Financial Conduct Authority

Consultation Paper CP16/23*

FCA Regulated fees and levies: Insurers' tariff data for 2017/18

September 2016

Contents

We are asking for comments on this Consultation Paper by 9 November 2016.

You can send them to us using the form on our website at:
www.fca.org.uk/cp16-23-response-form.

Or in writing to:

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We have developed the policy in this consultation paper in the context of the existing UK and EU regulatory framework. We will keep the proposals under review to assess whether any amendments will be required due to changes in the UK regulatory framework, including as a result of any negotiations following the UK's vote to leave the EU.

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

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

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 0790 or email publications_graphics@fca.org.uk or write to Editorial and Digital Department, Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS

Abbreviations used in this paper

AFR	Annual funding requirement
CJ	Compulsory jurisdiction
CP	Consultation Paper
FEES	FEES manual
FSCS	Financial Services Compensation Scheme
PGL	Pensions guidance levy
PRA	Prudential Regulation Authority
PS	Policy Statement
VJ	Voluntary jurisdiction

1. Overview

Introduction

1.1 In this Consultation Paper (CP) we set out proposals for a transitional provision covering insurers' tariff data. This will be used to calculate insurers' FCA periodic fees and the Financial Ombudsman Service annual levies for 2017/18. The Financial Ombudsman Service proposes to mirror the FCA's proposed changes to the Compulsory Jurisdiction (CJ) tariff blocks for its Voluntary Jurisdiction (VJ), so where relevant 'we' (below) refers both to the FCA and the Financial Ombudsman Service.

Who does this consultation affect?

1.2 The consultation affects insurers falling into:

- FCA fee-blocks A.3 Insurers – general and A.4 Insurers – life
- Financial Ombudsman Service industry blocks I002 Insurers – general and I004 Insurers – life CJ
- Financial Ombudsman Service industry blocks 2V VJ participants undertaking general insurance activities and 3V VJ participants undertaking life insurance activities

1.3 The fee-blocks used for calculating the Money Advice Service[1] money advice levy and the pensions guidance levy (PGL) are based on FCA fee-blocks. The proposed transitional provision for insurers' tariff data relating to FCA periodic fees in this CP will therefore affect the calculation of the money advice levy under the equivalent A.3 and A.4 fee-blocks and the calculation of the PGL under the equivalent A.4 fee-block for 2017/18.

Is this of interest to consumers?

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

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

Context

1.5 Consultation on our periodic fees, the Financial Ombudsman Service general levy, Money Advice Service money advice levy and the PGL usually follows this annual cycle:

- **October/November** – we consult on any changes in relation to how we raise these fees and levies. We would expect to provide feedback on the responses we receive and publish final rules in the following February Handbook Notice.
- **March/April** – we consult on draft fees and levy rates for the next financial and fee-year (1 April to 31 March).
- **June/July** – we publish a Policy Statement (PS) with feedback on any responses we receive to the March/April CP and the final fees and levy rates.

1.6 In Chapter 1 of our April 2016 consultation (CP16/9[2]) we highlighted that tariff data used for the calculation of fees for insurers are linked to some of the data included in their regulatory returns. Solvency II has led to significant changes in regulatory reporting for many insurance firms and we were considering how this might impact fees calculations for 2017/18. We said we would consult on any proposed rule changes later in the year.

1.7 The October/November CP planned for 2016 would be too late to consult on this issue, allow the normal two months consultation period and for the final rules to come into effect from 1 January 2017. This CP is therefore outside the usual fees and levies annual consultation cycle.

1.8 The Prudential Regulation Authority (PRA) is publishing a separate CP covering their fees rules and those of the Financial Services Compensation Scheme levy. The proposals in this CP are consistent with the PRA proposals.

Insurers' tariff data for 2017/18 fees and levies

1.9 Periodic fees and levies for insurers are calculated using tariff data (measure of size). For directive firms this is partly drawn from their regulatory returns, and it changed with the implementation of Solvency II from 1 January 2016. Non-directive firms will continue to report regulatory data on a similar basis to previous years.

1.10 The annual fee tariff data collection process begins each December for the following financial year, which means that for 2017/18 fees we would have to consult on the revised Solvency II tariff data and finalise the rules by December 2016. However, around 80% of Solvency II year-end regulatory returns are expected to be submitted by 20 May 2017 (the deadline for submission). This will be too late to calculate draft fees and levy rates for consultation in March 2017. In addition, when establishing the revised tariff data under Solvency II we believe it is important that we understand the impact those changes will have on the proportion of overall fees and levies paid by each insurer and the proportion paid by directive and non-directive firms as a whole. This impact assessment cannot be completed for 2017/18 fees, due to the timing of the receipt of Solvency II data.

2 www.fca.org.uk/static/fca/documents/consultation-papers/cp16-09.pdf

1.11 We are therefore proposing a 12-month transitional provision whereby the calculations of fees and levies for both directive and non-directive insurers are based on the same tariff data used to calculate 2016/17 fees and levies. This is subject to two adjustments relating to Part VII transfers and firms in run-off.

1.12 Overall we consider the proposed approach to be proportionate. In particular it means that relevant insurance firms will not need to maintain the previous regime's reporting systems. The approach we are proposing will enable us to maintain the current timetable for calculating 2017/18 fees and levies and we will have data within the transitional period (received by May 2017) on which to carry out an impact assessment of the proposed revised tariff data under Solvency II on directive and non-directive insurers' fees and levies. We expect to publish a second CP, in Q3 2017, setting out these proposals for implementation in 2018/19.

1.13 Details of the proposed transitional provision are covered under Chapter 2 and the draft rules are in Appendix 1.

What do you need to do next?

1.14 We want to know what you think of our proposed approach to insurers' tariff data for 2017/18 and further consultation in 2017.

1.15 Please let us have your comments by **9 November 2016**.

How?

1.16 Use the online response form on our website or write to us at the address on page 2.

What will we do?

1.17 We will consider your comments and, subject to FCA Board approval in December, we plan to publish a PS in December 2016, which will include feedback on those comments and final rules. Comments will also be considered by the Financial Ombudsman Service and the final VJ rules will be subject to approval by their Board in December 2016.

2.
Insurers' tariff data for 2017/18 fees and levies

(FEES 4, FEES 5 and TP13 transitional provisions draft rules in Appendix 1)

2.1 In this chapter we set out proposals for a transitional provision covering insurers' tariff data that will be used to calculate FCA periodic fees and the Financial Ombudsman Service annual levies for 2017/18.

2.2 The fee-blocks used for calculating the Money Advice Service[3] money advice levy and the PGL are based on FCA fee-blocks. The proposed transitional provision for insurers' tariff data relating to FCA periodic fees will therefore affect the calculation of the money advice levy under the equivalent A.3 and A.4 fee-blocks and the PGL under the equivalent A.4 fee-block for 2017/18. The rules covering tariff data in FEES 7 relating to the money advice levy and FEES 10 relating to the PGL are directly linked to FCA periodic fees rules in FEES 4. Therefore, the transitional provision we are proposing for FEES 4 will apply to FEES 7 and FEES 10.

Background

2.3 We have previously used tariff data derived under 'Solvency I'[4] reporting requirements to calculate the fees and levies required for individual insurers. Solvency I was replaced by Solvency II on 1 January 2016. We therefore need to amend FEES 4 and FEES 5 rules to indicate to directive firms how their fees and levies will be calculated under Solvency II. Non-directive firms will continue to report regulatory data on a similar basis to previous years, as set out in PRA PS19/16 *Reporting requirements for non-Solvency II insurance firms* (June 2016).

2.4 The annual fee tariff data collection process begins in each December for the following financial year. Firms respond between January and March and invoices are issued in July.[5] This means that for 2017/18 we would have to consult on the revised Solvency II tariff data and finalise the rules by December 2016.

2.5 There are, however, a number of issues that need to be resolved before we can make proposals for revised Solvency II tariff data for insurer fees:

- Not all directive firms will submit Solvency II data early enough during 2017 to allow us to calculate draft fees and levy rates for consultation in March 2017. For example, around 80% of the first Solvency II year-end returns are expected to be submitted by 20 May 2017 (the Solvency II deadline for submission). This will also leave only one month to verify the data, carry out the final fee and levy calculations, and issue invoices.

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

4 For ease of drafting we use the term 'Solvency I' to refer collectively to the individual directives that made up the regime which was replaced by the Solvency II Directive (2009/138/EC) on 1 January 2016.

5 This tariff data collection process is carried out by us on our own behalf and as collection agent for the PRA, the Financial Ombudsman Service, the Money Advice Service, the FSCS and for the PGL.

- When establishing the revised tariff data based on Solvency II data we believe it is important that we understand the impact those changes will have on the proportion of overall fees paid by each insurer and the proportion paid by directive and non-directive firms as a whole. This impact assessment cannot be completed in time for the 2017/18 process, due to the timing of the receipt of Solvency II data. Without proper modelling, the impact on some (directive and non-directive) firms will be unclear, and potentially disproportionate.

2.6 To address these issues we are proposing a transitional approach to insurers tariff data for calculating their 2017/18 fees under FEES 4 and levies under FEES 5.

FCA periodic fees

2.7 Our periodic fees are calculated under rules set out in FEES 4. Periodic fees are collected each year in order to recover our annual funding requirement (AFR). The AFR is allocated to several fee-blocks, two of which cover general insurance (A.3) and life insurance (A.4) business. This approach was developed with the intention of grouping together firms that carry on the same regulated activities and for whom the size of their business can be measured in broadly similar ways (tariff base). The tariff base for A.3 and A.4 is set out in FEES 4 Annex 1A covering directive and non-directive firms. Part 3 defines the tariff base and Part 5 the valuation date. The total tariff data reported by all firms in each fee-block are divided into the AFR allocated to each fee-block to produce a fee rate for each fee-block.

2.8 The tariff base for A.3 currently includes gross premium income for the year and gross technical liabilities at the end of each year. Both these numbers appeared in Solvency I insurance returns. The tariff base for A.4 currently includes mathematical reserves, also from Solvency I insurance returns, and adjusted gross premium income which is not linked to insurance returns.

2.9 We propose a 12-month transitional provision whereby the calculations for our 2017/18 periodic fees, for both directive and non-directive insurance firms, are based on the same tariff data used to calculate 2016/17 periodic fees. This means that fees for both the 2016/17 and 2017/18 fee-years will be based on tariff data for the firm's financial year ending 2015. These are data we already have so firms will not be required to provide any new data for the 2017/18 fee calculation unless an adjustment is appropriate, as follows:

- Insurance firms that have had an insurance business transfer under Part VII of FSMA (or other such transfer) between the end of the firm's financial year ending in 2015 and 31 December 2016 will be required to (i) notify us of any transfers of business; and (ii) provide such information as may be required by us to establish the extent their tariff data has increased or decreased as a result of the transfer. This will allow us to capture potentially significant variations in the relevant insurance firm's tariff data. This information will need to be provided to us by 28 February 2017.

- We will also allow voluntary resubmissions of updated tariff data where a relevant insurance firm has gone into run-off between the end of the firm's financial year ending in 2015 and 31 December 2016. Firms wishing to make such a resubmission must do so by 28 February 2017.

Why are we proposing this?

2.10 We consider the proposed approach to be proportionate. In particular it means that relevant insurance firms will not need to maintain the previous regime's reporting systems. We recognise that our proposals to allow adjustments with respect to part VII of FSMA transfers (or other such transfers) and for firms going into run-off in 2016 will not accommodate changes driven by market movements (mathematical reserves) or customer behaviour (premiums). However, we believe that this approach balances the desire to recognise material changes in firm size with the potential burden of requiring relevant insurance firms to calculate data on a Solvency I basis. The proposed approach means that the current timetable for calculating fees for 2017/18 can be maintained while we develop a workable end-state solution for fees with the PRA.

2.11 The proposed approach also means that we will have data within the transitional period (received by May 2017) on which we can base an impact assessment of potential end state solutions. That will allow us to develop the most appropriate approach for calculating directive firms' fees using Solvency II data, as well as ensuring that the fees paid by non-directive firms remain proportionate.

2.12 In addition, directive and non-directive firms' fees will be calculated on a consistent basis during the transitional period. This eliminates the risk that the proportion of the fees paid by directive and non-directive firms is significantly (and possibly unfairly) altered by the introduction of Solvency II until the impact of those changes has been properly assessed.

2.13 By using data already available to us and that has already been validated the potential for data quality issues in the first Solvency II reporting submissions that may lead to distortions in the distribution of fees between individual firms, will be reduced.

2.14 A firm's volume of business moves year-on-year, therefore, to keep the fees as fair as possible, the calculation should be based on the latest data wherever possible. Transitional arrangements covering only the 2017/18 fee year is the shortest period available while maintaining a realistic prospect of a new approach being developed by the end of the transitional period.

Financial Ombudsman Service annual levies

2.15 The Financial Ombudsman Service annual levies are calculated under rules set out in FEES 5 through the following industry blocks:

- I002 Insurers – general and I004 Insurers – life (Compulsory Jurisdiction – CJ)
- 2V Voluntary Jurisdiction (VJ) participants undertaking general insurance activities and 3V VJ participants undertaking life insurance activities

2.16 The tariff base for industry blocks I002 and I004 is linked to the definition used for our periodic fees purposes in FEES 4 Annex 1A. The tariff base for industry blocks 2V and 3V also relate to those used for FCA periodic fees.

2.17 In order to maintain this alignment we are proposing to apply the same transitional provision to the tariff data for these Financial Ombudsman Service annual levies as that being applied to our periodic fees. This means that these annual levies for both 2016/17 and 2017/18 fee-years will be based on tariff data for the firm's financial year ending 2015.

New entrants and extension of permissions

2.18 Our fees and levies rules already contain provisions setting out how newly authorised firms (and firms that extend their permissions) should calculate their tariff data. We propose to modify these rules to enable us to continue to use such firm's tariff data projections for the purpose of calculating 2017/18 fees and levies.

Insurers tariff data for 2018/19 fees and levies

2.19 We expect to publish a second CP, in Q3 2017, setting out the proposals for 2018/19. To assist us with developing these policy proposals we have included a rule in the transitional provision requiring insurers to meet reasonable requests from us for data in respect of their financial years ending in 2016 and 2017.

Q1: Do you have any comments on the proposed transitional provision covering insurers' tariff data for calculating FCA periodic fees and the Financial Ombudsman Service annual levies?

Annex 1
Compatibility with the general duties of the FCA

1. This annex explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA), as amended by the Financial Services Act 2012. Under section 138I of FSMA, the FCA and the Financial Ombudsman Service are exempt from the requirement to carry out and publish a cost benefit analysis regarding such proposals.

2. When consulting on new rules, we are required by section 138I(2)(d) FSMA to explain why we believe making the proposed rules is compatible with our strategic objective, advances one or more of our operational objectives, and has regard to the regulatory principles in s.3B FSMA. We are also required by s.138K(2) FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. This annex also sets out our view of how the proposed rules are compatible with the duty on us to discharge our general functions (which include rule making) in a way that promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.

4. This annex further includes our assessment of the equality and diversity implications of these proposals.

Our objectives and regulatory principles

5. Our proposals set out in this consultation are not intended in themselves to advance our operational objectives. However, they will contribute to funding the activities we need to undertake in 2017/18 to meet our 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 these proposals to be indirectly compatible with our strategic objective of ensuring that the relevant markets function well because they will again enable us to fund the activities to meet this strategic objective. For the purposes of the strategic objective, 'relevant markets' are defined in 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 Financial Ombudsman Service, the proposals in this consultation will contribute to the raising of the general levy to fund its activities in 2017/18 and enable it to meet its statutory function of providing a scheme for the quick and informal resolution of disputes between financial services firms and their customers. The proper functioning of the Financial Ombudsman Service also helps the FCA to meet its consumer protection objective.

8. In preparing the proposals set out in this consultation, we have 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

- The proposed transitional provision will enable us to consult on 2017/18 fee and levy rates for insurers in March 2017 and invoice these firms through our annual collection process. In this collection process we issue only one consolidated invoice to firms incorporating all the fees and levies they are required to pay. These include the FCA, PRA, the Financial Ombudsman Service, Money Advice Service and the Financial Services Compensation Scheme levies as well as the pensions guidance levy.

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

- The proposed transitional provision will mean that insurers' fees and levies will be calculated on a consistent basis for 2017/18 and eliminates the risk that the proportion of the fees and levies paid by directive and non-directive insurers is significantly changed by the introduction of Solvency II without the impact of those changes being properly assessed.

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

- The proposed transitional provision will make clear to insurers the basis on which their 2017/18 fees and levies will be calculated. It will also enable us to include in the 2017 consultation on revised tariff data for 2018/19 an impact assessment which will inform insurers' consideration of those proposals.

Expected effect on mutual societies

9. We do not expect the proposals in this paper to have a significantly different impact on mutual societies. The transitional provision for insurers that are mutual societies is not significantly different from the impact on other authorised firms.

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

10. The proposals set out in this consultation will contribute to funding the activities we need to undertake in 2017/18. These activities include meeting our duty to promote effective competition in the interests of consumers.

Equality and diversity

11. 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.

12. We believe the proposed transitional provision for insurers does not raise equality or diversity questions.

13. However, we would welcome comments on any equality and diversity issues you believe may arise from our proposals.

Appendix 1
Fees (Tariff data for insurers in 2017/18) Instrument 2016 [draft rules]

FEES (TARIFF DATA FOR INSURERS IN 2017/18) INSTRUMENT 2016

Powers exercised by the Financial Ombudsman Service

A. The Financial Ombudsman Service Limited makes and amends the scheme rules relating to the payment of fees under the Compulsory Jurisdiction, and fixes and varies the standard terms for VJ participants relating to the payment of fees under the Voluntary Jurisdiction in Part 2 of the Annex to this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) paragraph 14 (The scheme's operator's rules) of Schedule 17;
(2) paragraph 15 (Fees) of Schedule 17; and
(3) paragraph 18 (Terms of reference to the scheme) of Schedule 17.

B. The making (and amendment) of scheme rules and the fixing and variation of standard terms by the Financial Ombudsman Service Limited is subject to the consent and approval of the Financial Conduct Authority.

Powers exercised by the Financial Conduct Authority

C. The Financial Conduct Authority makes Parts 1 and 2 of the Annex to this instrument in the exercise of the following powers and related provisions in the following sections of 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);and
(4) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority).

D. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

E. The Financial Conduct Authority consents to the making and amendment of the scheme rules, and approves the fixing and variation of the standard terms, by the Financial Ombudsman Service Limited which are set out in Part 2 of the Annex to this instrument.

Commencement

F. This instrument comes into force on [*date*].

Amendments to the Handbook

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

Notes

H. In the Annexes to this instrument, the "notes" (indicated by "**Note:**") are included for the convenience of readers but do not form part of the legislative text.

Citation

I. This instrument may be cited as the Fees (Tariff Data for Insurers in 2017/18) Instrument 2016.

By order of the Board of the Financial Ombudsman Service Limited
[*date*]

By order of the Board of the Financial Conduct Authority
[*date*]

Annex

Amendments to the Fees manual (FEES)

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

Part 1

4.2 Obligation to pay periodic fees

…

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* which is calculated by:

…

…

4.2.7B R (1) This *rule* deals with the calculation of:

…

[**Note:** Transitional provisions apply to *FEES* 4.2.7R and *FEES* 4.2.7BR for *firms* in activity groups A.3 and A.4 – see *FEES* TP 13]

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

…

Calculation of periodic fee (excluding fee-paying service providers and fee-paying electronic money issuers)

4.3.3 R The periodic fee referred to in *FEES* 4.3.1R is (except in relation to the *Society*, *fee-paying payment service providers* and *fee-paying electronic money issuers*) calculated as follows:

…

(6) …

[**Note:** Transitional provisions apply to *FEES* 4.3.3R for *firms* in activity groups A.3 and A.4 – see *FEES* TP 13]

…

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 a collection agent for the *PRA*) the value (as at the valuation date specified in Part 5 of *FEES 4* Annex 1AR) of each element of business on which the periodic fee payable by the *firm* is to be calculated.

4.4.2 R A *firm* (other than the *Society)* must send to the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) in writing the information required under *FEES* 4.4.1R as soon as reasonably practicable, and in any event within two *months*, after the date specified as the valuation date in Part 5 of *FEES 4* Annex 1AR in relation of fees payable to the *FCA* (or *FEES* 4.2.7BR where applicable).

[**Note**: Transitional provisions apply to *FEES* 4.4.1R and *FEES* 4.4.2R for *firms* in activity groups **A.3** and **A.4** – see *FEES* TP 13]

…

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

…

Part 5

…

Activity group	Valuation date
…	
…	…
A.3	Annual gross *premium* income (GPI), for the financial year ended in the calendar year ending 31 December. **AND** Gross technical liabilities (GTL) valued at the end of the financial year ended in the calendar year ending 31 December. [**Note:** Transitional provisions apply – see *FEES* TP 13]
A.4	Adjusted annual gross *premium* income (AGPI) for the financial year ended in the calendar year ending 31 December.

	AND Mathematical reserves (MR) valued at the end of the financial year ended in the calendar year ending 31 December. [**Note:** Transitional provisions apply – see *FEES* TP 13]

…

5.3 The general levy

…

5.3.8 R A *firm's general levy* under the *compulsory jurisdiction* is calculated as follows:

…

[**Note:** Transitional provisions apply to *FEES* 5.3.8R in relation to *firms* in industry blocks 2 and 4 – see *FEES* TP 13]

…

5.4 Information requirement

5.4.1 R (1) A *firm* must provide the *FCA* by the end of February each year (or, if the *firm* has become subject to the *Financial Ombudsman Service* part way through the *financial year*, by the date requested by the *FCA*) with a statement of the total amount of *relevant business* (measured in accordance with the appropriate tariff base(s)) which it conducted, as at or in the year to 31 December of the previous year as appropriate, in relation to the tariff base for each of the relevant *industry blocks* set out in *FEES* 5 Annex 1.

[**Note:** Transitional provisions apply to *FEES* 5.4.1R(1) in relation to *firms* in Industry blocks 2 and 4 – see *FEES* TP 13]

…

…

5.8 Joining the Financial 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 specified in the formula set out in *FEES* 4.2.6R.

5.8.2 R (1) This *rule* deals with the calculation of:

…

…

Application of FEES 5.8.2R

5.8.3 G The table below sets out the period within which a *firm's* tariff base is calculated (the data period) for second year levies calculated under *FEES* 5.8.2R. The example is based on a *firm* that acquires *permission* on 1 November 2014 and has a financial year ending 31 March. Where valuation dates fall before the *firm* receives *permission* it should use projected valuations in calculating its levies.

…

[**Note**: Transitional provisions apply to *FEES* 5.8.1R, *FEES* 5.8.2R and *FEES* 5.8.3G: see *FEES* TP 13]

Part 2

5 Annex 2R Annual Levy Payable in Relation to the Voluntary Jurisdiction for 2016/17

Voluntary jurisdiction – annual levy for VJ participants				
Industry block and business activity		Tariff basis	Tariff rate	Minimum levy
…				
2V	*VJ participants* undertaking general insurance activities [**Note:** Transitional provisions apply – see *FEES* TP 13]	…	…	…
3V	*VJ participants* undertaking life insurance activities [**Note:** Transitional provisions apply – see *FEES* TP 13]	…	…	…
…				

…

TP 13 Transitional provisions relating to the calculation of tariff bases for insurers

13.1 Application

13.1.1 R (1) *FEES* TP 13 applies to a *firm* in:

(a) activity groups A.3 and/or A.4 in *FEES* 4 Annex 1AR (FCA Activity groups, tariff bases and valuation dates); or

(b) industry blocks 2 and 4 in *FEES* 5 Annex 1R; or

(c) industry blocks 2V and/or 3V in *FEES* 5 Annex 2R (Annual Levy Payable in Relation to the Voluntary Jurisdiction for 2016/17).

(2) *FEES* TP 13 modifies:

(a) *FEES* 4.2.7R and *FEES* 4.2.7BR;

(b) *FEES* 4.3.3R;

(c) *FEES* 4.4.1R and *FEES* 4.4.2R;

(d) *FEES* 4 Annex 1AR, Part 5;

(e) *FEES* 5.3.8R;

(f) *FEES* 5.4.1R;

(g) *FEES* 5.8.1R, *FEES* 5.8.2R and *FEES* 5.8.3G; and

(h) *FEES* 5 Annex 2R.

13.1.2 G *FEES* TP 13 deals with transitional arrangements relating to the calculation of tariff data for *insurers* for the *fee year* 2017/18 as a result of the implementation of the *Solvency II Directive* from 1 January 2016.

13.2 Calculation of tariff bases for fee year 2017/18

13.2.1 R Subject to *FEES* TP 13.2.2 *firms* under *FEES* 13.1.1(2)R will be dependent on the following for the *fee year* 2017/18:

(1) subject to *FEES* 13.2.1R(2) and/or *FEES* 13.2.1R(3), periodic fees will be calculated using the tariff base data (as prescribed in *FEES 4* Annex 1AR) reported by *firms* for their financial year ended in the calendar year ending 2015;

(2) if a *firm* has acquired or disposed of *insurance business* by way of an *insurance business transfer scheme* under Part VII of the *Act* or Part VIII of the Friendly Societies Act 1992, during the period specified in *FEES* TP 13.2.3R, it must on or before 28 February 2017:

(a) notify the *FCA* that such a transfer has taken place; and

(b) provide such information as the *FCA* may require to establish the extent to which the tariff base data, referred to in TP 13.2.1(1), has increased or decreased as a result of the transfer and the amended data provided will form the basis of the periodic fees calculation for the *fee year* commencing on 1 April 2017.

(3) a *firm in run-off* which commenced during the period specified in *FEES* TP 13.2.3R may on or before 28 February 2017 resubmit adjusted 2015 tariff base data .

[**Note:** Under *FEES* TP 13.2.1(2) and (3) *firms* within activity groups A.3 and/or A.4 make resubmissions to the *FCA* in its capacity as collection agent for the *PRA*]

13.2.2 R This *rule* deals with the calculation of periodic fees for *firms* who fall within *FEES* 4.2.7R, *FEES* 4.2.7BR, *FEES* 5.8.1R, *FEES* 5.8.2R and *FEES* 5.8.3G.

(1) The periodic fees calculation based on projected valuations, for a *firm's* first year, as provided in the course of the *firm's* application will be applied to all *firms* whether in their first *fee year*, second *fee year* or a subsequent *fee year*.

(2) The *general levy* calculation based on projected valuations for its first year of business will be applied to all *firms* whether in their first or second *financial year*.

13.2.3 R The period referred to in *FEES* TP 13.2.1R(2) and *FEES* TP 13.2.1R(3) is the period:

(1) from the *firms'* financial year ended in the calendar year ending 2015; to

(2) the end of the calendar year ending 2016.

13.2.4 R To assist with the formulation of fees and *general levy* policy for the *fee year* and *financial year* commencing on 1 April 2018 and subsequent *fee years* and *financial years*, *firms* will comply with the requests of the *FCA* for tariff data in respect of the *firm's* financial years:

(1) ended in the calendar year ending 31 December 2016; and

(2) ended in the calendar year ending 31 December 2017.

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