

Financial Services Compensation Scheme Levy Calculation Notes 2017/18 Final Rates

HOW IS THE FSCS LEVY CALCULATED?

A. Overview

The FSCS levy is made up of two elements:

- Management expenses; and
- Compensation costs.

Management expenses levy – covers the costs of running the compensation scheme. The management expenses levy is made up of **base costs** (operating costs not directly related to the payment of compensation) and **specific costs** (operating costs that are directly related to the payment of compensation arising from valid claims).

The management expenses levy limit for 2017/18 was consulted on in the FCA's [consultation paper CP17/1](#) (January 2017).

Compensation costs levy – provides the funds to make valid compensation payments.

All participant firms are required to contribute to **base costs**. **Specific costs** and **compensation costs** are not payable by FSCS exempt firms or newly authorised firms in their first authorised year.

Following legal cutover in April 2013, firms who are dual regulated will pay FSCS Base Costs towards both their FCA and PRA fee-blocks.

For further details of the FSCS levy for 2017/18, please refer to the [FSCS website](#).

B. Exemptions

Firms that have submitted valid exemptions (under *FEES 6.2.1R*), are excluded from specific and compensation costs, but are still liable for their share of base cost levies.

C. FSCS Levy - calculation

To calculate the FSCS Base Costs levy we need to know the Total Base Costs the FSCS require to raise in 2017/18 and the total Regulatory Costs of the FSCS participants for each contribution group within both FCA and PRA. FCA contribution groups start with A whilst PRA contributions groups start with P.

The table below lists the information used for the 2017/18 rates.

| Contribution Group | Total Regulatory Cost | FSCS Base Costs to be Levied |
|---------------------------|------------------------------|-------------------------------------|
| AP00 | 16,243,567 | 450,053 |
| A000 | 19,320,492 | 533,460 |
| A001 | 70,150,150 | 2,001,631 |
| A002 | 16,519,973 | 451,829 |
| A003 | 24,866,711 | 697,537 |
| A004 | 41,752,299 | 1,171,119 |
| A006 | 334,939 | 8,782 |
| A007 | 44,144,783 | 1,260,133 |
| A009 | 12,289,366 | 337,519 |
| A010 | 49,842,051 | 1,451,850 |
| A013 | 74,983,035 | 2,168,068 |
| A014 | 13,792,406 | 390,976 |
| A018 | 16,246,594 | 439,056 |
| A019 | 27,332,264 | 751,249 |
| A021 | 13,857,977 | 386,737 |
| PA01 | 151,164,156 | 8,110,833 |
| PA03 | 35,569,940 | 1,928,755 |
| PA04 | 44,804,341 | 2,362,681 |
| PA06 | 1,827,318 | 97,732 |
| Total | | 25,000,000 |

To calculate the specific costs levy and compensation costs levy we also need to know the total FSCS tariff data for each class and the amounts FSCS are to raise for each class. The table below details these figures for 2017/18.

| Class – Tariff Base | Tariff Base | FSCS Specific Costs | FSCS Class Compensation Costs |
|----------------------------|--------------------|----------------------------|--------------------------------------|
| SA01-PD | 1,098,642,901,647 | 7,732,677 | 1,267,323 |
| SB01-RNPI | 43,538,898,587 | 2,769,191 | 36,230,809 |
| SB01-EGTL | 67,536,489,289 | 923,064 | 12,076,936 |
| SB02-AEI | 8,871,570,286 | 6,250,721 | 11,749,279 |
| SC01-RNPI | 84,908,028,027 | -63,782 | 63,782 |
| SC01-EMR | 1,030,653,348,958 | -21,261 | 21,261 |
| SC02-AEI | 3,679,218,225 | 11,447,696 | 88,552,304 |
| SD01-AEI | 5,075,685,054 | -15,933 | 10,015,933 |
| SD02-AEI | 4,591,506,557 | 15,069,025 | 72,930,975 |
| SE02-AEI | 1,403,409,900 | 1,661,333 | 12,338,667 |
| Total | | 45,752,730 | 245,247,270 |

Class SA01 - Deposit Takers Risk Based Levy - Following the publication in September 2016 of the PRA's policy statement [PS25/16](#) 'Implementing risk-based levies for the Financial Services Compensation Scheme deposits class', FSCS compensation costs levies will be adjusted for the degree of risk incurred by deposit takers from 2017/18.

Compensation costs levies for this class were previously based solely on the proportion of protected deposits held by a firm. As required by the recast Deposit Guarantee Schemes Directive, these levies will now also be adjusted for the degree of risk the firm incurs.

A firm's risk adjustment is calculated using a number of quantitative indicators, such as capital, leverage, liquidity and asset quality.

A firm's aggregate risk weighting will be included on its FCA Regulatory Fees and Levies invoice. More information on the risk adjustment can be found on the [PRA Website](#) or in the PRA's [Statement of Policy](#) 'Calculating risk-based levies for the Financial Services Compensation Scheme deposits class' – paragraph 4.

Sample calculation

Firm X is solo regulated by the FCA and is allocated to the A013 contribution group and in FSCS classes SC02 and SD02.

At the valuation date of 31 December 2016 it had annual income of £480,000 in respect of FCA fee-block A013, £288,000 of eligible annual income in respect of FSCS class SC02 (Life & Pensions intermediation) and £192,000 of eligible annual income in respect of FSCS class SD02 (Investment intermediation).

Based on the annual income of £480,000 the A013 FCA regulatory cost (the FCA charge after discounts but before deductions) for 2017/18 would be £1,047.28

The FCA regulatory cost for the minimum fee (fee-block A000) for 2017/18 is £1,095 and the FCA prudential costs (fee-block AP00) for 2017/18 would be £116.25

Base Costs Levy: Base costs are calculated by reference to the share of a firm's regulatory cost as a proportion of the total regulatory costs (in each contribution group). The calculation is shown below.

| A000 Contribution Group | | | |
|--|--|--------------------------------------|---------------|
| Base Costs Levy | <u>Firm's A000 FSCS Reg.Cost x A000 Base Costs to be raised</u> Total A000 FSA Regulatory Costs | <u>1,095 x 533,460</u> 19,320,492 | £30.23 |
| Total A000 FSCS Base Costs Levy | | | £30.23 |

| A013 Contribution Group | | | |
|--|--|---|---------------|
| Base Costs Levy | <u>Firm's A013 FSCS Reg.Cost x A013 Base Costs to be raised</u> Total A013 FSA Regulatory Costs | <u>1,047.28 x 2,168,068</u> 74,983,035 | £30.28 |
| Total A013 FSCS Base Costs Levy | | | £30.28 |

| AP00 Contribution Group | | | |
|--|--|---------------------------------------|--------------|
| Base Costs Levy | <u>Firm's AP00 FSCS Reg.Cost x AP00 Base Costs to be raised</u> Total A013 FSA Regulatory Costs | <u>116.25 x 450,053</u> 16,243,567 | £3.22 |
| Total AP00 FSCS Base Costs Levy | | | £3.22 |

Compensation and Specific Costs Levy: The Specific and Compensation costs are calculated by reference to the share of the firm's tariff data as a proportion of the total FSCS tariff data (in each FSCS class). These calculations are shown below.

| SC02 Class : Life & Pensions intermediation | | | |
|--|--|--|------------------|
| Specific Costs Levy | <u>Firm's SC02 tariff data x Total FSCS SC02 Specific Cost</u> Total SC02 fee tariff base | <u>288,000 x 11,447,696</u> 3,679,218,225 | £896.10 |
| Compensation Costs Levy | <u>Firm's SC02 tariff data x Total FSCS SC02 Compensation Cost</u> Total SC02 fee tariff base | <u>288,000 x 88,552,304</u> 3,679,218,225 | £6,931.65 |
| Total SC02 FSCS Levy | | | £7,827.75 |

| SD02 Class : Investment mediation | | | |
|--|--|--|------------------|
| Specific Costs Levy | <u>Firm's SD02 tariff data x Total FSCS SD02 Specific Cost</u> Total SD02 fee tariff base | <u>192,000 x 15,069,025</u> 4,591,506,557 | £630.13 |
| Compensation Costs Levy | <u>Firm's SD02 tariff data x Total FSCS SD02 Compensation Cost</u> Total SD02 fee tariff base | <u>192,000 x 72,930,975</u> 4,591,506,557 | £3,049.71 |
| Total SD02 FSCS Levy | | | £3,679.84 |

Therefore the FSCS Levy total for Firm X for 2017/18 will be:

| FSCS Levy Type | Value |
|---|-------------------|
| A000 Levy (Base Costs) | £30.23 |
| A013 Levy (Base Costs) | £30.28 |
| AP00 Levy (Base Costs) | £3.22 |
| SC02 Levy (Specific & Compensation Costs) | £7,827.75 |
| SD02 Levy(Specific & Compensation Costs) | £3,679.84 |
| Net FSCS Levy Total | £11,571.32 |