

Financial Services Compensation Scheme Levy Calculation Notes

2013/14 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 2013/14 was consulted on in the FSA's [Consultation Paper CP13/4](#) (January 2013).

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, fees levy year.

Changes to the way in which the FSCS Levy is calculated: Following industry concerns about the funding structure, how costs are allocated, affordability and unpredictability of the funding arrangements, we carried out a review of the FSCS funding model. We consulted with the industry on proposals to change the way in which the FSCS compensation and specific costs were funded (the base costs element was not part of the review). The changes to the FSCS funding model became effective for the 2013/14 levy year.

For further information on the 2012/13 FSCS Funding Review, please see our [Policy Statement PS13/4](#).

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

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 2013/14 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 2013/14 rates.

Contribution Group	Total Regulatory Cost	FSCS Base Costs to be Levied
AP00	11,078,596	361,519
A000	16,677,405	178,457
A001	54,866,846	-220,915
A002	15,446,594	325,692
A003	22,071,389	286,863
A004	37,249,412	584,027
A006	297,642	-23,303
A007	38,524,071	666,470
A009	10,766,405	334,776
A010	42,726,055	1,216,044
A012	35,848,409	907,656
A013	37,716,758	100,247
A014	11,576,535	246,489
A018	15,155,616	139,533
A019	24,986,513	-240,717
PA01	129,705,402	9,505,529
PA03	22,273,031	1,575,434
PA04	28,072,129	1,959,034
PA06	1,394,436	97,163
Total		17,999,998

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 2013/14.

Class – Tariff Base	Tariff Base	FSCS Specific Costs	FSCS Class Compensation Costs
SA01-PD	976,138,813,904	12,814,774	-5,814,774
SB01-RNPI	42,865,920,785	3,256,845	82,993,155
SB01-EGTL	69,349,933,035	1,085,615	27,664,385
SB02-AEI	8,624,744,060	10,201,168	43,798,832
SC01-RNPI	78,611,837,520	113,103	-113,103
SC01-EMR	946,554,562,359	37,701	-37,701
SC02-AEI	3,314,971,054	2,820,937	10,179,063
SD01-AEI	3,769,484,590	86,175	-86,175
SD02-AEI	3,679,421,024	18,644,686	59,355,314
SE02-AEI	905,322,035	-678,974	678,974
Total		48,382,030	218,617,970

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 2012 it had annual income of £480,000 in respect of FCA fee-block A013 £288,000 of eligible annual income in respect of class SC02 (Life & Pensions intermediation) and £192,000 of eligible annual income in respect of 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 2013/14 will be £2,618.20

The FCA regulatory cost for the minimum fee (fee-block A000) for 2013/14 is £1,000 and the FCA prudential costs (fee-block AP00) will be £204.22.

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	$\frac{\text{Firm's A000 FSCS Reg. Cost} \times \text{A000 Base Costs to be raised}}{\text{Total A000 FSA Regulatory Costs}}$	$\frac{1,000 \times 178,457}{16,677,405}$	£10.70
Total A013 FSCS Base Costs Levy			£10.70

A013 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's A013 FSCS Reg. Cost} \times \text{A013 Base Costs to be raised}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{2,618.20 \times 100,247}{37,716,758}$	£6.96
Total A013 FSCS Base Costs Levy			£6.96

AP00 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's AP00 FSCS Reg. Cost} \times \text{AP00 Base Costs to be raised}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{204.22 \times 361,519}{11,078,596}$	£6.66
Total A013 FSCS Base Costs Levy			£6.66

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 class). These calculations are shown below.

SC02 Class : Life & Pensions intermediation			
Specific Costs Levy	$\frac{\text{Firm's SC02 tariff data} \times \text{Total FSCS SC02 Specific Cost}}{\text{Total SC02 fee tariff base}}$	$\frac{288,000 \times 2,820,937}{3,314,971,054}$	£245.08
Compensation Costs Levy	$\frac{\text{Firm's SC02 tariff data} \times \text{Total FSCS SC02 Compensation Cost}}{\text{Total SC02 fee tariff base}}$	$\frac{288,000 \times 10,179,063}{3,314,971,054}$	£884.34
Total SC02 FSCS Levy			£1,129.42

SD02 Class : Investment mediation			
Specific Costs Levy	$\frac{\text{Firm's SD02 tariff data} \times \text{Total FSCS SD02 Specific Cost}}{\text{Total SD02 fee tariff base}}$	$\frac{192,000 \times 18,644,686}{3,679,421,024}$	£972.92
Compensation Costs Levy	$\frac{\text{Firm's SD02 tariff data} \times \text{Total FSCS SD02 Compensation Cost}}{\text{Total SD02 fee tariff base}}$	$\frac{192,000 \times 59,355,314}{3,679,421,024}$	£3097.29

Total SD02 FSCS Levy	£4,070.21
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Therefore the FSCS Levy total for Firm X during 2013/14 will be:

FSCS Levy Type	Value
A000 Levy (Base Costs)	£10.70
A013 Levy (Base Costs)	£6.96
AP00 Levy (Base Costs)	£6.66
SC02 Levy (Specific & Compensation Costs)	£1,129.42
SD02 Levy(Specific & Compensation Costs)	£4,070.21
Net Levy Total	£5,223.95