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Our Ref: **FOI5268**

Freedom of Information : Right to know request

Thank you for your request under the Freedom of Information Act 2000 (the Act), for the following information:

"I read about this today: [FCA reveals how it plans to extend Senior Managers Regime to advisers](#)

I would be grateful if you could advise me of:

- *The FCA expense of this exercise in total for creating these new rules*
- *The cost for any legal advice*
- *The cost of any external consultancy work*
- *Any projections you may have as to the cost of implementation to regulated firms"*

On 04 August 2017 you clarified point 1 to:

"What I wanted to know was the actual cost incurred by the FCA up until now in regard to the implementation of the consultation in the areas noted below."

You further clarified point 1 on 07 August 2017 to:

"My question was about what it actually cost to date, what it may cost going forward. Apologies if I did not make that too clear?"

Your request has now been considered and I can confirm we hold the information you have requested.

In relation to point 1, in our Cost Benefit Analysis (CBA) for the regime at Table 13, we presented the additional costs we expect to incur as a result of implementing the regime as proposed. We expect to incur £13.4m in costs over the period the regime is

implemented. Following the implementation, there's not expected to be any significant change in the level of resources used by the FCA, relative to the costs of regulating the current regime. To date, the FCA has incurred costs of £1,710,551 (actual spend until July 2017) of the £13.4m expected overall cost. You should note that staff costs are estimated by measuring the time staff across the FCA spend on Senior Managers and Certification Regime (SM&CR) related activities.

Regarding point 2, the 'legal advice' the FCA has used to inform the development of the proposed regime has come from the FCA's in-house lawyers – (General Counsel's Division). The cost of the time of staff allocated to the development of the regime from the General Counsel's Division is expected to be £368k, with £113k of this already incurred. We note that some additional legal advice will have come from lawyers in Enforcement and Market Oversight Division (EMO) but we are unable to split legal advice from other activities and therefore estimate legal advice costs within EMO. The reported legal advice costs are included in the overall costs provided above (£13.4m and £1.7m).

Additionally, relating to point 3, to date, the FCA has incurred costs of £4k for external consultancy work. We currently have a provision to spend an additional £510k for Policy Support consultants to help analyse responses to Consultation Papers published on the proposed regime, which will be tendered shortly. In total we expect to spend £514k. Again, this is included in the overall £13.4m.

Further, regarding point 4, our CBA provides a detailed analysis of the costs we expect firms to incur as a result of implementing the regime. In the CBA, we presented a range for the overall costs, both one-off and ongoing, for all 47,430 firms (including 560 insurers) we expect to be subject to the regime. We have included high-level tables below from the CBA. Further information on our approach to estimating the costs (including our survey of firms and analysis of the survey results) and more detailed cost information is provided in the published CBA.

Table 6: Total one-off and annual ongoing costs for the regime for all solo-regulated firms

Regime	one-off, £m	Ongoing, £m
Limited scope	194.3 – 196.3	65.4 – 81.1
Core	190.5 – 193.1	53.2 – 76.0
Enhanced	162.2 – 162.9	21.5 – 33.5
Total	547.1 – 552.3	140.0 – 190.5

Source: FCA survey of firms (undertaken Q4 2016).

Table 10: Total one-off and annual ongoing costs for the regime for insurers, £m

Regime	one-off, £m	Ongoing, £m
Small NDFs and small insurers in run-off*	0.8 – 0.9	0.6
Solvency II and large NDFs	8.0 – 8.1	2.6 – 3.5
Total	8.8 – 8.9	3.2 – 4.1

Source: FCA survey of firms (undertaken Q4 2016). *As explained in paragraph 3.58 the cost for small NDFs and small insurers in run-off are not reliable. Where we present one figure for the revised estimate this is because the two figures are the same.

Yours sincerely

Information Access Team