App 1 Annex 1R Periodic fees payable for the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

#### Part 1

Periodic fee payable by Registered Societies (on ~~30 June 2014~~ 30 June 2015)

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

Transaction	Total assets (£'000s)	Amount payable (£)
Periodic fee	0 - 50	<del>55</del> <u>60</u>
	> 50 to 100	<del>110</del> <u>120</u>
	> 100 to 250	<del>180</del> <u>195</u>
	> 250 to 1,000	<del>235</del> <u>255</u>
	> 1,000	<del>425</del> <u>460</u>

...

## **Appendix 2**

# **Fees (Consumer Buy-to-let) Instrument 2015**

### **[made rules]**

## FEES (CONSUMER BUY TO LET) INSTRUMENT 2015

### Powers exercised by the Financial Ombudsman Service

- A. The Financial Ombudsman Service Limited makes this instrument in the exercise of the following powers and related provisions in the Act:
- (1) paragraph 14 (The scheme operator's rules) of Schedule 17;
  - (2) paragraph 15 (Fees) of Schedule 17; and
  - (3) paragraph 18 (Terms of reference to the scheme) of Schedule 17.
- B. The making of these rules, guidance and standard terms by the Financial Ombudsman Service Limited is subject to the consent and approval of the Financial Conduct Authority.

### Powers exercised by the Financial Conduct Authority

- C. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the 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) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority) of the Act; and
  - (5) article 25 of The Mortgage Credit Directive Order 2015.
- D. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.
- E. The Financial Conduct Authority approves and consents to the making (and amendment) of the rules and standard terms that are made and amended by the Financial Ombudsman Service Limited under this instrument.

### Commencement

- F. This instrument comes into force as follows:
- (1) Annex A and Part 1 of Annex B to this instrument come into force on 20 July 2015;
  - (2) Part 2 of Annex B to this instrument comes into force on 1 April 2016.

### Amendments to the FCA Handbook

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

**Citation**

- I. This instrument may be cited as the Fees (Consumer Buy to Let) Instrument 2015.

By order of the Board of the Financial Ombudsman Service Limited  
3 June 2015

By order of the Board of the Financial Conduct Authority  
18 June 2015

## Annex A

### Amendments to the Glossary of definitions

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

- CBTL firm*
- (1) (other than in *DISP*) a *person* included by the *FCA* in the *Financial Services Register* pursuant to article 8(1) of the *MCD Order*.
  - (2) (in *DISP* and *FEES* 5.5B) a person within (1) who is not a *firm*.

## Annex B

### Amendments to the Fees manual (FEES)

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

#### Part 1: Comes into force on 20 July 2015

- 1.1.1 G *FEES* applies to all *persons* required to pay a fee or levy under a provision of the *Handbook*. The purpose of this chapter is to set out to whom the *rules* and *guidance* in *FEES* apply. *FEES* 2 (General Provisions) contains general provisions which may apply to any type of fee payer. *FEES* 3 (Application, Notification and Vetting Fees) covers one-off fees payable on a particular event for example various application fees (including those in relation to authorisation, variation of *Part 4A permission*, registration as a *CBTL firm*, *listing* and the Basel Capital Accord) and fees relating to certain notifications and document vetting requests. *FEES* 4 (Periodic fees) covers all periodic fees and transaction reporting fees. *FEES* 5 (Financial Ombudsman Service Funding) relates to *FOS* levies and case fees (in *FEES* ~~5.5A~~ 5.5B). *FEES* 6 (Financial Services Compensation Scheme Funding) relates to the *FSCS* levy. *FEES* 7 relates to the *CFEB* levy.
- ...
- 2.1.5 G Paragraph 23 of Schedule 1ZA of the *Act*, regulation 92 of the *Payment Services Regulations*, ~~and~~ regulation 59 of the *Electronic Money Regulations* and article 25(a) of the *MCD Order* enable the *FCA* to charge fees to cover its costs and expenses in carrying out its functions. The corresponding provisions for the *FSCS* levy, *FOS* levies and *CFEB* levies are set out in *FEES* 6.1, *FEES* 5.2 and *FEES* 7.1.4G respectively. Case fees payable to the *FOS Ltd* are set out in *FEES* ~~5.5A~~ 5.5B. *Fee-paying payment service providers*, ~~and~~ *fee-paying electronic money issuers* and *CBTL firms* are not required to pay the *FSCS* levy but are liable for *FOS* levies.
- ...
- 2.1.5A G Regulation 92 of the *Payment Services Regulations* and regulation 59 of the *Electronic Money Regulations* each provide that the functions of the *FCA* under the respective regulations are treated for the purposes of paragraph 23 of Schedule 1ZA to the *Act* as functions conferred on the *FCA* under the *Act*. ~~Paragraphs Paragraph 23(7) and 20(1)(b) however, have~~ has not been included. ~~These are, respectively, This is the *FCA*'s obligation to ensure that the amount of penalties received or expected to be received are not to be taken into account in determining the amount of any fee payable and the provision that allows fees to be raised to repay borrowed monies in respect of expenses incurred, before or after the coming into force of the *Act* or the Bank of England Act 1998.~~
- 2.1.5B G Article 25 of the *MCD Order* provides that the functions under the *MCD*

Order are to be treated for the purposes of paragraph 23 of Schedule 1ZA to the *Act* as functions conferred on the *FCA* under the *Act*.

...

Recovery of fees

- 2.2.3 G Paragraphs 23(8) and 27 of Schedule 1ZA and paragraphs 31(7) and 35 of Schedule 1ZB of the *Act* permit the *FCA* and *PRA* respectively to recover fees (including in respect of the *FCA*, fees relating to *payment services*, the issuance of *electronic money*, fees relating to *CBTL firms* and, where relevant, *FOS* levies and *CFEB levies*), and section 213(6) permits the *FSCS* to recover shares of the *FSCS* levy payable, as a debt owed to the *FCA*, *PRA* and *FSCS* respectively, and the *FCA*, *PRA* and *FSCS*, as relevant, will consider taking action for recovery (including interest) through the civil courts.

...

- 3.1.1A R A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider*, a *CBTL firm* and a *fee-paying electronic money issuer*.

...

- 3.1.4 G Most of the detail of what fees are payable by the persons referred to in *FEES* 3.1.3G is set out in *FEES* 3 Annex 1 - *FEES* 3 Annex ~~4~~ 10AR.

...

- 3.1.6C G Application fees for registration under article 8(1) of the *MCD Order* are set out in *FEES* 3 Annex 10AR. The fee depends on whether the *firm* holds an existing *Part 4A permission* or an *interim permission* or has previously registered as a *CBTL firm* and that registration has been revoked under article 13 of the *MCD Order*.

...

- 3.2.5 G (1) The appropriate authorisation or registration fee is an integral part of an application for, or an application for a variation of, a *Part 4A permission*, authorisation, registration or variation under the *Payment Services Regulations* or the *Electronic Money Regulations*, registration under article 8(1) of the *MCD Order* or notification or registration under the *AIFMD UK regulation*. Any application or notification received by the *appropriate regulator* without the accompanying appropriate fee, in full and without deduction (see *FEES* 3.2.1R), will not be treated as an application or notification made, incomplete or otherwise, in accordance with section 55U(4), or section 55H or 55I (as the case may be), of the *Act* or regulation 5(3) or 12(3) of the *Payment Services Regulations* or regulation 5 or 12 of the *Electronic Money Regulations* or regulation 11(1) and

60(a) of the *AIFMD UK regulation* or article 9 of the *MCD Order*. Where this is the case, the *appropriate regulator* will contact the applicant to point out that the application cannot be progressed until the appropriate fee has been received. In the event that the appropriate ~~authorisation~~ fee, in full and without deduction, is not forthcoming, the application will be returned to the applicant and no application will have been made.

...

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

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable	Due date
(a) Any applicant for <i>Part 4A permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i> ) whose fee is not payable pursuant to subparagraph (ga) of this table	<p><u>-(1) Unless (2) or (3) applies, in respect of a particular application, the highest of the tariffs set out in FEES 3 Annex 1 part 1 which apply to that application.</u></p> <p>(2) In respect of a particular application which is:</p> <p>(i) a straightforward or moderately complex case for the purposes of <i>FEES 3 Annex 1 part 1</i>, and</p> <p>(ii) only involves a simple change of legal status as set out in <i>FEES 3 Annex 1 part 6</i>, the fee payable is 50% of the tariff that would otherwise be payable in <i>FEES 3 Annex 1 part 1</i>.</p> <p><u>(3) If the applicant applies for registration under article 8(1) of the <i>MCD Order</i> at the same time as applying for a <i>Part 4A permission</i>, the fee payable is the higher of:</u></p> <p><u>(i) the fee otherwise payable in (1) or (2); and</u></p> <p><u>(ii) the fee payable in <i>FEES</i></u></p>	On or before the application is made

	<u>3 Annex 10AR.</u>	
...		
(p) A <i>firm</i> applying for a variation of its <i>Part 4A permission</i> whose fee is not payable pursuant to sub-paragraph (ga) of this table	<p>(1) Unless (2), (2A), (3), (3A), <del>or (3B)</del>, or <u>3(C)</u> applies, if the proposed new business of the <i>firm</i> would fall within one or more activity groups specified in Part 1 of <i>FEES 4 Annex 1AR</i> or Part 1 of <i>FEES 4 Annex 1BR</i> not applicable before the application, the fee is 50% of the highest of the tariffs set out in <i>FEES 3 Annex 1</i> which apply to that application.</p> <p>...</p> <p><u>(3C) If the applicant applies for registration under article 8(1) of the <i>MCD Order</i> at the same time as it applies for a variation of its <i>Part 4A permission</i>, the fee is the highest of the fees set out in <i>FEES 3 Annex 10AR</i> and the amount otherwise payable in (1), (2), (2A), (3), (3A) or (3B), or (4).</u></p> <p>...</p>	...
...		
(zt) An applicant for <u>registration in the <i>Financial Services Register</i> under article 8(1) of the <i>MCD Order</i>.</u>	<p><u>Unless (1), or (2) applies, the fee as set out in <i>FEES 3 Annex 10A</i>.</u></p> <p>(1) <u>If the applicant is applying for a <i>Part 4A permission</i> at the same time as it applies for registration under article 8(1) of the <i>MCD Order</i>, the fee payable in row (a), column (2)</u></p>	<u>On or before the application is made.</u>

	<p><u>paragraph (3) of this Table.</u></p> <p>(2) <u>If the applicant is applying for a variation of a Part 4A permission at the same time as it applies for registration under article 8(1) of the MCD Order, the fee payable in row (p), column 2 paragraph (3)(c) of this Table.</u></p>	
...		

...

After FEES 3 Annex 10 insert the following new Annex. The text is not underlined.

**3 Annex 10AR Fees payable for registration as a CBTL firm under article 9 of the MCD Order**

Application type for registration under article 9 of the MCD Order	Amount payable
(1) An applicant who, at the time of application, holds a <i>Part 4A permission</i> or <i>interim permission</i> and has not had a registration as a <i>CBTL firm</i> revoked under article 13 of the <i>MCD Order</i> .	£100
(2) An applicant who, at the time of application, <ul style="list-style-type: none"> <li>(a) does not hold a <i>Part 4A permission</i> or <i>interim permission</i>; or</li> <li>(b) has previously held a registration as a <i>CBTL firm</i> which was revoked under article 13 of the <i>MCD Order</i></li> </ul>	£500

**Part 2: Comes into force on 1 April 2016**

4.1.1A R A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider*, a *CBTL firm* and a *fee-paying electronic money issuer*.

...

4.1.4 G ...

- (3) The periodic fees for *fee-paying payment service providers*, *fee-paying electronic money issuers*, CBTL firms and *issuers of regulated covered bonds* are set out in *FEES 4 Annex 11R*. This annex sets out the activity groups, tariff base, valuation dates and, where applicable, the flat fees due for these *firms*.

...

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
Any <i>firm</i> (except an <i>AIFM qualifier</i> , <i>ICVC</i> or a <i>UCITS qualifier</i> )	...	...	<i>Firm</i> receives <i>permission</i> , or becomes authorised or registered under the <i>Payment Services Regulations</i> , <u>article 8 of the MCD Order</u> or the <i>Electronic Money Regulations</i> ; or <i>firm</i> extends <i>permission</i> or its <i>payment service activities</i>
...			

...

4.3.3A R The periodic fee referred to in *FEES 4.3.1R* in relation to *fee-paying payment service providers*, CBTL firms and *fee-paying electronic money issuers* is calculated in accordance with *FEES 4 Annex 11R*.

...

4.3.6 R ...

- (3) If a *firm* has applied to cancel its *Part 4A permission* in the way set out in SUP 6.4.5D (Cancellation of permission), or its status as a

*payment institution* under regulation 10 of the *Payment Services Regulations* (Cancellation of authorisation) or as regulation 10 is applied by regulation 14 of the *Payment Services Regulations* (Supplementary provisions), or its status as an *electronic money issuer* under regulation 10 of the *Electronic Money Regulations* (Cancellation of authorisation) or as regulation 10 is applied by regulation 15 of the *Electronic Money Regulations* (Supplementary provisions), or its registration as a *CBTL firm* under article 13(c) *MCD Order* then (1) and (2) do not apply but it must pay the total amount due when the application is made.

...

- (4A) If the *FCA* has cancelled a *firm's* authorisation or registration under regulation 10 of the *Payment Services Regulations* or regulation 10 of the *Electronic Money Regulations* or its registration under regulation 10 as applied by regulation 14 of the *Payment Services Regulations* or its registration under regulation 10 as applied by regulation 15 of the *Electronic Money Regulations*, or its registration under article 13 (except under article 13(c)) of the *MCD Order* then (1) and (2) do not apply but the *firm* must pay the total amount due immediately before the cancellation becomes effective.

...

...

4.3.13 R (1) If:

- (a) a *firm* makes an application to vary its *permission* (by reducing its scope), or cancel it, in the way set out in *SUP* 6.3.15D(3) (Variation of permission) and *SUP* 6.4.5D (Cancellation of permission), or applies to vary (by reducing its scope) or cancel its authorisation or registration (regulation 8 and 10(1) of the *Payment Services Regulations* including as applied by regulation 14 of the *Payment Services Regulations*) or applies to cancel its authorisation or registration (regulation 10 and 12 of the *Electronic Money Regulations* including as applied by regulation 15 of the *Electronic Money Regulations*) or applies for revocation of its registration under article 13(c) of the *MCD Order*; an *issuer* makes an application for de-listing; or a *sponsor* notifies the *FCA* of its intention to be removed from the list of approved *sponsors*; and
- (b) the *firm*, *issuer* or *sponsor* makes the application or notification referred to in (a) before the start of the *fee year* to which the fee relates;

*FEES* 4.2.1R applies to the *firm* as if the relevant variation or cancellation of the *firm's permission* or authorisation or registration

under the *Payment Services Regulations*, *MCD Order* or the *Electronic Money Regulations*, de-listing or removal from the list of approved *sponsors*, took effect immediately before the start of the *fee year* to which the fee relates.

- (2) But (1) does not apply if, due to the continuing nature of the business, the variation, cancellation, de-listing or removal is not to take effect on or before 30 June of the *fee year* to which the fee relates.

...

- 4.3.14 G Where a *firm* has applied to cancel its *Part 4A permission*, or its authorisation or registration under the *Payment Services Regulations* or the *Electronic Money Regulations*, or its registration as a *CBTL firm* under article 13(c) the *MCD Order*, or the *appropriate regulator* has exercised its *own-initiative powers* to cancel a *firm's Part 4A permission* or the *appropriate regulator* has exercised its powers under regulation 10 (Cancellation of authorisation), including as applied by regulation 14 (Supplementary provisions) of the *Payment Services Regulations* to cancel a *firm's* authorisation or registration under the *Payment Services Regulations* or the *appropriate regulator* has exercised its powers under regulation 10 (Cancellation of authorisation), including as applied by regulation 15 (Supplementary provisions) of the *Electronic Money Regulations*, or the *FCA* has exercised its powers under article 13 (Revocation of registration), excluding article 13(c), of the *MCD Order*, the due dates for payment of periodic fees are modified by *FEES* 4.3.6R(3), *FEES* 4.3.6R(4) and *FEES* 4.3.6R(4A) respectively.

**4 Annex 11R 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 in relation to the period 1 April 2014 to 31 March 2015**

...

<u>Part 2B – Activity groups relevant to CBTL firms</u>	
<u>This table shows how <i>CBTL business</i> carried on by <i>CBTL firms</i> is linked to activity groups ('fee-blocks'). A <i>CBTL firm</i> can use the table to identify which fee-blocks it falls into based on its registration</u>	
<u>Activity Group</u>	<u>Fee payer falls into this activity group if</u>
<u>G.20 <i>CBTL Lender</i></u>	<u>It is a <i>CBTL Lender</i>.</u>

<u>G.21 CBTL arranger and CBTL advisor</u>	<u>It is a CBTL arranger or a CBTL advisor.</u>
--	---

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 <i>fee-paying payment service providers</i> , <i>fee-paying electronic money issuers</i> , <u>CBTL firms</u> and <i>issuers of regulated covered bonds</i> .	
Activity Group	Tariff base
...	
<u>G.20</u>	<u>Not applicable</u>
<u>G.21</u>	<u>Not applicable</u>

...

Part 5 – Tariff rates		
Activity group	Fees payable in relation to [2015/16]	
...		
<u>G.20</u>	<u>Flat fee (£)</u>	[TBC]
<u>G.21</u>	<u>Flat fee (£)</u>	[TBC]

...

- 5.1.1-A R Whilst no rule made by the *FCA* in this chapter applies to *VJ participants*, some of the *guidance* may do. The application of rules made by the *FOS Ltd* in this chapter is set out in *FEES 5.5A 5.5B* and described in *FEES 5.1.2AG*.
- 5.1.1A R A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider*, ~~and~~ *fee-paying electronic money issuer* and a CBTL firm.
- 5.1.1B R *FEES 5.1.1AR* does not apply to *FEES 5.5A 5.5B* or *FEES 5 Annex 2R* or *Annex 3R* unless otherwise stated in rules made by the *FOS Ltd*.
- ...
- 5.1.2A G Table of *FEES 5* rules made by the *FOS Ltd*

<i>FEES 5 rules made by the FOS Ltd</i>	Description
<i>FEES 5.5A 5.5B</i>	Rules relating to case fees
...	

...

- 5.5B.24 R Where a respondent ceases to be a *firm, payment service provider, electronic money issuer, CBTL firm, or VJ participant* (as the case may be) part way through a *financial year* it will remain liable to pay case fees under *FEES 5.5B* in respect of cases within the jurisdiction of the *Financial Ombudsman Service*.

**5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for [2015/16]**

...

Industry block	Tariff base	General levy payable by firm
...		
<input checked="" type="checkbox"/> <i>CBTL firms</i>	<u>Flat fee</u>	<u>[TBC]</u>

**5 Annex 2R Annual Levy Payable in Relation to the Voluntary Jurisdiction for [2015/16]**

Voluntary jurisdiction – annual levy for VJ participants				
Industry block and business activity		Tariff basis	Tariff rate	Minimum levy
	...			
10V	Persons not covered by 1V to 9V undertaking activities which are:  (a) ...; or  (b) <i>payment services</i> ; <del>or</del>	...	...	...

	<u>or would be if they were carried on from an establishment in the <i>United Kingdom</i>.</u>			
	...			
<u>13V</u>	<u>Persons not covered by 1V to 9V undertaking activities which are <i>CBTL activities</i> or would be if they were carried on from an establishment in the <i>United Kingdom</i></u>	<u>[TBC]</u>	<u>[TBC]</u>	<u>[TBC]</u>



# **Appendix 3**

## **Periodic Fees (Pensions Guidance Providers)**

### **Instrument 2015 [made rules]**

**PERIODIC FEES (PENSIONS GUIDANCE PROVIDERS) INSTRUMENT 2015**

**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 137T (General supplemental powers);
  - (2) section 139A (Power of the FCA to give guidance);
  - (3) section 333Q (Funding of FCA’s pensions guidance costs); and
  - (4) paragraph 23 of schedule 1ZA (Fees).
- 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 19 June 2015.

**Amendments to the FCA 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 Periodic Fees (Pensions Guidance Providers) Instrument 2015.

By order of the Board of the Financial Conduct Authority  
18 June 2015

## Annex A

### Amendments to the Glossary of definitions

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

*pensions  
guidance  
providers' levy*            the amount payable to the *FCA* by each *designated guidance provider* to which *FEES* 11 (Pensions guidance providers' levy) applies.

## Annex B

### Amendments to the Fees manual (FEES)

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

#### 1 Fees Manual

##### 1.1 Application and Purpose

...

1.1.1D G FEES 11 (Pensions guidance providers' levy) relates to the *pensions guidance providers' levy*.

...

#### 2 General Provisions

##### 2.1 Introduction

...

2.1.1A R This chapter does not apply in relation to:

...

(4) ...

(5) *the pensions guidance levy; or*

(6) *the pensions guidance providers' levy.*

...

After FEES10 insert the following new chapter. The text is not underlined.

#### 11 Pensions guidance providers' levy

##### 11.1 Application, purpose and background

Application

11.1.1 R This chapter applies to a *designated guidance provider*.

Purpose

11.1.2 G This chapter sets out *rules* governing the amounts payable by *designated*

*guidance providers* to the *FCA* to fund the *FCA*'s pensions' guidance costs (see *FEES* 11.1.4G).

#### Background

- 11.1.3 G The *FCA*'s pensions guidance costs are defined in section 333Q(4) (Funding of *FCA*'s pensions guidance costs) of the *Act* as the expenses incurred, or expected to be incurred, by the *FCA* in connection with carrying out the functions conferred on it in Part 20A of the *Act* (other than the functions specified in 333R of the *Act*).
- 11.1.4 G (1) Section 333Q(1) of the *Act* requires the *FCA* to make *rules* requiring *designated guidance providers*, or any specified class of *designated guidance provider* to pay to the *FCA* specified amounts or amounts calculated in a specified way.
- (2) Section 333Q(3) of the *Act* sets out that such amounts may include a component to cover the expenses of the *FCA* in collecting the payments and to enable the *FCA* to maintain an adequate reserve.

## 11.2 Pensions guidance providers' levy

### Obligation to pay pensions guidance providers' levy

- 11.2.1 R A *designated guidance provider* in column (B) of the table in *FEES* 11 Annex 1R must pay the *pensions guidance providers' levy* applicable to it in column (C) of that table:
- (1) in full and without deduction; and
- (2) in accordance with this chapter.

### Time of payment

- 11.2.2 R A *designated guidance provider* must pay the *pensions guidance providers' levy* applicable to it within 30 days of the date of the invoice to which that sum relates.

### Method of payment

- 11.2.3 G A *designated guidance provider* should pay its levy by electronic credit transfer and should notify the *FCA* if it intends to pay in another way.

### Late payments

- 11.2.4 R If a *designated guidance provider* does not pay the total amount of the *pensions guidance providers' levy* applicable to it before the end of the date on which it is due, it must pay:
- (1) an administrative fee of £250; plus

- (2) interest on any unpaid part of the levy at an annual rate of 5% above the Official Bank Rate from time to time in force, accruing daily from the date on which the amount concerned became due.

Reduction, remission and repayment of levy

- 11.2.5 G The *FCA* may reduce or remit all or part of the *pensions guidance providers' levy* applicable to a *designated guidance provider* if it appears to the *FCA* that in the exceptional circumstances of a particular case paying all or part of it would be inequitable.
- 11.2.6 G The *FCA* may refund all or part of the *pensions guidance providers' levy* applicable to a *designated guidance provider* if it appears to the *FCA* that in the exceptional circumstances of a particular case the *FCA* retaining all or part of it would be inequitable.
- 11.2.7 G The *FCA* may not consider a claim to refund a *pensions guidance providers' levy* due to a mistake of fact or law by the *designated guidance provider* if the claim is made more than two years after the beginning of the fee year to which the levy relates

Recovery of levies

- 11.2.8 G (1) The *FCA* may recover the *pensions guidance providers' levy* from a *designated guidance provider* as a debt owed by it to the *FCA* under paragraph 23(8) of Schedule 1ZA of the *Act*.
- (2) The *FCA* will consider taking action for recovery (including interest) through the civil courts.

Revocation of designation as pensions' guidance provider

- 11.2.9 G The *FCA* will not relieve or refund the *pensions guidance providers' levy* paid by a *designated guidance provider* if the Treasury revokes that provider's designation under section 333E(3) of the *Act* after the start of that *fee year*.

Becoming a designated guidance provider

- 11.2.10 R If the Treasury designates a *person* as a *designated guidance provider* under section 333E(1)(e) of the *Act* in the course of a *fee year*, the following formula must be used to calculate the *pensions guidance providers' levy* to be paid by that provider for that *fee year*:

(1)	calculate the number of <i>months</i> between and including:	
	(i)	the <i>month</i> in which the <i>person</i> became a <i>designated guidance provider</i> ; and
	(ii)	the last month of the relevant <i>fee year</i> ;

(2)	divide the number of <i>months</i> calculated in (1) by 12;
(3)	multiply the <i>pension guidance providers' levy</i> set out in column (C) of row 5 of the table at <i>FEES 11A Annex 1R</i> by the number calculated in (2).

## VAT

- 11.2.11 R (1) All *pensions guidance providers' levies* payable under *FEES 11* are stated net of value-added tax (VAT).
- (2) Where VAT is applicable, this must also be included.

**11 Annex 1R Pensions guidance providers' levy for the period 1 April 2015 to 31 March 2016**

The table below shows the *pensions' guidance providers levy* applicable to the *designated guidance providers* for the *fee year* 1 April 2015 to 31 March 2016.

(A) Row	(B) Name of designated guidance provider	(C) Pensions guidance providers' levy payable
1	The Pensions Advisory Service Limited	£150,000
2	The National Association of Citizens Advice Bureaux	£150,000
3	The Scottish Association of Citizens Advice Bureaux	£150,000
4	The Northern Ireland Association of Citizens Advice Bureaux	£150,000
5	Any other person designated as a <i>designated guidance provider</i> between 1 April 2015 and 31 March 2016	£150,000, adjusted in accordance with the formula at <i>FEES 11.2.10R</i>

**Financial Conduct Authority**



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© Financial Conduct Authority 2015  
25 The North Colonnade Canary Wharf  
London E14 5HS  
Telephone: +44 (0)20 7066 1000  
Website: [www.fca.org.uk](http://www.fca.org.uk)  
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