

Financial Services Compensation Scheme Levy Calculation Notes 2018/19 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 2018/19 was consulted on in the joint PRA/FCA consultation paper [CP18/2/CP3/18](#) (January 2018).

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.

From 2018/19 consumer credit firms will also pay FSCS Base costs.

For further details of the FSCS levy for 2018/19, 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 2018/19 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 2018/19 rates.

Contribution Group	Total Regulatory Cost	FSCS Base Costs to be Levied
AP00	16,656,885	393,756
A000	20,778,239	473,125
A001	69,945,845	1,729,206
A002	17,198,478	419,405
A003	23,133,790	629,625
A004	32,364,135	1,088,446
A006	344,067	7,113
A007	46,161,388	1,119,309
A009	11,549,788	305,850
A010	51,758,683	1,344,886
A013	78,639,293	1,782,962
A014	14,461,978	351,461
A018	16,895,934	400,312
A019	28,039,300	662,882
A021	14,175,969	348,490
CC01	6,267,039	402,996
CC02	32,379,559	2,540,176
PA00	437,100	35,081
PA01	147,554,822	8,795,156
PA03	31,991,200	1,877,499
PA04	41,530,661	2,502,544
PA06	1,760,945	100,948
PA10	9,937,176	688,773
Total		28,000,000

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 2018/19.

Class – Tariff Base	Tariff Base	FSCS Specific Costs	FSCS Class Compensation Costs
SA01-PD	1,162,022,473,749	14,708,983	4,291,017
SB01-RNPI	41,079,638,534	6,427,839	60,322,161
SB01-EL	70,485,327,971	2,142,613	20,107,387
SB02-AEI	9,032,986,314	5,819,861	10,180,139
SC01-RNPI	95,375,107,831	-7,500	7,500
SC01-EL	1,145,702,620,628	-2,500	2,500
SC02-AEI	4,486,029,294	12,710,205	62,289,795
SD01-AEI	7,168,088,303	168,291	51,831,709
SD02-AEI	5,281,511,284	4,994,111	37,005,889
SE02-AEI	1,622,837,684	718,950	21,281,050
Total		47,680,853	267,319,147

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 are adjusted for the degree of risk incurred by deposit takers.

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.

Example 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 2017, it had annual income of £580,000 in respect of FCA fee-block A013, £338,000 of eligible annual income in respect of FSCS class SC02 (Life & Pensions intermediation) and £242,000 of eligible annual income in respect of FSCS class SD02 (Investment intermediation).

Based on the annual income of £580,000 the A013 FCA regulatory cost (the FCA charge after discounts but before deductions) for 2018/19 would be £1,246.56

The FCA regulatory cost for the minimum fee (fee-block A000) for 2018/19 is £1,128, and the FCA prudential costs (fee-block AP00) for 2018/19 would be £136.25

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	$\frac{\text{Firm's A000 FSCS Reg. Cost} \times \text{A000 Base Costs}}{\text{Total A000 FSA Regulatory Costs}}$	$\frac{1,128 \times 473,125}{20,778,239}$	£25.68
Total A000 FSCS Base Costs Levy			£25.68

A013 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's A013 FSCS Reg. Cost} \times \text{A013 Base Costs}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{1,246.56 \times 1,782,962}{78,639,293}$	£28.26
Total A013 FSCS Base Costs Levy			£28.26

AP00 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's AP00 FSCS Reg. Cost} \times \text{AP00 Base Costs}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{136.25 \times 393,756}{16,656,885}$	£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	$\frac{\text{Firm's SC02 tariff data} \times \text{Total FSCS SC02 Specific Cost}}{\text{Total SC02 fee tariff base}}$	$\frac{338,000 \times 12,710,205}{4,486,029,294}$	£957.65
Compensation Costs Levy	$\frac{\text{Firm's SC02 tariff data} \times \text{Total FSCS SC02 Compensation Cost}}{\text{Total SC02 fee tariff base}}$	$\frac{338,000 \times 62,289,795}{4,486,029,294}$	£4,693.23
Total SC02 FSCS Levy			£5,650.88

SD02 Class: Investment mediation			
Specific Costs Levy	$\frac{\text{Firm's SD02 tariff data} \times \text{Total FSCS SD02 Specific Cost}}{\text{Total SD02 fee tariff base}}$	$\frac{242,000 \times 4,994,111}{5,281,511,284}$	£228.83
Compensation Costs Levy	$\frac{\text{Firm's SD02 tariff data} \times \text{Total FSCS SD02 Compensation Cost}}{\text{Total SD02 fee tariff base}}$	$\frac{242,000 \times 37,005,889}{5,281,511,284}$	£1,695.62
Total SD02 FSCS Levy			£1,924.45

Therefore, the FSCS Levy total for Firm X for 2018/19 will be:

FSCS Levy Type	Value
A000 Levy (Base Costs)	£25.68
A013 Levy (Base Costs)	£28.26
AP00 Levy (Base Costs)	£3.22
SC02 Levy (Specific & Compensation Costs)	£5650.88
SD02 Levy (Specific & Compensation Costs)	£1,924.45
Net FSCS Levy Total	£7,632.49