

# **FCA Regulated fees and levies: Rates proposals 2014/15**

March 2014





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We are asking for comments on this Consultation Paper by 30 May 2014.

You can send them to us using the form on our website at:  
[www.fca.org.uk/your-fca/documents/consultation-papers/cp14-06-response-form](http://www.fca.org.uk/your-fca/documents/consultation-papers/cp14-06-response-form).

**Or in writing to:**

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

**Telephone:** 020 7066 5596

**Email:** [cp14-06@fca.org.uk](mailto:cp14-06@fca.org.uk)

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We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

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

You can download this Consultation Paper from our website: [www.fca.org.uk](http://www.fca.org.uk).

## Abbreviations used in this paper

<b>AIFMD</b>	Alternative Investment Fund Managers Directive
<b>AFR</b>	Annual funding requirement
<b>ARMs</b>	Approved reporting mechanisms
<b>CASS</b>	Client Assets sourcebook
<b>CM&amp;A</b>	Client money and assets
<b>CIS</b>	Collective investment schemes
<b>CJ</b>	Compulsory jurisdiction
<b>CP</b>	Consultation paper
<b>CFEB</b>	Consumer Financial Education Body
<b>DPBs</b>	Designated professional bodies
<b>EEA</b>	European Economic Area
<b>FEES</b>	FEES manual
<b>FPS</b>	Financial Penalty Scheme
<b>FSCS</b>	Financial Services Compensations Scheme
<b>FSMA</b>	Financial Services and Markets Act
<b>FSA</b>	Financial Services Authority
<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>ORA</b>	Operating costs
<b>PSRs</b>	Payment Services Regulations

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<b>PS</b>	Policy statement
<b>PRA</b>	Prudential Regulation Authority
<b>RIEs</b>	Recognised investment exchanges
<b>ROIEs</b>	Recognised overseas investment exchanges
<b>RCBs</b>	Regulated covered bonds
<b>RDR</b>	Retail Distribution Review
<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** This CP covers the proposed 2014/15 regulatory fees and levies for the:
- Financial Conduct Authority (FCA)
  - Financial Ombudsman Service (ombudsman service) general levy, and
  - Money Advice Service
- 1.2** We also include:
- our feedback to the responses we received to CP13/14 *Regulatory fees and levies: policy proposals for 2014/15*, published in October 2013, and
  - the outcome of the FCA Fees Review we carried out during 2013/14

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## Who does this consultation affect?

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- 1.3** All fee-payers will be affected by this CP.

### Consumer credit fee-payers

- 1.4** To help this new population of firms we have kept what affects them in only two chapters:
- **Chapter 6** – Provides feedback to the responses we received to chapter 2 of CP13/14 (October 2012) and any resulting changes we have made before finalising the related fees rules. Chapter 2 covered – consumer credit application fees, the method the FCA, the ombudsman service and Money Advice Service will use for charging consumer credit periodic (annual) fees, the definition of consumer credit income and concessions for firms with social objectives.
  - **Chapter 7** – We set out our proposed consumer credit periodic fees and levies for 2014/15 and clarify the basis on which the fees are calculated to take account of the credit-broking merchant discount retailers agree with credit providers.

Consumer credit firms do not pay FCA periodic fees, or ombudsman service or Money Advice Service levies, while they have interim permission. There will be a flow of firms into the consumer credit regime throughout 2014/15 as, from 1 April 2014, we start accepting new applications and applications from firms with interim permission who have been 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 will pay the full rate in 2014/15 and it will be 2016/17 before the status of all the former OFT licensees is determined and we have a full population of consumer credit firms.

To maintain consistency over the long term, we have modelled our fee and levy rates on our best estimates of the number and size of firms we expect to be authorised in 2016/17.

### All other fee-payers

**1.5** We have provided two tables at the end of this chapter to help all other fee-payers identify what chapters in this CP are relevant to them:

- Table 1.1: Fee-payers (other than consumer credit firms) affected by the 2014/15 fees and rates proposals in this CP.
- Table 1.2: Fee-payers (other than consumer credit firms) affected by the feedback to CP13/14 in chapter 8 of this CP.

### Is this of interest to consumers?

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

### Context

**1.7** 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 Handbook Notice. In the case of CP13/14 published October 2013, we are providing feedback on responses received and publishing the final rules through this CP.
- **January** – we consult on the Financial Services Compensation Scheme (FSCS) management expenses levy limit (MELL). This is a joint consultation with the Prudential Regulation Authority (PRA). We provided feedback on responses received to this consultation in the March 2014 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 ombudsman service general levy and Money Advice Service levies for the next financial year. This CP covers the March part of the annual fees consultation.
  - **June** – We expect to publish feedback on the responses received to this together with final FCA, ombudsman service and Money Advice Service fees and levies rates in a policy statement at the end of June.
- 1.8** At the end of this annual cycle we update and publish our *How we raise our fees* paper. This explains the methodology we use to calculate FCA, FSCS, the ombudsman service and Money Advice Service fees and levies. The July 2013 version is available on our website.<sup>1</sup>

## Summary of our proposals

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### FCA 2014/15 fees

- 1.9** We published our *Business Plan and Risk Outlook* on 31 March 2014. The Business Plan sets out how we plan to promote our vision and achieve our objectives during 2014/15. The 2014/15 annual funding requirement (AFR) we will need to meet these plans is £446.4m an increase of £14.3m (3.3%) from £432.1m in 2013/14.
- 1.10** We have delivered on our public commitment to keep FSA legacy costs at the same level as last year, despite our need to continue to upgrade and improve our information systems (IS) and technology platform. To fund our IS plans (including the delivery of the INTACT system) we have re-prioritised, made savings and made a number of operating efficiencies.
- 1.11** The £14.3m increase in our AFR is made up of the following year-on-year movements:
- £6.3m ongoing regulatory expenditure budget increase (1.4%) driven by our new competition team to deliver our competition objective
  - £1.1m increase in scope change recovery costs
  - £2.6m reduction relating to regulatory reform costs
  - £9.5m increase relating to the differences in underspends returned
- 1.12** Taking into account rebates resulting from retained financial penalties, total fees collected from fee-payers in 2014/15 will increase by £8.9m (2.3%). The application of the financial penalty rebate is set out in chapter 5.
- 1.13** Our approach to allocating the £446.4m AFR has been to maintain an even distribution across fee-blocks unless, at an individual fee-block level, there has been a material reason not to. Table 2.2 in chapter 2 shows the movements for all fee-blocks. For most fee-blocks the movement in allocations of our AFR results in either a uniform 3.1% or 3.2% increase. Where the movement in allocations vary from these uniform amounts we provide reasons why.
- 1.14** Chapter 3 covers the proposed fee rates for authorised firms in the 'A' fee-blocks which account for 92% of our AFR (excluding consumer credit). We are proposing that the standard minimum

<sup>1</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)

fee of £1,000 and the lower concession minimum fees for smaller credit unions and friendly societies remain unchanged in 2014/15. The proportion of firms that are expected to only pay minimum fees is 42%. Table 3.1 sets out the year-on-year movements in the draft 2014/15 fee-rates, for each fee-block. The draft fee-rates take into account movements in the number of fee-payers and tariff data from 2013/14, which can have a significant effect on the movements in the fee rates firms will pay compared to the movements in the AFR allocated to particular fee-blocks set out in Table 2.2 in chapter 2. All draft fee-rates are in Appendix 4.

- 1.15** Chapter 4 covers proposed periodic fees for other bodies ('B' to 'G' fee-blocks) and also shows where fee rates differ substantially from the average 3.1% increase for these fee-blocks.

#### **Ombudsman service 2014/15 general levy**

- 1.16** In chapter 10 we consult on allocating the ombudsman general levy between industry blocks. This year, the ombudsman has requested that we raise £23.3m through the general levy (which is the same amount<sup>2</sup> we forecast to collect in 2013/14).

- 1.17** As complaint trends (excluding payment protection insurance (PPI)) have remained stable, we propose to allocate the general levy broadly on the same basis that we did last year.

#### **Money Advice Service 2014/15**

- 1.18** In Chapter 11 we consult on the levies proposed for the Money Advice Service. The Money Advice Service's total funding requirement for 2014/15 is £81.1m. Two separate levies are being proposed to raise:

- £43m (£43.8m in 2013/14) for delivering money advice
- £38.1m (£34.5m in 2013/14) for the coordination and provision of debt advice

Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2014/15 – which will be made by our Board in June 2014 – could vary from those in this CP.

### **FCA Fees Review 2013/14 - outcome**

- 1.19** During 2013/14 we carried out a review of how we raise our fees which included exploring some fundamental alternatives to the current method. Chapter 9 sets out the aims of the review, the approach we took and our engagement with stakeholders. We appreciate the time taken by stakeholders to have a constructive discussion with us. Taking into account the views of stakeholders we have decided that we should continue with the current overall approach. We are however planning to consult on the basis for calculating minimum fees in our October 2014 fees policy CP, as outlined in chapter 9.

- 1.20** We also plan to issue a Discussion Paper on authorisation fees in April 2014.

<sup>2</sup> The ombudsman service asked us to raise £23m in 2013/14 but we forecast that we will actually collect £23.3m by the end of the financial year due to a movement in tariff data since the rates were modelled and published.

## Next steps

### What do you need to do next?

- 1.21** We want to know what you think of our proposed 2014/15 fees and levies rates for the FCA periodic fees, FCA Consumer Credit fees, the ombudsman service and Money Advice Service levies.
- 1.22** Please let us have your comments by **30 May 2014**.

### How?

- 1.23** Use the online response form on our website or write to us at the address on page 3.

### What will we do?

- 1.24** We provide a facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA, the ombudsman service and Money Advice Service consultative rates in Appendix 5 of this CP. The fees calculator will also cover PRA (where applicable) and FSCS levies. The fees calculator for 2014/15 fees and levies will be available from 31 March 2014 for firms to use.
- 1.25** We will consider your comments and subject to FCA Board approval in June, we plan to publish a Policy Statement, including feedback on those comments and final rules, at the end of June 2014.
- 1.26** Certain fee-payers have been invoiced from March 2014 for 'on-account' payments and other firms will be invoiced from July 2014, on the basis of the new fees and levies.

**Table 1.1: Fee-payers (other than consumer credit firms) affected by the 2014/15 fees and levies rates proposals in this CP**

Issue	Fee-payers affected	Chapters
<b>FCA</b>		
Periodic fee rates	Authorised firms – the 'A' fee-blocks	2 and 3
	All fee-payers except authorised firms – fee-blocks B to G	2 and 4
Applying financial penalties	Fee-payers listed in table 5.1 in chapter 5	5
<b>Ombudsman service</b>		
General levy rates	Firms subject to the ombudsman service	10
<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)	11

**Table 1.2: Fee-payers (other than consumer credit firms) affected by the feedback to CP13/14 in chapter 8 of this CP**

Issue consulted on	Fee-payers affected
<ul style="list-style-type: none"> <li>• Creating a new fee-block for firms carrying out investments that hold client money or safeguard and administer custody assets</li> </ul>	All advisers, arrangers, dealers or brokers in fee-blocks A12 and A13
<ul style="list-style-type: none"> <li>• Definition of income for intermediaries - clarifications</li> </ul>	All advisers, arrangers, dealers or brokers in fee-blocks A12 and A13, corporate finance advisers in fee-block A14, home finance providers, advisers and arrangers in fee-block A18 and general insurance mediators in fee-block A19
<ul style="list-style-type: none"> <li>• Introducing an annual fee for approved reporting mechanisms (ARMs)</li> </ul>	All ARMs and firms using ARMs
<ul style="list-style-type: none"> <li>• Electronic payment of application fees and calculation of periodic fees for first year of authorisation</li> </ul>	All applicants for authorisation by the FCA
<ul style="list-style-type: none"> <li>• Amendment to FCA financial penalty scheme</li> </ul>	All authorised firms
<ul style="list-style-type: none"> <li>• Money Advice Service – new method for allocating costs between firms</li> </ul>	<ul style="list-style-type: none"> <li>• Firms subject to money advice levies: authorised firms, payment institutions and electronic money issuers.</li> <li>• Firms subject to debt advice levies – firms in fee-blocks A.1 (Deposit acceptors) and A.2 (Home finance providers and administration).</li> </ul>

## 2. FCA annual funding requirement and allocation to fee-blocks

- 2.1** In this chapter we set out our annual funding requirement (AFR) for 2014/15 and allocations to fee-blocks.

### AFR

- 2.2** We published our 2014/15 Business Plan and Risk Outlook on 31 March 2014. The Business Plan sets out how we plan to promote our vision and achieve our objectives during 2014/15. Table 2.1 shows the calculation of the AFR we will need to achieve our plans in 2014/15.

**Table 2.1: AFR 2014/15**

	2014/15	2013/14	Movement	
	£m	£m	£m	%
Ongoing regulatory activity (ORA)	452.0	445.7	6.3	1.4
FCA regulatory reform implementation	0	2.6	(2.6)	-
Underspend	(10.0)	(19.5)	9.5	-48.7
AFR before scope change	442.0	428.8	13.2	3.1
Recovery of scope change activities	4.4	3.3	1.1	33.3
AFR	446.4	432.1	14.3	3.3
Financial Penalty Rebate (ii)	(43.6)	(38.2)	(5.4)	14.1
Fees payable	402.8	393.9	8.9	2.3

Notes:

(i) 2013/14 retained financial penalties (estimate)

- 2.3** We plan to spend £452.0m in 2014/15. This is an increase of £6.3m (1.4%) over our 2013/14 budget, driven by our new competition team to deliver our competition objective.
- 2.4** We have delivered on our public commitment to keep FSA legacy costs at the same level as last year, despite our need to continue to upgrade and improve our information systems (IS) and technology platform. To fund our IS plans (including the delivery of the INTACT system) we have re-prioritised, made savings and made a number of operating efficiencies.
- 2.5** The total AFR for 2014/15 is £446.4m, an increase of £14.3m (3.3%) from 2013/14. This includes the recovery of our operating costs (ORA) budget and the £4.4m funding required for the recovery of scope change costs in relation to the implementation of the Alternative Investment Fund Managers Directive (AIFMD). Offsetting these is a £10.0m reduction as a result of budget under-spends in 2013/14.

- 2.6** We must pay all financial penalties received to the Exchequer, net of certain enforcement costs incurred in generating these penalties, in the same year. These retained penalties are used to reduce our fees, aside from the fees levied on the penalty payer themselves. Currently, we estimate the financial penalty rebate to be £43.6m in 2014/15 (£38.2m 2013/14). Taking into account this rebate, fees collected from fee-payers in 2014/15 will increase by £8.9m (2.3%). The application across fee-payers of the financial penalty rebate is set out in Chapter 5.

#### **Payment Systems Regulator**

- 2.7** We are currently in the process of setting up the new Payment Systems Regulator as required by the Financial Services (Banking Reform) Act 2013. Any set-up costs will be recovered from the relevant firms in due course once it is fully operational. These costs are ring-fenced and not included as part of our ORA or AFR in 2014/15.

#### **Consumer credit**

- 2.8** The funding of our preparations for consumer credit and proposed recovery for 2014/15 is covered in chapter 7. These costs are also not included as part of our ORA or AFR in 2014/15.

#### **AFR allocation to fee-blocks**

- 2.9** Our £446.4m 2014/15 AFR has been allocated across fee-blocks as set out in Table 2.2. Our approach to allocation has been to maintain an even distribution of the AFR, unless at an individual fee-block level, there has been a material reason not to.
- 2.10** To do this we have adjusted the £14.3m (3.3%) increase in the AFR to take account of the impact in the movement in scope change recovery costs set out in Table 2.1. We have made this adjustment because scope change costs are one-off recoveries in a particular year. The resulting £13.2m (3.1% increase) has been allocated across the 'A to 'G' fee-blocks.
- 2.11** However, in the case of the 'A' fee-block the 3.1% increase has not been applied to the A.0 minimum sub-set fee-block as we are proposing in chapter 3 that the minimum fee remains unchanged in 2014/15. This means that a 3.2% increase has been applied to all the other 'A' sub-set fee-blocks except A.6 as the Society of Lloyd's fee is set on an individual basis and is not subject to a minimum fee.

**Table 2.2: AFR allocations across fee-blocks**

<b>Fee-block</b>	<b>(i)</b>	<b>Proposed 2014/15 £m</b>	<b>Actual 2013/14 £m</b>	<b>Movement</b>
A.0 FCA minimum fee	Solo	18.0	18.0	0%
AP.0 FCA prudential fee (ii)	Solo	15.6	11.0	42.5%
A.1 deposit acceptors	DR	62.3	60.0	3.9%
A.2 home finance providers and administrators	Solo	16.0	15.5	3.2%
A.3 insurers – general	DR	22.8	22.1	3.2%
A.4 insurers – life	DR	38.5	37.3	3.2%
A.5 managing agents at Lloyd's	DR	0.2	0.2	3.2%
A.6 the Society of Lloyd's	DR	0.3	0.3	3.1%
A.7 portfolio managers	Solo	43.4	38.8	11.7%

A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Solo	13.4	10.8	23.6%
A.10 firms dealing as principal	Solo & DR (iii)	46.2	48.9	-5.6%
A.13 advisory arrangers, dealers or brokers (iv)	Solo	68.0	83.6	-18.7%
A.21 firms holding client money or assets or both	Solo	13.4	0.0	N/A
A.13 and A.21 sub-total (see also table 2.3)		81.4	83.6	-2.7%
A.14 corporate finance advisors	Solo	12.6	12.2	3.2%
A.18 home finance providers, advisers and arrangers	Solo	15.7	15.2	3.2%
A.19 general insurance mediation	Solo	25.9	25.1	3.2%
B. recognised investment exchanges, operators of multilateral trading facilities, recognised auction platforms and service companies	Solo	6.9	6.7	3.1%
C. collective investment schemes	Solo	2.3	2.2	3.1%
D. designated professional bodies	Solo	0.2	0.2	3.1%
E. issuers and sponsors of securities	Solo	19.7	19.1	3.1%
F. unauthorised mutuals	Solo	1.6	1.6	3.1%
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	3.5	3.5	3.1%
<b>Total</b>		<b>446.4</b>	<b>432.1</b>	<b>3.3%</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 the AP.0 FCA prudential fee fee-block. The remaining firms in A.10 are solo-regulated by the FCA and, therefore, pay prudential fees to the FCA in AP.0.

**2.12** The reasons why the 3.1% movement varies for some 'A' sub-set fee-blocks are:

- **AP0 FCA Prudential fee-block** – Increase of £4.6m to £15.6m (42.5%). This reflects that, informed by our experience in our first year as the FCA, we are spending more time on prudentially supervising wholesale and retail firms in order to minimise the potential harm to consumers and market stability that could be caused by them being under financial strain or failure. The allocation also reflects our continuing focus on ensuring that these firms have enough liquidity and capital available to have an orderly wind-down if they fail. We work closely with the PRA to create wind-down plans and waivers where necessary.

- **A.1 Deposit acceptors fee-block** – Increase of £2.3m to £62.3m (3.9%). The 2013/14 allocation included a £400,000 underspend relating to bringing Northern Ireland Credit Unions within our regulatory scope. This has resulted in the above-average increase in 2014/15.
- **A.7 Portfolio managers and A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes** – A.7 increase of £4.6m to £43.4m (11.7%) and A.9 increase of £2.6m to £13.4m (23.6%). These increases reflect the recovery of our set-up costs for the implementation of the Alternative Investment Fund Managers Directive (AIFMD) in 2014/15.
- **A.10 Firms dealing as principal** – Decrease of £2.7m to £46.2m (-5.6%). This reflects the reduction in costs relating to the LIBOR investigations in 2014/15.
- **A.13 Advisory arrangers, dealers or brokers** – Decrease of £15.6m to £68.0m (-18.7%). This reduction is mainly driven by the removal of costs to the new A.21 fee-block (Firms holding client money or assets or both). The 2013/14 allocation included a £3.7m one-off amount covering the accumulated three-year Retail Distribution Review (RDR) project costs. These costs were treated as scope change and therefore held over during the life of the project and recovered at the end. This has also contributed to the overall 18.7% decrease for 2014/15. See Table 2.3 for a further breakdown which also explains the year-on-year movement of -2.7% from A.13 and A.12 fee-blocks in 2013/14 and A.13 and the new A.21 fee-blocks in 2014/15.

**Table 2.3: Movements in fee-blocks A.12/A.13 and A.13/A.21**

	<b>A.12</b>	<b>A.13</b>	<b>Total</b>
<b>2013/14 AFR:</b>	44.5	39.2	83.6
RDR scope change costs	-0.8	-2.9	-3.7
2013/14 AFR excluding scope change	<b>43.7</b>	<b>36.2</b>	<b>79.9</b>
<b>2014/15 AFR:</b>			
Brought forward	43.7	36.2	79.9
Uniform increase (3.1%) plus A.0 adjustment	1.3	1.2	2.5
Rebate of RDR scope change	-0.2	-0.9	-1.1
A.21 new fee-block	-13.4	n.a.	-13.4
	<b>31.4</b>	<b>36.5</b>	<b>68.0</b>
<b>Combined as 'new' A.13 AFR</b>			
A021 AFR	13.4		
Total	<b>81.4</b>		
<b>Net change</b>	<b>-2.7%</b>		

Note: Following consultation in CP13/14 (October 2013), the A.12 fee-block is no longer used and fee-block A.21 was introduced to cover the activity of holding client holding money or assets or both. Our feedback on responses received to CP13/14 is set out in chapter 8.

## 3. FCA periodic fees for authorised firms

### *(FEES 4 Annex 2AR draft rules in Appendix 5)*

- 3.1** This chapter sets out our 2014/15 periodic fees proposals for authorised firms in the 'A' fee-blocks. These fee-blocks account for 92% of our 2014/15 AFR.
- 3.2** Proposals for periodic fees payable by other bodies are in Chapter 4 of this paper.
- 3.3** Proposals for periodic fees payable by consumer credit firms are in Chapter 7 of this paper.

### **Proposed minimum periodic fees**

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- 3.4** We are proposing that the 'A' fee-block FCA minimum fee of £1,000 remains unchanged in 2014/15 and that the lower concession minimum fees for smaller credit unions and friendly societies should also remain unchanged. The proportion of firms that are expected to only pay minimum fees is 42%.
- 3.5** In Chapter 9 we report on the outcome of our review of the way we raise fees in the 'A' fee-block, which we committed to undertake in 2013/14. One of the outcomes of that review is that we should consult with the industry on a range of alternatives for calculating the minimum fee and for keeping it under review. We intend to undertake this through our annual fees policy CP in October 2014. We anticipate that any revised basis for calculating minimum fees will be implemented in 2015/16.

### **Proposed variable periodic fees**

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- 3.6** The AFR allocated to the 'A' fee-blocks are recovered on a 'straight line' basis (ie, in direct proportion to the size of permitted business firms undertake in these fee-blocks). Therefore, the firms should pay fees that change in line with the year-on-year allocations of our AFR, as set out in Table 2.2 in Chapter 2. However, the movements in the allocations of our AFR stated in this table at a fee-block level will, in some cases, differ from the movements in the draft fee rates detailed in Appendix 5. This is due to annual changes in the number of fee-payers and amount of tariff data<sup>3</sup> in each fee-block.
- 3.7** Table 3.1 sets out the number of fee-payers and the total tariff data that has been used to calculate the draft 2014/15 fee rates in Appendix 5 and compares them to the data used to calculate 2013/14 fee rates showing the level of year-on-year movements. To show the effect of these movements on the fees firms will pay, compared to the movements in the allocations of our AFR, we also include the year-on-year movements in fee-rates.

<sup>3</sup> The AFR allocated to each fee-block is recovered from firms in the fee-block based on the proportion of business they undertake in that fee-block. The amount of business is measured by the tariff base. The tariff base differs between fee-blocks but the most common one is income. Tariff data is the amount of income that a firm receives in relation to the business undertaken in that fee-block.

**Table 3.1: Data used to estimate 2014/15 periodic fee rates for consultation**

Fee-block	Tariff base	Number of firms in fee-blocks			Tariff data			Change in fee-rates
		2014/15 Estimated	2013/14 Actual	Change	2014/15 Estimated	2013/14 Actual	Change	
A.1	Modified eligible liabilities	898	912	-1.5%	2,908.6bn	2,118.1bn	3.2%	1.1%
A.2	Number of mortgages or other home finance transactions	308	310	-0.6%	£7.4m	£7.5m	-7.9%	4.8%
A.3	Gross premium income	380	389	-2.3%	£61.6bn	£62.3bn	-1.1%	4.8%
	Gross technical liabilities			£130.7bn	£131.8bn	-0.8%	-3.8%	4.4%
A.4	Adjusted gross premium income	204	215	-5.1%	£56.9bn	£59.3bn	-4.0%	7.4%
	Mathematical reserves				£890.2bn	£876.7bn	1.5%	1.5%
A.5	Active capacity	60	60	0.0%	£24.7bn	£24.8bn	-0.3%	3.5%
A.7	Funds under management	2,586	2,533	2.1%	£5,237.1bn	£4,736.3bn	10.7%	1.2%
A.9	Gross income	789	772	2.2%	£8.5bn	£8.5bn	0.3%	23.9%
A.10	Traders	431	431	0.0%	9,868	10,139	-2.7%	-1.5%
A.13 (i)	Annual income	8,828	8,667	1.9%	£25.6bn	£25.2bn	1.5%	-59.8%
A.14	Annual income	776	761	2.0%	£4.2bn	£4.4bn	-4.6%	7.4%
A.18	Annual income	5,283	5,238	0.9%	£1.0bn	£0.9bn	4.1%	-1.9%
A.19	Annual income	12,749	12,522	1.8%	£15.2bn	£14.8bn	2.7%	0.6%
A.21 (ii)	Client money	1,014	N/A		£172.8bn	N/A		N/A
	Assets held				£11,689.1bn	N/A		N/A

## Notes:

- (i) Fee-block A.13 2013/14 figures are a combination those from A.13 and A.12. Fee-block A.12 covered the same regulated activities as A.13 plus the activity of holding client money or assets or both. Following consultation in CP13/14 (October 2013), the A.12 fee-block is no longer used and fee-block A.21 block was introduced to cover the activity of holding client holding money or assets or both. Our feedback on responses received to CP13/14 is set out in Chapter 8.
- (ii) 2014/15 is the first year that the tariff data for this fee-block has been collected. We do not have the equivalent tariff data for 2013/14 in order to make a comparison with 2014/15.

- 3.8** The estimated data for 2014/15 in Table 3.1 may change between now and June, when the data will be used to calculate the final fee rates. This is because we calculate the draft fee rates a few weeks before this CP is published and, therefore, the population of fee-payers as at 1 April 2014 is estimated. Also, the collection and validation of tariff data is not completed until the end of April.
- 3.9** The tariff base for the A.13 fee-block is the annual income firms receive from the regulated activities covered by this fee-block. Where A.13 firms are also in the new A.21 fee-block they should not be including in their A.13 2014/15 tariff data returns any income they receive from the regulated activity of holding client money and/or assets. However, our experience of collecting tariff data for the A.13 fee-block shows that some firms are continuing to include income from holding client money and/or assets.
- 3.10** Where we identify this we are asking firms to amend their tariff data returns and will continue to do so. This means that the total tariff data we use to calculate the final A.13 fee-rate in June could be much lower than we are using to calculate the draft fee-rate in Appendix 4 and therefore the final fee-rate for A.13 could also be higher as a result.

#### **Moderation framework**

- 3.11** In exceptional cases, we apply our moderation framework, which allows our straight-line recovery policy to accommodate a targeted recovery of costs within a fee-block, if it can be justified. This moderation can be either side of the straight-line recovery and is achieved by applying a premium or discount to the tariff data that measures the amount of permitted business firms undertake within a moderated fee-block. We consult before applying the moderation framework.

#### **A.1 fee-block (Deposit acceptors)**

- 3.12** The A.1 fee-block (Deposit acceptors) is an existing exception from straight-line recovery. Within this fee-block, the firms who fall within the medium-high and high bands of our moderation framework pay a premium fee-rate. This reflects the particular targeting of our overall supervision to the high-impact, systemically important firms in this sector.
- 3.13** For 2014/15, we are proposing to continue to apply a premium of 25% and 65% to the fee rates for firms in the medium-high and high-impact bands of the A.1 fee-block.

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

- 3.14** In chapter 8 we provide feedback on responses to CP13/14 which consulted on the setting up of the new A.21 fee-block. As discussed in chapter 8, in recognition of the concerns raised by firms we are proposing to introduce bandings within the A.21 fee-block based on the risk classifications we apply to firms in the CASS sourcebook. This will enable us to align where we apply our resources and the fees we charge firms.
- 3.15** The bandings and level of moderation we propose to apply to the tariff data for both client money and client assets are set out in Table 3.2. The outcome of this moderation is that the 2014/15 £13.4m AFR will be distributed:

- CASS large firms                      76.49%
- CASS medium firms                    23.49%
- CASS small firms                      0.02%

**Table 3.2 A.21 bandings and level of modification**

<b>Client Money</b>	<b>CB01 CASS small firms</b>	<b>CB02 CASS medium firms</b>	<b>CB03 CASS large firms</b>
<b>Band Width</b>	0 - 1,000,000	>1,000,000 - 1,000,000,000	>1,000,000,000
<b>Moderation</b>	0%	-25%	-50%

  

<b>Client Assets</b>	<b>CB01 CASS small firms</b>	<b>CB02 CASS medium firms</b>	<b>CB03 CASS large firms</b>
<b>Band Width</b>	0 -10,000,0000	>10,000000 - 100,000,000,000	>100,000,000,000
<b>Moderation</b>	0%	-25%	-50%

**AP.0 FCA prudential fee-block and A.21 fee-block**

- 3.16** The allocation of the AFR to the AP.0 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. For these purposes the A.12 fee-block was included. Following consultation in CP13/14 the A.12 fee-block has been removed from the fees rules and the A.21 fee-block has been added. We are proposing to include A.21 for the purposes of calculating the fees for AP.0. This will ensure that the firms in A.12 who contributed to the recovery of the AFR allocated AP.0 in 2013/14 will continue to do so in 2014/15.

**European Economic Area (EEA) branches – fees discounts**

- 3.17** The FCA, as the host state conduct regulator, is primarily responsible for the conduct regulation of the incoming EEA branch. The discounts reflects the degree that our supervisory responsibilities for EEA incoming branches (passported in to the UK), in relation to systems and controls and approved persons, are less than for UK-based firms carrying on the same regulated activities.
- 3.18** For 2014/15 we are proposing to continue to apply the current discounts as set out in Appendix 5.

**Online fees calculator**

- 3.19** We provide a facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA, the ombudsman service and Money Advice Service consultative rates in Appendix 5 of this CP.
- 3.20** The fees calculator will also cover PRA (where applicable) and FSCS levies.
- 3.21** The fees calculator for 2014/15 fees and levies will be available from 31 March 2014 for firms to use.

**Q1: Do you have any comments on the proposed FCA 2014/15 minimum fees and variable periodic fee rates for authorised firms?**

**We must receive any responses by 30 May 2014.**

Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2014/15 – which will be made by our Board in June 2014 – could vary from those in this CP.

## 4. FCA periodic fees for other bodies

- 4.1** This chapter sets out the proposed periodic fees for fee-payers in fee block:
- 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
- 4.2** The proportion of our AFR allocated to fee-blocks B to G and year-on-year movement in allocations are detailed in Chapter 2. In this chapter, we only comment where year-on-year movements for sub-sets of fee-payers are substantially different than the average 3.1% increase explained in chapter 2.
- 4.3** The periodic fees for the fee-payers in the A fee-blocks are discussed in Chapter 3.
- 4.4** We are also consulting in this chapter on proposed changes to the way fees are calculated for operators of multi-lateral trading facilities and service companies in the 'A' fee-block and firms subject to the Regulated Covered Bonds regulations in fee-block G.

Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2014/15 – which will be made by our Board in June 2014 – could vary from those in this CP.

### Fee-block B: Market infrastructure providers

#### Recognised investment exchanges (RIEs) (FEES 4 Annex 6R Part 1 – draft rules in Appendix 5)

- 4.5** We are continuing to set the fees for RIEs on an individual basis. They are calculated from our records of the resources put into supervising each one over the previous year and the projected

level of supervisory intensity over the coming year. We continue to foresee a significant amount of work across all RIEs from a supervisory perspective, and we expect this to be augmented by the implementation of EU and international regulatory policy requirements, alongside known business plans for the year. Overall, the increase in fees is 5.5%. The proposed fees are detailed in Table 4.1.

**Table 4.1: Proposed periodic fees for RIEs**

<b>Name of RIE</b>	<b>Proposed 2014/15 fee (£)</b>	<b>Actual 2013/14 fee (£)</b>	<b>Variance</b>
ICE Futures Europe Ltd	890,000	690,000	29.0%
LIFFE Administration and Management	890,000	995,000	-10.6%
London Metal Exchange	645,000	610,000	5.7%
London Stock Exchange plc	870,000	825,000	5.5%
ICAP Securities & Exchange Limited (RIE)	315,000	300,000	5.0%
BATS Trading Limited	475,000	450,000	5.6%
CME Europe Ltd	300,000	300,000	0.0%
Any other RIE	300,000	300,000	0.0%

Note: ICE has recently purchased NYSE Euronext and as such ICE Futures Europe and Liffe Administration and Management are in the same group and are combining. Hence the regulatory fees for each RIE have been combined and split in two, creating an increase across the 2 entities of 5.6%.

- 4.6** If you have any questions regarding these fees please contact your relationship manager.

**Recognised auction platforms**  
**(FEES 4 Annex 6R Part 1A – draft rules in Appendix 5)**

- 4.7** We propose a flat fee of £50,000 for 2014/15, unchanged from 2013/14.

**Recognised overseas investment exchanges (ROIEs)**  
**(FEES 4 Annex 6R Part 2 – draft rules in Appendix 5)**

- 4.8** For 2014/15, we propose a flat-rate fee of £58,000 an increase of 3.5% compared to 2013/14 (£56,000). As all ROIEs will be paying the same flat-rate fee, we are no longer listing them by name in FEES 4 Annex 6 Part 2.

**Multilateral trading facilities (MTFs)**  
**(FEES 4 Annex 10R – draft rules in Appendix 5)**

- 4.9** We charge a range of fees for different MTF operators to reflect the level of supervisory intensity and resources they require. Rather than calculating individual rates, we propose a simpler structure aligned with the three groups defined in our supervisory framework for MTFs. These reflect the risks the different categories of firm pose to our statutory objectives and the resultant and relative amount of resource we expend. Each firm is aware of the category it falls into. Existing MTFs have already been notified and new MTFs are informed of their categorisation upon authorisation. Therefore, the categorisations provide a clear basis for charging fees. We are proposing a flat fee according to the regulatory categories the MTFs have been assigned to on 1 April of the relevant fee-year:

- Category 1 - £300,000
- Category 2 - £58,000
- Category 3 - £17,500

**4.10** Overall, the increase in the fees of MTF operators amounts to 11%, but this reflects our practical experience of the resources we put into supervising the operators of MTFs.

#### **Service companies**

##### ***(FEES 4 Annex 2R Part 1 – draft rules in Appendix 5)***

**4.11** Service companies play an important role in financial markets by facilitating the conduct of investment transactions by their clients. At present, they are charged flat rates of £45,000 or £58,000, but these do not necessarily reflect the scale of regulated business they undertake. A clearer methodology for calculating their charges would make their fees more predictable. In line with our approach in many of the 'A' fee-blocks, we accordingly propose to base their fees on their annual income from regulated activities as a measure of size. We are proposing three flat-rate fees:

- |   |         |
|---|---------|
| • Income up to and including £100,000         | £1,000  |
| • Income over £100,00 up to and including £1m | £10,000 |
| • Income over £1m                             | £45,000 |

**4.12** This proposal will result in no increases in fees for any service companies, while some will see a reduction.

**4.13** Our proposals rely on the accurate and timely submission of income figures. The accounts of some firms may not distinguish business generated by their service companies from other revenue streams. In this case, they should consult the guidance in the rules and apportion their service company income on the basis of an average split of business over a representative period. They should be ready to provide a documented justification of their assumptions if challenged by us. If they are unable to provide income figures, we will assume they fall into the highest tier. The definition in FEES 4 Annex 11AR and guidance in FEES 4 Annex 13G (as amended by Appendix 4 in this CP) will apply to service companies.

#### **Fee-block C: collective investment schemes (CIS)**

##### ***(FEES 4 Annex 4R – draft rules in Appendix 5)***

**4.14** The proposed CIS fee rates for 2014/15 are detailed in Table 4.2, which have increased from 2013/14 by 5.9% or 5.8% compared to a 3.1% increase in AFR allocation for this fee-block. The AFR allocated to this fee-block is recovered from fee-payers in proportion to the number of funds or sub-funds operated. The total number of funds/sub-funds reported by all fee-payers for 2014/15 have fallen compared to 2013/14 which means that the fee-rate per fund/sub-fund has increased greater than the movement in the AFR allocated.

**Table 4.2: Proposed CIS periodic fees**

<b>Scheme type</b>	<b>Total aggregate number of funds/sub-funds</b>	<b>Proposed 2014/15 fee-rate (£)</b>	<b>Actual 2013/14 fee-rate (£)</b>	<b>Variance</b>
<b>ICVC, AUT, ACS, Section 264 of the Act, schemes other than non-EEA AIFs recognised under section 272 of the Act</b>	0-2	720	680	5.9%
	3-6	1,800	1,700	5.9%
	7-15	3,600	3,400	5.9%
	16-50	7,920	7,480	5.9%
	>50	15,840	14,960	5.9%
<b>Non-EEA AIFs recognised under section 272 of the Act</b>	0-2	2,930	2,770	5.8%
	3-6	7,325	6,925	5.8%
	7-15	14,650	13,850	5.8%
	16-50	32,230	30,470	5.8%
	>50	64,460	60,940	5.8%

**Fee-block D: designated professional bodies (DPBs)****(FEES 4 Annex 5R – draft rules in Appendix 5)**

- 4.15** We set individual periodic fees for each DPB, based on an estimated number of exempt professional firms in each body. Every DPB pays £10,000 for its first exempt professional firm, which recovers £100,000 of the allocation to this fee-block. The remaining amount allocated to this fee-block is then recovered in proportion to the exempt professional firms reported by each DPB. The proposed periodic fees are detailed in Table 4.3. The variances differ from the average 3.1% increase in the AFR allocation to this fee-block because of the movements in exempt professional firms reported for 2014/15 compared to 2013/14.

**Table 4.3: Proposed DPB periodic fees**

<b>DPB</b>	<b>Proposed 2014/15 fee (£)</b>	<b>Actual 2013/14 fee (£)</b>	<b>Variance</b>
The Law Society of England and Wales	85,910	81,930	4.9%
The Law Society of Scotland	14,690	14,450	1.7%
The Law Society of Northern Ireland	13,690	13,510	1.3%
The Institute of Actuaries	10,130	10,130	0.0%
The Institute of Chartered Accountants in England and Wales	27,490	26,180	5.0%
The Institute of Chartered Accountants of Scotland	11,410	11,380	0.3%
The Institute of Chartered Accountants in Ireland	10,750	10,730	0.2%
The Association of Chartered Certified Accountants	18,480	18,030	2.5%
Council for Licensed Conveyancers	11,550	11,470	0.7%
Royal Institute of Chartered Surveyors	14,620	14,410	1.5%

### Fee-block E: sponsors and issuers of securities (UKLA)

*(FEES 4 4.2.11R Table of periodic fees and FEES 4 Annex 7R and 8R – draft rules in Appendix 5)*

#### Sponsors

**4.16** Sponsors fee for 2014/15 is £25,000 unchanged from 2013/14.

#### Annual listed issuer fees

**4.17** This fee represents the total annual fee for a listed issuer - no additional annual fee is due under the disclosure rules and transparency rules. The annual 2014/15 issuer fees for listed issuers of shares, depositary receipts and securitised derivatives is as follows:

- for issuers of securitised derivatives £4,750 unchanged from 2013/14
- for issuers of global depositary receipts – as set out in Table 4.4 below
- for all other issuers – as set out in Table 4.5 below

**Table 4.4: Tiered annual fees for issuers of global depositary receipts**

	<b>Proposed 2014/15 fee</b>	<b>Actual 2013/14 fee</b>	<b>Variance</b>
Minimum fee	£3,800	£3,800	0.0%
£ million of market capitalisation	Fee-rate (£)	Fee-rate (£)	
0-100	0	0	N/A
> 100 – 250	23.522198	22.879515	2.8%
> 250 – 1,000	9.408255	9.151199	2.8%
> 1000 – 5,000	5.791167	5.632939	2.8%
> 5,000 – 25,000	0.141264	0.137405	2.8%
> 25,000	0.045639	0.044392	2.8%

**Table 4.5: Tiered annual fees for all other issuers**

	<b>Proposed 2014/15 fee</b>	<b>Actual 2013/14 fee</b>	<b>Variance</b>
Minimum fee	£4,750	£4,750	0.0%
£ million of market capitalisation	Fee-rate (£)	Fee-rate (£)	
0-100	0	0	N/A
> 100 - 250	29.402748	28.599394	2.8%
> 250 – 1,000	11.760319	11.43899	2.8%
> 1000 – 5,000	7.238959	7.0411735	2.8%
> 5,000 – 25,000	0.176580	0.171756	2.8%
> 25,000	0.057049	0.055490	2.8%

**Annual non-listed issuer fees**

**4.18** This represents the fee payable by non-listed issuers in relation to the disclosure and transparency rules. The annual 2014/15 non-listed issuer fees for issuers of shares, depositary receipts and securitised derivatives is as follows:

- For issuers of securitised derivatives £3,800 unchanged from 2013/14.
- For issuers of depositary receipts and global depositary receipts £3,040 unchanged from 2013/14.
- For all other non-listed issuers – as set out in Table 4.6.

**Table 4.6: Tiered annual fees for all other non-listed issuers**

	<b>Proposed 2014/15 fee</b>	<b>Actual 2013/14 fee</b>	<b>Variance</b>
Minimum fee	£3,800	£3,800	0.0%
£ million of market capitalisation	Fee-rate (£)	Fee-rate (£)	
0-100	0	0	N/A
> 100 – 250	23.522198	22.879515	2.8%
> 250 – 1,000	9.408255	9.15119	2.8%
> 1000 – 5,000	5.791167	5.632939	2.8%
> 5,000 – 25,000	0.141264	0.137405	2.8%
> 25,000	0.045639	0.044392	2.8%

**Fee-block F: unauthorised mutuals****(FEES App1 - draft rules in Appendix 5)**

**4.19** The proposed fees are unchanged as detailed in Table 4.7.

**Table 4.7: Proposed periodic fees for unauthorised mutual**

<b>Total assets (£'000)</b>	<b>Proposed 2013/14 fee-rate (£)</b>	<b>Actual 2012/13 fee-rate (£)</b>	<b>Variance</b>
0 – 50	55	55	0.0%
> 50 - 100	110	110	0.0%
> 100 - 250	180	180	0.0%
> 250 - 1,000	235	235	0.0%
> 1,000	425	425	0.0%

**Fee-block G:****Fee-block G: Firms registered under the Money Laundering Regulations 2007**

- 4.20** We are proposing that the annual fee for firms registered with us under the money laundering regulations should be maintained at £400 for 2014/15. (Fee-block G.1).

**Fee-block G: Firms covered by the Payment Services Regulations (PSRs) 2009 (FEES 4 Annex 11R – draft rules in Appendix 5)**

- 4.21** The proposed fee rates are detailed in Tables 4.8 and 4.9.

**Table 4.8: Certain deposit acceptors (includes banks and building societies) [G.2 fee-block]**

Minimum fee (£)	400		
£ million or part £m of modified eligible liabilities (MELS)	Fee-rate		
	Proposed 2014/15	Actual 2013/14	Variance
> 0.1	0.27740	0.27200	2.0%

**Table 4.9: Large payment institutions and other institutions (G3. And G.5 fee-blocks)**

Minimum fee (£)	400		
£ thousands or part £ thousands of relevant income	Fee-rate		
	Proposed 2014/15	Actual 2013/14	Variance
> 100	0.186600	0.18300	2.0%

- 4.22** We propose that the annual fee for small payment institutions be maintained at £400 for 2014/15. (Fee-block G.4)

**Fee-block G: Firms subject to the Electronic Money Regulations 2011 (EMRs)****(FEES 4 Annex 11R – draft rules in Appendix 5)**

- 4.23** The proposed fee rates for large electronic money institutions (EMIs) under the EMRs are set out in Table 4.10.

**Table 4.10: Large electronic money institutions (Fee-block G.10)**

	Proposed 2014/15 fee	Actual 2013/14 fee	Variance
Minimum fee	£1,500	£1,500	0%
£m or part £m of average outstanding electronic money (AOEM)			
> 5.0	£205.00	£200.00	2.5%

- 4.24** We propose that the annual fee for small EMIs will be maintained at £1,000 for 2014/15 that same as levied in 2013/14. (Fee-block G.11)

#### **Fee-block G: firms subject to the Regulated Covered Bonds Regulations 2008 (Fee-block G.15)**

##### ***(FEES 4 Annex 11R – draft rules in Appendix 5)***

- 4.25** The AFR allocated to this fee-block is recovered through two levels of flat minimum fees based on the number of registered programmes and a variable fee which takes into account the number of issues made (market activity). Currently the proportion recovered through the minimum fees is 75% and 25% through the variable fee. For 2014/15 we are proposing to change this split to 90% and 10% respectively. We believe this revised split reflects better the amount of work that we perform across issuers, where we conduct assessments such as annual reviews and quarterly stress testing which is not particularly influenced by market activity. Also from this year's review cycle forwards we have moved to undertaking work on a more horizontal basis across all issuers.
- 4.26** The 2014/15 fees for issuers of regulated covered bonds are set out in Table 4.11. Most issuers will see increases only at the minimum fee level and one, having made an issue during the relevant period, will see an increase of 63% overall in their fees.

**Table 4.11: Proposed periodic fees**

	<b>Proposed 2014/15</b>	<b>Actual 2013/14</b>	<b>Variance</b>
Minimum fee for the first registered programme	£84,439	£68,271	23.7%
Minimum fee for all subsequent registered programmes	75% of first registered programme	75% of first registered programme	20%
Variable periodic fee - £m or part £m of RCBs issued in the 12 months ending on valuation date	£86.22	£10.13	751.1%

**Q2: Do you have any comments on the proposed FCA 2014/15 minimum fees and periodic fee rates for fee-payers other than authorised firms?**

**We must receive any responses by 30 May 2014.**

## 5. Applying financial penalties

- 5.1** This chapter is relevant to all fee-payers that fall within the fee-blocks set out in Table 5.1.

### Financial penalty scheme

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- 5.2** 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). 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.
- Financial penalties received by us 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.
- 5.3** 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 5.1.
- 5.4** 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.
- 5.5** Enforcement costs are not allocated to the A.0 minimum fee fee-block. Therefore, retained penalties are not allocated to this fee-block.
- 5.6** 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.
- 5.7** 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

**5.8** 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.

### Financial penalty rebates for 2014/15

**5.9** We currently estimate the retained penalties for 2013/14 to be £43.6m (£38.2m 2012/13). The amount of the estimated retained penalties allocated to each fee-block and the estimated percentage rebates that will be applied to the 2014/15 periodic fees paid by the firms in those fee-blocks is set out in Table 5.1. The final rebates will be published in the June 2014 policy and feedback statement to this CP.

**Table 5.1: Draft schedule of application of 2013/14 retained penalties in 2014/15**

<b>Fee-block</b>	<b>2013/14 Retained penalties to be applied to benefit of fee-payers £m</b>	<b>Rebate applied to 2014/15 fees</b>
AP.0 FCA prudential	0	0.0%
A.1 deposit acceptors	5.3	8.5%
A.2 home finance providers and administrators	0.6	3.7%
A.3 insurers – general	1.2	5.2%
A.4 insurers – life	2.1	5.4%
A.5 managing agents at Lloyd's	0.0	0.0%
A.6 the Society of Lloyd's	0.0	0.0%
A.7 fund managers	8.7	20.1%
A.9 operators, trustees and depositaries of collective investment schemes etc	1.4	10.1%
A.10 firms dealing as principal	4.7	10.0%
A.13 advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	10.1	14.8%
A.14 corporate finance advisors	1.5	11.5%
A.18 home finance providers, advisers and arrangers	2.4	15.4%
A.19 general insurance mediation	2.2	8.3%
A.21 firms holding client money or assets or both	2.4	17.7%
B. recognised investment exchanges and operators of multilateral trading facilities (only)	0.0	0.0%
E. issuers and sponsors of securities	1.1	5.6%
<b>Total</b>	<b>43.6</b>	

## 6. Feedback on consumer credit fees proposals from CP13/14

### *(Made rules in Appendix 1 and 2)*

**6.1** This chapter provides feedback on the consumer credit fees proposals in CP13/14.<sup>4</sup>

- application fees
- validation orders
- structure for periodic fees
- definitions of consumer credit income and reporting arrangements
- concessions for firms with social objectives
- Financial Ombudsman Service levy, and
- the Money Advice Service levy

### **Application fees**

#### *(FEES 3.2.7R, FEES 3, Annex 1R)*

- 6.2** In CP13/14, we proposed to base our application fees for firms seeking full permission on four categories of complexity as an indicator of the resources we expect to put into assessing the applicants — ‘straightforward’, ‘moderately complex’, ‘complex’ and ‘very complex’.
- 6.3** As a result of the responses we received and our experience of talking to firms (including representatives at nine consumer credit roadshows across the UK in November), it became clear that we needed to modify the complexity categories to take account of the size of business. Many small firms, with incomes under £50,000, would fall into the complex category and would have difficulty paying the application fee of £10,000. There was a risk that our fees would present a barrier to entry to the market.
- 6.4** Accordingly, we issued a supplement to CP13/14 in December 2013<sup>5</sup>, proposing the revised structure of application fees in Table 6.1. These scale the charges within each category according to firms’ consumer credit income. The outcome is that we have reduced the fees for smaller firms, partly compensated by an increase in fees for larger ones. To simplify the matrix, we also merged the ‘complex’ and ‘very complex’ categories. To give firms time to comment on the new proposals, we extended the consultation period on application fees from 6 January to 16 January.

<sup>4</sup> CP13/14 *Regulatory fees and levies: policy proposals for 2014/15* (October 2013) [www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14](http://www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14)

<sup>5</sup> [www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14-supplement](http://www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14-supplement)

- 6.5** At the time we issued our supplementary paper, we had not received any material comments on the application fees for limited permission, where we had already factored in the scale of business, proposing a fee of £100 for firms with consumer credit incomes up to £50,000 and £500 for larger firms. We did not amend these proposals in our supplementary paper.
- 6.6** Once a firm is authorised, if it seeks to extend the range of activities for which it has permissions, it pays a single variation of permission (VoP) fee. This is equivalent to half of the most expensive permission applied for, unless it has a 'straightforward' permission and is applying for another 'straightforward' activity, in which case it pays only £250. There is no charge for reducing the range of activities. If a firm with a limited permission seeks full authorisation, it is treated as a new application, not a VoP.
- 6.7** Our consultation question was:

**Q1: Do you agree with our proposals for consumer credit application fees?**

**Table 6.1: consumer credit application fees**

<b>Consumer credit income</b>						
					<b>Up to £50k</b>	<b>Over £50k</b>
<b>Limited permission</b>					£100	£500
<b>Full permission</b>						
<b>Category</b>	<b>Up to £50k</b>	<b>Over £50k to £100k</b>	<b>Over £100k to £250k</b>	<b>Over £250k to £1m</b>	<b>Over £1m</b>	
Straightforward	£600	£750	£1,000	£1,500	£5,000	
Moderately complex	£800	£1,000	£1,500	£5,500	£10,000	
Complex	£1,000	£1,250	£2,000	£7,000	£15,000	

#### **Consultation responses**

- 6.8** In addition to our discussions at the roadshows, many firms followed up with telephone calls. We received 41 responses on the original proposals, all of which disagreed with the fees for full permission, especially due to the impact on smaller firms. The 38 responses on the revised proposals were more supportive and several made a point of welcoming our willingness to listen to representations.
- 6.9** Apart from the impact on smaller firms, there were some common themes among all the responses.
- Some objected, in principle, to making any payments to us. In some cases they considered our regime too costly but a number said they had been under the impression that their OFT licence fee had been a one-off payment for an indefinite period. As such, they were unaware that they would have to pay a maintenance fee every five years and therefore regarded our fee as a charge for a service they had already paid for.
  - Some firms said we should simply continue the OFT fees structure.
  - Several smaller firms did not appreciate the distinction between application fees and periodic fees and were under the impression the application fees were annual charges. For small firms, these would have been higher than the indicative periodic fee rates we quoted elsewhere in the CP.

**Our feedback**

- 6.10** 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. The Government has recognised the feeling among firms that they would be paying twice when they held OFT licences that would have continued beyond 1 April 2014 and have set up a system, which we are administering, to rebate their payments proportionately. Many firms have already received their payments. Any firm that has not, and believes it may be entitled to a rebate, should check our web-pages for further information: [www.fca.org.uk/firms/firm-types/consumer-credit/rebates](http://www.fca.org.uk/firms/firm-types/consumer-credit/rebates).
- 6.11** We appreciate the difficulties of coming to terms with an unfamiliar regime and stress that the application fee is a one-off payment.
- 6.12** The application fees do not cover the full costs of processing but we have no other sources of funding so we need to recover our costs, whether through application fees or periodic fees. We have scaled the charges according to size of business and we believe they are now reasonable, both for large and small firms. Therefore, we are proceeding with the application fees in Table 6.1, as consulted on in the supplementary paper.

**Validation orders  
(FEES 3.2.7R(zr))**

- 6.13** Validation orders provide retrospective validation for credit agreements that would otherwise be unenforceable due to unlicensed trading. We proposed to charge £3,500 for each type of agreement. This represented our best estimate of the time our staff would put into dealing with them, although we would keep the charges under review as our experience developed. Our consultation question was:

**Q2: Do you agree with our proposed charge of £3,500 per type of agreement submitted for a consumer credit validation order?**

**Consultation responses**

- 6.14** We received nine substantive responses. Five were broadly supportive of the fee, several noting our commitment to keep it under review. Two questioned the principle of, as one put it, allowing firms 'to bribe their way out of their responsibilities'. One asked for further details of how we estimated the staff time and one suggested that the fee might be disproportionate for a small firm with a handful of agreements.

**Our feedback**

- 6.15** On the principle of allowing firms to apply for validation orders, this is not a matter in which we have a choice. The statutory provisions are contained in section 28A(3)(a) and (b) of FSMA. Although not raised in consultation, we are amending the drafting of the rule to make it clear that there is a single charge even if the application is made under both sections (a) and (b).
- 6.16** We calculated the costs by obtaining information from the OFT about the resources they put into dealing with validation orders, then costing out the time of the various levels of staff we expected on this basis to be involved. As we said in the CP, we will keep this under review as we gain practical experience.

- 6.17** We expect validation orders to be rare and do not wish to complicate the fee structure, so we are proceeding with the proposals as presented in the CP. The relieving provisions under *FEES* 2.3 allow us to reduce or remit a fee if it seems to us that, 'in the exceptional circumstances of a particular case', payment would be 'inequitable' (*FEES* 2.3.2R). If a case arose where the fee seemed disproportionately high for a small firm, we would therefore be able to consider remitting it.

**Structure for periodic (annual) fees**  
(*FEES 4 Annex 1AR, FEES 4 Annex 2AR*)

- 6.18** We proposed two consumer credit fee-blocks, with consumer credit income as the tariff base (the metric for calculating the fee-rates):
- Fee-block CC1: firms with limited consumer credit permissions, and
  - Fee-block CC2: firms with full consumer credit permissions

We quoted some indicative fee-rates to give firms an indication of the scale of periodic fees they might anticipate. Our consultation question was:

**Q3: Do you agree with our proposed structure for periodic (annual fees) for consumer credit firms?**

**Consultation responses**

- 6.19** We received 40 responses. Those who mentioned it appreciated the distinction between limited permissions and full permissions, but several believed there should be more fee-blocks for firms with full permissions. Their concern was that the structure we proposed mixed together high and low-risk firms, meaning that low-risk firms would be paying for the more intensively supervised high-risk firms. This was also raised at the November roadshows. One respondent suggested three fee-blocks, corresponding to the 'straightforward', 'moderately complex' and 'complex' application fees. More generally, there was concern that the indicative fees were too high.

**Our feedback**

- 6.20** We are implementing the structure as consulted on. When we were designing it we considered creating more than one fee-block for firms with full permission, but our experience of those already authorised in the 'A' fee-blocks led us to conclude it would be undesirably complex. Many firms have several permissions, often straddling the complexity categories. Some firms will also have difficulty isolating their consumer credit income from other revenue streams. Trying to relate the income back to specific permissions could be time-consuming and expensive for them.
- 6.21** We discuss the scale of the fees in greater detail in chapter 7, where we consult on the fee-rates for 2014/15. Fees are our only vehicle for recovering our costs, so we make our best efforts to distribute cost recovery as equitably as possible between firms.

**Income data for fees reporting**  
(*FEES 4 Annex 11AR, FEES 4 Annex 12G; SUP 16 Annex 35AR*)

- 6.22** We proposed to collect the income data through our standard regulatory reporting system, so that firms did not have to submit separate reports for fees. This involves adding a single field to form CCR002, completed by firms with full permissions, and CCR007 for firms with limited permission. Although large firms will submit form CR002 half-yearly, they would only report the fees data in the return relating to the end of their financial year.

**6.23** We also asked firms to comment on the detailed definitions and guidance on consumer credit income, as set out in the draft instrument.

**6.24** Our consultation question was:

**Q4: *Do you have any comments on our draft definitions of consumer credit income and proposals for reporting this data?***

***Consultation responses and our feedback***

**6.25** We received no substantive comments on the reporting arrangements, so we are putting the appropriate fields into CR002 and CR007 as proposed. However, we received a large number of useful technical queries and comments on our definitions, many of which have helped to clarify our thinking when we reviewed our draft. The revised definitions and guidance are in the instrument. Below are the key points raised and our views on them.

**6.26** Several respondents asked for confirmation that we were only looking for consumer credit income and asked us to define this so that they could distinguish it from other revenue streams. We confirm that firms should report only income derived from regulated consumer credit activity, excluding income from any other business. For example, if a firm provides credit to consumers but also provides commercial loans to businesses, then all revenues associated with the commercial loans should be stripped out. If their accounts do not distinguish between the two, we provide guidance on apportioning income, using representative data to set appropriate proportions and maintaining records to justify the split if challenged. The FCA Handbook sets out detailed definitions of the scope of the consumer credit regime, including extensive perimeter guidance, and it would not be appropriate or practical to attempt to repeat or summarise these in the Fees manual. Firms should look to the specific activities they have been authorised to undertake and report only the income derived from them, checking the regulatory guidance if in doubt about the status of any particular area of business.

**6.27** Many firms welcomed our clarification that they should exclude repayments of principal from their reported income. The income from a loan is defined as the interest and any other lending charges including penalties for default. It follows from this that firms should also exclude the money they raise in order to make the principal loans to their customers. This most commonly comes through wholesale borrowing, though it can also be sourced from capital transfers within groups or even grants in aid. We have clarified this in our guidance in response to some queries raised with us.

**6.28** We have also removed our requirement to include the cost of wholesale borrowing in the reported income – that is, interest payments on money borrowed to lend on to customers. Having discussed it with several firms, we agree that firms should deduct charges they pass back to their wholesale lenders from the interest received from customers. Many firms do not have control over their own borrowing costs, so only have discretion to vary their charges to clients above the baseline cost of borrowing. Therefore, our original guidance gave an advantage to the largest firms that do have the purchasing power to reduce the costs of borrowing. The distinction between principal and interest is less clear when debts are purchased and so we agree that the equivalent to income from interest in these circumstances would be the difference between the amount collected from the debtors and the price paid for the book.

**6.29** We require firms to estimate a fair value price for services or products where they have taken a business decision to discount their normal commission or fee. This is because we have to regulate those activities whether the firms charge for them or not. If our cost recovery is distorted by firms' ad hoc commercial decisions, then their competitors will have to pick up the

bill. Several firms correctly drew our attention to specific circumstances in which it would be inappropriate to estimate a fair value and so we have adjusted our guidance to take account of this.

- There is a statutory prohibition on charging interest for bankruptcy debts.
- When a firm makes alternative arrangements to assist a customer who is in financial difficulties, it may rebate or suspend its normal charges. Firms might be less willing to enter such arrangements, which are to the advantage of customers, if they have to reinstate a notional interest rate to generate an FCA fee.
- A number of firms allow their customers to pay for goods or services in instalments. For example, when insurers allow customers to spread payment of their premiums. If there are up to four instalments in a year, they fall outside the scope of the consumer credit regime, but beyond that they are included.

We agree that firms should report zero income for these 'borrower-lender-supplier' arrangements where the cash price is the same as the total instalment price and no third-party lender is involved. Any charges or interest imposed if the customer defaults will count as consumer credit income. This does not apply to loans provided by third-party lenders, even if they are described as interest-free.

- 6.30** Some firms were concerned that they would be required to estimate a fair value even when they had not made a sale. For example, debt adjusters might give extensive free advice to clients who do not go on to enter a debt solution where a fee is payable. All retailers share the experience of clients passing through and obtaining valuable advice or guidance without making a purchase. This is not the equivalent of offering paid advice at a discount.
- 6.31** Our original definition included interchange charges for the use of credit and debit cards by merchants. We agree that these are more properly part of the payment systems infrastructure and not directly relevant to consumer credit, so have removed them from the definition.
- 6.32** To reduce the amount of recalculation involved in submitting data to us, we have asked firms to use the income recognised in their accounts and we noted that this might not be the same as the income actually received during the reporting year. Some firms pointed out that recognised income might include assumptions about income receivable, which might have to be modified if some of the potential income was later written off as bad debts. We agree that under these circumstances it would be reasonable to deduct the bad debts from the following year's income. This only applies where the data reported to us included income that was anticipated but had not been received. If a firm has reported on the basis of the income it actually received, the question of making adjustments for bad debts does not arise.
- 6.33** We also agree that firms should deduct 'debit-backs,' where lenders claim back money they have paid an intermediary because a customer has settled a loan early or defaulted.
- 6.34** Some firms asked us to clarify whether second-charge mortgages should be included in the definition of consumer credit income, since they believed these would be taken out of the consumer credit regime and treated as regulated mortgages once the EU Mortgage Directive is implemented. All our definitions are based on the scope of consumer credit as set out in statute at the time. If any activities are removed from scope in the future, they will automatically fall out of our definition of consumer credit income since that is based on the permissions held.

- 6.35** One respondent asked us to allow firms with incomes below the minimum fee threshold to sign a declaration rather than submitting the figure. That would be impractical since we need the full set of data to calculate the fee rates.
- 6.36** Several respondents pointed out that, as it stands, our definition would allow many retailers to report no consumer credit income because they facilitate turnover in their main business by agreeing merchant discounts for lenders who make loans to their customers. We are consulting in chapter 7 on a modification to capture this activity where costs would otherwise be charged to other firms.

### **Concessions for firms with social objectives**

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- 6.37** We proposed fees concessions for three categories of firms with social objectives:
- not-for-profit bodies (NFPs) providing debt counselling
  - credit unions
  - community benefit societies
- 6.38** NFPs would be exempt from all fees so long as they limit their activities to debt counselling. The other two categories would pay a standard application fee of £200 regardless of the permission applied for and be exempt from periodic fees up to £250,000 of consumer credit income. Once their income went above that threshold, they would pay periodic fees on the same basis as other firms – ie, the £1,000 minimum fee plus the variable rate. We made it clear that these bodies would nevertheless be regulated by us on the same basis as all other firms and so their costs would be met by the larger fee-payers paying variable rate fees.

### **Consultation responses**

- 6.39** We received eleven responses, none objecting to the proposal and some strongly supporting it. One welcomed our proposal to cap the concession at £250,000 of consumer credit income since, once a firm grew to that level, it was fair to assume it could compete on equal terms with other firms. Several respondents stressed the importance of a strong definition, to reduce the risk of abuse. Some made the point that good intentions are no guarantee against detriment to customers so the regulatory standards for such firms should not be relaxed.
- 6.40** We received a number of responses and had discussions with individual firms and trade bodies about broadening the definition of the third category to include other community development finance organisations, such as community interest companies, both for fees concessions and also in the wider regulatory context. We also received representations from and on behalf of a number of art galleries and music shops that benefit from Arts Council grants. The amounts are relatively small, but they play a vital part in their trade and in facilitating public access to works of art and musical instruments.

### **Our feedback**

- 6.41** We are proceeding with our proposals but expanding the range of exemptions. We recognise the merits of broadening the concession on the third category beyond community benefit societies. In the policy statement setting out the detailed rules for our consumer credit regime

(PS14/3<sup>6</sup>), we define a new category of ‘community finance organisations’ (CFOs) which will be exempt from certain of the regulatory requirements we impose on high-cost short-term lenders. CFOs are defined as:

- community benefit societies
- community interest companies limited by guarantee
- registered charities

We have decided to extend the fees concessions we had originally proposed for community benefit societies to all CFOs. These bodies are subject to independent statutory regulation. Any firm that considered rebranding itself as a CFO would first have to change the basis on which it conducted its business to comply with the requirements of the appropriate regulator.

- 6.42** We appreciate the challenges faced by the recipients of the Arts Council grants. In CP13/14, we quoted an indicative periodic fee-rate of £250 for limited permission firms but in Chapter 7 we are now proposing a rate of £100 for firms with incomes under £10,000. This is comparable to the five-year maintenance fee of £505 they would otherwise have paid the OFT and so we believe this removes the barrier they were concerned about. Their one-off application fee would also be £100.

### Financial Ombudsman Service

- 6.43** Firms that were not regulated by the FCA that applied for OFT consumer credit licences paid a flat fee of £140 over five years as a contribution to the ombudsman service’s consumer credit jurisdiction levy. They are not being charged under the interim permissions regime but will, in future, need to pay an annual levy.
- 6.44** In CP13/14<sup>7</sup> we consulted on a number of proposals for firms conducting consumer credit activity. To determine the ombudsman service general levy for firms conducting consumer credit activity, we proposed to introduce two new fee-blocks:
- firms with limited permissions to pay a small flat fee (but not-for profit debt advice firms will not pay an ombudsman levy)
  - all other firms will pay tiered fees based on consumer credit annual income
- 6.45** Our consultation question was:

**Q6: Do you have any comments on our proposed approach to the ombudsman service levy for consumer credit firms?**

<sup>6</sup> PS14/3 *Detailed rules for the FCA Regime for Consumer Credit* (February 2013) [www.fca.org.uk/your-fca/documents/policy-statements/ps14-03](http://www.fca.org.uk/your-fca/documents/policy-statements/ps14-03)

<sup>7</sup> CP13/14 *Regulatory fees and levies: policy proposals for 2014/15* (October 2013) [www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14](http://www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14)

**Consultation responses**

- 6.46** We received 32 responses and most respondents supported our proposals. Some emphasised the need to keep the cost imposed on small businesses at a minimum and asked what the likely fees would be. A number noted that credit unions and firms providing debt counselling and adjusting services account for only a small fraction of complaints referred to the ombudsman service and asked for a different approach. However, some respondents supported the simplicity of the proposal as it would result in lower reporting costs.
- 6.47** There was strong support for the proposal that not-for-profit debt advice bodies should not have to pay any levy, although one respondent (a trade body) said it would be helpful for them to pay.

**Our feedback**

- 6.48** We have aimed to strike the right balance in our approach to the general levy between apportioning costs fairly and minimising the burden on not-for-profit advice bodies. Therefore, we will make the rules in the form in which we consulted and firms with limited permissions will pay a small flat fee of £35 (but not-for-profit debt advice firms will not pay an ombudsman levy) and all other firms will pay tiered fees based on consumer credit annual income.

**Money Advice Service**

- 6.49** Firms are not being charged any Money Advice Service levy during the interim permissions regime but all consumer credit firms will need to contribute towards the cost of the Money Advice Service once they become fully authorised. Our proposal was to follow the FCA model and set up separate fee-blocks for firms with limited and full permissions. The levy would be based on income, with a minimum fee for smaller firms and tiered fees for larger ones. Our consultation question was:

**Q7: Do you have any comments on our proposed approach to the Money Advice Service levy for consumer credit firms?**

**Consultation responses**

- 6.50** We received 32 responses from individuals, trade associations, professional bodies and consumer organisations. Seven of the responses, including five from independent advisers who disliked paying for the Money Advice Service, disagreed with the proposals and eight agreed with them. Other responses were mixed and, while not necessarily disagreeing, had comments or wanted more clarity on the arrangements and questioned some of the proposals. For example, some thought the fee should reflect the burden on high-risk firms; some thought other bodies such as public utilities should contribute; some thought it was fairer for net income to be used and some felt a minimum fee for both small and larger firms would be fairer.

**Our feedback**

- 6.51** We are proceeding with our proposals. All consumer credit firms will contribute towards the costs of the Money Advice Service. Their contributions will include both the money advice and debt advice levies, but rolled up into a single payment. We consult on the rates in chapter 7, where we propose that smaller firms pay a minimum levy of £10 while larger firms with incomes over the £250,000 pay tiered rates.

## 7.

# Consultation on consumer credit periodic fees for 2014/15

### ***(FEES 4 Annex 2AR draft rules in Appendix 5)***

**7.1** This chapter presents our proposals for:

- consumer credit periodic fees and levies for 2014/15 – FCA, the Financial Ombudsman Service and the Money Advice Service
- credit-broking merchant discount – clarifying the basis on which the fees are calculated to take account of the discounts retailers agree with credit providers who make loans available to their customers

### **Consumer credit periodic fees and levies for 2014/15**

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**7.2** Firms do not pay FCA periodic fees, or ombudsman service or Money Advice Service levies, while they have interim permission. There will be a flow of firms into the consumer credit regime throughout 2014/15 as, from 1 April 2014, we start accepting new applications and applications from firms with interim permission that have been 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 will pay the full rate in 2014/15 and it will be 2016/17 before the status of all the former OFT licensees is determined and we have a full population of consumer credit firms. To maintain consistency over the long term, we have modelled our fee and levy rates on our best estimates of the number and size of firms we expect to be authorised in 2016/17.

**7.3** In chapter 6, we explain that we are setting up two consumer credit fee-blocks, with the fees based on consumer credit income.

- fee-block CC1: firms with limited consumer credit permissions
- fee-block CC2: firms with full consumer credit permissions

This model applies to the FCA fees and also to the ombudsman service and the Money Advice Service levies.

### **FCA fees**

**7.4** When we consulted in CP13/14 last October, we quoted indicative fee-rates to give firms a sense of the scale of periodic fees they might anticipate. These included a range of tiered minimum fees based on income to keep the rates lower for the smaller firms. The variable rates would only be paid by the larger firms, with incomes above £250,000.

- 7.5** In the light of the comments we received on application fees and our indicative rates, we recognise the need to give additional support to the smallest firms. Consequently, we are proposing a lower flat fee of £100 for limited permission firms with incomes up to £10,000, and a flat fee of £300 for firms with full permissions whose incomes are up to £50,000.
- 7.6** Reducing the potential revenue from small firms leaves a balance that has to be recovered from the larger firms through higher variable fees. Whereas we were assuming a rate of £0.23 per £1,000 for firms with limited permissions and £0.30 for firms with full permissions last October, we are now proposing £0.40 for limited permissions and £0.78 for firms with full permission.
- 7.7** The proposed FCA fee rates are set out in Table 7.1. Our assumption is that we will be looking to recover £37m per year in 2016/17 (including the set-up cost of the new regime recovered over ten years) from 15,000 firms with limited permission and 18,000 with full permission. In practice, as explained in paragraph 7.2 above, cost recovery will be limited in 2014/15 since no firms will be authorised for the full year. Our model is intended to generate rates for 2014/15 that are broadly in line with the rates that will prevail in 2016/17.

**Table 7.1: Proposed FCA periodic fee rates for consumer credit, 2014/15**

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	

- 7.8** Our consultation question is:

**Q3: Do you agree with our proposed FCA fee rates for consumer credit firms?**

**Ombudsman service levy**

- 7.9** The ombudsman service fee-rates are set out in Table 7.2. These rates have been set at a level to broadly achieve consistency with the previous regime, but will be reviewed afresh for 2016/17 and beyond in light of experience under the regulatory regime. We are proposing a flat rate of £35 for all firms with limited permission (except not-for-profit debt advice firms) and a minimum levy of £35 for firms on full permission with a variable rate of £0.02 per £1,000 for firms whose income is over £250,000.
- 7.10** When firms obtained or renewed their five-year OFT licences, they paid £140 towards the cost of the ombudsman service. Since the ombudsman service regime is not interrupted by the change of regulator, these payments are not covered by the government rebate on OFT licence fees. We therefore propose to exempt firms below the £250,000 income threshold from the £35 flat levy for the period for which their OFT payment would have been valid. This may take some firms up to 2018.

**Table 7.2: Proposed ombudsman service levy rates for consumer credit, 2014/15**

Type of Firm	Minimum Annual Fee		Variable Annual Fee On income above £250,000
	Income band	Fee	
Limited Permission: fee-block CC1	Flat fee	£35	N/A
Full Permission: fee-block CC2	Up to £250,000	£35	£35 + £0.02 per £1,000

7.11 Our consultation question is:

**Q4: Do you agree with our proposed ombudsman service levy rates for consumer credit firms?**

#### The Money Advice Service levy

7.12 The two Money Advice Service fee-blocks, for limited and full permission, will recover the costs of both the money advice and debt advice services. Consumer credit firms have not made any payments for the Money Advice Service in the past, so introducing the levy will in the longer term reduce the relative Money Advice Service costs recovered from the 'A' fee-blocks. As explained in paragraph 7.2, the effects will not be felt in 2014/15 since no firms will be paying the full-year levy, but we would expect to see some impact from 2015/16.

7.13 The proposed Money Advice Service levy rates are set out in Table 7.3. We are proposing a minimum levy of £10 for all firms with limited permissions and £10 minimum fee for firms on full permissions with a variable rate of £0.37 per £1,000 for firms whose income is over £250,000.

**Table 7.3: Proposed Money Advice Service levy rates for consumer credit, 2014/15**

Type of Firm	Minimum Annual Fee		Variable Annual Fee On income above £250,000
	Income band	Fee	
Limited Permission: fee-block CC1		£10	N/A
Full Permission: fee-block CC2	Up to £250,000	£10	£10 + £0.37 per £1,000

7.14 Our consultation question is:

**Q5: Do you agree with our proposed Money Advice Service levy rates for consumer credit firms?**

#### Credit broking merchant discount

7.15 It became clear during our consultation on the definitions of consumer credit income that our definition would not, as it stood, capture the credit-broking activities of retailers that offer incentives to lenders to obtain consumer credit for their customers. For example, where a

retailer sells a product for £1,000 and the customer is unable to make a cash payment, the retailer – acting as a credit broker – may arrange for the customer to take out a 10-month interest-free loan from a third party lender. The customer will contract to repay £1,000 to the lender, but the lender will deduct an agreed amount from the payment to the retailer – say, 5%. Using this example, the retailer has received only £950 for goods with a face value of £1,000. There is no income for the retailer to report nor is there any basis for estimating a fair value equivalent for the credit broking fee the retailer would otherwise have received. The arrangement is similar to the merchant discounts retailers make to credit card providers.

- 7.16** The retailer gains a commercial benefit from turning over its retail stock. The customer purchases the goods or services but at the same time takes on new debt through a consumer credit transaction which we must supervise. This is a common business model. If our definitions do not capture this activity, the retailers will pay minimum fees however many customers they introduce to lenders. As a result, other firms will have to pay the costs of our supervision which may be substantial given the scale of business involved.
- 7.17** We therefore need a proxy to measure the regulated credit broking activity that is being carried out. Having explored a range of options, we believe that the most straightforward proxy is the merchant discount. We would welcome comments and drafting suggestions on the definition we are proposing:

#### Definition

##### **FEES 4 Annex 11BR**

(d) in relation to the carrying on of the *regulated activity of credit broking* by a *firm* (A) which effects an introduction between a *lender* and a *borrower* with a view to the borrower entering into a *regulated credit agreement* in order to finance the purchase of goods and services by the borrower from A, the difference between the amount of *credit* the lender provides to the borrower and the amount A accepts from the lender.

#### Guidance

##### **FEES 4 Annex 13G Table 2**

An example of when a *firm* should report under paragraph (d) of FEES 4 Annex 11BR is set out below:

If a retailer arranges a loan for £1,000 in order to enable a consumer to purchase from it goods priced at £1000, it may agree with the lender (in circumstances where the lender pays the retailer directly rather than to the consumer first) to accept funds of only £950 in order to provide an incentive for the lender to enter into the loan. The retailer should report the £50 discounted as a measure of the *regulated activity of credit broking*. The lender should report the £50 charge to the customer along with any subsequent interest or administration or penalty charges as income from the *regulated credit agreement*.

Our consultation question is:

**Q6: Do you have any comments on our definition of the 'credit-broking merchant discount'?**

## 8. Feedback on fees proposals from CP13/14 which did not relate to consumer credit

### *(Made rules in Appendix 3 and 4)*

- 8.1** This chapter provides feedback on the fees proposals in CP13/14<sup>8</sup> which did not relate to consumer credit.
- Creation of a new fee-block for firms carrying out investment business that hold client money or safeguard and administer safe custody assets.
  - Clarification of the definitions of income for intermediaries.
  - Fees for approved reporting mechanisms (ARMs).
  - Payment of application fees by credit or debit card.
  - Other fees proposals on which we received no comments or only positive responses, including one from our Quarterly Consultation Paper (CP13/18), published in December 2013.<sup>9</sup>
  - Allocation of the Money Advice Service levies 2014/15.

### **Creation of new fee-block for firms carrying out investment business that hold client money or safeguard and administer safe custody assets (FEES 4 Annex 1AR, FEES 4 Annex 2AR)**

- 8.2** Our proposal was to create a new fee-block (A21) for firms carrying out investment business where their permissions include safeguarding and administering assets (without arranging) and/or firms holding client money for which the client money rules (CM&A) apply.
- 8.3** At present, the only distinction between fee-block A12 (Advisers, arrangers, dealers or brokers – holding or controlling client money or assets, or both) and A13 (Advisers, arrangers, dealers or brokers – not holding or controlling client money or assets, or both) is the client money/assets permission. Therefore, we proposed deleting A12 and putting all the firms into an expanded A13. Those with client money/assets would also be in A21.
- 8.4** The tariff base for A21 would be the amount of client money and/or safe custody assets held by the firm, using the highest balance during the year ending 31 December before the relevant fee-year. There would be a higher tariff rate for client money than for custody assets, reflecting the risks posed to clients and the resources put into supervising them.

<sup>8</sup> CP13/14 *Regulatory fees and levies: policy proposals for 2014/15* (October 2013) [www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14](http://www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14)

<sup>9</sup> CP13/18 *Quarterly Consultation Paper No 3* (December 2013).

- 8.5** The headline fee-rate in fee-block A12 was lower than the rate in A13, opening up the theoretical possibility that a firm might take on an additional C&MA permission to reduce its fee, even though it did not want the permission. Creating fee-block A.21 and merging A.12 and A.13 would close off this theoretical option.
- 8.6** Our impact analysis indicated that, across all the firms involved, our proposals would have no impact on 44% of the firms, would have reduced the 2013/14 fees of 43% of firms, and would have increased the fees for 13% of firms.
- 8.7** Our consultation question was:

**Q8: Do you have any comments on our proposal to create a new fee-block for firms holding client money or assets or both?**

***Consultation responses***

- 8.8** Several respondents made practical comments on the methodology we had proposed for calculating fees in the new fee-block.
- We had proposed to base our fees on firms' highest C&MA balance over the past twelve months. A number of respondents argued that this was a volatile measure and that using the average balance would provide greater stability.
  - One respondent questioned the justification for the different rates we proposed to apply for client money and custody assets.
  - Some respondents argued that we had not taken into account the complexity of the business models of particular types of firm and the associated risks. For example, an agency broker acting for retail clients presented different risks to a large wholesale firm undertaking a wide range of often complex activities.
  - As our discussion on the effect of fee-block A.21 focussed on fee-blocks A.12 and A.13, a number of firms with CASS permissions in other fee-blocks asked us to confirm whether they would fall into the new fee-block. This particularly concerned portfolio managers in fee-block A7.
- 8.9** Two points were raised about the merging of fee-blocks A.12 and A.13.
- In raising the theoretical possibility of a firm switching fee-blocks to reduce their fees, we had failed to recognise the more stringent capital requirements such businesses would have to meet in practice.
  - Since some firms would have seen reductions in their fees if the fee-blocks had been merged, we must have been overcharging them in the past and should adjust next year's fees to take account of this.

***Our feedback***

- 8.10** Our feedback on the methodology for calculating fees in A.21.
1. While there is some merit in the argument that average C&MA balances are less volatile than maximum holdings, any metric has both advantages and disadvantages. The highest balance is an objective measure which is not subject to manipulation and we use it in the Client Money Assets sourcebook (CASS) classification process to segment the population

of firms subject to CASS. The issues were discussed when we consulted in CP10/9 and subsequent policy statement PS10/16 on the regulatory regime for C&MA and it would not be sensible to use different measures for fees and policy.<sup>10</sup>

2. We agree that our regulatory objectives do not distinguish between client money and custody assets but our experience is that there are more breaches relating to client money than custody assets. It is perceived as a riskier business and potentially more open to fraud because client money is more fungible than custody assets. Consequently, we are retaining the weighting, with higher fee-rates for client money balances than custody assets.
3. We have to strike a balance between tailoring our fees regime to the full range of business models and keeping it straightforward. We recognise that different firms present different degrees of risk to the protection of client money and assets. This is reflected in the classification of firms that we apply the CASS sourcebook. We have therefore decided to subdivide the fee-block further, within the split between client money balances and custody assets, on the basis of the risk bandings defined in CASS 1A.2.7. Overall, the cost recovery outcome we are proposing for 2014/15 is:

CASS large firms	76.49%
CASS medium firms	23.49%
CASS small firms	0.02%

This structure enables us to align our fees more closely with the way we regulate firms.

4. We have clarified our definition of fee-block A21, to make it a pre-condition that the firm should also be in fee-block A13. Our impact analysis showed that these were the costs we intended to target in fee-block A.21. They account for the vast majority of CASS supervision costs. For the avoidance of doubt, we intend to continue to recover the residual costs of CASS supervision, which includes costs relating to those firms which are not in fee-block A.21 in the usual way through the other relevant fee-blocks (for example, A.7). We will review the attribution of CASS costs and take a view on the merits of consolidating all of the CASS team's costs into A.21. We will report on the outcome in our October consultation paper on fees policy, putting forward any proposals for consultation if appropriate.
5. Although it was not raised in consultation, firms should note that we have not applied a minimum fee to fee-block A21. The fee is chargeable on all balances above zero. If firms are concerned to find themselves in fee-block A21, they should review their permissions and remove any which are not needed.

#### 8.11 Our response on the merger of fee-blocks A12 and A13.

6. We agree that taking up C&MA permissions to reduce fees is a practical proposition only for large firms with substantial capital reserves. For smaller firms, meeting the capital requirements would outweigh any benefits they might gain from lower fees. As we stressed in CP13/14, this is only a theoretical possibility. We have no evidence that any firms have attempted it in practice.
7. While creating a new fee-block will always lead to winners and losers in the short term, this does not mean some firms have been historically 'overcharged' any more than others have been 'undercharged'. As we explained in CP13/14, we are recovering the same amount of

<sup>10</sup> CP10/9 *Enhancing the Client Assets Sourcebook* (March 2010); PS10/16 *Client Assets Sourcebook (Enhancement) Instrument 2010: Feedback on CP10/09 and made rules* (October 2010)

money from investment intermediaries as previously. Creating the new A21 fee-block has enabled us to pool large and small firms together into the revised investment intermediary fee-block (A13) and this has the effect of reducing the blended fee-rate per £100,000.

- 8.12** Finally, our experience of collecting data for next year leads us to remind firms in A.21 that the income they report in A.13 should relate only to their intermediary activities. They are paying under A.21 for our regulation of their activity in holding client money and/or assets, so any income they derive directly from that should be discounted. It is accordingly plausible that they would report a lower income for the new A.13 than they used to report under A.12.

**Clarification of the definitions of income for intermediaries  
(FEES 4 Annex 11AR, FEES 4 Annex 12G)**

- 8.13** We set out proposals for clarifying our definitions and guidance on four fee-blocks which use income as the basis for calculating our fees:

- A13: advisors, arrangers, dealers or brokers
- A14: corporate finance advisers
- A18: home finance providers, advisers and arrangers
- A19: general insurance mediation

We made it clear that the changes were presentational and would not affect the data firms submit to us. The intention was to ensure consistency between the language used in the respective fee-blocks and to clarify questions firms have raised with us. Our consultation question was:

**Q9: Do you have any comments on our redrafted definitions of income for fee-blocks A13, A14, A18 and A19?**

***Consultation responses and our feedback***

- 8.14** Apart from some general statements of support, we received detailed technical comments which have helped us improve our drafting. The most important request was for us to re-emphasise that firms should only report income from business relating to the specific fee-block concerned.
- 8.15** One firm explained that its arrangements with overseas companies sometimes generate shared income from UK business, but they are not allowed to deduct their income passed on to the other company as would have been the case if it had been a UK-authorized firm. We need to consider this further and would welcome examples from any other firms in a similar position. Meanwhile, firms should continue to report on the same basis as previously.

**Fees for approved reporting mechanisms (ARMs)  
(FEES 4.2.11R, FEES 4 Annex 3AR)**

- 8.16** We proposed that all ARMs who submit transaction reports should, from 1 April 2014, contribute towards the maintenance and administration costs of our new Axway Gateway IT system. The charge would be based on the number of reports submitted, so that it was proportionate to the size of their business. This charge would replace the hourly charge for testing we are able to levy to recover the costs of testing when ARMs change their systems. It would not affect

the £100,000 application fee under *FEES* 3.2.7R to cover processing the application and initial testing to ensure compatibility with our portal. Our consultation question was:

**Q10: Do you agree with our proposed annual maintenance charge for approved reporting mechanisms (ARMs)?**

**Consultation responses**

- 8.17** We received 13 responses. Some ARMs or their users were supportive of the charging methodology. Others raised concerns about the underlying methodology, the sourcing of the figures used in the calculations, the rationale for charging ARMs rather than the firms who submit transaction reports, and the rationale for charging all ARMs rather than targeting those which generate additional testing work. There was also concern that we had given insufficient notice between consultation and potential implementation for ARMs to build the new charges into their business plans and renegotiate contracts with clients.

**Our feedback**

- 8.18** In the light of industry feedback, we have decided to defer implementation and review our proposed charging methodology. We anticipate consulting on our conclusions in the October 2014 fees CP, for implementation from April 2015. Meanwhile, we will retain the hourly charge for testing carried out when individual ARMs make changes to their systems as consulted in October 2008. ARMs should note that the review may not change significantly the charges we originally proposed in CP13/14 and factor this into their business planning.

**Payment of application fees by credit or debit card  
(FEES 3.2.23R)**

- 8.19** We proposed to require all payments of application fees to be made by Maestro, Visa debit or Visa/Mastercard credit card, so that acceptance of the charge by the card issuer would become the final stage before acceptance of a valid application. This would improve the efficiency and effectiveness of our authorisations process, helping to keep our costs down. Reconciling paper payments with electronic applications and following up cheques that have been refused by banks is resource-intensive and pushes up our costs. There would be an additional charge of 2% for the use of credit cards.
- 8.20** We recognised that payment by card would not be practical in all circumstances and so we included provisions allowing us to accept payment by other means if necessary.
- 8.21** The Bank of England consulted separately on corresponding amendments to the PRA rules since the proposal would affect payments by dual-regulated applicants.
- 8.22** Our consultation question was:

**Q11: Do you agree with our proposal to require application fees to be paid by credit or debit card?**

**Consultation responses**

- 8.23** We received 28 responses on this proposal. While three expressed outright opposition and eight gave unqualified support to the proposal, the majority (17 responses) were concerned that we should maintain the option for other methods of payment. A number pointed out that smaller firms might not have company credit cards and that, even where firms did provide

credit cards, the spending limits might not be high enough to cover the fees. In such cases, the person making the application might have to make the payment on a personal account, recovering the expenditure as expenses. One respondent suggested we should add American Express to the list of accepted credit cards.

### **Our feedback**

- 8.24** Since we had already recognised the need to allow alternative payments methods when notified that a credit or debit card payment was impractical, we are proceeding as proposed. Credit or debit card must remain the default method of payment because of its value in keeping down our overall costs. We agree that we should accept American Express, though our agreement with them will require a higher charge of 3.2%.
- 8.25** We explained in CP13/14 that the timing of introduction of credit/debit card payments would be dependent on the development of our new IT system. As such, we are phasing it in for consumer credit applications only from 1 April 2014. We will extend it to other payments when the appropriate facilities are rolled out.

### **Other fees proposals**

- 8.26** Our other fees proposals received either no comments or only supportive responses and so we are proceeding with the proposals unchanged.

- *Calculation of first year's fee for newly authorised firms (FEES 4.2.6R)*: to be based on a monthly pro-rata calculation, rather than quarterly. This also affects ombudsman service, FSCS and MAS levies, and the Bank of England consulted on a similar amendment to PRA rules. Our consultation question was:

**Q12: Do you agree with our proposal to calculate the first year's periodic fee of a newly authorised firm on a monthly pro-rata basis?**

- *Technical amendments to the fees manual*: correction of some drafting points as described in paragraph 7.10 of CP13/14. Our consultation question was:

**Q13: Do you agree with our proposed technical clarifications to the Fees manual?**

- *Updating FCA financial penalty scheme*: to include revenue from financial penalties imposed on firms for paying or receiving referral fees in personal injury claims. Our consultation question was:

**Q14: Do you agree with our proposed amendment to the FCA financial penalty scheme?**

- *UK Listing Authority – new administrative charge proposed in CP13/18*: charge of £250 for late publication of periodic financial reports by listed issuers due under disclosure and transparency rules will be added to the application and administrative fees for listing rules in FEES 3 Annex 4, to come into effect from 1 April 2014. Our consultation question was:

**Q3:1 Do you agree with our proposal to charge an administrative fee of £250 to cover our costs in dealing with the late publication by listed issuers of financial reports under the disclosure and transparency rules?**

### Allocation of Money Advice Service levies 2014/15

**8.27** The Money Advice Service is funded through two levies paid by FCA-regulated firms:

- The money advice levy, which began in 2010/11 and is paid by almost all FCA-regulated firms.
- The debt advice levy, which began in 2012/13, and is paid only by firms in fee-blocks A1 and A2.

We consulted on new allocation methods for both levies, with a view to achieving a clearer link between how consumers currently use the Money Advice Service, the service's business strategy and the firms that pay for it.

**8.28** At present, 75% of the money advice levy is allocated between fee-blocks in the same proportions as our own regulatory costs and 25% is allocated on consumer usage. Since this does not reflect the deployment of resources by the Money Advice Service, we proposed instead three components with equal weighting:

- How consumers use the four channels of the Money Advice Service (web, telephone, face-to-face and printed literature).
- Mapping the Money Advice Service's five outcomes, in its 2013/14 *Business Plan*, to appropriate fee blocks (managing debt well, saving regularly, saving for retirement, protecting assets and making provisions for dependents).
- A levy based on our own allocation for 2013/14.

**8.29** The debt advice levy is currently based on lending volumes and allocated on the basis of 15% to fee-block A1 (Deposit acceptors) and 85% to A2 (home finance providers and administrators) as these firms provide unsecured and secured lending, respectively. We proposed a new model for allocating debt advice that used both total lending and write-off levels based on up-to-date Bank of England data, with the costs split on a 50% basis between fee-blocks A1 and A2. Incorporating write-off levels was intended to help the model reflect more closely the difficulties that can occur during the lending process. Our consultation questions were:

**Q15:** *Do you agree that we should use the three component approach, evenly allocated, of using consumer-usage data, the five Money Advice Service outcomes and a levy based on our own allocation for 2013/14 to allocate money advice costs to fee-blocks? If not, please give your reasons and suggest an alternative.*

**Q16:** *Do you agree with how the consumer-usage data has been mapped to Money Advice Service fee-blocks? If not, please give your reasons and suggest an alternative.*

**Q17:** *Do you agree with how the consumer outcomes have been mapped to Money Advice Service fee-blocks? If not, please give your reasons and suggest an alternative.*

**Q18: Do you agree that the debt advice costs should take account of both total lending and write-off levels, on a 50% basis for each, and mapped to A1 and A2 fee-blocks? If not, please give your reasons and suggest an alternative.**

### **Consultation responses**

- 8.30** We received 30 responses on the money advice levy. Seventeen were from individual firms and 13 from trade associations, professional bodies and consumer organisations. Five of the responses were from small independent advisers who disagreed with the principle of paying for the Money Advice Service. A couple of the responses felt that it was unreasonable for wholesale insurers to contribute to the levy; and some suggested that other providers, such as public utilities, should contribute towards the service.
- 8.31** Sixteen of the remaining 23 responses agreed and seven responses broadly agreed with the proposals, although some had the following misgivings about the mapping and formulas:
- the model should be kept under review and consideration given to future weighting, with a greater importance on outcomes over time
  - some questioned why the FCA pattern of allocation had been retained in the model although it did not bear any relation to the objectives of the Money Advice Service
  - it was a good starting point and the approach was reasonable but the Money Advice Service should be accountable for providing value for money
- 8.32** We received 20 responses on the debt advice levy, 12 from individual firms and eight from trade associations, professional bodies and consumer organisations. Three of the responses from individual firms disagreed with the approach. Out of the 17 remaining responses, 10 agreed and one had no firm view. The remaining six expressed a variety of views:
- two were not clear how the distribution of write-off levels had been calculated
  - some were not convinced that asset write-offs were an accurate reflection of the source of debt problems and that they would bias the model towards unsecured creditors, and
  - one suggested that the Money Advice Service may wish to consider arrears rates in future years
- Our feedback**
- 8.33** We agree that arrears rates would be a strong measure for the debt advice levy but robust data-sets were unavailable and we feel the method we have proposed reflects more fairly than the current method the difficulties that can happen during the lending process. Having considered the responses on both proposals, we have decided to continue with the allocation methods as proposed. However, we will keep them under review and ask the Money Advice Service to look at the issues again when they have had the benefit of the new system running for a year.

## 9. FCA fees review 2013/14 – outcome

- 9.1** In the *Journey to the FCA* published in October 2012 (chapter 7), we said that, in 2013/14 and before consulting on any changes, we would listen to stakeholders to explore possible alternatives for how we raise our fees. We have carried out that review and this chapter covers:
- our aims and the approach we took
  - our engagement with stakeholders
  - outcome, and
  - planned consultation on the basis for calculating minimum fees
- 9.2** We focussed on the ‘A’ fee-block which includes banks (retail and investment), building societies, credit unions, life and general insurance firms, asset management firms, retail investment and wholesale market brokers, corporate finance firms and retail, mortgage and general insurance intermediaries. We recover 92% (excluding consumer credit) of our annual funding requirement (AFR) from this fee-block.

### Our aims and the approach we took

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- 9.3** The aim<sup>11</sup> of the review was to:
- assess the extent to which our current method for raising fees, adapted from the FSA’s, is ‘fit for purpose’ given our statutory objectives are different from the FSA’s,
  - engage objectively with stakeholders on any alternatives they propose, before consulting on any changes. Stakeholders to include the Practitioner Panel, the Smaller Businesses Practitioner Panel and trade bodies
- 9.4** We have taken a ‘back to basics’ approach<sup>12</sup> to carrying out the review to explore whether or not we should segment the industry, whether there are alternative ways of segmenting to using fee-blocks (as we do now) and also to consider how we recover the funding allocated to segments from the firms that fall within them.
- 9.5** In conjunction with our engagement with stakeholders, we planned to evaluate any proposals and decide which to develop further. If this evaluation were to result in a case for developing any proposed fundamental alternatives further we would do so first through publishing a

<sup>11</sup> We set out our aim for the review in chapter 3 of CP12/28 (October 2012).

<sup>12</sup> We set out our approach and our approach in chapter 7 of CP13/1 (April 2013).

Discussion Paper (DP) in Q1 2014.<sup>13</sup> If only proposed refinements to how we currently raise fees resulted from the evaluation, we would consult through our annual October/November fees policy Consultation Paper.

## Our engagement with stakeholders

- 9.6 During the summer and autumn of 2013 we engaged with stakeholders including 13 trade bodies. We held a series of meetings with individual stakeholders early on and in groups later in the review. We appreciate the time taken by stakeholders to have a constructive discussion with us. The stakeholders did not propose any fundamental alternatives to the current approach to the way we raise fees. However, we did seek, in principle, views on two fundamental alternative approaches, which we presented to stakeholders as opposite ends of a range, with the current approach at the middle ground, as outlined in Table 9.1.

**Table 9.1: Alternative approaches considered**

Revenue approach	Current approach (i)	Firm categories approach (ii)
<b>No segmentation</b>	<b>Existing segmentation</b>	<b>Alternative segmentation</b>
'A' fee-block AFR allocated to: <ul style="list-style-type: none"> <li>• a single regulated activity fee-block, and</li> <li>• recovered from firms in proportion to a single measure of the size of firms' overall UK-regulated activity, based on income</li> </ul>	'A' fee-block AFR allocated to: <ul style="list-style-type: none"> <li>• 14 regulated activity sub-set fee-blocks (based on firms' regulatory permissions) in line with the amount of our resources we can directly apply to each fee-block, and</li> <li>• recovered from firms using various measures of the size of regulated activity they undertake in the one or more of those fee-blocks they come under</li> </ul>	'A' fee-block AFR allocated to: <ul style="list-style-type: none"> <li>• four firm category blocks (based on the categories used under our supervisory model) in line with the total supervisory resources applied to the firms in each block, and</li> <li>• recovered from firms using a single measure of the size of overall regulated activity (same as revenue approach) they undertake in the one firm category block they come under</li> </ul>

Notes:

(i) How we raise our fees (July 2013) published on our website<sup>14</sup> July 2013 sets out how we allocate our AFR across all fee-blocks (chapter 2) and how we recover the AFR allocated to the 'A' sub-set fee-blocks from firms that come under them (chapter 3).

(ii) Journey to the FCA (October 2012) published on our website<sup>15</sup> sets out the basis for the firm categories and how they fit in within the way we supervise firms.

- 9.7 We discussed the contrasting features of each approach:
- The **current approach** broadly allocates our funding in line with the total amount of resources we are applying to the different regulated activities firms are permitted to undertake. However, we carry out our supervisory functions at the firm or group level as well as through thematic projects. Firms or groups can be in multiple fee-blocks and thematic projects can cut across a range of regulated activities and therefore fee-blocks. Our other

<sup>13</sup> Revised timing set out in chapter 1 of CP13/14 (October 2013).

<sup>14</sup> [www.fca.org.uk/static/documents/how-we-raise-our-fees.pdf](http://www.fca.org.uk/static/documents/how-we-raise-our-fees.pdf)

<sup>15</sup> [www.fca.org.uk/static/documents/fsa-journey-to-the-fca.pdf](http://www.fca.org.uk/static/documents/fsa-journey-to-the-fca.pdf)

functions (e.g. policy, risk and research, competition, enforcement and authorisations) can also cut across a range of regulated activities. Overall, this limits the extent we can directly allocate the funding of all our functions to fee-blocks and be transparent about shifts that firms in specific fee-blocks see each year in the amount of funding we recover from them.

Some of those shifts reflect the changes to our strategic priorities to mitigate risks to our objectives, which can increase our supervisory effort on a particular sector. Although individual firms within that sector warrant targeted supervisory attention (and will bear their own associated costs), the resulting shift in the allocation of our funding requirement is recovered from all firms in that sector. The user pays but so do the majority of firms that did not warrant additional attention.

- Under the **revenue approach**, the funding requirement is shared across all firms in proportion to income as a common measure of the overall regulated activity they undertake. The shifts each year of our resources from one sector to another do not cause changes in the levels of fees firms pay. Firms pay fees in line with a proxy for the level of benefit they derive from the FCA meeting its statutory objectives. This breaks any link between where we apply our resources and the fees fee-payers pay.
- The **firm categories approach** uses our supervisory resourcing model to allocate our costs across firms. This is more in line with the way we are structured in carrying out one of our functions. However, the supervisory model will continue to evolve and the assignment of firms to the categories will change, making it more volatile than either of the other two approaches. Medium and small-sized firms that are moved between categories could see significant changes in the fees they pay and therefore it would be more difficult for them to predict for their own budgeting purposes. Under this approach, the funding we need to carry out all our other functions (as current approach) is allocated to firms entirely in proportion to the amount of resources we use supervising them.

#### 9.8 Views from stakeholders were mixed:

- Those who supported considering further the two alternatives were attracted by the transparency and simplicity of the revenue approach and the link to where supervision resources are allocated under the firm categories approach.
- Those who were unsupportive questioned the need for such fundamental change. In particular, they viewed the current approach as key to us showing transparency by being accountable for the funding we need from different sectors. There were also concerns raised about the impact of the firm categories approach on small firms.

#### 9.9 There was, however, consensus that:

- key to both the revenue and firm categories approaches was whether we could develop a single measure of the size of firms' overall UK-regulated activity based on income, across such a diverse range of firms, and
- any further discussion on these fundamental alternatives should include the impact they would have on fees paid by firms compared to the current approach

#### 9.10 We engaged BDO in December 2013 to help us meet both these challenges and also to consider alternative common measures. We have published BDO's report alongside this CP.

## Outcome

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- 9.11** Stakeholders did not propose any fundamental alternatives at the outset of the review.
- 9.12** Our discussions with stakeholders of the two fundamental alternatives that we proposed from our 'back to basics' approach showed there was no broad consensus for such degrees of departure from our current approach.
- 9.13** BDO's report:
- highlights the significant issues that would need to be addressed in developing a single measure of the size of firms' overall UK-regulated activity based on income, but did not identify a more appropriate common metric, and
  - concludes that, although they were certain that firms already report data on their UK-regulated income through their regulatory returns, they have no evidence to confirm what proportion
- 9.14** We have therefore decided that we should continue with the current approach:
- it makes a stronger link between where we allocate our resources and the fees charged than either of the alternative approaches would, and
  - we can operate it efficiently
- 9.15** As part of our annual funding allocation process we will continue to, as far as possible:
- align the allocations of our funding to the sub-sets of the 'A' fee-blocks to where we are focusing our resources, and
  - be transparent in providing explanations for any changes in allocations from the previous year

## Planned consultation on the basis for calculating minimum fees

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- 9.16** The minimum fee is aimed at ensuring that all authorised firms (including small firms) contribute to the cost of regulation. It also aims to ensure that the minimum fee level is not too high (which would unnecessarily impede competition), and not too low (which would prejudice existing fee-payers). As part of the changes made to adapt the FSA's fees rules for 2013/14, to accommodate the formation of the FCA and PRA, we no longer link the standard minimum fee to recovering the costs of specific regulatory functions.<sup>16</sup>
- 9.17** The standard minimum fee is currently £1,000 and £500 for firms also regulated by the PRA. For smaller credit unions and friendly societies, they range from £80 to £270. Any firm that is authorised to carry out any of the regulated activities covered by the 'A' fee-blocks is subject to a minimum fee.

<sup>16</sup> FSA CP12/28 Chapter 2: Regulatory reform – fees transition to PRA and FCA (October 2012).

- 9.18** As part of our annual fees policy CP in October 2014, we are planning to consult on a range of alternatives for calculating the minimum fee and keeping it under review. Our current thinking is that these would include:
- Current £1,000 as baseline: Use the current £1,000 minimum fee (including concessions for smaller credit unions/friendly societies) as a starting base with annual revisions linked to either inflation or movement in ORA (ongoing regulatory activity costs).
  - Recover specific costs of regulation: The FSA used a number of regulatory functions on which to base the minimum fee e.g. firm contact centre and regulatory reporting – all firms use the firm contact centre and all firms submit regulatory returns. We want to identify similar FCA functions that could be used in this way. We anticipate that a fee linked to such costs would be fixed for three years if such costs are relatively stable over such a period.
- 9.19** In chapter 7 of this CP we are consulting on the basis for minimum fees for consumer credit firms. The outcome of this consultation will also inform the proposals for the October 2014 CP.

# 10.

## Financial Ombudsman Service general levy 2014/15

### ***(FEES 5 Annex 1R – draft rules in Appendix 5)***

- 10.1** In this chapter, we consult on the 2014/15 tariff rates for firms in the compulsory jurisdiction (CJ) of the Financial Ombudsman Service (ombudsman service). In Annex 2 we set out the proposed tariff rates for firms in each industry block.<sup>17</sup> In Appendix 5 we set out the draft rules for FEES 5.
- 10.2** The ombudsman service's overall budget is subject to its own consultation<sup>18</sup> on its draft budget and corporate plan, which began on 9 January and ended on 17 February 2014.
- 10.3** Under FSMA, the ombudsman service's 2014/15 budget must be set before the financial year begins on 1 April 2014. In March, the FOS Board presented a final budget to the FCA Board, which approved the FOS's total annual budget of £277.4m for 2013/14, including the general levy, case fees and the number of free cases. The final plan and budget is available on its website: [www.financialombudsman.org.uk/publications/plan-budget.htm](http://www.financialombudsman.org.uk/publications/plan-budget.htm)
- 10.4** The FCA Board will approve the tariff rates for firms in the CJ in June after consulting on the fee rates.

### **Budget and funding**

- 10.5** The ombudsman service must budget separately for the CJ and the voluntary jurisdiction (VJ). Each of these jurisdictions is funded by a combination of annual fees (levies) and case fees — with the majority coming from case fees (which are currently invoiced and collected once cases have been resolved or collected via the group account case fee arrangement).<sup>19</sup>
- 10.6** Case fees are paid by authorised firms (covered by the CJ) and other financial businesses (covered by the VJ) that have cases referred to the ombudsman service.
- 10.7** The CJ levy (which is raised and collected by the FCA) is payable by all firms authorised or registered by the FCA, including those that have not had any cases referred to the ombudsman service, unless they have notified us that they do not deal with retail customers and are exempt.

### **Consumer credit**

<sup>17</sup> The ombudsman service general levy is calculated using 'industry blocks' which are similar to (but not identical) to the FCA 'fee blocks'. Each industry block has a minimum levy and, in most cases, the levy then increases in proportion to the amount of 'relevant business' (ie business done with private individuals).

<sup>18</sup> The ombudsman service's consultation on its draft plan and draft 2014/15 budget: [www.financialombudsman.org.uk/publications/plan-budget.htm](http://www.financialombudsman.org.uk/publications/plan-budget.htm)

<sup>19</sup> The FCA's power to raise the general levy from authorised firms arises from section 234 of the Financial Services and Markets Act 2000 (FSMA). The ombudsman service's power to charge case fees is in Schedule 17 paragraph 15 of FSMA. The rules on funding are in Chapters 1, 2 and 5 of the FEES manual (FEES) in the FCA Handbook.

## CJ levy for 2014/15

### Apportionment among fee blocks

- 10.8** The focus of this consultation is the proposed amounts payable towards the 2014/15 CJ levy by firms in the various fee blocks. Table 8.1 shows the proportions in which the CJ levy would be distributed across the fee blocks.
- 10.9** In line with FEES 5.3.3G, this is based on the ombudsman service's forecasts for the proportion of resources it expects to devote in 2014/15 to cases from firms in each sector. The total amount to be collected from the industry is then allocated across the respective industry blocks to inform the final tariff rate.<sup>20</sup>

**Table 10.1 Distribution of CJ levy based on the 2014/15 forecast of relevant business per industry block:**

Industry Block	Description	Proportion of total CJ levy (%)
I001	Deposit acceptors, home finance lenders and administrators	49.6%
I002	Insurers – General	15.1%
I003	The Society of Lloyds	0.1%
I004	Insurers – life	4.2%
I005	Fund managers	1.0%
I006	Operators, trustees and depositaries of collective investment schemes	0.1%
I007	Dealers as principal	0.1%
I008	Advisory arrangers, dealers or brokers (holding client money)	2.1%
I009	Advisory only firms and advisory, arrangers, dealers, or brokers (not holding client money)	2.1%
I010	Corporate finance advisors	0.1%
IA11	Authorised payment service providers	0.1%
IS11	Small payment institutions and small e-money issuers	0.1%
I013	Cash plan health providers	0.0%
I014	Credit unions	0.1%
I015	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	0.0%
I016	Home finance lenders, advisers and arrangers	2.0%
I017	General insurance mediation	23.2%
IA18	Authorised electronic money institutions	0.0%
IS18	Small electronic money institutions	0.0%

<sup>20</sup> FEES 5.3.3G. The general levy for the ombudsman service is payable across industry blocks. The amount raised from each industry block is based on the budgeted costs and numbers of ombudsman service staff required to deal with the volume of complaints expected about the firms in respect of their relevant business activity in each of those blocks. (Fees manual Chapter 5 (FEES 5)).

- 10.10** The ombudsman service has asked us to recover £23.3m by general levy (which is the same amount<sup>21</sup> we forecast to collect in 2013/14) and to maintain the same proportions across the industry blocks. This reflects its forecast that complaints volumes (excluding PPI complaints) will remain broadly stable. Annually, the amounts actually payable by each block will vary to reflect changes in the proportions of cases in each block.

### Apportionment of the CJ levy within fee blocks

- 10.11** Annex 4 sets out the proposed allocation of the CJ levy for 2014/15 within each industry block. The rates for 2013/14 are also included for comparison.
- 10.12** There is a minimum levy in each industry block and, in most cases, the levy then increases in proportion to the amount of 'relevant business' (ie business done with private individuals) each firm does.
- 10.13** For 2014/15, it is estimated that 85.8% of firms will only pay the minimum levy for their block.
- 10.14** Individual firms can calculate the impact of the proposed fees and levies using our online fees calculator.<sup>22</sup>
- 10.15** The general levy tariff rates will be finalised in June 2014 for the 2014/15 fee period.

**Q7: Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?**

**We must receive any responses by 30 May 2014.**

Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2014/15 – which will be made by our Board in June 2014 – could vary from those in this CP.

<sup>21</sup> The ombudsman service asked us to raise £23m in 2013/14 but we forecast that we will actually collect £23.3m by the end of the financial year due to a movement in tariff data since the rates were modelled and published.

<sup>22</sup> [www.fca.org.uk/firms/being-regulated/fees/calculator](http://www.fca.org.uk/firms/being-regulated/fees/calculator)

# 11.

## Money Advice Service levies 2014/15

### **(FEES 7 Annex 1R – draft rules in Appendix 5)**

- 11.1** In this chapter we consult on the levies proposed for the Money Advice Service<sup>23</sup> for 2014/15.
- 11.2** Two separate levies are proposed for the Money Advice Service in this consultation:
- the delivery of money advice, to raise £43m in 2014/15 (£43m in 2013/14), and
  - the coordination and provision of debt advice, to raise £38.1m in 2014/15 (£34.5m in 2013/14)
- 11.3** In the October 2013 consultation paper, *Regulatory fees and levies: policy proposals for 2014/15* (CP13/14<sup>24</sup>), we consulted on our proposed method of allocating Money Advice Service costs, for both money advice and debt advice, to fee-blocks. We provide feedback to that consultation in chapter 8 of this paper. We will keep the allocation method under review and ask the Money Advice Service to look at this issue again once they have had the benefit of the new system running for a year.
- 11.4** In CP13/14 we also set out our proposals for recovering the costs on the money advice levy once the full consumer credit regime is set up. Feedback on the proposals is in chapter 6 of this paper. In chapter 7 we set out how consumer credit firms will contribute to the levy for both money advice and debt advice.

### **Funding and budget for money advice**

- 11.5** The total budget for delivering the money advice function in 2014/15 is £43m.
- 11.6** Following approval of its 2014/15 draft budget and Business Plan by the FCA Board in December 2013, the Money Advice Service consulted publicly on its draft plan. The consultation closed on 14 February and 26 responses were received. Overall, the feedback was positive about the strategic direction proposed for the year ahead and progress in increasing engagements with partners, with some comments and questions being raised about certain specific operational details of the plan.
- 11.7** The Money Advice Service is due to publish its final business plan and budget on 2 April 2014<sup>25</sup> and a breakdown of expenditure and its strategic themes for 2014/15 can be found in its plan.

<sup>23</sup> The Money Advice Service is referred to in the legislation and our FEES manual as the Consumer Financial Education Body (CFEB)

<sup>24</sup> CP13/14 *Regulatory fees and levies: policy proposals for 2014/15* (October 2013)  
[www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14](http://www.fca.org.uk/your-fca/documents/consultation-papers/cp13-14)

<sup>25</sup> Final MAS business plan for 2014/15 will be published at [www.moneyadviceservice.org.uk/en/static/publications](http://www.moneyadviceservice.org.uk/en/static/publications)

### Allocation and recovery for money advice funding

**11.8** The Money Advice Service's 2014/15 funding for money advice will come from levies raised from FSMA-authorized firms, payment institutions and electric money issuers. We propose to allocate the money advice budget on the basis consulted on in CP13/14; this was based on three components that will carry equal weighting.

- 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 2013/14 Business Plan, to appropriate fee-blocks. The outcomes are managing debt well, saving regularly, saving for retirement, protecting assets and making provisions for dependents.
- A levy based on our own allocation for 2014/15.

**11.9** Table 11.1 sets out how the allocation method is reflected across fee-blocks and the movement between the amounts allocated to each fee-block in 2014/15 compared to 2013/14. We are proposing to maintain the minimum fee at £10 for 2014/15.

**Table 11.1 Proposed money advice allocation method 2014/15**

Fee-block	2013/14	Proposed 2014/15 Allocation £m using usage/levy/outcomes			Proposed 2014/15 allocation under new proposals £m	Movement
		Usage	Levy	Outcomes		
<b>Money advice levy:</b>						
<b>A.0 Minimum fee</b>	0.2	0.0	0.2	0.0	0.2	0.0%
<b>A.1 Deposit acceptors</b>	14.2	3.6	2.3	4.3	10.2	-28.2%
<b>A.2 Home finance providers and administrators</b>	4.3	5.2	0.6	1.4	7.2	68.8%
<b>A.3 Insurers - general</b>	2.7	0.1	0.8	2.9	3.9	42.4%
<b>A.4 Insurers - life</b>	5.2	1.3	1.4	3.6	6.3	20.0%
<b>A.5 Lloyd's managing agents</b>	0.1	0.0	0.0	0.0	0.0	-88.3%
<b>A.6 The Society of Lloyds'</b>	0.1	0.0	0.0	0.0	0.0	-84.9%
<b>A.7 Fund managers</b>	3.6	0.1	1.6	0.7	2.5	-32.3%
<b>A.9 Operators, trustees and depositaries of collective investment schemes etc</b>	0.9	0.0	0.5	0.7	1.2	41.4%
<b>A.10 Firms dealing as principal</b>	3.5	0.0	1.8	0.7	2.4	-29.0%

<b>A.13 Advisers, arrangers, dealers or brokers</b>	4.5	1.1	2.5	0.0	3.7	-17.8%
<b>A.14 Corporate finance advisers</b>	0.5	0.0	0.5	0.0	0.5	-9.4%
<b>A.18 Home finance providers, advisers and arrangers</b>	1.0	1.6	0.6	0.0	2.2	109.7%
<b>A.19 General insurance mediation</b>	2.1	0.1	1.0	0.0	1.1	-46.8%
<b>A.21 Firms holding client money or assets</b>	N/A	1.1	0.5	0.0	1.6	N/A
<b>G Firms covered by Payment Services Regulations 2009 (PSRs) and Electronic Money Regulations 2011 (EMRs)</b>	0.1	0.0	0.1	0.0	0.1	2.0%
<b>Total</b>	<b>42.9</b>	<b>14.3</b>	<b>14.3</b>	<b>14.3</b>	<b>43.0</b>	<b>0.2%</b>

**Q8: Do you have any comments on the proposed 2014/15 Money Advice Service levy rates for money advice?**

**We must receive any responses by 30 May 2014.**

### **Debt advice funding and budget**

- 11.10** The Money Advice Service took on responsibility for coordinating debt advice from 1 April 2012 and £34.5m was provided for this activity in 2013/14. During 2014/15, the Money Advice Service plans to set up a three-year funding arrangement with debt providers in England and Wales. This new arrangement will start in October 2014.
- 11.11** The Money Advice Service has been working with its partners to understand an appropriate supply level required to meet the need for debt advice during 2014/15 and it has assessed that it will need £38.1m.
- 11.12** Further details on the role of the Money Advice Service in debt advice, its new agreements with advice providers and a full breakdown of its debt advice budget can be found in its 2014/15 Business Plan.

### **Allocation of debt advice funding**

- 11.13** We propose to allocate the debt advice budget on the basis consulted on in CP13/14 — that debt advice is allocated between A1 and A2 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.

- 11.14** In CP13/14 we said we would make appropriate concessions for credit unions in respect of the debt advice levy. What we propose is that credit unions will operate on a tiered system so that smaller firms whose unsecured debt is less than £250,000 will not have to contribute while those with unsecured debt of over £250,000 will pay on the value of unsecured debt above this threshold. This will be at the same rate as all other firms in that fee-block.
- 11.15** Table 11.2 sets out the 2014/15 allocation of debt advice funding compared to 2013/14. We do not levy a debt advice minimum fee.

**Table 11.2 Proposed allocation of 2014/15 debt advice funding to fee-blocks compared to 2013/14.**

<b>Debt advice levy:</b>	<b>2013/14 Allocation £m based on 15% A.1 and 85% A.2</b>	<b>Proposed Allocation 2014/15 based on 50% lending</b>	<b>Proposed Allocation 2014/15 based on 50% Write Offs</b>	<b>Proposed 2014/15 Allocation under new proposals £m</b>	<b>Movement</b>
A.1 Deposit acceptors	5.2	2.1	16.8	18.8	264.5%
A.2 Home finance providers and administrators	29.3	16.9	2.3	19.2	-34.4%
<b>Total</b>	<b>34.5</b>	<b>19.0</b>	<b>19.0</b>	<b>38.1</b>	<b>10.4%</b>

**Q9: Do you have any comments on the proposed 2014/15 Money Advice Service levy rates for debt advice?**

**We must receive any responses by 30 May 2014.**

Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2014/15 – which will be made by our Board in June 2014 – could vary from those in this CP.

# Annex 1

## Compatibility with the general duties of the FCA

1. This Annex explains our reasons for concluding that our proposals in this consultation that relate to the FCA, the ombudsman service and Money Advice Service regulatory fees and levies for 2014/15 are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA), as amended by the 2012 Act. Under section 138I of FSMA, the FCA, the ombudsman service and the Money Advice Service are exempt from the requirement to carry out and publish a cost benefit analysis regarding such proposals.
2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to explain why it believes making the proposed rules is compatible with its strategic objective, advances one or more of its operational objectives, and has regard to the regulatory principles in s.3B FSMA. The FCA is also required by s.138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
4. This annex further includes our assessment of the equality and diversity implications of these proposals.

### The FCA's objectives and regulatory principles

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5. The FCA proposals set out in this consultation are not intended in themselves to advance our operational objectives. However, they will enable the FCA to fund the activities it needs to undertake in 2014/15 to meet its responsibilities under FSMA. Therefore, these proposals will indirectly advance our operational objectives of:
  - Delivering consumer protection – securing an appropriate degree of protection for consumers.
  - Enhancing market integrity – protecting and enhancing the integrity of the UK financial system.
  - Building competitive markets – promoting effective competition in the interests of consumers.

6. We also consider that these proposals are indirectly compatible with the FCA's strategic objective of ensuring that the relevant markets function well because they will again enable the FCA to fund the activities to meet this strategic objective. For the purposes of the FCA's strategic objective, 'relevant markets' are defined by s.1F FSMA. In the rest of this annex, reference to objectives means both our strategic objective and operational objectives.
7. In the case of the ombudsman service, the proposals in this consultation to raise the general levy to fund its activities in 2014/15 will indirectly meet its statutory function of providing a scheme for the quick and informal resolution of disputes between financial services firms and their customers.
8. In the case of the Money Advice Service, the proposals in this consultation to raise the levies to fund its activities in 2014/15 will indirectly meet its statutory objectives of enhancing the understanding and knowledge of financial matters by members of the public, improve people's ability to manage their own financial affairs, and assist the public with debt management, with a view to improving the availability, quality and consistency of debt advice services across the UK.
9. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s.3B FSMA. The most relevant regulatory principles are considered below:

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

- Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We endeavour to carry out this work in the most efficient and economical way possible, concentrating on the areas of activity that pose the greatest risk to our objectives.
- Our priorities for each financial year are set out in our annual Business Plan, mitigating the risks identified in our *Risk Outlook*, which were published for 2014/15 on the 31 March 2014. Our *Business Plan* includes our budget, which is the basis of the £446.4m annual funding requirement (AFR), which we need to achieve our objectives in 2014/15. This represents an increase of £14.3m (3.3%) from 2013/14, which is explained in chapter 2. We have delivered on our public commitment to keep FSA legacy costs at the same level as last year.
- The ombudsman service and the Money Advice Service are operationally independent, but accountable to us, which means that our resources are not directly involved in carrying out their activities.

**The principle that a burden or restriction should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction**

**FCA**

- The underlying rules for how we raise fees from fee-payers has been consulted on previously.
- Our fees are necessary for us to meet our objectives. As outlined above we take steps to use our resources in the most efficient and economic way, whilst delivering benefits to UK consumers, through our regulatory activities.
- In allocating our costs across the various fee-blocks (regulatory activities) we take into account the risks each fee-block poses to our objectives. This also reflects the resources we apply to

these activities. As such, we consider the allocation of the AFR outlined in chapter 2, the periodic fees for consumer credit outlined in chapter 7, and the banding of fee-block A21 outlined in chapter 3, achieves a proportional approach to our funding allocation. In addition, within individual fee-blocks, we consider firm size, to ensure proportionality.

- In chapter 4 we consult on changes to the way we raise periodic fees for some fee-payers in the 'B' fee-block. Again we consider that the burden on firms is proportionate to the benefits, given that in the case of:
  - i. operators of multilateral trading facilities (MTFs) we are proposing a structure aligned to our supervisory framework for MTFs which will provide a better link between the resources we apply to these firms and the fees charged
  - ii. service companies we are proposing a structure that better aligns the scale of regulated activity undertaken by firms and the fees charged, and
  - iii. firms subject to the Regulated Covered Bond Regulations 2008, we are proposing a structure that better reflects the split of resources applied across issuers and the fees charged

#### ***The ombudsman service***

- Fees collected to fund the ombudsman service enable it to carry out its statutory functions, broadly to provide access to an independent, quick and informal scheme for dispute resolution. The proper functioning of the ombudsman service helps the FCA to meet its consumer protection objective.

#### ***Money Advice Service***

- Fees collected to fund the Money Advice Service allows it to meet its objectives, providing information and support to consumers to help them play their part in driving effective competition in markets where FCA-regulated firms operate, which should help deliver better market outcomes for everyone.
- The National Audit Office (NAO) report into the Money Advice Service published in December 2013 acknowledged that money advice was vital for some consumers to make effective decisions in complex financial services markets. The report concluded that the Money Advice Service had achieved value for money in its debt advice work and, although it had not yet shown it was achieving value for money in the provision of money advice, it had reached a stage in its strategy in which it was moving in the right direction by developing a more specific and targeted provision for those in greatest need.
- In chapter 11 we are consulting on the levies proposed for the Money Advice Service to recover its 2014/15 funding requirement. The allocation of the funding requirement across fee-blocks is in line with that we consulted on in CP13/14 (October 2013):
  - i. For money advice the allocation gives a clearer link between how consumers currently use the Money Advice Service, the service's business strategy and the firms that pay for it.
  - ii. For debt advice the allocation is based on both total lending and write-off levels on a 50% basis for each, based on Bank of England data and allocated between A1 and A2 fee-blocks. This method reflects more fairly the difficulties that can happen during the lending process.

### **The desirability of exercising our functions that recognises differences in the nature of the businesses carried on by different persons we regulate**

#### **FCA**

- The allocation of our AFR in chapter 2 and the funding recovered from consumer credit firms in chapter 7, recognises the differences in the nature of the businesses carried on by the different persons we regulate:
  - i. fee-blocks are defined by reference to related types of permitted business fee-payers can undertake
  - ii. the proportion of our funding requirement allocated to each-fee-block represents the resources we will apply to mitigate risks to our objectives
  - iii. subject to minimum thresholds of size and minimum fees, fee-payers pay fees in each fee-block in line with the scale of the business they undertake in each fee-block
- In chapter 3 we are consulting on the structure for raising periodic fees under the new A.21 fee-block covering the regulated activity of holding and controlling client money and/or assets. In this case we are proposing to introduce bands to the fee-block, in line with the classification of firms we apply in the CASS sourcebook. This recognises the different levels of risk that apply to the way that firms in this fee-block carry out this regulatory activity and hence the fees charged to firms.
- In chapter 4 we are also consulting on changes to the way we raise periodic fees for some fee-payers in the 'B' fee-block. Relevant to this regulatory principle are:
  - i. operators of multilateral trading facilities (MTFs) where we are proposing a structure aligned to our supervisory framework for MTFs that takes into account the nature of the business undertaken by different MTFs
  - ii. service companies where we are proposing a structure that better aligns the scale of regulated activity undertaken by firms and the fees charged

#### **The principle that we should exercise our functions as transparently as possible**

- For transparency, the FCA, the ombudsman service and the Money Advice Service set out each year an explanation of any changes in fees or levy rates and the key drivers of those changes. We also publish each June a paper that explains the methodology used to calculate fees and levies, *How we raise our fees*<sup>26</sup>, and provide an online facility to help firms calculate their likely periodic fees or levies for the forthcoming year (fees calculator<sup>27</sup>).
- 10.** The proposals set out in this enable us to fund the activities we need to undertake in 2014/15. These activities include taking action intended to minimise the extent to which it is possible for a business carried on: (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s.1B(5)(b) FSMA).

<sup>26</sup> [www.fca.org.uk/static/documents/how-we-raise-our-fees.pdf](http://www.fca.org.uk/static/documents/how-we-raise-our-fees.pdf)

<sup>27</sup> [www.fca.org.uk/firms/being-regulated/fees/calculator](http://www.fca.org.uk/firms/being-regulated/fees/calculator)

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### Expected effect on mutual societies

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11. We do not expect the proposals in this paper to have a significantly different impact on mutual societies. The impact of the fees and levy rates proposed for 2014/15 for the FCA, the ombudsman service and the Money Advice Service on authorised firms that are mutual societies is not significantly different from the impact on other authorised firms.

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

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12. The proposals set out in this consultation enable us to fund the activities we need to undertake in 2014/15. These activities include meeting our duty to promote effective competition in the interests of consumers.
13. Additionally, the levels of fees set for different types of firms support our objective of promoting effective competition. For example, the allocation of our AFR to fee-blocks on which the fee rates are based takes account of the aggregate riskiness of the sector they represent and the recovery of allocations within the fee-blocks is based on the size of business undertaken by the individual firms.

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### Equality and diversity

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14. We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment (EIA) to ensure that the equality and diversity implications of any new policy proposals are considered.
15. We carried out an EIA of our fees policy in 2011. Introducing an income measure for intermediary fee-blocks in 2013/14 completed the implementation of its recommendations. In chapter 2 of CP13/14 (October 2013), we applied this recommendation to our proposals for the annual fees structure of the consumer credit firms being brought into scope from 2014/15. The EIA concluded that no other areas of fees policy were relevant to the equalities agenda or might influence behaviour. This position on fees policy is not being changed by the proposals in this CP.
16. We believe the proposals in this CP do not raise equality or diversity questions. The increase in fees will be applied consistently by us. Minimum fees for existing firms are not changing and the minimum fees for the new population of consumer credit firms are further structured to mitigate any adverse impact on smaller, more locally-based organisations. As a result, we do not consider that these proposals will disproportionately affect firms differently or create behaviour that would affect protected groups within the consumer base.
17. However, we would welcome comments on any equality and diversity issues you believe may arise from our proposals.

## Annex 2 Financial Ombudsman Service general levy – overview and industry blocks 2014/15

Industry Block	Description	Tariff Base	Consultation 2014/15 tariff rate	Actual 2013/14 tariff rate	Consultation 2014/15 minimum levy per firm	Actual 2013/14 minimum levy per firm	Consultation 2014/15 gross total	Actual 2013/14 gross total	Consultation 2014/15 contribution by block	Actual 2013/14 contribution by block
I001	Deposit acceptors, home finance lenders and administrators	Per relevant account	0.04331	0.04309	100	100	£11,551,793	£11,405,141	49.6%	49.6%
I002	Insurers - General	Per £1,000 of relevant annual gross premium income	0.1315	0.1306	100	100	£3,516,776	£3,469,492	15.1%	15.1%
I003	The Society of Lloyds		N.A.	N.A.	25,989	25,989	£25,989	£25,989	0.1%	0.1%
I004	Insurers - Life	Per £1,000 of relevant adjusted annual gross premium income	0.01695	0.01663	130	130	£978,176	£961,582	4.2%	4.2%
I005	Fund managers	Flat Fee	N.A.	N.A.	270	270	£232,899	£233,898	1.0%	1.0%
I006	Operators, Trustees and Depositories of collective investment schemes	Flat Fee	N.A.	N.A.	65	65	£23,290	£26,638	0.1%	0.1%
I007	Dealers as principal	Flat Fee	N.A.	N.A.	75	75	£23,290	£17,412	0.1%	0.1%
I008	Advisory arrangers, dealers or brokers (holding client money)	Per relevant approved person	0.158	0.15282	45	45	£489,088	£480,791	2.1%	2.1%
I009	Advisory only firms and advisory, arrangers, dealers, or brokers (not holding client money)	Per relevant approved person	0.114	0.117	45	45	£489,088	£480,791	2.1%	2.1%
I010	Corporate finance advisors	Flat Fee	N.A.	N.A.	55	55	£23,290	£18,062	0.1%	0.1%

Industry Block	Description	Tariff Base	Consultation 2014/15 tariff rate	Actual 2013/14 tariff rate	Consultation 2014/15 minimum levy per firm	Actual 2013/14 minimum levy per firm	Consultation 2014/15 gross total	Actual 2013/14 gross total	Consultation 2014/15 contribution by block	Actual 2013/14 contribution by block
IA11	Authorised payment service providers	Per £1,000 of relevant income	0.0007	0.0046	75	75	£23,290	£32,486	0.1%	0.1%
IS11	Small payment institutions and small e-money issuers	Flat Fee	N.A.	N.A.	35	35	£23,290	£27,288	0.1%	0.1%
I013	Cash plan health providers	Flat Fee	N.A.	N.A.	65	65	£780	£780	0.0%	0.0%
I014	Credit unions	Flat Fee	N.A.	N.A.	55	55	£23,290	£29,887	0.1%	0.1%
I015	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	Flat Fee	N.A.	N.A.	65	65	£3,640	£4,548	0.0%	0.0%
I016	Home finance lenders, advisers and arrangers	Flat Fee	N.A.	N.A.	85	85	£465,798	£452,203	2.0%	2.0%
I017	General insurance mediation	Per £1,000 of relevant business annual income	0.5173	0.4871	100	100	£5,403,258	£5,327,034	23.2%	23.2%
IA18	Authorised electronic money institutions	Per average outstanding electronic money	1.6	2	75	75	£2,500	£2,859	0.0%	0.0%
IS18	Small electronic money institutions	Flat Fee	N.A.	N.A.	50	50	£475	£3,119	0.0%	0.0%
<b>Total - all blocks</b>							<b>£23,300,000</b>	<b>£23,000,000</b>	<b>100.0%</b>	<b>100.0%</b>

# Annex 3

## List of questions

### Chapter 3

**Q1:** Do you have any comments on the proposed FCA 2014/15 minimum fees and variable periodic fee rates for authorised firms?

### Chapter 4

**Q2:** Do you have any comments on the proposed FCA 2014/15 minimum fees and periodic fee rates for fee-payers other than authorised firms?

### Chapter 7

**Q3:** Do you agree with our proposed FCA fee rates for consumer credit firms?

**Q4:** Do you agree with our proposed ombudsman service levy rates for consumer credit firms?

**Q5:** Do you agree with our proposed Money Advice Service levy rates for consumer credit firms?

**Q6:** Do you have any comments on our definition of the 'credit-broking merchant discount'?

### Chapter 10

**Q7:** Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?

### Chapter 11

**Q8:** Do you have any comments on the proposed 2014/15 Money Advice Service levy rates for money advice?

**Q9:** Do you have any comments on the proposed 2014/15 Money Advice Service levy rates for debt advice?

## Annex 4

# List of non-confidential respondents

Abide Financial Ltd

Amigo Loans

Ariste Holding Limited

Association of Arrears Mediators

Association of British Credit Unions Ltd

Association of Finance Brokers

Association of Mortgage Intermediaries

Association of Professional Debt Solutions Intermediaries Ltd

Association of Professional Financial Advisers

Atomwide Ltd

Autobond

BCCA Ltd

Belfin Finance

Bexhill UK Limited

Blyth Equipment Ltd

BPH Wealth Management LLP

Bradgate Financial Planning Ltd

Brains Inc Limited

Bright Oak Ltd

Bristol Finance

British Bankers' Association

British Private Equity and Venture Capital association

British Vehicle Rental and Leasing Association  
Building Societies Association  
Capita Asset Services  
Car4Leasing and Van4Leasing  
Care Retirement Options Ltd  
Cash Converters (UK) Ltd  
Central Finance And Loan Company Limited  
Central Loans Ltd  
Churchill Recovery Solutions Ltd  
Community Development Finance Association  
Computershare Investor Services Plc  
Consumer Credit Trade Association  
Council of Mortgage Lenders  
County Finance  
Creative United  
Credit Services Association (incorporating Debt Buyers and Sellers Group)  
Debt Managers Standards Association Ltd  
Debt Resolution Forum  
Doble Motorcycles  
Eccles Savings and Loans Ltd  
E. Smyth & Co  
Equiniti Financial Services Ltd  
Euroclear  
Fairprice Supplies Limited  
FDR Ltd  
Finance and Leasing Association  
Finance Otherwise Ltd

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Futures and Options Association  
Gone Fishing  
Grange Financial Services  
Harrington Brooks Debt Management  
HF Welch and Son Ltd  
HSBC Bank plc  
Hull Business Development Fund Ltd  
Icon Music  
Institute of Chartered Secretaries and Administrators Registrars Group  
International Underwriting Association of London  
Investec Wealth and Investment Limited  
Investment Management Association  
Irish League of Credit Unions  
JW Long  
Lea Financial Services Ltd  
Lek Securities UK Ltd  
Lisburn Hearing Centre  
Lloyds Banking Group  
Lloyd's Market Association  
Local Car and Van Rental Ltd  
Martin Hall Motors Ltd  
Matt Clayton  
Mick Oxley Financial Solutions  
Mo Talukder  
Money Advice Trust  
MoneyPlus Group  
Money Village

Morse Business Finance Limited  
Motability Operations  
National Pawnbrokers Association  
New Wave Capital Ltd  
Nick Lord  
Osborne Energy Ltd  
P&L Warren Ltd  
Parnaby Evans  
Pentagon (UK) Limited and APDSI Limited  
Plumb Financial Services  
Positive Solutions  
Promethean Marketing services Ltd  
Property Financial Management  
Prudential plc  
Ray Taylor  
Recovery Solutions Ltd  
Redburn Partners LLP  
Reid Financial Consultancy  
Retail Motor Industry Federation  
Roddy McFarlane  
Royal London Group  
Skyline Direct  
St George's School  
StepChange Debt Charity  
Stirling House Financial Services Ltd  
Stuart Pearson  
Teleconnect Service Ltd

The Debt Recovery Agency

Threesixty Services LLP

Times General Supply (Plymouth Ltd)

Wall 2 Wall Finance

Warburton Griffiths Financial Services

Wealth Management Association

White House Mortgages Ltd

Wholesale Market Brokers Association

Xtrakter Ltd

Zs Supplies (UK) Ltd



# Appendix 1

## Fees (Consumer Credit) Instrument

## FEES (CONSUMER CREDIT) INSTRUMENT 2014

### Powers exercised by the Financial Conduct Authority

- 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 supplementary powers);
  - (2) section 139A (Power of the FCA to give guidance);
  - (3) section 234 (Industry funding); and
  - (4) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority) of the Act.
- 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 1 April 2014.

### Amendments to the Handbook

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

### Citation

- F. This instrument may be cited as the Fees (Consumer Credit) Instrument 2014.

By order of the Board of the Financial Conduct Authority  
30 January 2014

*[Editor’s Note: this instrument is drafted on the assumption that the following instruments will be made after the making of this instrument and in substantially the form in which they were consulted upon (insofar as it is material to this instrument) and that these instruments will come into force also on 1 April 2014: (i) the Fees (Miscellaneous Amendments) (No 7) Instrument 2014 and (ii) the Fees (Consumer Credit No 2) Instrument 2014.]*

**Annex A****Amendments to the Glossary of definitions**

In this Annex, striking through indicates deleted text.

*relevant business* (1) (in *DISP* and *FEES*) that part of a *firm's* business which it conducts with *consumers* and which is subject to the jurisdiction of the *Financial Ombudsman Service* as provided for in *DISP* 2.3 (To which activities does the Compulsory Jurisdiction apply?), ~~*DISP* 2.4 (To which activities does the Consumer Credit Jurisdiction apply?)~~ and *DISP* 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each *industry block*.

...

## Annex B

### 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

### 3.1 Introduction

...

3.1.6 G Applications for *Part 4A permission* (and exercises of *Treaty rights*) other than in respect of *credit-related regulated activities* are categorised by the *appropriate regulator* for the purpose of fee raising as straightforward, ~~complex~~, moderately complex and complex and straightforward as identified in *FEES 3 Annex 1R*. This differentiation is based on the *permitted activities* sought and does not reflect the *appropriate regulator's* risk assessment of the applicant (or *Treaty firm*).

...

3.1.8A G Application fees for applications for and variations of *Part 4A permission* in respect of *credit-related regulated activities* are also set out in *FEES 3 Annex 1R*. Applications for *Part 4A permission* in respect of *credit-related regulated activities* are categorised by the *appropriate regulator* for the purposes of fee raising as straightforward, moderately complex and complex as identified in *FEES 3 Annex 1R*, unless the application is for a *limited permission*.

...

### 3.2 Obligation to pay fees

...

Method of payment

3.2.3 R (1) Unless (2), ~~or~~ (3) or (4) applies, the sum payable under *FEES 3.2.1R* must be paid by bankers draft, cheque or other payable order.

...

(3) The sum payable under *FEES 3.2.1R* by a *firm* applying for a variation of its *Part 4A permission* which is not an application for new *permission* solely in respect of one or more *credit-related regulated activities* (*FEES 3.2.7R(p)(1)* or *FEES 3.2.7R(p)(4)*) and, if applicable, *FEES 3.2.7AR(c)*) must be paid by any of the methods described in (1) or by Maestro, Visa Debit or credit card (Visa/Mastercard only). ~~Any payment by a permitted credit card~~

~~must include an additional 2% of the sum paid.~~

(4) Unless FEES 3.2.3AR applies, the sum payable under FEES 3.2.1R by a firm applying for a Part 4A permission in respect of credit-related regulated activities only or a variation of its Part 4A permission to add solely one or more credit-related regulated activities must be paid by Maestro, Visa Debit or credit card (Visa/Mastercard only).

(5) Payments by credit card must include an additional 2% of the sum paid.

- 3.2.3A R (1) If the fee payer (as specified in column (1) of FEES 3.2.7R) in relation to FEES 3.2.3R(4) is:
- (a) unable to make a payment by credit or debit card; or
  - (b) permitted to make a paper application rather than an online application for a Part 4A permission in respect of credit-related regulated activities only or a variation of its Part 4A permission to add a credit-related regulated activity;

the sum payable under FEES 3.2.1R can be paid by bankers draft, cheque or other payable order.

3.2.3B G If FEES 3.2.3AR(1)(a) applies to a fee payer, that fee payer would be expected to notify the FCA of these circumstances in advance of making its payment (and, in any event, no less than 7 days before the date on which the application for a Part 4A permission or the variation of a Part 4A permission is made) unless such notification is impossible in the circumstances, eg, there is a sudden technological failure.

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

(1) Fee payer	(2) Fee payable	Due date
(a) ...	...	...
<u>(aa) A person who makes an application under section 24A of the Consumer Credit Act 1974 which meets the conditions of article 31 (Applications for a standard licence where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000</u>	<u>As (a) above less any amount paid to the Office of Fair Trading in relation to the relevant application.</u>	<u>Within 30 days of the date of the invoice.</u>

<u>(Regulated Activities) (Amendment) (No 2) Order 2013 (the “relevant application”)</u>		
...	...	...
(p) A <i>firm</i> applying for a variation of its <i>Part 4A permission</i> whose fee is not payable pursuant to subparagraph (ga) of this table	<p>(1) Unless (2), <del>(2A)</del>, or (3), <del>(3A)</del> or <del>(3B)</del>, 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 1R</i> which apply to that application</p> <p><del>(2) If the only change is that the A.12 activity group tariff applied to the <i>firm's</i> business before the variation and the A.13 activity group will apply after variation, no fee is payable</del> Subject to (2A) below, if the <i>firm's</i> application includes an application for a <i>Part 4A permission</i> to carry on a new <i>credit-related regulated activity</i>, the fee is 50% of the highest of the tariffs set out in <i>FEES 3 Annex 1R</i> that would be payable under (1) above or, if higher, 50% of the highest of the tariffs set out in <i>FEES 3 Annex 1R</i> that would be payable in relation to the new</p>	...

	<p><u>credit-related regulated activity</u></p> <p>(2A) If an applicant which already has a <u>Part 4A permission to carry on a credit-related regulated activity exclusively</u> applies for a <u>Part 4A permission to carry on a new credit-related regulated activity</u>, that is specified in Part 3 of <u>FEES 3 Annex 1R in the straightforward category</u> (or if it exclusively applies for a number of such <u>permissions</u>), the fee is <u>£250</u></p> <p>(3) ...</p> <p>(3A) If the applicant had a <u>limited permission prior to the application to vary its Part 4A permission</u>, <u>100% of the highest of the tariffs set out in FEES 3 Annex 1R which apply to that application</u></p> <p>(3B) If the applicant has a <u>limited permission</u> and its application exclusively relates to another <u>limited permission</u>, the fee is <u>0</u></p> <p>(4) ...</p>	
<p>(pa) A person who <u>makes an application under section 30(1) of the Consumer Credit Act 1974 which meets</u></p>	<p><u>As (a) of (p) above, less any amount paid to the Office of Fair Trading in relation to the relevant variation</u></p>	<p><u>Within 30 days of the date of the invoice.</u></p>

<u>the conditions of article 33 (Variations at request of licensee where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 (the “relevant variation application”)</u>	<u>application.</u>	
...		
<u>(zs) Applicant for FCA permission for an agreement to be enforced under section 28A(3)(a) and/or 28A(3)(b) of the Act</u>	<u>£3,500 per type of agreement specified in the application.</u>  <u>Where there are a number of agreements of the same type, only one fee is payable in respect of those agreements. A number of agreements are of the same type when those agreements are entered into on the same terms and conditions.</u>	<u>On or before the date the application is made.</u>

...

### 3 Annex 1R Authorisation fees payable

#### Part 1 – Authorisation fees payable

For *PRA-authorised persons* and *persons* seeking to become *PRA-authorised persons*, the amount payable to the *PRA* is 50% of the amount payable under Part 1 and the amount payable to the *FCA* is 50% of the amount payable under Part 1. The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

For *FCA-authorised persons* and *persons* seeking to become *FCA-authorised persons*, the amount payable to the *FCA* is the amount payable under Part 1. No amount is payable to the *PRA*.

The table below sets out the following:

(1) fees for applications by *credit unions* and other societies registered or deemed registered under section 1(2)(b) of the Industrial and Provident Society Act 1965;

(2) application fees in respect of the complexity groupings that relate to *regulated activities* that are not *credit-related regulated activities*; and

(3) application fees in respect of the complexity groupings that relate to *credit-related regulated activities*.

Application type (see Part 2)	Amount payable (£)	
<u>(1) <i>Credit unions</i> and other societies registered or deemed registered under section 1(2)(b) of the Industrial and Provident Society Act 1965</u>		
(a) <i>Credit unions</i> – registration of a common bond	200	
<u>(aa) <i>Credit unions</i> or other societies registered or deemed registered under section 1(2)(b) of the Industrial and Provident Society Act 1965 – where application is for a <i>Part 4A permission</i> limited to <i>permission to carry on credit-related regulated activities</i></u>	<u>200</u>	
(b) <i>Version 1 credit unions</i> – authorisation (other than where (aa) applies)	300	
(c) <i>Version 2 credit unions</i> – authorisation (other than where (aa) applies)	1,800	
<u>(2) Complexity groupings not relating to <i>credit-related regulated activities</i> – see Part 2</u>		
(d) Straightforward	1,500 (unless otherwise specified in Part 2)	
...	...	
<u>(3) Complexity groupings relating to <i>credit-related regulated activities</i> – see Part 3</u>		
	Consumer credit annual income (£)	
	<u>0 - 50,000</u>	<u>&gt; 50,000</u>
<u>(g) <i>Limited permission</i></u>	<u>100 unless the application is for <i>limited permission</i></u>	<u>500 unless the application is for <i>limited permission</i></u>

	<i>as a not-for-profit debt advice body, in which case the amount payable is</i> <u>0</u>		<i>as a not-for-profit debt advice body, in which case the amount payable is</i> <u>0</u>		
	<u>Consumer credit annual income (£)</u>				
	<u>0 -</u> <u>50,00</u> <u>0</u>	<u>≥</u> <u>50,00</u> <u>0 -</u> <u>100,0</u> <u>00</u>	<u>≥</u> <u>100,0</u> <u>00 -</u> <u>250,0</u> <u>00</u>	<u>≥</u> <u>250,0</u> <u>00 -</u> <u>1,000,</u> <u>000</u>	<u>≥</u> <u>1,000,</u> <u>000</u>
<u>(h) Straightforward</u>	<u>600</u>	<u>750</u>	<u>1,000</u>	<u>1,500</u>	<u>5,000</u>
<u>(i) Moderately complex</u>	<u>800</u>	<u>1,000</u>	<u>1,500</u>	<u>5,000</u>	<u>10,00</u> <u>0</u>
<u>(j) Complex</u>	<u>1,000</u>	<u>1,250</u>	<u>2,000</u>	<u>7,000</u>	<u>15,00</u> <u>0</u>

Part 2 – Complexity Groupings not relating to credit-related regulated activities  
Straightforward Cases

...

Part 3 – Complexity Groupings relating to credit-related regulated activities

Straightforward cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.1</u>	<u>Credit broking</u> <u>Providing credit information services</u>

Moderately complex cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.2</u>	<u>Debt administration</u> <u>Debt collecting</u>

	<p><u>Entering into a regulated consumer hire agreement as owner</u></p> <p><u>Entering into a regulated credit agreement as lender (excluding in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements)</u></p> <p><u>Exercising, or having the rights to exercise, the owner's rights and duties under a regulated consumer hire agreement</u></p> <p><u>Exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement (excluding in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements)</u></p> <p><u>Operating an electronic system in relation to lending</u></p>
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#### Complex cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.2</u>	<p><u>Debt adjusting</u></p> <p><u>Debt counselling</u></p> <p><u>Entering into a regulated credit agreement as lender in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</u></p> <p><u>Exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</u></p> <p><u>Providing credit references</u></p>

...



## **Appendix 2**

# **Fees (Consumer Credit No 2) Instrument**

**FEES (CONSUMER CREDIT NO 2) INSTRUMENT 2014**

**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
  - (2) section 137T (General supplementary powers);
  - (3) section 139A (Power of the FCA to give guidance);
  - (4) section 234 (Industry funding);
  - (5) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority) of the Act; and
  - (6) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body).
- B. The rule making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 1 April 2014.

**Amendments to the FCA Handbook**

- D. The Fees manual (FEES) is amended in accordance with Annex A to this instrument.
- E. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

**Citation**

- F. This instrument may be cited as the Fees (Consumer Credit No 2) Instrument 2014.

By order of the Board of the Financial Conduct Authority  
27 March 2014

**Annex A**

**Amendments to the Fees manual (FEES)**

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

**3.2 Obligation to pay fees**

...

Method of payment

**3.2.3 R ...**

- (3) The sum payable under *FEES* 3.2.1R by a *firm* applying for a variation of its *Part 4A permission* which is not an application for new *permission* solely in respect of one or more *credit-related regulated activities* (*FEES* 3.2.7R(p)(1) or *FEES* 3.2.7R(p)(4) and, if applicable, *FEES* 3.2.7AR(c)) must be paid by any of the methods described in (1) or by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express only).
- (4) Unless *FEES* 3.2.3AR applies, the sum payable under *FEES* 3.2.1R by a *firm* applying for a *Part 4A permission* in respect of *credit-related regulated activities* only or a variation of its *Part 4A permission* to include solely one or more *credit-related regulated activities* must be paid by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express only).
- (5) Payments by credit card must include an additional 2% of the sum paid:
  - (a) 2% of the sum paid when paying by Visa or Mastercard; or
  - (b) 3.2% of the sum paid when paying by American Express.

...

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

(1) Fee payer	(2) Fee payable	Due date
...	...	...
(pa) A person who makes an application under section 30(1) of the Consumer Credit	<u>As (a) or (p) above, less any amount paid to the Office of Fair Trading in relation to</u>	Within 30 days of the date of the invoice.

<p>Act 1974 which meets the conditions of article 33 (Variations at request of licensee where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (the “relevant variation application”)</p>	<p><u>the relevant variation application</u></p>	
<p>(zs) Applicant for <i>FCA</i> permission for an agreement to be enforced under section 28A(3)(a) and/or <u>money paid or property transferred under an agreement to be retained under 28A(3)(b) of the Act</u></p>	<p>(1) <u>If the application is for permission for an agreement to be enforced under section 28A(3)(a) of the Act and for permission for money paid or property transferred under an agreement to be retained under section 28A(3)(b) of the Act, the fee is £3,500 per type of agreement specified in the application.</u></p> <p>(2) <u>If the application is for permission for an agreement to be enforced under section 28A(3)(a) of the Act only, the fee is £3,500 per type of agreement specified in the application.</u></p> <p>(3) <u>If the application is for permission for money paid or property transferred under an agreement to be retained under section 28A(3)(b) of the Act only, the fee is £3,500 per type of agreement specified in the</u></p>	<p>On or before the date the application is made</p>

	<p><u>application.</u></p> <p>Where there are a number of agreements of the same type, only one fee is payable in respect of those agreements. A number of agreements are of the same type when those agreements are entered into on the same terms and conditions.</p>	
--	---	--

...

### 3 Annex 1R Authorisation fees payable

#### Part 1 – Authorisation fees payable

For *PRA-authorized persons* and *persons* seeking to become *PRA-authorized persons*, the amount payable to the *PRA* is 50% of the amount payable under Part 1 and the amount payable to the *FCA* is 50% of the amount payable under Part 1. The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

For *FCA-authorized persons* and *persons* seeking to become *FCA-authorized persons*, the amount payable to the *FCA* is the amount payable under Part 1. No amount is payable to the *PRA*.

The table below sets out the following:

(1) fees for applications by *credit unions* and ~~other societies registered or deemed registered under section 1(2)(b) of the Industrial and Provident Society Act 1965~~ *community finance organisations*;

(2) application fees in respect of the complexity groupings that relate to *regulated activities* that are not *credit-related regulated activities*; and

(3) application fees in respect of the complexity groupings that relate to *credit-related regulated activities*.

Application type	Amount payable (£)
(1) <i>Credit unions</i> and <del>other societies registered or deemed registered under section 1(2)(b) of the Industrial and Provident Society Act 1965</del> <u><i>community finance organisations</i></u>	
(a) <i>Credit unions</i> – registration of a	200

common bond	
(aa) <del>Credit unions or other societies registered or deemed registered under section 1(2)(b) of the Industrial and Provident Society Act 1965</del> <i>community finance organisations</i> – where application is for a <i>Part 4A permission</i> limited to <i>permission to carry on credit-related regulated activities</i>	200
...	

### Part 3 – Complexity Groupings relating to *credit-related regulated activities*

#### Straightforward cases

Activity grouping	Description
CC.12	<i>Credit broking</i> <i>Providing credit information services</i>
...	

...

...

## 4 Periodic fees

...

### Background

- 4.1.3 G Most of the detail of the periodic fees that are payable by *firms* is set out in *FEES 4 Annexes 1A to ~~11BR~~*. *FEES 4 Annex 12G* and (in respect of the FCA only) *FEES 4 Annex 13G* provide guidance on the calculation of certain tariffs. Most of the provisions of the Annexes will vary from one *fee year* to another. Accordingly fresh *FEES 4 Annexes* will come into force, following consultation, for each *fee year*.

...

Modifications for persons becoming subject to periodic fees during the course of a *fee year*

...

- 4.2.7 R A *firm* (other than an *AIFM qualifier*, *ICVC* or *UCITS qualifier*) which becomes authorised or registered or whose *permission* and/or *payment service* activities are extended, during the course of the *fee year* must pay a fee which

is calculated by:

...

(2) calculating the amount for each of the applicable tariffs which is the higher of:

(a) any applicable minimum fee specified in relation to a particular tariff in *FEES 4 Annex 2AR* or *FEES 4 Annex 2BR* (but note, for the avoidance of doubt, these are not the A.0 or PA.0 minimum fees set out in Part 2 of *FEES 4 Annex 2AR* and Part 2 of *FEES 4 Annex 2BR*); and

...

...

...

#### 4 FCA Activity groups, tariff bases and valuation dates

##### Annex 1AR

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

	it is not a <i>credit union or community finance organisation with annual income as defined in FEES 4 Annex 11BR of less than £250,000.</i>
--	---

...

Part 2	
This table sets out the activity groups (fee blocks) in relation to (i) the minimum <u>fee fees</u> payable to the <i>FCA</i> and (ii) the prudential fee payable to the <i>FCA</i> .	
Activity group	Fee payer falls into the fee-block if
A.0 <i>FCA</i> minimum fee	(1) it is in at least one of the fee blocks under Part 1; and (2) it is not: (a) a <i>UK ISPV</i> ; or (b) a <i>firm</i> whose only <i>permission</i> is operating a dormant fund account; <u>or</u> (c) a <i>firm</i> exclusively carrying on <i>credit-related regulated activities</i> .
AP.0 <i>FCA</i> prudential fee	(1) it is an <i>FCA authorised person other than an FCA authorised person exclusively carrying on credit-related regulated activities</i> ; and (2) the periodic fee it pays to the <i>FCA</i> is not limited to the A.0 minimum fee.

...

Part 3	
This table indicates the tariff base for each fee-block set out in Part 1.	
The tariff base in this Part is the means by which the <i>FCA</i> measures the amount of business conducted by a <i>firm</i> for the purposes of calculating the annual periodic fees payable to the <i>FCA</i> by that <i>firm</i> .	
Activity group	Tariff base
...	...
B. Benchmark administrators	...
<u>CC1. Credit-related regulated</u>	<u>Annual income as defined in FEES 4 Annex 11BR.</u>

<u>activities with limited permission</u>	
<u>CC2. Credit-related regulated activities</u>	<u>Annual income as defined in FEES 4 Annex 11BR.</u>

...

Part 5	
This table indicates the valuation date for each fee-block. A <i>firm</i> can calculate its tariff data in respect of fees payable to the <i>FCA</i> by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.	
Activity group	Valuation date
...	...
<i>B. Benchmark administrators</i>	...
<u>CC1. Credit-related regulated activities with limited permission</u>	<u>Annual income for the financial year ended in the calendar year ending 31 December.</u>
<u>CC2. Credit-related regulated activities</u>	<u>Annual income for the financial year ended in the calendar year ending 31 December.</u>

**4 Annex 2AR FCA Fee rates and EEA/ Treaty firm modifications for the period from 1 April 2013 to 31 March 2014**

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

Activity group	Fee payable	
...		
B. MTF operators	...	
<u>CC1. Credit-related regulated activities with limited permission</u>	<u>Band Width (£ thousands of annual income (AI))</u>	<u>Fee (£/£ thousand or part £ thousand of AI)</u>
	[tbc]	[tbc]
<u>CC2. Credit-related regulated activities</u>	<u>Band Width (£ thousands of annual income (AI))</u>	<u>Fee (£/£ thousand or part £ thousand of AI)</u>
	[tbc]	[tbc]

After FEES 4 Annex 11AR insert the following new Annex 11BR. The text is not underlined.

**4**  
**Annex**  
**11BR**

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

**Annual income definition for *credit related regulated activities***

“Annual income” is the gross inflow of economic benefits (i.e. cash, receivables and

other assets) recognised in the *firm's* accounts during the reporting year in respect of, or in relation to, the provision in the *UK* of the *regulated activities* specified in *FEES* 4 Annex 1AR Part 1 as belonging to fee-blocks CC1 or CC2 as applicable.

The figure should be reported without netting off the operating costs or business expenses, but including:

(a) all interest received on loans, brokerages, *commissions*, *fees*, and other related income (for example, administration *charges*, overrides, profit shares etc) due to the *firm* in respect of, or in relation to, the provision in the *UK* of the *credit-related regulated activities* specified in *FEES* 4 Annex 1AR Part 1 as belonging to fee-blocks CC1 and CC2 and which the *firm* has not rebated to *clients* or passed on to other *authorised firms* (for example, where there is a commission chain).

Plus:

(b) any ongoing *commission* from previous business received by the *firm* during the reporting year.

Plus:

(c) the “fair value” of any goods or services the *firm* provided to *clients*. This is an estimate of the amount the *firm* would otherwise have received for any *regulated activity* under (a) above, but for which it has made a business decision to waive or discount its charges.

Guidance on the interpretation of this definition is presented in Table 2 of *FEES* 4 Annex 13G.

*FEES* 4 Annex 13G is amended as shown.

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

The following tables set out *guidance* on how a *firm* should calculate certain tariffs that relate to fee-blocks containing only *FCA-regulated activities*.

Table 1

...

Table 2

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

**Calculating and apportioning annual income – FEES 4 Annex 11BR**

<b><u>Calculating annual income</u></b>	
<u>Defining relevant income streams</u>	
(1)	<u>Firms should report the total income from the credit-related regulated activities for which they have permission.</u>
(2)	<u>Firms should only include revenue streams that relate to regulated activities which are carried on 'in the United Kingdom'. In many cases, it will be quite straightforward to identify where an activity is carried on. But when there is a cross-border element, for example because a client is outside the United Kingdom or because some other element of the activity happens outside the United Kingdom, the question may arise as to where the activity is carried on. PERG 2.4 describes the legislation that is relevant to this question.</u>
<u>Reporting period</u>	
(3)	<u>The “reporting year” is the firm’s financial year end during the calendar year prior to the FCA fee year. This fee year starts on 1 April. This is specified in part 5 of FEES 4 Annex 1AR.</u>
(4)	<u>The income that should be included is the income that was recognised in the accounts of the relevant reporting year. This means that some income due may not be reported until the following year because it has not yet been recognised in the accounts, while other income may be carried forward from previous years.</u>
<u>Fair value</u>	
(5)	<p><u>The firm should report a “fair value” price for any services for which it has made a business decision not to charge to clients.</u></p> <p><u>We consider fair value to refer to the amount at which goods or services could be exchanged in an arm’s length transaction between informed and willing parties, other than in a forced or liquidation sale.</u></p> <p><u>Some examples where fair value may be relevant in the context of consumer credit are:</u></p> <p><u>(a) “Imputed interest”: where a loan has been provided interest-free or at a discounted rate, the charge should be rounded up to the prevailing rate normally chargeable to a client with a similar credit rating;</u></p> <p><u>(b) “Commission-equivalent” or “fee-equivalent”: where a firm has foregone or discounted the commission or fee it would actually have charged but for the business decision to grant a discount in a particular case or on a temporary basis, it should report the amount it would otherwise have charged for providing equivalent credit-related regulated activity.</u></p>
(6)	<p><u>Firms should not estimate a fair value where:</u></p> <p><u>(a) there is a statutory prohibition on charging interest (such as bankruptcy</u></p>

	<p><u>debts); or</u></p> <p><u>(b) they have reduced or suspended their normal charging structure because the debtor is unable to meet contractual repayments and an alternative repayment arrangement has been agreed with the creditor; or</u></p> <p><u>(c) they have made a “borrower-lender-supplier” agreement to allow a customer to pay the cash price of goods or services in instalments – any penalties or interest charged where the customer is in default should be declared as income.</u></p>
<u>Inclusions</u>	
<u>(7)</u>	<u>Annual income should include:</u>
<u>(a)</u>	<u>all amounts due to the <i>firm</i> arising out of <i>credit-related regulated activities</i> for which the <i>firm</i> holds <i>permission</i>, including regular charges and instalments due to the <i>firm</i> during the reporting year;</u>
<u>(b)</u>	<u>income received in relation to the provision of current account overdrafts interest charges, arrangement fees and charges of credit cards by merchants;</u>
<u>(c)</u>	<u>interchange charges for the use of credit cards by merchants;</u>
<u>(d)</u>	<u>any payment from a <i>parent</i> to facilitate the discounting or forgoing of any amounts that would otherwise be charged in full to a <i>client</i>, to the extent that the payment exceeds the “fair value” price reported in accordance with paragraph (5) above;</u>
<u>(e)</u>	<u>earnings from those who will become its <i>appointed representatives</i> immediately after authorisation; and</u>
<u>(f)</u>	<u>administrative charges and any interest from income related to its <i>credit-related regulated activities</i>.</u>
<u>Prohibited deductions</u>	
<u>(8)</u>	<u>Deductions should not be made for:</u>
<u>(a)</u>	<u>bad debts;</u>
<u>(b)</u>	<u>customer benefits such as cash rewards, complimentary travel insurance, air miles vouchers etc;</u>
<u>(c)</u>	<u>items such as general business expenses (eg, employees’ salaries and overheads);</u>
<u>(d)</u>	<u>finances or penalties levied against the <i>firm</i>;</u>
<u>(e)</u>	<u>commission a <i>firm</i> pays to another party to arrange a transaction with a</u>

	<u>client unless it receives a fee in respect of the same transaction;</u>
(f)	<u>the difference (if positive) between the fee payable by a firm to another party for arranging a transaction and the amount payable to the firm by the end client in respect of that transaction (here, the firm must net any excess payable by the end client to zero); and</u>
(g)	<u>payments to clients made by way of redress.</u>
<u>Exclusions</u>	
(9)	<u>The following should be excluded from the calculation of annual income:</u>
(a)	<u>Any income arising from business which is not a credit-related regulated activity.</u>
(b)	<u>(i) Repayments of principal lent by the firm in the course of it carrying on a credit-related regulated activity and (ii) sums received by the firm in exchange for the rights to principal owed to the firm where the principal was lent by the firm in the course of carrying on a credit-related regulated activity and where the rights are not sold at a premium to the value of the principal outstanding, should not be included. By the same token, the money a firm has received for the purpose of lending on to consumers as principal (e.g. money raised through wholesale borrowing, grant-aid, intra-group transfers, etc) should not be treated as income.</u>
(c)	<u>On the same principle, the income on debt purchase is the difference between the price paid for the purchased book and the amount collected.</u>
(d)	<u>To avoid double-counting, amounts which have been passed on to other firms carrying on credit-related regulated activities may be excluded from the calculation of annual income, for example where there is a commission chain. Transfers of income to other firms may be particularly common within groups where, to present a single interface to clients, all amounts due to the group may be collected by one firm for subsequent redistribution to other firms within the group. It is for groups themselves to decide the most convenient way to report such annual income, ie whether the firm which receives the full amount should declare that full amount or whether each firm in the group should report its separate distribution.</u>
(e)	<u>Any payment from a parent to facilitate the discounting or forgoing of any amount that would otherwise be charged in full to a client should be excluded to the extent that the payment does not exceed or equal the “fair value” price reported in accordance with paragraph (6) above.</u>
(f)	<u>Rebates to customers and fees or commissions passed onto other firms should be excluded.</u>
(g)	<u>The costs of wholesale funding should be excluded from the calculation</u>

		<u>– ie interest payments on money borrowed in order to lend on to customers.</u>
	(h)	<u>If the total income a <i>firm</i> reports to us in one year includes an estimate for potential income which had been recognised in the accounts but not in practice received, and which has subsequently been written off as a bad debt, the amount may be deducted from the following year's reported income.</u>
	(i)	<u>Any debit backs deducted from an intermediary by a lender where a customer settles the loan early or defaults.</u>
	(j)	<u><i>Authorised professional firms</i> should exclude the income from <i>non-mainstream regulated activities</i>. They may estimate the proportion of their business that is derived from those activities and split the income from individual invoices accordingly.</u>
	(k)	<u>For the avoidance of doubt, income relating to operating current accounts and debit card transactions should be excluded except where the income relates to the provision of overdrafts (see paragraph (6)(c) above).</u>
	(l)	<u>For the avoidance of doubt, income relating to or in respect of an activity is not part of annual income to the extent that the activity benefits from the exclusion in article 69 of the Financial Services and Markets Act 2000 (Regulated Activities Order) 2001 (Groups and joint enterprises). <i>Firms</i> should refer to the <i>guidance</i> on the application of this exclusion is contained in <i>PERG 2.9</i>.</u>
<b><u>Apportioning annual income</u></b>		
<u>Where a <i>firm</i> cannot separate its income on the basis of <i>credit-related regulated activities</i>, it may apportion the income on the basis of the proportionate split of business that the <i>firm</i> otherwise undertakes. Examples are outlined below.</u>		
	(1)	<u>If a <i>firm</i> receives annual income from a platform-based business it may report this in line with a wider breakdown of its activities.</u>
	(2)	<u>A <i>firm</i> may allocate ongoing <i>commission</i> from previous business on the basis of the type of <i>firm</i> it receives the <i>commission</i> from. This avoids tracking back legacy business which may no longer match the provider's current business model.</u>
	(3)	<u>If a <i>firm</i> has invested income from <i>credit-related regulated activities</i>, then any interest received should be reported as income, in proportion to the volume of business relating to <i>credit-related regulated activities</i> it undertakes to avoid tracking back old payments.</u>
	(4)	<u><i>Firms'</i> systems ought to be able to distinguish <i>UK</i> from non-<i>UK</i> business to establish which conduct of business regime it was conducted under. However, if, a <i>firm</i> has a mix of business and its systems do not relate the figures back to</u>

	<u>the income streams from <i>credit-related regulated activities</i>, then it may make a proportionate split as described above, calculating its regulated <i>UK</i> income on the basis of the overall split between <i>UK</i> and non-<i>UK</i> income.</u>
(5)	<u>An <i>authorised professional firm</i> may estimate the proportion of its business that is derived from <i>regulated activity</i> and split its income for individual invoices accordingly.</u>
(6)	<u>It is for individual <i>firms</i> to determine how they should calculate the appropriate split of income. The <i>FCA</i> is not prescriptive about the methodology. It requires only that:</u>
(a)	<u>the approach should be proportionate - the <i>FCA</i> is looking for <i>firms</i> to make their best efforts to estimate the split;</u>
(b)	<u>the <i>firm</i> must be able on request to provide a sound and clearly expressed rationale for its approach - for example, if all invoices were analysed over a particular period, the <i>firm</i> should be able to justify the period as representative of its business across the year;</u>
(c)	<u>the methodology should be objective - for example, based on random sampling of invoices or random stratified sampling; and</u>
(d)	<u>the <i>firm</i> must on request be able to provide an audit trail which demonstrates that the choice of methodology was properly considered at an appropriate level or in the appropriate forums within the <i>firm</i>, and the decision periodically reviewed at the same level or in an equivalent forum.</u>

Amend the following as shown.

## 5 Financial Ombudsman Service Funding

### 5.1 Application

...

5.1.1-A G Whilst no rule made by the *FCA* in this chapter applies to ~~licensees~~ subject to the ~~Consumer Credit Jurisdiction~~ or 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 and described in *FEES* 5.1.2AG.

...

5.1.8 G This chapter also explains the way that the ~~Consumer Credit Jurisdiction~~ will be funded by a combination of contributions collected by the Office of Fair Trading which are paid to *FOS Ltd* and ease fees invoiced and collected directly by the *FOS Ltd* from ~~licensees~~. [deleted]

## 5.2 Introduction

...

- 5.2.1 G Paragraph 9 of Schedule 17 to the *Act* (The Ombudsman Scheme) requires *FOS Ltd* to adopt an *annual budget* which has been approved by the *FCA*. The *annual budget* must distinguish between the costs of operating the *Compulsory Jurisdiction*, ~~the *Consumer Credit Jurisdiction*~~ and the *Voluntary Jurisdiction*.

...

- 5.2.2A G Section 234A(1) of the *Act* (Funding by consumer credit licensees etc.) enables *FOS Ltd* from time to time and with the approval of the *FCA* to determine a sum which is to be raised by way of contributions under that section to cover the costs of:

- (1) ~~the establishment of the *Financial Ombudsman Service* so far as it relates to the *Consumer Credit Jurisdiction*;~~
- (2) ~~its operation in relation to the *Consumer Credit Jurisdiction*; and~~
- (3) ~~a component to cover the costs of collection of the contributions to that sum (collection costs). [deleted]~~

- 5.2.2B G *FOS Ltd* must notify the Office of Fair Trading of every determination made under section 234A(1) and the Office of Fair Trading must give a general notice of every determination so notified. The Office of Fair Trading may by general notice impose requirements on

- (1) ~~licensees under standard licences which cover to any extent the carrying on of a type of business specified in an order made under section 226A(2)(e) of the *Act*; or~~
- (2) ~~persons who make applications for:~~
  - (a) ~~standard licences covering to any extent business of such a type; or~~
  - (b) ~~the renewal of standard licences on terms covering to any extent the carrying on of a business of such a type;~~

~~to pay contributions to the Office of Fair Trading for the purpose of raising sums determined by *FOS Ltd* in accordance with the provisions of section 234A(6) and (7) of the *Act*. [deleted]~~

...

- 5.2.3A G Paragraph 16C of Schedule 17 to the *Act* enables *FOS Ltd* to require *licensees* subject to the *Consumer Credit Jurisdiction* and any other respondents to a complaint to pay specified fees to it in respect of complaints closed by the *Financial Ombudsman Service*. [deleted]

...

**5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction**

...

Industry block	Tariff base	General levy payable by firm
...	...	...
<u>19 – Credit-related regulated activities with limited permission</u>	<u>For not-for-profit debt advice bodies, a flat fee</u>	<u>Levy of £[tbc]</u>
	<u>For all other firms with limited permission, a flat fee</u>	<u>Levy of £[tbc]</u>
<u>20 – Credit-related regulated activities</u>	<u>Annual income as defined in FEES 4 Annex 11BR</u>	<u>£[tbc] per £[tbc] of annual income</u>

...

**7 Annex 1R CFEB levies for the period from 1 April 2013 to 31 March 2014**

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

Activity group	<i>CFEB levy payable</i>	
...		
G.11	Flat fee (£)	10
<u>CC.1</u>	<u>Minimum fee</u>	<u>[tbc]</u>
	<u>Band Width (£ thousands of annual income (AI))</u>	<u>Fee (£/£ thousand or part £ thousand of AI</u>
	<u>[tbc]</u>	<u>[tbc]</u>
<u>CC.2</u>	<u>Minimum fee</u>	<u>[tbc]</u>
	<u>Band Width (£ thousands of annual income (AI))</u>	<u>Fee (£/£ thousand or part £ thousand of AI</u>

	[tbc]	[tbc]
--	-------	-------

...

...

After FEES TP 9 insert the following new FEES TP 10. The text is not underlined.

**TP 10 Transitional Provisions relating to FEES 4.2.7BR for firms carrying on credit related regulated activities**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
10.1	<i>FEES</i> 4.2.7BR(2)(b)	R	<p>Insert a new paragraph after (5)(c) as follows:</p> <p>“(5)(ca): paragraph (5)(c) does not apply to a <i>firm’s credit-related regulated activities.</i>”</p>	From 1 April 2014 until 1 April 2016	1 April 2014

**Annex B**

**Amendments to the Supervision manual (SUP)**

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

**16 Annex 38AR**

...

**CCR002 Consumer Credit data  
Volumes**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Activities</b>	Fee Mechanism	Revenue	Total Customers	Total Transaction
<b>Lending</b>				
<b>1</b> Debt purchasing				
Hire purchase/conditional sale				
<b>2</b> agreements				
<b>3</b> Home credit loan agreements				
<b>4</b> Bill of sale loan agreements				
<b>5</b> Pawnbroking				
<b>6</b> High-cost short term credit				
<b>7</b> Running-account credit				
<b>8</b> Other lending				
<b>9 Credit Broking</b>				
<b>10 Debt Management Activity</b>				
<b>11 All other credit-related activity</b>				
<b><u>A</u></b>				
<b><u>12</u></b> <u>Total annual income as defined in FEES 4 Annex 11BR for the purpose of FCA fees reporting</u>				

...

**CCR007 Consumer Credit Data: key data for credit firms with limited permission**

**A**

<b>1</b>	Revenue from credit-related regulated activities	
<b>2</b>	Total revenue (including from activities other than credit-related regulated activities)	
<b>3</b>	Number of transactions involving credit-related regulated activities in reporting period	
<b>4</b>	Number of complaints related to credit-related activities received in period	
<b>5</b>	Credit-related regulated activity carried on in relation to the greatest number of customers in reporting period	
<b>6</b>	<u>Total annual income as defined in FEES 4 Annex 11BR for the purpose of FCA fees reporting</u>	



# Appendix 3

## Fees (Miscellaneous Amendments)

### (No 7) Instrument

**FEES (MISCELLANEOUS AMENDMENTS) (NO 7) INSTRUMENT 2014**

**Powers exercised by the Financial Conduct Authority**

- 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) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
    - (e) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body);
  - (2) regulation 92 of the Payment Services Regulations 2009 (SI 2009/209); and
  - (3) regulation 59 of the Electronic Money Regulations 2011 (SI 2011/99); and
  - (4) regulation 46 of and paragraph 5 of Schedule 1 to the Regulated Covered Bond Regulations 2008 (SI 2008/346).
- 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 1 April 2014.

**Amendments to the Handbook**

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2)

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Supervision manual (SUP)	Annex C

**Citation**

- E. This instrument may be cited as the Fees (Miscellaneous Amendments) (No 7) Instrument 2014.

By order of the Board of the Financial Conduct Authority  
27 March 2014

## Annex A

### Amendments to the Glossary of definitions

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

*client  
money* ...

- (2A) (in FEES, CASS 6, CASS 7, CASS 7A and CASS 10 and, in so far as it relates to matters covered by CASS 6, CASS 7, COBS or GENPRU), subject to the *client money rules*, money of any currency:
- (a) that a *firm* receives or holds for, or on behalf of, a client in the course of, or in connection with, its *MiFID business*; and/or
  - (b) which, in the course of carrying on *designated investment business* that is not *MiFID business*, a *firm* holds in respect of any *investment agreement* entered into, or to be entered into, with or for a *client*, or which a *firm* treats as *client money* in accordance with the *client money rules*.

...

*client  
money  
rules* ...

- (2) (in CASS 3, CASS 6, CASS 7, CASS 7A, ~~UPRU~~, ~~and~~ COBS, and FEES) CASS 7.1 to 7.8

## Annex B

### Amendments to the Fees manual (FEES)

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

### 3 Application, Notification and Vetting Fees

...

#### 3 Annex Authorisation fees payable 1R

...	
Part 2 – Complexity Groupings not relating to <i>credit-related regulated activities</i>	
Straightforward Cases	
Activity grouping	Description
...	
A.12	<del>Advisory arrangers, dealers or brokers (holding or controlling <i>client money</i> and/or assets)</del>
A.13	<del>Advisory only firms and advisory</del> <u>Advisors</u> , arrangers, dealers or brokers <del>(not holding or controlling <i>client money</i> and/or assets)</del>
...	
<u>A.21</u>	<u>Holding client money or assets, or both.</u>

...

Delete the following Annex in its entirety. The deleted text is not shown.

#### 3 Annex ~~Fees where changes are made to firms transaction reporting requirements and the FCA is asked to check that these systems remain compatible with the FCA systems~~ [deleted] 7R

...

### 4 Periodic fees

...

Background

- 4.1.3 G Most of the detail of the periodic fees that are payable by *firms* is set out in *FEES* 4 Annexes 1A to 11. *FEES* 4 Annex 12G and (for the FCA only) *FEES* 4 Annex 13G provides provide guidance on the calculation of certain tariffs. Most of the provisions of the Annexes will vary from one *fee year* to another. Accordingly fresh *FEES* 4 Annexes will come into force, following consultation, for each *fee year*.

...

## 4.2 Obligation to pay periodic fees

...

Modifications for persons becoming subject to periodic fees during the course of a fee year

- 4.2.6 R (1) Unless (2) applies, ~~if for the *fee year* during which the event,~~ as described in column 4 of the table in *FEES* 4.2.11R and/or *FEES* 4.2.11AR, giving rise to, or giving rise to an increase in, the fee payable in *FEES* 4.2.1R, ~~occurs on or after 1 July of the relevant *fee year*,~~ the periodic fee required under *FEES* 4.2.1R is modified for:
- (a) *firms* (other than *AIFM* *qualifiers*, *ICVCs* and *UCITs* *qualifiers*), in accordance with *FEES* 4.2.7R and 4.2.8R;
- (b) ~~for~~ all other fee payers in column (1) of the table in *FEES* 4.2.11R or *FEES* 4.2.11AR, in accordance with the ~~table below~~ formula set out below.

Period in which event (in column 4 of the table in <i>FEES</i> 4.2.11R or <i>FEES</i> 4.2.11AR) occurs	Proportion of periodic fee payable
<b>Fees payable to the FCA</b>	
<del>1 April to 30 June inclusive</del>	<del>100%</del>
<del>1 July to 30 September inclusive</del>	<del>75%</del>
<del>1 October to 31 December inclusive</del>	<del>50%</del>
<del>1 January to 31 March inclusive</del>	<del>25%</del>
<b>Fees payable to the PRA for <i>fee year</i> 2013/2014</b>	
<del>1 April to 30 June inclusive</del>	<del>100%</del>
<del>1 July to 30 September inclusive</del>	<del>75%</del>
<del>1 October to 31 December inclusive</del>	<del>50%</del>

1 January to 28 February inclusive	25%
------------------------------------	-----

<u>Formula for the calculation of fees payable under FEES 4.2.6R(1)</u>	
(1)	<u>calculate the number of calendar months between and including:</u>
	<u>(i) the calendar month in which the event described in column 4 of the table in FEES 4.2.11R and/or FEES 4.2.11AR occurred; and</u>
	<u>(ii) the last month of the relevant fee year;</u>
(2)	<u>divide the number of calendar months calculated in (1) by 12;</u>
(3)	<u>multiply the total fee payable for the relevant fee year by the number calculated in (2).</u>

...

4.2.7 R A *firm* (other than an *AIFM qualifier*, *ICVC*, or *UCITS qualifier*) which becomes authorised or registered, or whose *permission* and/or *payment service* activities are extended, during the course of the *fee year* must pay a fee which is calculated by:

- (1) identifying each of the tariffs set out in Part 1 of *FEES 4 Annex 2AR*, Part 1 of *FEES 4 Annex 2BR* and/or Part 1 of *FEES 4 Annex 11R* as appropriate for the relevant *fee year* that apply to the *firm* only after the *permission* is received or extended or *payment service* activities are authorised or registered or extended or *electronic money* issuance activities are authorised or registered under the *Electronic Money Regulations*; ~~but ignoring:~~
  - (a) ~~the A.13 activity group if, before the variation, the A.12 activity group applied to the firm's business; or~~
  - (b) ~~the A.12 activity group if, before the variation, the A.13 activity group applied the firm's business;~~

...

- (6) modifying the result for the *FCA* and, if applicable, the *PRA* as ~~indicated by the table in accordance with the formula set out in FEES 4.2.6R~~ (except that *FEES 4 Annex 10R* (Periodic fees for MTF operators) deals with a ~~firm~~ *firm* that receives *permission* for operating a *multilateral trading facility* or has its *permission* extended to include this activity during the course of the relevant *fee year* and *FEES 4.2.6R* does not apply).

...

**4.3 Periodic fee payable by firms (other than AIFM qualifiers, ICVCs and UCITS qualifiers)**

...

4.3.2 G (1) The amount payable by each *firm* will depend upon the category (or categories) of *regulated activities* or *payment services* it is engaged in (fee-blocks) and whether it is issuing *electronic money*, and on the amount of business it conducts in each category (tariff base). The fee-blocks and tariffs are identified in *FEES 4 Annex 1AR* in respect of the *FCA* and *FEES 4 Annex 1BR* in respect of the *PRA* (and guidance on calculating certain of the tariffs is at *FEES 4 Annex 12G* and (for the *FCA* only) *FEES 4 Annex 13G*), while *FEES 4 Annex 2AR* in respect of the *FCA* and *FEES 4 Annex 2BR* in respect of the *PRA* set out the tariff rates for the relevant *fee year*. In case of *firms* that provide *payment services* and/or issue *electronic money*, the relevant fee blocks, tariffs and rates are set out in *FEES 4 Annex 11R*.

...

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

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 into the activity group if
...	...
<u>A.7</u> Portfolio managers	...
...	
<del>A.12</del> Advisors, arrangers, dealers or brokers (holding or controlling client money or assets, or both)	<p><del>Its <i>permission</i>:</del></p> <p><del>(a) includes one or more of the following, in relation to one or more <i>designated investments</i>:</del></p> <p><del><i>dealing in investments as agent;</i></del></p> <p><del><i>arranging (bringing about) deals in investments;</i></del></p> <p><del><i>making arrangements with a view to transactions in investments;</i></del></p> <p><del><i>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <i>oil market participant</i>, <i>energy market participant</i> or <i>local</i>;</del></p> <p><del><i>advising on investments</i> (except <i>pension transfers</i> and <i>pension</i></del></p>

	<p><del>opt-outs);</del>  <del>advising on pension transfers and pension opt-outs;</del>  <del>advising on syndicate participation at Lloyds;</del>  (b) <del>BUT NONE</del> of the following:  <del>effecting contracts of insurance; or</del>  <del>carrying out contracts of insurance;</del>  AND  (e) <del>CAN HAVE</del> one or more of the following:  <del>safeguarding and administering of assets;</del>  <del>arranging safeguarding and administration of assets;</del>  <del>the ability to hold or control client money, or both;</del>  —that is, there is no <i>requirement</i> which prohibits the <i>firm</i> from doing this;  and  —provided that the <i>client money</i> in question does not arise from an agreement under which <i>commission</i> is rebated to a <i>client</i>;  AND  (d) <del>PROVIDED</del> the fee payer is <del>NOT</del> any of the following:  <del>a corporate finance advisory firm;</del>  <del>a firm for whom all of the applicable activities above are otherwise limited to carrying out corporate finance business</del>  <del>a firm whose activities are limited to carrying out venture capital business;</del>  <del>a firm whose activities are limited to acting as an operator of a regulated collective investment scheme;</del>  <del>a firm whose activities are limited to carrying out trustee activities;</del>  <del>a service company.</del></p>
<p>A.13 Advisors, arrangers, dealers or brokers <del>(not holding or controlling client money or assets, or both)</del></p>	<p>(1) it is an <i>authorised professional firm</i> and ALL the <i>regulated activities</i> in its <i>permission</i> are limited to non-mainstream regulated activities (a firm falling within this category is a <i>class (1) firm</i>);  (2) its <i>permission</i>:  (a) includes one or more of the following, in relation to one or more <i>designated investments</i>:  <del>dealing in investments as agent;</del>  <del>arranging (bringing about) deals in investments;</del>  <del>making arrangements with a view to transactions in</del></p>

	<p><i>investments;</i></p> <p><i>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <i>oil market participant</i>, energy market participant or <i>local</i>;</p> <p><i>advising in investments</i> (except <i>pension transfers</i> and <i>pension opt-outs</i>);</p> <p><i>giving basic advice</i> on a <i>stakeholder product</i>;</p> <p><i>advising on pension transfers</i> and <i>pension opt-outs</i>;</p> <p><i>advising on syndicate participation</i> at <i>Lloyds</i>;</p> <p>(b) BUT NONE of the following:</p> <p><i>effecting contracts of insurance</i>; <u>or</u></p> <p><i>carrying out contracts of insurance</i>;</p> <p><del><i>safeguarding and administration of assets</i>;</del></p> <p><del><i>arranging safeguarding and administration of asserts</i>;</del></p> <p>AND</p> <p><del>(e) MUST EITHER, in connection with its <i>designated investment business</i>:</del></p> <p><del><i>have a requirement that prohibits the firm from holding or controlling client money</i>, or <i>both</i>;</del></p> <p>OR</p> <p><del><i>if it does not have such a requirement, only holds or controls client money</i> (or <i>both</i>), arising from an agreement under which <i>commission</i> is rebated to a <i>client</i>;</del></p> <p>AND</p> <p><del>(d) (c) PROVIDED</del> the fee payer is NOT any of the following:</p> <p><i>a corporate finance advisory firm</i>;</p> <p><i>a firm</i> for whom all of the applicable activities above are otherwise limited to carrying out <i>corporate finance business</i>;</p> <p><i>a firm</i> whose activities are limited to carrying out <i>venture capital business</i>;</p> <p><i>a firm</i> whose activities are limited to acting as an <i>operator</i> of a <i>regulated collective investment scheme</i>;</p> <p><i>a firm</i> whose activities are limited to carrying out <i>trustee</i> activities;</p> <p><i>a service company</i>.</p> <p>A <i>firm</i> falling within (2) and not (1) is a <i>class 2 firm</i>.</p>
...	

A.19	...
<u>A.21 Firms holding client money or assets, or both</u>	<p><u>(1) It is a <i>firm</i> carrying on a <i>regulated activity</i> defined in fee-block A.13;</u></p> <p><u>AND EITHER OR BOTH:</u></p> <p><u>(2A) It is a <i>firm</i> to which the <i>client money rules</i> apply</u></p> <p><u>AND/OR</u></p> <p><u>(2B) Its <i>permissions</i> includes <i>safeguarding and administration of assets (without arranging)</i></u></p> <p><u>UNLESS</u></p> <p><u>CASS does not apply to that <i>firm</i> in accordance with CASS 1.2</u></p>

...

<p>Part 3</p> <p>This table indicates the tariff base for each fee-block set out in Part 1.</p> <p>The tariff base in this Part is the means by which the <i>FCA</i> measures the amount of business conducted by a <i>firm</i> for the purposes of calculating the annual periodic fees payable to the <i>FCA</i> by that <i>firm</i>.</p>	
...	
A.7	<p>...</p> <p>Notes on FuM</p> <p>...</p> <p>(b) Assets managed by the <i>firm</i> on a discretionary basis exclude the <i>firm's</i> own assets. Assets managed on a non-discretionary basis, being assets that the <i>firm</i> has a contractual duty to keep under continuous review but in respect of which prior specific consent of the <i>client</i> must be obtained for proposed transactions, are also excluded as this activity is covered in those charged to fees in <del>activity groups A.12 and</del> activity group A.13.</p>
A.12	<p><del>ANNUAL INCOME:</del></p> <p><del>Annual income as defined in FEES 4 Annex 11AR</del></p>
...	
A.18	<p>[Delete the existing text in this fee block in its entirety. Insert the following new text in its place.]</p> <p><u>Annual income as defined in FEES 4 Annex 11AR</u></p>

A.19	[Delete the existing text in this fee block in its entirety. Insert the following new text in its place.] <u>Annual income as defined in FEES 4 Annex 11AR</u>
<u>A.21</u>	<u>CLIENT MONEY/ASSETS HELD:</u> A value in pound sterling equal to: <u>Highest total amount of <i>client money</i> held by the <i>firm</i> during the 12 months ending 31 December before the relevant <i>fee year</i></u> <u>PLUS</u> <u>Highest total value of <i>safe custody assets</i> held by the <i>firm</i> during the 12 months ending 31 December before the relevant <i>fee year</i></u>

...

## Part 5

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of fees payable to the *FCA* by applying the tariff bases set out in Part 3 with reference to the valuation dates show in this table.

Activity group	Valuation Date
...	
<u>A.12</u>	<del>Annual income for the financial year ended in the calendar year ending 31 December.</del>
...	
A.19	...
<u>A.21</u>	<u>In respect of <i>client money</i>, the highest amount of <i>client money</i> held over the 12 months ending 31 December before the relevant <i>fee year</i>.</u> <u>In respect of <i>safe custody assets</i>, the highest amount of <i>safe custody assets</i> held over the 12 months ending 31 December before the relevant <i>fee year</i>.</u>
...	

...

**4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April 2013 to 31 March 2014**

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		
...		
Activity group	Fee payable	
...	...	
A.12	<del>Band Width (£ thousands of annual income (AI))</del>	<del>Fee (£/£ thousand or part £ thousand of AI)</del>
	<del>&gt; 100</del>	<del>2.39</del>
...		
A.19	...	
A.21	<u>Client money</u>	
	<u>Band Width (£ client money) (CM) held</u>	<u>Fee (£/£ millions or part £ million of CM)</u>
	<u>more than £1 billion</u>	[tbc]
	<u>an amount equal to or greater than £1 million but less than or equal to £1 billion</u>	[tbc]
	<u>less than £1 million</u>	[tbc]
	<u>PLUS</u>	
	<u>Safe custody assets</u>	
	<u>Band Width (£ safe custody assets) (CA) held</u>	<u>Fee (£/£ millions or part £ million of CA)</u>
	<u>more than £100 billion</u>	[tbc]
	<u>an amount equal to or greater than £10 million and less than or equal to £100 billion</u>	[tbc]
	<u>less than £10 million</u>	[tbc]
...		

## 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		
A.0	(1)	£1,000 unless:
	(a)	...
	...	
	(2)	The conditions referred to in (1)(a) are that the <i>credit union</i> has a tariff base (Modified Eligible Liabilities) of:
	(a)	...
	(b)	greater than 0.5 million but less than <del>20</del> <u>2.0</u> million, in which case a minimum fee of <del>the</del> £540 is payable.
	...	

Part 3	
This table shows the modifications to fee tariffs that apply in respect of the <i>FCA</i> to <i>incoming EEA firms</i> and <i>incoming Treaty firms</i> which have established branches in the <i>UK</i> .	
Activity group	Percentage deducted from the tariff base payable under Part 1 applicable to the <i>firm</i>
...	
A.12	10%
...	

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 2013 to 31 March 2014

Part 1

Periodic fees payable

....		
Fees are charged according to the number of funds or <i>sub-funds</i> operated by a <i>firm</i> as at 31 March <del>2012</del> preceding the relevant <i>fee year</i> . Where a new <i>collective investment scheme</i> becomes authorised during a <del>year</del> <i>fee year</i> , fees are charged according to the number of funds or <i>sub-funds</i> operated by a <i>firm</i> as at the date of		

authorisation. Where more than one fund or *sub-fund* is operated, the number of funds (not including the *umbrella* or parent fund) produces a 'fund factor' in accordance with the table above, which is then applied to a basic fee to produce one total fee per *operator*. Fund factors are applied per *operator* rather than per *scheme* so that the fees relate to the number of funds rather than the number of *schemes*. This means that, for example, an *authorised fund manager* of three *schemes* pays the same as an *operator* or *authorised fund manager* of one *scheme* with three *sub-funds* (as only the *sub-funds* are counted).

...

4 Annex 11AR **Definition of annual income for the purposes of calculating fees in fee blocks A.12, A.13, and A.14, A.18 and A.19**

**Annual income definition**

**General definition for all relevant fee-blocks**

“Annual income” for a particular fee block (the “relevant fee block”) is ~~an amount equal to the net amount retained by the firm of all income due to the firm~~ the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the firm’s accounts during the reporting year in respect of, or in relation to, the provision in the UK of the regulated activities specified in FEES 4 Annex 1AR Part 1 as belonging to the relevant fee block ~~fee blocks A.12, A.13, and A.14.~~

~~For the purposes of calculating annual income, “net amount retained” means:~~

The figure should be reported for the relevant fee block without netting off the operating costs or business expenses, but including:

(a) all brokerages, *commissions*, *fees*, and other related income (for example, administration *charges*, overrides, profit shares etc) due to the *firm* in respect of, or in relation to, the provision in the UK of the *regulated activities* specified in FEES 4 Annex 1AR Part 1 as belonging to ~~fee blocks A.12, A.13, and A.14~~ the relevant fee block and which the *firm* has not rebated to *clients* or passed on to other *authorised firms* (for example, where there is a commission chain).

~~Plus~~ PLUS:

(b) any ongoing *commission* from previous business received by the *firm* during the reporting year.

~~Plus~~ PLUS:

(c) ~~the “commission equivalent” of any relevant business. In this instance, the “commission equivalent”~~ “fair value” of any goods or services the firm provided to clients. This is the commission equivalent or an estimate of the amount the firm would otherwise have received for any regulated activity under (a) above, but for which it has made a business decision not to charge to waive or discount its charges.

**Where the relevant fee-block is fee-block A.18**

For the purposes of calculating annual income for fee-block A.18, also include the following:

(d) for any *home finance mediation activity* carried out by the *firm* for which it receives payment from the lender or provider on a basis other than that in (a), the value of all new mortgage advances and amounts provided under other *home finance transactions* resulting from that activity multiplied by 0.004;

PLUS:

(e) if the *firm* is a *home finance provider*, the value of all new mortgage advances and amounts provided under other *home finance transactions* which are *regulated mortgage contracts, home purchase plans, home reversion plans or regulated sale and rent back mediation activity*, multiplied by 0.004m, excluding mortgage advances and *home finance transactions* which result from *home finance mediation activity* carried on by another *firm*, where payment has been made by the *home finance provider* to that other *firm* under (a);

PLUS:

(f) for *firms* whose *permission* includes *administering regulated mortgage contracts*, but not *entering into a regulated mortgage contract* and *firms* whose *permission* includes *administering a home finance transaction* but not *entering into a home finance transaction*, and in either case whose *permission* does not include *advising on a home finance transaction*, the relevant amounts are multiplied by 0.15.

### **Where the relevant fee-block is fee-block A.19**

For the purposes of calculating annual income for fee-block A.19, also include the following:

(g) in relation to any activities in (a), for any *insurance mediation activity* carried out by the *firm* for which it receives payment from the *insurer* on a basis other than that in (a), the amount of *premiums* receivable on its *contracts of insurance* multiplied by 0.07;

PLUS:

(h) if the *firm* is an *insurer* in relation to the activities in (a), the amount of *premiums* receivable on its *contracts of insurance* multiplied by 0.7, excluding those *contracts of insurance* which:

- result from *insurance mediation activity* by another *firm*, where payment has been made by the *insurer* to the *firm* under (a); or
- are not *general insurance contracts* or *pure protection contracts*.

AND

(i) for the purposes of calculating annual income for fee-block A.19:

- the provision in the UK of the *regulated activities* specified in FEES 4 Annex 1AR Part 1 as belonging to the relevant fee block includes the provision of activities that would have been *insurance mediation activity* in relation to *general insurance contracts* or *pure protection contracts* if they had been carried on after

13 January 2005 or, in relation to *connected travel insurance contracts*, from 1 January 2009;

- a reference to a "*firm*" includes a reference to any *person*, including a *connected travel insurance intermediary*, who carried on activities which would be *insurance mediation activity* (in respect of *general insurance contracts* or *pure protection contracts*) if they had been carried on after 13 January 2005 or, in relation to *connected travel insurance contracts*, from 1 January 2009.

Guidance on the interpretation of this definition is presented in FEES 4 Annex 13G.

**4 Annex 12G Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3 and FEES 4 Annex 1BR Part 3**

~~The following tables set out guidance on how a *firm* should calculate relevant tariffs.~~

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee-block A.4.

Table 1: Fee block A.4

Adjusted Gross Premium Income and Mathematical reserves – calculation of new regular premium business
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....
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Delete Table 2 of FEES 4 Annex 12G in its entirety. The deleted text is not shown.

...

After FEES 4 Annex 12G insert the following new Annex. The text is not underlined.

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

Table 1
---------

The following table sets out <i>guidance</i> on how a <i>firm</i> should calculate tariffs for fee blocks A.13, A.14, A.18 and A.19.
--

Calculating and apportioning annual income – FEES 4 Annex 11AR
--

<b>Calculating annual income</b>
----------------------------------

Defining relevant income streams
----------------------------------

(1)	The <i>firm</i> should refer to the fee-block definitions in FEES 4 Annex 1AR, Part 1 to decide which particular income streams should be taken into
-----	--

	account when calculating its annual income for the purposes of fee-blocks A.13, A.14, A.18 and A.19.
(2)	<p>For the avoidance of doubt, the only income streams reportable for a relevant fee-block are those income streams which relate to a <i>regulated activity</i> listed in that fee-block. Income streams that do not relate to a <i>regulated activity</i> listed in the relevant fee-block should not be reported.</p> <p>As such, <i>firms</i> should exclude from the calculation of its annual income any income earned in relation to <i>regulated activities</i> belonging to fee-blocks A.13, A.14, A.18 and A.19 where the income is directly derived from the performance of <i>regulated activities</i> belonging to other fee blocks, for example, interest from loans made in the course of providing or administering home finance (A.2), premium interest from carrying out or effecting life insurance contracts (A.3), income from managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyds (A.5), income from managing investments, collective investment schemes or pensions schemes (A.7 or A.9), income from operating multi-lateral trading facilities (<i>FEES</i> 4 Annex 10R) or income from holding client money or assets (A.21).</p>
(3)	<p><i>Firms</i> should only include revenue streams that relate to <i>regulated activities</i> which are carried on 'in the <i>United Kingdom</i>'. In many cases, it will be quite straightforward to identify where an activity is carried on. But when there is a cross-border element, for example because a client is outside the <i>United Kingdom</i> or because some other element of the activity happens outside the <i>United Kingdom</i>, the question may arise as to where the activity is carried on. <i>PERG</i> 2.4 generally and <i>PERG</i> 4.11 regarding activities relating to <i>regulated mortgage contracts</i>, <i>PERG</i> 5.12 regarding activities relating to <i>insurance mediation activities</i> and <i>PERG</i> 14.6 regarding <i>home reversion plans</i> and <i>home purchase plans</i> describe the legislation that is relevant to this question and gives the <i>FCA</i>'s views on various scenarios.</p>
Reporting period	
(4)	The "reporting year" is the <i>firm</i> 's financial year end during the calendar year prior to the <i>FCA fee year</i> . This <i>fee year</i> starts on 1 April. This is specified in part 5 of <i>FEES</i> 4 Annex 1AR.
(5)	The income that should be included is the income that was recognised in the accounts of the relevant reporting year. This means that some income due may not be reported until the following year because it has not yet been recognised in the accounts, while other income may be carried forward from previous years.
Fair value	
(6)	Except in relation to fee-block A.18 and A.19 where one or more of paragraphs (d) to (f) or (g) to (i) of <i>FEES</i> 4 Annex 11AR apply, the <i>firm</i> should report a "fair value" price for any services for which it has made a business decision not to charge to <i>clients</i> .

	<p>We consider fair value to refer to the amount at which goods or services could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale.</p> <p>For example, where a <i>firm</i> has forgone or discounted the <i>commission</i> or <i>fee</i> would actually have charged but for the business decision to grant a discount in a particular case or on a temporary basis, it should report the amount it would have otherwise have charged for providing equivalent activities.</p> <p>In the case of <i>home finance mediation</i> in fee-block A.18 and <i>general insurance intermediation</i> in fee-block A.19 where one or more of paragraphs (e) to (f) or (g) to (i) of FEES 4 Annex 11AR apply, instead of asking for <i>firms</i> to estimate fair value, certain ratios are prescribed in FEES 4 Annex 11BR where the <i>client</i> is not charged directly for the service provided.</p>
Inclusions	
(7)	Annual income should include:
(a)	all amounts due to the <i>firm</i> arising out of the <i>regulated activities</i> referred to in the relevant fee block for which the <i>firm</i> holds <i>permission</i> , including regular <i>charges</i> and instalments due to the <i>firm</i> during the reporting year;
(b)	any payment from a <i>parent</i> to facilitate the discounting or forgoing of any amounts that would otherwise be charged in full to a <i>client</i> , to the extent that the payment exceeds the "fair value" price reported in accordance with paragraph (6) above;
(c)	earnings from those who will become its <i>appointed representatives</i> immediately after authorisation;
(d)	administrative charges and any interest from income related to the <i>regulated activities</i> specified in the relevant fee block.
(8)	Additional inclusions in respect of fee-block A.18:
(a)	a <i>firm</i> must include in paragraph (a) any survey and booking fees due to it in respect of <i>home finance mediation activity</i> .
Prohibited deductions	
(9)	Deductions should not be made for:
(a)	bad debts;
(b)	customer benefits such as cash rewards, complimentary travel insurance, air miles vouchers etc.;
(c)	items such as general business expenses (e.g. employees' salaries and overheads);

	(d)	finances or penalties levied against the <i>firm</i> ;
	(e)	commission a <i>firm</i> pays another party to arrange a transaction with a <i>client</i> unless it receives a <i>fee</i> in respect of the same transaction;
	(f)	the difference (if positive) between the fee payable by a <i>firm</i> to another party for arranging a transaction and the amount payable to the <i>firm</i> by the end <i>client</i> in respect of that transaction (here, the <i>firm</i> must net any excess payable by the end <i>client</i> to zero);
	(g)	payments made to <i>clients</i> by way of redress.
Exclusions		
10	The following should be excluded from the calculation of annual income:	
	(a)	To avoid double-counting, amounts which have been passed on to other <i>firms</i> may be excluded from the calculation of annual income, for example, where there is a commission chain. Transfers of income to other <i>firms</i> may be especially common within <i>groups</i> where, to present a single interface to <i>clients</i> , all amounts due to the <i>group</i> may be collected by one <i>firm</i> for subsequent redistribution to other <i>firms</i> within the <i>group</i> . It is for <i>groups</i> themselves to decide the most convenient way to report such annual income - i.e. whether the <i>firm</i> which receives the full amount should declare that full amount, or whether each <i>firm</i> in the <i>group</i> should report its separate distribution.
	(b)	Any payment from a <i>parent</i> to facilitate the discounting or forgoing of any amount that would otherwise be charged in full to a <i>client</i> should be excluded to the extent that the payment does not exceed or equal the “fair value” price reported in accordance with paragraph (6) above.
	(c)	Rebates to <i>customers</i> and <i>fees</i> or <i>commissions</i> passed onto other <i>firms</i> should be excluded.
	(d)	<i>Authorised professional firms</i> should exclude the income from <i>non-mainstream regulated activities</i> . They may estimate the proportion of their business that is derived from those activities and split the income from individual invoices accordingly.
	(e)	For the avoidance of doubt, income relating to or in respect of an activity is not part of annual income for the purposes of the definition in <i>FEES</i> 4 Annex 11AR to the extent that the activity benefits from the exclusion in article 69 of the Financial Services and Markets Act 2000 (Regulated Activities Order) 2001 (Groups and joint enterprises). <i>Firms</i> should refer to the <i>guidance</i> on the application of this exclusion is contained in <i>PERG</i> 2.9.
<b>Apportioning annual income</b>		

Where a <i>firm</i> cannot separate its income on the basis of activities, it may apportion the income on the basis of the proportionate split of business that the <i>firm</i> otherwise undertakes. For instance:	
(1)	If a <i>firm</i> receives annual income from a platform-based business it may report this in line with a wider breakdown of its activities.
(2)	A <i>firm</i> providing corporate finance advice which does not maintain records of the split between <i>regulated activities</i> and non-regulated activities for individual cases may calculate that regulated business accounts for a certain proportion of its business overall and apply that as a multiplier across its income.
(3)	A <i>firm</i> may allocate ongoing <i>commission</i> from previous business on the basis of the type of <i>firm</i> it receives the <i>commission</i> from. This avoids tracking back legacy business which may no longer match the provider's current business model.
(4)	An <i>authorised professional firm</i> may estimate the proportion of its business that is derived from <i>regulated activity</i> and split its income for individual invoices accordingly.
(5)	If a <i>firm</i> has invested income from <i>regulated activities</i> , then any interest received should be reported as income, in proportion to the volume of regulated business it undertakes to avoid tracking back old payments.
(6)	<i>Firms'</i> systems ought to be able to distinguish <i>UK</i> from non- <i>UK</i> business to establish which conduct of business regime it was conducted under. If, however, they do not relate the figures back to income streams for the specific <i>regulated activities</i> in a particular fee-block then the <i>firm</i> may make a proportionate split as described above, calculating its regulated <i>UK</i> income on the basis of the overall split between <i>UK</i> and overseas income.
(7)	It is for individual <i>firms</i> to determine how they should calculate the appropriate split of income. The <i>FCA</i> is not prescriptive about the methodology. It requires only that:
(a)	the approach should be proportionate - the <i>FCA</i> is looking for <i>firms</i> to make their best efforts to estimate the split;
(b)	the <i>firm</i> must be able on request to provide a sound and clearly expressed rationale for its approach - for example, if all invoices were analysed over a particular period, the <i>firm</i> should be able to justify the period as representative of its business across the year;
(c)	the methodology should be objective - for example, based on random sampling of invoices or random stratified sampling;
(d)	the <i>firm</i> must on request be able to provide an audit trail which demonstrates that the choice of methodology was properly considered at an appropriate level or in the appropriate forums

	within the <i>firm</i> , and the decision periodically reviewed at the same level or in an equivalent forum.
--	--

Amend the following as shown.

## 5.8 Joining the Financial Services Ombudsman Service

- 5.8.1 R A *firm* which becomes subject to the *Financial Ombudsman Service* part way through a *financial year* must pay a rateable proportion of the *general levy* as ~~indicated~~ specified in the ~~Table~~ formula set out in *FEES* 4.2.6R, ~~as if that table applied to the quarter in which a *firm* becomes subject to the *Financial Ombudsman Service*.~~

...

## 7 Annex 1R CFEB levies for the period from 1 April 2013 to 31 March 2014

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

Activity Group	<i>CFEB levy</i> payable	
...		
A.12	<u>Band Width</u> (£ thousands of annual income (AI))	<u>Fee</u> (£/£ thousand or part £ thousand of AI)
	>100	0.1
	For a <i>professional firm</i> in A.12 the fee is calculated as above less 10%	
...		
A.19	...	
<u>A.21</u>	<u>Band Width</u> (£ <i>client money</i> (CM) held)	<u>Fee</u> (£/£ millionss or part £ million of CM)
	<u>more than £1 billion</u>	[tbc]
	<u>an amount equal to or greater than £1 million but less than or equal to £1 billion</u>	[tbc]
	<u>less than £1 million</u>	[tbc]
	<u>PLUS</u>	

	<u>Safe custody assets</u>	
	<u>Band Width (£ safe custody assets) (CA) held</u>	<u>Fee (£/£ millions or part £ million of CA)</u>
	<u>more than £100 billion</u>	[tbc]
	<u>an amount equal to or greater than £10 million and less than or equal to £100 billion</u>	[tbc]
	<u>less than £10 million</u>	[tbc]
...		

## Annex C

## Amendments to the Supervision manual (SUP)

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

## 16 Annex 18AR Retail Mediation Activities Return ('RMAR')

...

## SECTION J: data required for calculation of fees

## Part 1

	FCA Annual Regulated Income (£s)	FOS Relevant Annual Income (£s)	FSCS Annual Eligible Income (£s)
<del>Home Finance Mediation-finance mediation</del>	...	...	...
...	...	...	...
Life and pension intermediation	Annual income as defined in Part 2 for the financial year ended in the calendar year ending 31 December 2012 in respect of fee blocks A.12 and A.13  <u>Annual income calculated for the purposes of FEES 4 Annex 1AR, Part 3, fee block A.13</u>	...	...
Investment intermediation	Annual income as defined in Part 2 for the financial year ended in the calendar year	...	...

	ending 31 December 2012 in respect of fee blocks A.12 and A.13  <u>Annual income calculated for the purposes of FEES 4 Annex 1AR, Part 3, fee block A.13</u>		
--	--	--	--

Delete Part 2 in its entirety. Deleted text is not shown.

### 16 Annex 18BG Notes for completion of the Retail Mediation Activities Return ('RMAR')

...

#### Section J: data required for calculation of fees

...

<b>Data for fees calculations</b>	<i>Firms</i> will need to report data for the purposes of calculating <i>FCA</i> , <i>FOS</i> , and <i>FSCS</i> levies.
<b>FCA</b>	The relevant information required is the tariff data set out in <i>FEES 4</i> Annex 1R Part 3 under fee-blocks <del>A.12</del> , A.13, A.18 and A.19. Note that <i>firms</i> are required to report tariff data information relating to all business falling within fee-blocks <del>A.12/A.13/A.18/A.19</del> and not simply that relating to retail investments.
...	...

...

The *guidance* in the following table sets out the *rules* which relate to the data required in Section J of *SUP 16* Annex 18AR.

	<b>FCA</b> Annual Regulated Income (£s)	<b>FOS</b> Relevant Annual Income (£s)	<b>FSCS</b> Annual Eligible Income (£s)
Home finance Mediation	<del><i>FEES 4</i> Annex 1AR Part 3 fee block</del>	...	...

	A18  <u>FEES 4 Annex</u> <u>11AR, 13G</u>		
Non-investment insurance mediation	<del>FEES 4 Annex 1AR</del> <del>Part3 fee block A19</del>  <u>FEES 4 Annex</u> <u>11AR, 13G</u>	...	...
Life and pensions mediation	<del>FEES 4 Annex</del> <del>11AR, 12G</del>  <u>FEES 4 Annex</u> <u>11AR, 13G</u>	...	...
Investment mediation	<del>FEES 4 Annex</del> <del>11AR, 12G</del>  <u>FEES 4 Annex</u> <u>11AR, 13G</u>	...	...

# Appendix 4

## Fees (Issuers) (Late Publication of Reports)

### Instrument

**FEES (ISSUERS) (LATE PUBLICATION OF REPORTS) INSTRUMENT 2014**

**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 73A (Part 6 rules);
  - (2) section 137A (The FCA’s general rules);
  - (3) section 137T (General supplementary powers); and
  - (4) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority).
- 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 1 April 2014.

**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 Fees (Issuers) (Late Publication of Reports) Instrument 2014.

By order of the Board of the Financial Conduct Authority  
27 March 2014

## Annex

## Amendments to the Fees manual (FEES)

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

### 3 Application fees

...

#### 3.2 Obligation to pay fees

...

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

<u>Part 1: Application, notification and vetting fees</u>		
(1) Fee payer	(2) Fee payable	(3) Due date
...	...	...

<u>Part 2: Other fees</u>		
<u>(1) Fee payer</u>	<u>(2) Fee payable</u>	<u>(3) Due date</u>
<p>(a)</p> <p><u>(i) An issuer which has not made public its annual financial report before the latest time specified in DTR 4.1.3R.</u></p> <p><u>(ii) An issuer which has not made public its half-yearly financial report before the latest time specified in DTR 4.2.2R(2).</u></p>	<p><u>(i) Where the issuer has not made public its annual financial report before the latest time specified in DTR 4.1.3R, £250 in respect of that annual financial report.</u></p> <p><u>(ii) Where the issuer has not made public its half-yearly financial report before the latest time specified in DTR 4.2.2R(2), £250 in respect of that half-yearly financial report.</u></p>	<p><u>Within 30 days of the date of the invoice.</u></p>

...



# Appendix 5

## Periodic Fees (2014/2015) and other fees instrument

**PERIODIC FEES (2014/2015) AND OTHER FEES INSTRUMENT 2014**

**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 73A (Part 6 rules);
    - (b) section 137A (The FCA’s general rules);
    - (c) section 137T (General supplementary powers);
    - (d) section 139A (Power of the FCA to give guidance);
    - (e) section 234 (Industry funding);
    - (f) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority) of the Act; and
    - (g) 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 1 [xx].

**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 (2014/2015) and Other Fees Instrument 2014.

By order of the Board of the Financial Conduct Authority  
XX June 2014

## Annex

## Amendments to the Fees manual (FEES)

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

#### 4.4 Information on which Fees are calculated

- 4.4.1 R A firm (other than the Society and an MTF operator in relation to its MTF business) must notify to the FCA (in its own capacity and, if applicable, in its capacity as collection agent for the PRA) the value (as at the valuation date specified in Part 5 of FEES 4 Annex 1AR in relation to fees payable to the FCA or Part 5 of FEES 4 Annex 1BR in relation to fees payable to the PRA) of each element of business on which the periodic fee payable by the firm is to be calculated.

...

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

...

Part 3	
This table indicates the tariff base for each fee-block set out in Part 1.	
The tariff base in this Part is the means by which the FCA measures the amount of business conducted by a firm for the purposes of calculating annual periodic fees payable to the FCA by that firm.	
...	
B. Service companies	Not applicable <b><u>ANNUAL INCOME</u></b> <u>Annual income as defined in FEES 4 Annex 11AR and as prescribed in FEES 4 Annex 13G.</u>
B. MTF Operators	Not applicable <b><u>SUPERVISORY CATEGORY</u></b> <u>The general supervisory category to which the firm was assigned at the start of the relevant fee year.</u>
...	

...

## Part 5

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of fees payable to the *FCA* by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.

...	
B. Service companies	Not applicable <u>Annual income for the financial year ended in the calendar year ending 31 December</u>
B. MTF operators	Not applicable <u>The general supervisory category to which the firm was assigned at the start of the relevant <i>fee year</i>.</u>
...	

...

**4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April 2013 2014 to 31 March 2014 2015**

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

(1)	For each activity group specified in the table below, the fee is the total of the sums payable for each of the tariff bands applicable to the <i>firm's</i> business, calculated by multiplying the value of the <i>firm's</i> tariff base by the rate applicable to each tranche of the tariff base, as indicated.	
(2)	A <i>firm</i> may apply the relevant tariff bases and rates to <i>non-UK</i> business, as well as to its <i>UK</i> business, if:	
	(a)	it has reasonable grounds for believing that the costs of identifying the <i>firm's UK</i> business separately from its <i>non-UK</i> business in the way described in Part 3 of <i>FEES</i> 4 Annex 1AR are disproportionate to the difference in fees payable; and
	(b)	it notifies the <i>FCA</i> in writing at the same time as it provides the information concerned under <i>FEES</i> 4.4 (Information on which fees are calculated), or, if earlier, at the time it pays the fees concerned.
(3)	For a <i>firm</i> which has not complied with <i>FEES</i> 4.2.2G (Information on which fees are calculated) for this period:	

	(a)	the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10;	
	(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)	<del>The</del> <u>the</u> minimum total fee (including the administrative fee in (b)) is £430, 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 £215.	
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>14.13</del> <u>14.29</u>	
	>140 - 630	<del>14.13</del> <u>14.29</u>	
	>630 - 1,580	<del>14.13</del> <u>14.29</u>	
	>1,580 - 13,400	<del>17.66</del> <u>17.86</u>	
	>13,400	<del>23.31</del> <u>23.58</u>	
	...		
A.2	Band width (No. of mortgages and/or home finance transactions)	Fee (£/mortgage)	
	>50	<del>2.07</del> <u>2.17</u>	
A.3	Gross premium income (GPI)	Periodic fee	
	Band Width (£million of GPI)	Fee (£/m or part m of GPI)	
	>0.5	<del>322.00</del> <u>337.40</u>	
	PLUS		
	Gross technical liabilities (GTL)	General Periodic fee	

	Band Width (£million of GTL)	Fee (£/£m or part £ m of GTL)
	>1	<del>16.97</del> <u>17.71</u>
	...	
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>473.00</del> <u>507.80</u>
	PLUS	
	Mathematical reserves (MR)	General Periodic fee
	Band Width (£million of MR)	Fee (£/£m or part £m of MR)
	>1	<del>10.64</del> <u>10.80</u>
A.5	Band Width (£million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	<del>8.31</del> <u>8.60</u>
A.6	Flat fee (£)	<del>297,642</del> <u>306,774</u>
A.7	For class 1(C), (2) and (3) <i>firms</i> :	
	Band Width (£million of Funds under Management (FuM))	Fee (£/£m or part £m of FuM)
	>10	<del>8.54</del> <u>8.64</u>
	...	
A.9	Band Width (£million of Gross Income (GI))	Fee (£/£m or part £ m of GI)
	>1	<del>1,309.00</del> <u>1,621.60</u>
A.10	Band Width (No. of traders)	Fee (£/person)
	>1	<del>5,018.00</del> <u>4,941.00</u>
	...	
A.13	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)

	>100	<del>6.89</del> <u>2.77</u>
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>2.85</del> <u>3.06</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>17.40</del> <u>17.07</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>1.76</del> <u>1.77</u>
A.21	<i>Client money</i>	
	Band Width (£ <i>client money</i> ) (CM) held	Fee (£/£ millions or part £ million of CM)
	<del>more</del> <u>less</u> than £1 <del>billion</del> <u>million</u>	<del>{tbc}</del> <u>99.10</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	<del>{tbc}</del> <u>74.33</u>
	<del>less</del> <u>more</u> than £1 <del>million</del> <u>billion</u>	<del>{tbc}</del> <u>49.55</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i> ) (CA) held	Fee (£/£ millions or part £ million of CA)
	<del>more</del> <u>less</u> than £100 <del>billion</del> <u>10 million</u>	<del>{tbc}</del> <u>0.51</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	<del>{tbc}</del> <u>0.39</u>
	<del>less</del> <u>more</u> than £10 <del>million</del> <u>100 billion</u>	<del>{tbc}</del> <u>0.26</u>
B. Market operators		£45,000

B. Service companies	Bloomberg LP	£58,000
	LIFFE Services Ltd	£45,000
	OMGEO Ltd	£45,000
	Reuters Ltd	£58,000
	Swapswire Ltd	£45,000
	Plus Derivative Exchange Ltd	£45,000
	DTCC Derivatives Repository Limited	£45,000
	Avelo Portal Limited	£45,000
	Calestone Ltd	£45,000
	Xtractor Ltd	£45,000
	Pirum Systems Limited	£45,000
	Fidessa	£45,000
<u>B. Service Companies</u>	<u>Band Width</u>	<u>Flat fee (£)</u>
	<u>Annual income up to and including £100,000</u>	<u>1,000</u>
	<u>Annual income over £100,000 up to and including £1,000,000</u>	<u>10,000</u>
	<u>Annual income over £1,000,000</u>	<u>45,000</u>
	<u>A service company that fails to provide income data for the relevant fee year is deemed to fall within the highest band width.</u>	
B. Benchmark administrators	£175,000	
B. MTF operators	As set out in FEES 4 Annex 10R (Periodic fees for MTF operators)	
CC1. Credit-related regulated activities with limited	Band Width (£ thousands of annual income (AI))	Fee ( <del>£/£ thousand or part £ thousand of AI</del> )

permission		
	{tbe} <u>0 - 10</u>	{tbe} <u>100</u>
	{tbe} <u>&gt;10 - 50</u>	{tbe} <u>250</u>
	{tbe} <u>&gt;50 - 100</u>	{tbe} <u>400</u>
	{tbe} <u>&gt;100</u>	{tbe} <u>500</u>
	<b><u>PLUS:</u></b>	
		<u>Fee (£/£ thousand or part £ thousand of AI)</u>
	{tbe} <u>&gt;250</u>	{tbe} <u>0.40</u>
CC2. Credit-related regulated activities	Band Width (£ thousands of annual income (AI))	<del>Fee (£/£ thousand or part £ thousand of AI)</del>
	{tbe} <u>0 - 50</u>	{tbe} <u>300</u>
	{tbe} <u>&gt;50 - 100</u>	{tbe} <u>500</u>
	{tbe} <u>&gt;100</u>	{tbe} <u>1,000</u>
	<b><u>PLUS:</u></b>	
		<u>Fee (£/£ thousand or part £ thousand of AI)</u>
	{tbe} <u>&gt;250</u>	{tbe} <u>0.78</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.

A.0	(1)	£1,000 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 £430; 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 £430; 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 £430.
	(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 £160 is payable; or
	(b)	greater than 0.5million but less than <del>20</del> <u>2.0</u> million, in which case a minimum fee of £540 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-authorised 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, <del>and</del> A.7 to A.19 <u>and A.21</u> in Part 1 multiplied by rate <del>£ 0.078</del> <u>0.12</u>	

## Part 3

This table shows the modifications to fee tariffs that apply in respect of the *FCA* to *incoming EEA firms* and *incoming Treaty firms* which have established branches in the UK.

Activity Group	Percentage deducted from the tariff payable under Part 1 applicable to the <i>firm</i>
A.1	10%
A.3	10%
A.4	10%
A.7	10%
A.9	10%
A.10	In relation to 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> , 100%. In relation to all other traders, 10%
A.13	10%
A.19	50%
B. MTF operators	Not applicable
AP.0	100%
...	...
Note 2	The <i>FCA</i> minimum fee described in Part 2 of <i>FEES 4 Annex 2AR</i> applies in full and the modifications in this Part do not apply to it.
...	

...

**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 2013 2014 to 31 March 2014 2015**

Part 1 – Periodic fees payable				
Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
ICVC, AUT,	<del>680</del> <u>720</u>	1 – 2	1	<del>680</del> <u>720</u>

ACS, Section 264 of the <i>Act</i> , ( <del>for fee year 2013/2014 only</del> ); <i>schemes</i> formerly recognised under section 270 of the <i>Act</i> , as in force immediately before 22 July 2013; <i>schemes</i> other than <i>non-EEA AIFs</i> recognised under section 272 of the <i>Act</i> ,		3 – 6	2.5	<del>1700</del> <u>1,800</u>
		7 – 15	5	<del>3400</del> <u>3,600</u>
		16 – 50	11	<del>7480</del> <u>7,920</u>
		> 50	22	<del>14,960</del> <u>15,840</u>
<i>Non-EEA AIFs</i> recognised under section 272 of the <i>Act</i> , ( <del>from fee year 2014/2015</del> ); <i>schemes</i> formerly recognised under section 270 of the <i>Act</i> , as in force immediately before 22 July 2013	<del>2,770</del> <u>2,930</u>	1 – 2	1	<del>2,770</del> <u>2,930</u>
		3 – 6	2.5	<del>6,925</del> <u>7,325</u>
		7 – 15	5	<del>13,850</del> <u>14,650</u>
		16 – 50	11	<del>30,470</del> <u>32,230</u>
		> 50	22	<del>60,940</del> <u>64,460</u>

...

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

Notification under regulation 57 of the <i>AIFMD UK regulation</i>	500
Notification under regulation 58 of the <i>AIFMD UK regulation</i>	350
Notification under regulation 59 of the <i>AIFMD UK regulation</i>	500

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

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

**4 Annex 5R Periodic fees for designated professional bodies payable in relation to the period 1 April ~~2013~~ 2014 to 31 March ~~2014~~ 2015**

Name of Designated Professional Body	Amount payable
The Law Society of England & Wales	£ <del>81,930</del> <u>85,910</u>
The Law Society of Scotland	£ <del>14,450</del> <u>14,690</u>
The Law Society of Northern Ireland	£ <del>13,510</del> <u>13,690</u>
The Institute of Actuaries	£10,130
The Institute of Chartered Accountants in England and Wales	£ <del>26,180</del> <u>27,490</u>
The Institute of Chartered Accountants of Scotland	£ <del>11,380</del> <u>11,410</u>
The Institute of Chartered Accountants in Ireland	£ <del>10,730</del> <u>10,750</u>
The Association of Chartered Certified Accountants	£ <del>18,030</del> <u>18,480</u>
The Council for Licensed Conveyancers	£ <del>11,470</del> <u>11,550</u>
Royal Institution of Chartered Surveyors	£ <del>14,410</del> <u>14,620</u>

...

**4 Annex 6R Periodic fees for recognised investment exchanges, and recognised auction platforms payable in relation to the period 1 April ~~2013~~ 2014 to 31 March ~~2014~~ 2015**

In this Annex

- the term *recognised body* includes a body which was a recognised investment exchange recognised under the Financial Services Act 1986 and which is a *recognised body* as a result of Regulation 9 of the *Recognition Requirements Regulations*.

- the term recognition order includes a recognition order by the *FCA* under section 37 of the Financial Services Act 1986 or a recognition order made by the Treasury under section 40 of the Financial Services Act 1986 in relation to overseas

investment exchanges.

Part 1 – Periodic fees for UK recognised investment exchanges

Name of UK recognised body	Amount payable
ICE Futures Europe Ltd	<del>£690,000</del> <u>890,000</u>
LIFFE Administration and Management	<del>£995,000</del> <u>890,000</u>
London Metal Exchange	<del>£610,000</del> <u>645,000</u>
London Stock Exchange plc	<del>£825,000</del> <u>870,000</u>
ICAP Securities & Exchange Limited (RIE)	<del>£300,000</del> <u>315,000</u>
BATS Trading Limited	<del>£300,000</del> <u>475,000</u>
<u>CME Europe Limited</u>	<u>£300,000</u>
Any other UK <i>recognised 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

Part 2 – Periodic fees for overseas recognised investment exchanges

The Chicago Mercantile Exchange (CME) (ROIE)	<del>£56,000</del> <u>58,000</u>
Chicago Board of Trade	<del>£56,000</del> <u>58,000</u>

EUREX (Zurich)	£ <del>56,000</del> <u>58,000</u>
National Association of Securities and Deals Automated Quotations (NASDAQ)	£ <del>56,000</del> <u>58,000</u>
New York Mercantile Exchange Inc.	£ <del>56,000</del> <u>58,000</u>
The Swiss Stock Exchange	£ <del>56,000</del> <u>58,000</u>
Sydney Futures Exchange Limited	£ <del>56,000</del> <u>58,000</u>
ICE Futures US Inc	£ <del>56,000</del> <u>58,000</u>
NYSE Liffe US	£ <del>56,000</del> <u>58,000</u>
Any other <i>overseas investment exchange</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	£ <del>56,000</del> <u>58,000</u>

**4 Annex 7R** **Periodic fees in relation to the Listing Rules for the period 1 April ~~2013~~ 2014 to 31 March ~~2014~~ 2015**

Fee type	Fee amount
Annual fees for the period 1 April <del>2013</del> <u>2014</u> to 31 March <del>2014</del> <u>2015</u>	
...	...
...	...

Table 1

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

Table 1A

## Tiered annual fees for issuers of global depositary receipts

Fee payable	
Minimum fee (£)	3,800
£ 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>22.879515</del> <u>23.522198</u>
> 250 – 1,000	<del>9.15119</del> <u>9.408255</u>
> 1,000 – 5,000	<del>5.632939</del> <u>5.791167</u>
> 5,000 – 25,000	<del>0.137405</del> <u>0.141264</u>
> 25,000	<del>0.044392</del> <u>0.045639</u>

Table 2

## Tiered annual fees for all other issuers

Fee payable	
Minimum Fee (£)	£4,750
£ 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>28.599394</del> <u>29.402748</u>
> 250 – 1,000	<del>11.438999</del> <u>11.760319</u>
> 1,000 – 5,000	<del>7.041173</del> <u>7.238959</u>
> 5,000 – 25,000	<del>0.171756</del> <u>0.176580</u>
> 25,000	<del>0.055490</del> <u>0.057049</u>

8R **period 1 April ~~2013~~ 2014 to 31 March ~~2014~~ 2015**Annual fees for the period 1 April ~~2013~~ 2014 to 31 March ~~2014~~ 2015

...

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>	£3,800
<i>Issuers of depositary receipts and global depositary receipts</i>	£3,040

Table 2

Fee payable	
Minimum Fee (£)	3,800
...	
0 – 100	0
> 100 – 250	<del>22.879515</del> <u>23.522198</u>
> 250 – 1,000	<del>9.151199</del> <u>9.408255</u>
> 1,000 – 5,000	<del>5.632939</del> <u>5.791167</u>
> 5,000 – 25,000	<del>0.137405</del> <u>0.141264</u>
> 25,000	<del>0.044392</del> <u>0.045639</u>

...

4 Annex **Periodic fees for MTF operators payable in relation to the period 1 April ~~2013~~ 2014 to 31 March ~~2014~~ 2015**  
10R

Name <u>General supervisory category</u> of MTF operator	Fee payable (£)	Due date 1 August <del>2013</del> <u>2014</u> or, if later, 30 days from the date of the invoice
---	-----------------	---

Barelays Bank Plc	15,000	
Baltic Exchange Derivatives Trading Ltd	20,000	
BATS Trading Ltd	150,000	
BGC Brokers L.P	50,000	
EuroMTS Limited	50,000	
GFI Brokers Limited	15,000	
GFI Securities Limited	50,000	
ICAP Electronic Broking Limited	50,000	
ICAP Energy Limited	15,000	
ICAP Europe Limited	15,000	
ICAP Shipping Tanker Derivatives Limited	15,000	
ICAP Securities Limited	50,000	
ICAP WCLK Limited	15,000	
J.P.Morgan Cazenove Limited	15,000	
Liquidnet Europe Limited	35,000	
My Treasury Limited	15,000	
iSWAP Euro Ltd	15,000	
Nomura International Plc	15,000	
Credit Agricole Cherveux International	15,000	
SmartPool Trading Limited	20,000	
TFS ICAP Limited	15,000	
Tradeweb Europe Limited	50,000	
Tradition (UK) Limited	15,000	
Tradition Financial Services Limited	15,000	

Tullett Prebon (Europe) Limited	15,000	
Tullett Prebon (Securities) Limited	50,000	
Turquoise Global Holdings Ltd	85,000	
Goldman Sachs International	15,000	
UBS Ltd	15,000	
<u>Category 1</u>	<u>£300,000</u>	
<u>Category 2</u>	<u>£58,000</u>	
<u>Category 3</u>	<u>£17,500</u>	
...	<p>In the case of an <i>EEA firm</i> that:</p> <p>(a) has not carried on the activity of <i>operating a multilateral trading facility</i> in the <i>UK</i> at any time in the calendar year ending 31 December <del>2012</del> <u>2013</u>; and</p> <p>(b) notifies the <i>FCA</i> of that fact by the end of March <del>2013</del> <u>2014</u>;</p> <p>the fee is zero.</p> <p>.....</p> <p>In any other case £15,000</p>	<p>...</p> <p>In any other case, 1 August <del>2013</del> <u>2014</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 ~~2013~~ 2014 to 31 March ~~2014~~ 2015**

...

Part 5 – Tariff rates	
Activity group	Fee payable in relation to <del>2013/14</del> <u>2014/15</u>

G.2	Minimum fee (£)	400
	£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	> 0.1	<del>0.27200</del> <u>0.27740</u>
G.3	Minimum fee (£)	400
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	> 100	<del>0.18300</del> <u>0.18660</u>
G.4	Flat fee (£)	£400
G.5	As in G.3.	
G.10	Minimum fee (£)	1,500
	£million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	>5.0	<del>200.00</del> <u>205.00</u>
G.11	Flat fee (£)	£1,000
G.15	Minimum fee for the first registered <i>programme</i> (£)	<del>£68,271</del> <u>84,439</u>
	...	...
	>0.00	<del>10.13</del> <u>86.22</u>
	...	
...		
<b>4 Annex 11AR</b>	<b>Definition of annual income for the purposes of calculating fees in fee blocks A.13, A.14, A.18 and, A.19 and B. Service Companies</b>	
	<b>Annual income definition</b>	
	...	

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

**Annual income definition for *credit related regulated activities***

...

(c) the “fair value” of any goods or services the *firm* provided to *clients*. This is an estimate of the amount the *firm* would otherwise have received for any *regulated activity* under (a) above, but for which it has made a business decision to waive or discount its charges.

Plus:

(d) in relation to the carrying on of the *regulated activity of credit broking by a firm (A) which effects an introduction between a lender and a borrower with a view to the borrower entering into a regulated credit agreement in order to finance the purchase of goods and services by the borrower from A, the difference between the amount of credit the lender provides to the borrower and the amount A accepts from the lender.*

...

...

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

Table 1	
The following table sets out <i>guidance</i> on how a <i>firm</i> should calculate tariffs for fee blocks A.13, A.14, A.18 <del>and</del> , A.19 and B. <u>Service Companies</u> .	
Calculating and apportioning annual income – FEES 4 Annex 11AR	
<b>Calculating annual income</b>	
Defining relevant income streams	
(1)	The <i>firm</i> should refer to the fee-block definitions in <i>FEES</i> 4 Annex 1AR, Part 1 to decide which particular income streams should be taken into account when calculating its annual income for the purposes of fee-blocks A.13, A.14, A.18 <del>and</del> , A.19 <u>and B. Service companies</u> .
(2)	For the avoidance of doubt, the only income streams reportable for a relevant fee-block are those income streams which relate to a <i>regulated activity</i> listed in that fee-block. Income streams that do not relate to a <i>regulated activity</i> listed in the relevant fee-block should not be reported.  As such, <i>firms</i> should exclude from the calculation of its annual income any income earned in relation to <i>regulated activities</i> belonging to fee-blocks A.13, A.14, A.18 <del>and</del> , A.19 <u>and B. Service companies</u> where the income is directly derived from the performance of <i>regulated activities</i> belonging to other fee blocks, for example, interest from loans made in the course of providing or administering home finance (A.2), premium interest from carrying out or effecting life insurance contracts (A.3), income from managing the underwriting capacity of a Lloyd’s syndicate as a managing agent at Lloyds (A.5), income from managing investments, collective investment schemes or pensions schemes (A.7 or A.9), income from

	operating multi-lateral trading facilities ( <i>FEES 4 Annex 10R</i> ) or income from holding client money or assets (A.21).
...	
...	
Table 2	
The following table sets out <i>guidance</i> on how a <i>firm</i> should calculate tariffs for fee blocks CC.1 and CC.2	
<b>Calculating and apportioning annual income – FEES 4 Annex 11BR</b>	
<b>Calculating annual income</b>	
Defining relevant income streams	
...	
(6)	<p><i>Firms</i> should not estimate a fair value where:</p> <p>(a) there is a statutory prohibition on charging interest (such as bankruptcy debts); or</p> <p>(b) they have reduced or suspended their normal charging structure because the debtor is unable to meet contractual repayments and an alternative repayment arrangement has been agreed with the creditor; or</p> <p>(b) they have made a “borrower-lender-supplier” agreement to allow a customer to pay the cash price of goods or services in instalments – any penalties or interest charged where the customer is in default should be declared as income.</p>
<u>Credit broking merchant discount</u>	
(6A)	<p><u>An example of when a <i>firm</i> should report under paragraph (d) of <i>FEES 4 Annex 11BR</i> is set out below:</u></p> <p><u>If a retailer arranges a loan for £1,000 in order to enable a consumer to purchase from it goods priced at £1000, it may agree with the lender (in circumstances where the lender pays the retailer directly rather than to the consumer first) to accept only £950 as payment for those goods in order to provide an incentive for the lender to enter into the loan. The retailer should report the £50 discounted as a measure of the <i>regulated activity of credit broking</i>. The lender should report the £50 charge to the customer along with any subsequent interest or administration or penalty charges as income from the <i>regulated credit agreement</i>.</u></p>
...	

...

## 5 Financial Ombudsman Service Funding

...

### 5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for ~~2013/14~~ 2014/15

Introduction: annual budget

1. The *annual budget* for ~~2013/14~~ 2014/15 approved by the *FSA FCA* is ~~£283.6m~~ 277.4m.

2. The total amount expected to be raised through the *general levy* in ~~2013/14~~ 2014/15 will be ~~£23m~~ £23.3m (~~net of £2.3m to be raised from consumer credit firms~~).

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>£0.04309</del> <u>0.043310</u> per relevant account, subject to a minimum levy of £100
2-Insurers - general (excluding <i>firms</i> in blocks 13 & 15)	...	<del>£0.1306</del> <u>0.1315</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>£0.01663</del> <u>0.01695</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 £270

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 £65
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	...	£0.15282 <u>0.158</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	...	£0.1170 <u>0.114</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)	...	£0.0046 <u>0.0007</u> per £1,000 of relevant income subject to a minimum levy of £75
	...	Levy of £ 35
12-	N/A for <del>2013/14</del> <u>2014/15</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 relevant business	...	Levy of £ 65
16- <i>Home finance providers, advisers and arrangers</i> (excluding <i>firms</i> in blocks 13, 14 &	...	Levy of £85

15)		
17-General insurance mediation (excluding firms in blocks 13, 14 & 15)	...	<del>£0.4871</del> <u>0.5173</u> 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.	<del>£0.0020</del> <u>0.0016</u> 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 <del>£[tbe]</del> <u>0</u>
	For all other <i>firms</i> with <i>limited permission</i> , a flat fee	Levy of <del>£[tbe]</del> <u>35</u>
20 – Credit-related regulated activities	Annual income as defined in <i>FEES</i> 4 Annex 11BR	Levy of <u>£35</u> Plus <del>£[tbe]</del> <u>0.02</u> per <del>£[tbe]</del> <u>1,000</u> of annual income <u>on income above £250,000</u>

...

**7 Annex 1R CFEB levies for the period from 1 April ~~2013~~ 2014 to 31 March ~~2014~~ 2015**

Part 1

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

Activity Group	<i>CFEB levy payable</i>
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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	<del>5.08</del> <u>3.55</u>	> 0	<del>55.37</del> <u>200.71</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	<del>0.57</del> <u>0.98</u>	> 0	<del>24.30</del> <u>15.88</u>
A.3	<b>Gross premium income (GPI)</b>			
	Band Width (£ million of GPI)		Fixed sum (£/£m or part £m of GPI)	
	>0.5		<del>39.42</del> <u>57.20</u>	
	PLUS			
	<b>Gross technical liabilities (GTL)</b>			
	Band Width (£ million of GTL)		Fixed sum (£/£m of part £m of GTL)	
	>1		<del>2.08</del> <u>3.01</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>66.59</del> <u>83.35</u>
	PLUS	
	<b>Mathematical reserves (MR)</b>	
	Band Width (£ million of MR)	Fixed sum (£/£m or part £m of MR)
	>1	<del>1.50</del> <u>1.77</u>
A.5	Band Width (£ million of Active Capacity (AC))	Fixed sum (£/£m or part £m of AC)
	>50	<del>3.89</del> <u>0.46</u>
A.6	Flat levy	<del>£85,716.00</del> <u>12,905.00</u>
A.7	For class 1( <del>C</del> )( <u>c</u> ), (2) and (3) firms:	
	Band Width (£ million of Funds under Management (FuM))	Fixed sum (£/£m of part £m of FuM)
	>10	<del>0.81</del> <u>0.50</u>
	...	
A.9	Band Width (£ million of Gross Income (GI))	Fixed sum (£/£m of part £m of GI)
	>1	<del>104.36</del> <u>147.42</u>
A.10	Band Width (no. of traders)	Fixed sum (£/trader)
	> 1	<del>356.87</del> <u>262.55</u>
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.48</del> <u>0.15</u>
	...	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.13</del> <u>0.12</u>

A.18	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100	<del>1.18</del> <u>2.36</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100	<del>0.146</del> <u>0.076</u>
A.21	Band Width (£ <i>client money</i> ) (CM) held	Fee (£/£ millions or part £ million of CM)
	<del>more</del> <u>less</u> than £1 <del>billion</del> <u>million</u>	<del>{tbe}</del> <u>12.15</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	<del>{tbe}</del> <u>9.12</u>
	<del>less</del> <u>more</u> than £1 <del>million</del> <u>billion</u>	<del>{tbe}</del> <u>6.08</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i> ) (CA) held	Fee (£/£ millions or part £ million of CA)
	<del>more</del> <u>less</u> than £100 <del>billion</del> <u>10 million</u>	<del>{tbe}</del> <u>0.063</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	<del>{tbe}</del> <u>0.047</u>
	<del>less</del> <u>more</u> than £10 <del>million</del> <u>100 billion</u>	<del>{tbe}</del> <u>0.032</u>
G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	<del>0.027</del> <u>0.026</u>
G.4	Flat fee (£)	10
G.10	Minimum fee (£)	10
	£ million or part £m of average outstanding electronic money	Fee (£/£m or part £m of AOEM)

	(AOEM)	
	> 5.0	<del>8.38</del> <u>8.35</u>
G.11	Flat fee (£)	10
CC.1	Minimum fee	{tbe} <u>£10</u>
	<del>Band Width (£ thousands of annual income (AI))</del>	<del>Fee (£/£ thousand or part £ thousand of AI</del>
	{tbe}	{tbe}
CC.2	Minimum fee	{tbe} <u>£10</u>
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI
	{tbe} <u>&gt;250</u>	{tbe} <u>0.37</u>
...		
...		

## Appendix 1 Unauthorised Mutuals Registration Fees Rules

...

### App 1 Annex 1R Periodic fees payable for the period 1 April ~~2013~~ 2014 to 31 March ~~2014~~ 2015

#### Part 1

Periodic fee payable by Registered Societies (on 30 June ~~2013~~ 2014)

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

Transaction	Total assets (£'000s)	Amount payable (£)
Periodic fee	0 - 50	55
	> 50 to 100	110
	> 100 to 250	180
	> 250 to 1,000	235
	> 1,000	425

...

**Financial Conduct Authority**



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