

# Financial Services Compensation Scheme Levy Calculation Notes 2012/13 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 2012/13 was consulted on in the FSA's [Consultation Paper CP12/03](#) (February 2012).

**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.

**Changes to the way in which the FSCS Levy is calculated:** Following concerns expressed about the fairness, proportionality and sustainability of the FSCS's funding arrangements a review of the FSCS Funding was instigated. It began in March 2006 and looked at the way in which the FSCS compensation and specific costs were funded – the Base cost element was not under review.

The outcome of the review was that from 2008/09 the way in which the FSCS is funded, and as a consequence the way in which the FSCS levies are calculated, fundamentally altered. For further information on the FSCS Funding Review, please refer to our [Policy Statement PS07/19](#).

### 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 2012/13 and the total FSA Regulatory Costs of the FSCS participants for each contribution group. The table below lists the information used for the 2012/13 rates.

Contribution Group	Total FSA Regulatory Cost	FSCS Base Costs to be Levied
<b>A000</b>	17,495,030	660,000
<b>A001</b>	168,027,839	8,560,000
<b>A002</b>	13,414,255	410,000
<b>A003</b>	38,900,643	1,650,000
<b>A004</b>	62,005,699	3,150,000
<b>A007</b>	35,587,549	1,750,000
<b>A009</b>	11,359,217	450,000
<b>A010</b>	44,316,389	2,650,000
<b>A012</b>	37,178,442	2,050,000
<b>A013</b>	35,493,653	970,000
<b>A014</b>	10,967,647	550,000
<b>A018</b>	13,655,987	430,000
<b>A019</b>	22,673,175	1,220,000
<b>Total</b>		24,500,000

To calculate the specific costs levy and compensation costs levy we also need to know the total FSCS tariff data for each sub-class and the amounts FSCS are to raise for each sub-class. The table below details these figures for 2012/13.

Sub-Class – Tariff Base	Tariff Base	FSCS Specific Costs	FSCS Sub-class Compensation Costs
<b>SA01-PD</b>	928,088,122,694	1,589,525	15,331,475
<b>SAA01-PD</b>	928,088,122,694	*(921,000)	0
<b>SB01-RNPI</b>	42,627,356,464	2,703,942	42,296,058
<b>SB01-EGTL</b>	66,077,707,837	901,314	14,098,686
<b>SB02-AEI</b>	8,883,506,554	7,277,611	28,722,389
<b>SC01-RNPI</b>	71,056,455,691	(139,013)	139,013
<b>SC01-EMR</b>	846,743,253,548	(46,338)	46,338
<b>SC02-AEI</b>	3,037,261,419	3,620,820	42,379,180
<b>SD01-AEI</b>	4,723,744,777	409,158	(409,158)
<b>SD02-AEI</b>	3,726,881,083	11,848,941	66,151,059
<b>SE01-A2FSAFEE</b>	13,484,416	7,646	(7,646)
<b>SE02-AEI</b>	1,024,114,786	4,174,927	325,073
<b>Total</b>		31,427,533	209,072,467

\* This amount is in respect of the estimated management expenses for 2012/13 in relation to the specified deposit defaults (SDD)

## Sample calculation

**Firm X is allocated to the A013 contribution group and in FSCS sub-classes SC02 and SD02.**

**At the valuation date of 31 December 2011 it had 8 approved persons (CF30s), £288,000 of eligible annual income in respect of sub-class SC02 (Life & Pensions intermediation) and £192,000 of eligible annual income in respect of SD02 (Investment intermediation).**

**Based on the 8 approved persons the A013 FSA regulatory cost (the FSA charge after discounts but before deductions) for 2012/13 will be £8,340.29.**

**The FSA regulatory cost for the minimum fee (fee-block A000) for 2012/13 will be £1,000.**

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

<b>A000 Contribution Group</b>			
Base Costs Levy	<u>Firm's A000 FSCS Reg.Cost x A000 Base Costs to be raised</u> Total FSA A000 FSA Regulatory Costs	<u>1,000 x 660,000</u> 17,495,030	£37.72
<b>Total A013 FSCS Base Costs Levy</b>			£37.72

<b>A013 Contribution Group</b>			
Base Costs Levy	<u>Firm's A013 FSCS Reg.Cost x A013 Base Costs to be raised</u> Total FSA A013 FSA Regulatory Costs	<u>8,340.29 x 970,000</u> 35,493,653	£227.93
<b>Total A013 FSCS Base Costs Levy</b>			£227.93

*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 sub-class). These calculations are shown below.

<b>SC02 Sub-class : Life &amp; Pensions intermediation</b>			
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 3,620,820</u> 3,037,261,419	£343.33
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 42,379,180</u> 3,037,261,419	£4,018.49
<b>Total SC02 FSCS Levy</b>			£4,361.82

<b>SD02 Sub-class : Investment mediation</b>			
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 11,848,941</u> 3,726,881,083	£610.43
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 66,151,059</u> 3,726,881,083	£3,407.94
<b>Total SD02 FSCS Levy</b>			£4,018.37

Therefore the FSCS Levy total for Firm X during 2012/13 will be:

<b>FSCS Levy Type</b>	<b>Value</b>
A000 Levy (Base Costs)	£37.72
A013 Levy (Base Costs)	£227.93
SC02 Levy (Specific & Compensation Costs)	£4,361.82
SD02 Levy(Specific & Compensation Costs)	£4,018.37
<b>Net Levy Total</b>	<b>£8,645.84</b>