

PS12/11

Financial Services Authority

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

Including feedback on CP12/3 and
'made rules'

Contents

| | |
|---|----|
| Abbreviations used in this paper | 3 |
| Key dates and information on periodic fees for authorised firms | 7 |
| 1. Overview | 9 |
| Part A – Consolidated Policy Statement on our fee-raising arrangements | |
| Section 1 – FSA Periodic fees | |
| 2. Grouping firms into fee-blocks | 25 |
| 3. Cost allocation to fee-blocks | 27 |
| 4. Recovery of allocated costs within ‘A’ fee-blocks | 33 |
| 5. Recovery of allocated costs within other fee-blocks | 47 |
| Section 2 – Application and special project fees | |
| 6. Application fees | 50 |
| 7. Special project fees – overall policy | 57 |
| Section 3 – Other fees issues | |
| 8. UK Listing Authority (UKLA) fees | 64 |
| 9. Regulatory reporting of fee tariff data | 68 |
| 10. Levies for the Financial Ombudsman Service, the Financial Services Compensation Scheme and the Money Advice Service | 73 |

Part B – Regulatory fees and levies 2012/13

Section 4 – FSA periodic fees 2011/12

| | |
|---|----|
| 11. FSA Annual Funding Requirement (AFR) 2012/13 and allocation of fee-blocks | 80 |
| 12. Periodic fees for authorised firms | 84 |
| 13. Applying financial penalties in 2012/13 | 93 |
| 14. Periodic fees for other bodies | 96 |

Section 5 – Feedback on regulatory fees policy proposals 2012/13

| | |
|--|-----|
| 15. Special project fees for Solvency II | 108 |
| 16. Other policy proposals: | 113 |
| • Payment services providers and electronic money issuers – notification of agents | |
| • Restructuring special project fees – revised hourly rates | |
| • Policy clarification – valuing derivatives in fund management | |

Section 6 – Funding the Financial Ombudsman Service

| | |
|--|-----|
| 17. Financial Ombudsman Service general levy 2012/13 | 120 |
|--|-----|

Section 7 – Funding the Money Advice Service

| | |
|---|-----|
| 18. Money Advice Service levies 2012/13 | 124 |
|---|-----|

| | |
|--------------------|--|
| Annex 1: | Rules and guidance on fees |
| Annex 2: | Fee-blocks and tariff bases |
| Annex 3: | Administrative aspects of periodic fees |
| Annex 4: | Financial penalty scheme under the Financial Services and Markets Act 2000 |
| Annex 5: | Policy on financial penalties under Treasury Regulations |
| Annex 6: | Fees consultations |
| Annex 7: | Financial Ombudsman Service general levy – 2012/13 overview |
| Annex 8: | List of non-confidential respondents to CP12/03 |
| Appendix 1: | Periodic fees (2012/13) and other fees instrument 2012 |
| Appendix 2: | Periodic fees (unauthorised mutual societies registration) (2012/13) instrument 2012 |

Abbreviations used in this paper

| | |
|--------------|-------------------------------------|
| AEMIs | Authorised Electronic Money Issuers |
| ARD | Accounting Reference Date |
| AFR | Annual funding requirement |
| APIs | Authorised Payment Institutions |
| CIS | Collective Investment Schemes |
| CJ | Compulsory jurisdiction |
| COB | Conduct of Business |
| CP | Consultation Paper |
| CFEB | Consumer Financial Education Body |
| CCJ | Consumer credit jurisdiction |
| CBA | Cost benefit analysis |
| CCC | Customer Contact Centre |
| DPBs | Designated professional bodies |
| EMIs | Electronic Money Issuers |
| EMRs | Electronic Money Regulations 2011 |
| EEA | European Economic Area |
| EU | European Union |
| FEES | Fees Manual |

| | |
|--------------|--|
| FCA | Financial Conduct Authority |
| FOS | Financial Ombudsmen Service |
| FPD | Financial Penalty Discount |
| FPS | Financial Penalty Scheme |
| FSCS | Financial Services Compensation Scheme |
| FSMA | Financial Services and Markets Act 2000 |
| IS | Information Services |
| IMAP | Internal Model Approval Process |
| MELL | Management Expenses Levy Limit |
| MiFID | Markets in Financial Instruments Directive |
| MEL | Modified Eligible Liabilities |
| MLRs | Money Laundering Regulations 2007 |
| MLAR | Mortgage Lending and Administration Return |
| MMR | Mortgage Market Review |
| MTFs | Multilateral Trading Facilities |
| OFT | Office of Fair Trading |
| ORA | Ongoing Regulatory Activity |
| PIs | Payment Institutions |
| PSD | Payment Services Directive |
| PSPs | Payment Services Providers |
| PSRs | Payment Services Regulations 2009 |
| PS | Policy Statement |
| PRIN | Principles for business |
| PRA | Prudential Regulation Authority |
| RAO | Regulated Activities Order |
| RCB | Regulated Covered Bond |
| RCRO | Retail Conduct Risk Outlook |
| RDR | Retail Distribution Review |

| | |
|---------------|---|
| RMAR | Retail Mediation Activities Return |
| RMAR-J | Section J of the Retail Mediation Activities Return |
| 2EMD | Second Electronic Money Directive |
| SSV | Scheme Specific Valuation |
| SMI s | Small electronic money institutions |
| SII | Solvency II EU Directive |
| SPFs | Special project fees |
| SUP | Supervision Manual |
| SYSC | Systems and controls |
| COND | Threshold conditions |
| UKLA | UK Listing Authority |
| VoP | Variation of Permission |
| VJ | Voluntary jurisdiction |

This Consolidated Policy Statement (PS) summarises our policy with regard to our fee-raising powers under the Financial Services and Markets Act 2000. This PS gives a broad overview of our fees rules and firms should always consult the Fees Manual in the current version of our Handbook of Rules and Guidance to see how the rules would apply in their particular circumstances.

This PS also reports on:

- the final 2012/13 FSA periodic fees, Financial Ombudsman Service (FOS) general levy and Money Advice Service levies consulted on in CP12/3 *Regulatory fees and levies – Rates proposals 2012/13* (February 2012); and
- the final policy changes consulted on in CP12/3 *Regulatory fees and levies; Policy Proposals for 2012/13* (October 2011) where we have not already provided feedback.

The relevant rules and guidance are in the Fees Manual.

Please send comments and queries to:

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For further information on fees, please visit our website at:

www.fsa.gov.uk/Pages/Doing/Regulated/Fees.

Alternatively please contact the Firms Contact Centre on 0845 606 9966, or email the fees team: fsafees@fsa.gov.uk.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

Key dates and information on periodic fees for authorised firms

| Month | What will we do? | What do firms need to do? |
|---------------------|---|--|
| Throughout the year | | All firms required to complete the Retail Mediation Activities Return (RMAR) and Mortgage Lending Activities Return (MLAR) must report fee tariff data in section J of the returns electronically once yearly. |
| January | Tariff data collection exercise begins. | Return tariff data sheets by 28 February (except for firms completing the RMAR and MLAR – see Chapter 9 for more details). |
| February | Consultation Paper (CP) on fees for next financial year published. | Read and respond to proposals by CP deadlines. |
| 31 March | | Firms wishing to vary or cancel their permissions in time to affect next year's periodic fees must have made the appropriate written application to us by this date. Firms exempt from the Financial Ombudsman Service/Financial Services Compensation Scheme must notify us in writing by 31 March to avoid paying the incorrect levy. Those already exempt will not need to notify us again. |
| March | 'On account' fee payers invoiced for 50% (FSA and Money Advice Service) and 100% (FOS) of previous year's fees. | Pay these invoices by 30 April . |
| 1 April | Start of our financial year. | |
| Late May | Final periodic fee rates made by the FSA Board. | |
| Late May/early June | Policy Statement published confirming final fee rates and any policy changes arising from consultation. | |
| June onwards | Invoicing of firms who do not make 'on account' payments begins. | Pay these invoices within 30 days of the invoice date . |
| August | 'On account' fee payers invoiced for remainder of their fees. | Pay these invoices by 1 September . |
| October | Consultation Paper (CP) on regulatory fees and levies policy proposals. | Read and respond to proposals by CP deadline. |

- Firms must respond promptly to our tariff data requests. If data is not supplied by the due date we will charge a £250 administrative fee and will invoice the firm on an estimated basis of 110% of the previous year's data until we receive its tariff data.
- The administrative processes for ensuring timely payment of fees and levies for the FSA, the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman service (FOS) are aligned. So any missed or late payments will incur a £250 administrative charge, plus interest on any unpaid amount. This will be charged at 5% per annum above the Bank of England's base rate for the period from the invoice due date until payment is received.
- Firms are billed periodic fees and levies on the basis of the regulated activities they have in their permission as at 1 April, or the date on which their permission was received or significantly modified, whichever is the most recent. The fee payable is pro-rated depending on the date in our financial year when their permission was either received or extended. Periodic fees are not refundable. This includes when a firm applies to change its permission on or after 1 April.
- Firms that paid FSA fees of £50,000 or more in the previous financial year are required by 30 April to make an 'on account' payment of 50% of the FSA periodic fee and Money Advice Service levy paid in the previous financial year. The balance of the periodic fee for the current financial year is due by 1 September.
- All other firms must pay the full amount of their periodic fees and levies by 1 July, or 30 days after they are invoiced, whichever is later. Firms may also wish to note that there is a basis for paying fees and levies by instalments through an external credit provider. For more details on this option, see paragraph 4.51 of this PS.
- Where fee and/or levy amounts remain outstanding we will, if necessary, take civil and/or regulatory action against firms to recover the debt.
- The relevant rules and guidance on regulatory fees and levies are in the Fees Manual of the FSA Handbook (FEES).

1

Overview

Who should read this Policy Statement (PS)?

- 1.1 This PS is relevant to all authorised firms and other bodies that pay fees to us and levies to the Financial Services Compensation Scheme (FSCS), the Financial Ombudsman Service (FOS) and the Money Advice Service¹, as well as potential applicants for FSA authorisation and listing by the UK Listing Authority.

Introduction

- 1.2 We oversee the UK's financial services industry and have responsibility, to varying degrees, for regulating:
- financial services firms of differing sizes, including banks, building societies, insurers, home finance firms, investment managers, securities firms and retail, mortgage and general insurance intermediaries;
 - the Lloyd's insurance market;
 - investment exchanges and clearing houses (eg the London Stock Exchange);
 - collective investment schemes (eg unit trusts and Open-Ended Investment Companies);
 - professional bodies who regulate the incidental investment business carried on by their members (eg the Law Society);
 - those companies (not just those involved in financial services) whose securities are admitted to the Official List; and

¹ On the 4 April 2011 the Consumer Financial Education Body (CFEB) changed its name to Money Advice Service. However, in the FEES Manual we continue to refer to CFEB as the function that the Money Advice Service undertakes under the Financial Services and Markets Act 2000.

- organisations we do not regulate but for which we have registration duties (eg industrial and provident societies).
- 1.3 We do not receive any monies from government and are entirely funded by the organisations we regulate. We have developed the fees policy to provide coherent and fair treatment for all fee payers, while allowing it to be administered as efficiently as possible.
- 1.4 The fees policy is not intended to provide incentives to firms to be well-managed, or as a practical supervisory tool. Specifically, the periodic fee charged to a particular firm does not reflect the amount of work required to regulate it. Operating a system of ‘individualised’ fees on this basis across the whole regulated community would not be practicable.
- 1.5 In October/November each year, we publish regulatory fees and levies policy proposals. This consultation has been followed in January/February with a consultation on the level of regulatory fees and levies rates for the following financial year, which included an outline Business Plan for that period, ahead of the publication of the full Business Plan in March. For the 2013/14 fee year we plan to consult on FSA fees in March 2013, at the same time as we publish the full Business Plan (see statement at the end of this chapter). The FSCS², FOS and Money Advice Service levies we consult on are based on the plan and budget of each scheme.
- 1.6 Our powers to charge fees are contained in the Financial Services and Markets Act 2000 (FSMA) and associated legislation, and are reflected in the Fees Manual (FEES) in our Handbook. As the fees policy develops, we make changes to the Handbook following our usual consultation processes.
- 1.7 Firms can access our Fee Calculator online, to get an indication of their regulatory fees and levies: www.fsa.gov.uk/pages/Doing/Regulated/Fees/calculator.
- 1.8 The latest version of the Handbook is on our website at: www.fsa.gov.uk/Pages/handbook. All FSA publications referred to in this Policy Statement (PS) are at: www.fsa.gov.uk/Pages/Library/Policy. You can find more information about fees at: www.fsa.gov.uk/Pages/Doing/Regulated/Fees.
- 1.9 We will invoice fee payers from June 2012 onwards for their 2012/13 periodic fees. As a reminder, where a regulatory fee and/or levy remain unpaid by the due date, we levy a £250 administrative charge, plus interest on any unpaid amounts from the due date, at 5% above the Bank of England’s base rate. Where payment is not settled in full, we may take civil and/or regulatory action against the fee payer to recover the debt.
- 1.10 The remainder of this PS explains our fee-raising arrangements in greater detail. **This will provide a broad overview, but readers should always consult the Handbook for details of how our rules would apply in their own particular circumstances. The Handbook also contains the latest regulatory fees and levies.** Throughout this PS we use the terms ‘firm’, ‘fee payer’ and ‘entity’ interchangeably, unless otherwise indicated.

2 FSA only consults on the FSCS Management Expenses Levy Limit

Structure of this PS

- 1.11** This PS contains two parts:
- **Part A (Sections 1 – 3)** contains the Consolidated Policy Statement on our fee-raising arrangements. This is a useful reference guide to how we allocate our costs and recover them from firms through fees and levies. This covers our fees as well as FSCS, FOS and Money Advice Service levies.
 - **Part B (Sections 4 to 7)** provides feedback on:
 - the final 2012/13 FSA periodic fee rates, FOS and Money Advice Service levies consulted on in *CP12/3 Regulatory fees and levies – Rates proposals 2012/13* (February 2012); and
 - the final policy changes consulted on in *CP12/3 Regulatory fees and levies; Policy Proposals for 2012/13* (October 2011) where we have not already provided feedback.
- 1.12** Table 1.1 at the end of this chapter sets out when feedback has already been provided and rules finalised on other proposals consulted on in CP11/21 and CP12/03.

Part A – Summary of our fee-raising arrangements

FSA periodic fees

- 1.13** Our fees recover our Annual Funding Requirement (AFR) from the industry, which is the total cost of the resources we have budgeted to meet our strategic priorities (as set out in our annual *Business Plan*) and to mitigate the risks identified in our *Retail Conduct Risk Outlook* (RCRO) (published March 2012) and the Bank of England Financial Policy Committee's December 2011 *Financial Stability Report*, covering prudential risks. Our financial year (and fee period) runs from 1 April to the following 31 March.
- 1.14** To calculate the fees levied on all authorised firms and other bodies, we first allocate the total AFR across a series of fee-blocks, which represent groupings of related regulated business activities that firms and other bodies are permitted to undertake. When allocating our firm supervisory costs (which can include firm-specific costs from functions, such as Risk and Financial Stability, General Counsel or Prudential and Conduct Policy) we take into account the overall risk profile (in terms of impact and the probability of failure) of the firms or other bodies supervised that make up the specific allocation of costs. For non-supervisory costs, for example our policy development work, the costs are allocated as far as possible to the fee-blocks whose permitted business the policy development relates to. This overall cost allocation to fee-blocks approach reduces the possibility of cross-subsidy between fee-blocks (sectors).

- 1.15** The way we recover allocated costs from the firms within the fee-blocks differs depending on the fee-block.
- 1.16** For the firms in the 'A' fee-block we levy a minimum periodic fee that all firms pay and a variable periodic fee above the minimum fee that depends on the size of permitted business they undertake. The 14 individual 'A' fee-block sub-sets are described in Table 4.1 in Chapter 4.
- 1.17** The minimum periodic fee is aimed at ensuring that all firms (including small firms) make a contribution to the costs of regulation and that the level of the minimum periodic fee strikes the right balance between being too high, which would unnecessarily impede competition, and being too low, which would prejudice existing fee-payers. The costs allocated to the A.0 minimum fee fee-block include those of the firm contact centre, regulatory reporting and policing the perimeter. The current minimum fee is £1,000. Exceptions are allowed if they can be justified. The only current exceptions are smaller credit unions and smaller non-directive friendly societies whose minimum fees are lower to reflect that they support people with limited financial resources to improve their economic status.
- 1.18** The variable periodic fee aims to ensure that distributing the recovery of allocated costs within the permitted business-based 'A' fee-blocks is directly linked to the size of permitted business firms undertake in each fee-block that applies to them. We use business size as a proxy for the impact on our statutory objectives if that business should fail. The more permitted business a firm undertakes the more fees it will pay – this is our straight line recovery policy.
- 1.19** A moderation framework allows our straight line recovery policy to accommodate a targeted recovery of costs within a fee-block, on an exceptions basis, if it can be justified. This moderation can be either side of the straight line recovery and is achieved by applying a premium or discount to the measures (tariff data) of the amount of permitted business firms undertake within the moderated fee-block. The A.1 fee-block (Deposit acceptors) is the only current exception from straight line recovery. Within this fee-block, the firms who fall within the medium-high and high bands of our moderation framework pay a premium fee-rate. This reflects the particular targeting of our overall intensive supervision of these high impact, systemically important firms.
- 1.20** The 'A' fee-blocks accounted for 94% of our AFR for 2012/13 and covered 19,300 firms. Although the Society of Lloyd's is in the 'A' fee-block (A.6) it pays fees on an individual basis. We calculate the variable periodic fees for incoming European Economic Area (EEA) firms and incoming treaty firms, which have established branches in the UK in the same way as UK firms, but apply discounts to reflect the level of home state regulation. They also pay a minimum periodic fee, but no discount is applied.
- 1.21** In Chapters 2 to 4 we set out in more detail the grouping of firms into fee-blocks, cost allocation to fee-blocks and the recovery of costs within the 'A' fee-blocks.

1.22 For the other firms and bodies represented by fee-blocks B to G, we recover costs allocated as follows:

- **Fee-block B – Recognised bodies and others:** These include recognised exchanges, clearing houses, operators of prescribed markets, service companies and firms operating Multilateral Trading Facilities (MTFs). Fees are set individually for each fee-payer based on the resources required to regulate them. MTFs include some degree of standard level fees.
- **Fee-block C – Collective investment schemes:** These include unit trusts and open-ended investment companies. The costs of regulating these schemes are recovered through a fee based on the number of funds or sub-funds operated.
- **Fee-block D – Designated professional bodies (DPBs):** These include the Law Society of England and Wales and the Institute of Chartered Accountants in England and Wales. The cost of regulating these DPBs and others is a fee based on the number of exempt professional firms registered with each DPB.
- **Fee-block E – Issuers and sponsors of securities:** The costs of operating the UK Listing Authority (UKLA) are recovered through an annual fee, which is based on size measured by the security's market capitalisation. We also levy non-annual fees. These include fees for individual document vetting, approving applications to sponsor a security or admit a security to the London Stock Exchanges' Official List.
- **Fee-block F – Unauthorised Mutuals:** These include industrial and provident societies and societies registered under the Friendly Societies Acts. Fees are levied based on the size of their total assets.
- **Fee-block G.1 – Firms registered under the Money-Laundering Regulations 2007:** A flat rate annual fee is levied.
- **Fee-block G.2 to G5 – Firms subject to the Payment Services Regulations 2009:** For firms also in the A.1 fee-block (Deposit acceptors) fees are based on size of business undertaken, as for A.1 business. For large payment institutions, fees are based on size of relevant income and for small payment institutions a flat rate annual fee is levied.
- **Fee-block G.10 to G11 – Firms subject to the Electronic Money Regulations 2011:** For large payment institutions fees are based on average outstanding electronic money and for small payment institutions a flat rate annual fee is levied.
- **Fee-block G.15 – Firms issuing bonds under the Regulated Covered Bonds Regulations 2008:** A minimum fee is levied which recovers 75% of the amount allocated to this fee-block and is levied depending on the number of programmes. The remainder is recovered based on the value of the regulated covered bonds issued in the previous 12 months ending 31 December.

- 1.23 More information about how we recover costs for fee-blocks B, C, D, F and G can be found in Chapter 5. More information on the recovery of costs for fee-block E (UKLA) can be found in Chapter 8.

Application fees

- 1.24 Application fees are one-off charges that contribute towards our costs of processing certain applications, notifications or requests required under FSMA or our rules (for example, by a new firm that is applying to us for authorisation to start undertaking regulated financial services activities). An application fee is also charged where authorised firms seek significant variations in their permission. Application fees must be paid up front, whether or not the corresponding application is successful, and are not refundable.
- 1.25 More information about application fees can be found in Chapter 6.

Special project fees

- 1.26 There are two broad categories of special project fees (SPFs) – transaction based and EU Directive based. The first is similar in character to application fees, but do not relate to ‘routine’ transactions. Instead, they recover part of the costs incurred in undertaking specific regulatory activities at the request of and on behalf of a (group of) fee payer(s), where the fee-payers primarily receive the benefit – this is known as Guidance SPFs. When certain transactions relating to restructuring we can initiate charging them – these are General SPFs.
- 1.27 The second category of SPF aims at ensuring firms pay for the regulatory work arising from EU Directives that specifically concerns them, as a sub-class of a fee-block. This is instead of the costs being recovered from fee-payers in that fee-block who are not affected by the Directive.
- 1.28 You can find more information about SPFs in Chapter 7.

Financial Services Compensation Scheme levies

- 1.29 The FSCS is funded by levies on firms the FSA regulates. This is achieved by two types of levy: a compensation costs levy and a management expenses levy (this is in turn made up of specific³ and base costs). The FSCS compensation and specific costs funding arrangements are organised into five broad classes, based on five identifiable industry sectors – deposits, investment, life and pensions, general insurance and home finance. There are two sub-classes in each class, divided along provider and distributor lines – with the exception of the deposits class. Firms are allocated to a class according to their regulated permissions – so the type of business they are authorised to transact – and so can be members of more than

³ Specific costs are the costs associated with managing claims received by the FSCS following a firm default.

one class. Firms are levied for compensation and specific costs through tariffs set for the relevant class.

- 1.30** All firms contribute to the general costs associated with running the FSCS (the base costs element of the management expenses) and are not related to the level of activity of the compensation scheme. Base costs are levied across all FSA-authorized firms and are allocated to the FSA-authorized firm fee blocks in line with the allocation of our annual funding requirement.
- 1.31** We issue and collect levy invoices on the FSCS's behalf in a single invoice that covers fees for us, the FSCS, FOS and Money Advice Service. You can find more information on how the FSCS is funded in Chapter 10.

Financial Ombudsman Service levies

- 1.32** The FOS is funded by the financial services industry in two ways:
- a general levy, payable by authorized firms within its jurisdiction; and
 - case fees, payable by individual firms for complaints dealt with by the FOS.
- 1.33** The FOS has 18 'industry blocks', which are similar (but not identical) to our fee-blocks. Each industry block has a minimum levy, and in most cases this increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) each firm does. The amount of money to be recovered from each industry block is based on estimates by the FOS of how many staff are required to deal with the volume of complaints it expects to receive from firms in each block.
- 1.34** For standard cases, firms pay a case fee for the fourth and subsequent chargeable complaints referred to the FOS within a year, regardless of whether the complaint is upheld. For PPI mis-sale cases, firms pay a supplementary case fee after the first 25 PPI mis-sale cases per firm per year, in addition to the standard case fee, regardless of whether the complaint is upheld.
- 1.35** You can find more information on how the FOS is funded in Chapter 10.

Money Advice Service levies

- 1.36** There are two separate levies for the Money Advice Service:
- For the money advice levy, all authorized firms make a minimum contribution of £10 towards the costs. The remaining costs are recovered on a straight line basis from each relevant fee-block (A.1-A.19). The money advice levy mirrors the FSA fee-blocks and costs are distributed between them using FSA tariff bases.

- The debt advice levy is an additional charge, introduced from 2012/13, on fee-blocks A.1 and A.2. It is based on the value of unsecured (A.1) and secured (A.2) consumer lending.
- 1.37 Most of the terms affecting FSA fees, such as discounts for inward-passporting EEA and treaty firms and a 30% discount for wholesale deposit-takers, are applied to the Money Advice Service levies.
- 1.38 You can find more information on how the Money Advice Service is funded in Chapter 10.

Part B – Summary of key changes to final 2012/13 fee rates compared to CP12/3

- 1.39 In part B, we provide feedback on responses to our fees policy proposals and proposed periodic fees for 2012/13, as well as the Financial Ombudsman Service (FOS) general levy and Money Advice Service levies, which we consulted on in CP12/3. The finalised rules are in Appendices 1 and 2 at the back of this paper.
- 1.40 Our 2012/13 fees are based on our Business Plan 2012/13 available on our website: www.fsa.gov.uk/library/corporate/plan/bp2012.
- 1.41 The FOS general levy derives from its Corporate Plan and 2012/13 Budget, available on its website: www.financial-ombudsman.org.uk/news/updates/planandbudget-2012-13-approved.html.
- 1.42 The Money Advice Service levies derives from its Money Advice Business Plan 2012/13 and Debt Advice Business Plan 2012/13 available on its website: www.moneyadviceservice.org.uk/about/corporateinformation/publications.aspx.
- 1.43 The Financial Services Compensation Scheme (FSCS) Management Expenses Levy Limit was set in March 2012. For further information please see Handbook Notice 118 (March 2012) and the FSCS Plan and Budget 2012/13, published on its website: www.fscs.org.uk/industry/publications/plan-and-budget/.
- 1.44 We have already provided feedback and finalised rules for several of our proposals in CP11/21 and CP12/3. Table 1.1 at the end of this chapter provides details.

FSA – AFR, allocation to fee-blocks and periodic fees for authorised firms (Chapters 11 to 13)

- 1.45** The final 2012/13 AFR is £559.8m which is £18.6m (3.2%) lower than estimated in CP12/3. This reflects a £8m reduction in the IS infrastructure investment budget and a return to the industry of a £10.6m under spend in 2011/12. Chapter 11 contains details of the make up of the reduced AFR and the allocation across fee-blocks of the reduction, which in the main is apportioned evenly across all fee-blocks as set out in table 11.2 in Chapter 11.
- 1.46** In addition, final financial penalties received from enforcement activity for 2011/12 were £70.7m, which is £12m (20.4%) more than estimated in CP12/3. The increased financial penalties will be applied to the relevant fee-blocks in line with our revised financial penalty scheme (FPS) which targets the discounts to the fee-blocks that paid for the enforcement costs. The revised FPS was consulted on in CP11/21 and published in CP12/3. The FPS is also included in Annex 4 of this policy statement. The distribution of the financial penalties for 2012/13 is given in Chapter 13.
- 1.47** The combined effect of the reduced AFR and increased financial penalty discount compared to that estimated in February means that we will recover 5.9% lower fees from fee-payers than was anticipated in CP12/3.
- 1.48** Overall, for 2012/13:
- our AFR has increased by 11.9% over 2011/12 compared to 15.6% estimated in CP12/3; and
 - we will collect 18.1% more fees than we collected in 2011/12 compared to the 25.4% we estimated in CP12/3.
- 1.49** Periodic fees payable by authorised firms (the ‘A’ fee-blocks) recover 94% of our AFR. Since CP12/3, firms have now reported their actual fee tariff data, and we also have more accurate data on the number of firms.
- 1.50** We confirm that the final minimum fee for the ‘A’ fee-blocks will be £1,000, the same as consulted on in CP12/13 and is at the same level for a third year. Enforcement costs are not allocated to the A.0 fee-block so under the revised FPS it only attracts financial penalty discounts when there is a surplus after the fee-blocks, which paid for the enforcement costs, have been covered. The final net minimum fee will be £988 compared to the £987 consulted on. The net minimum fee for 2011/12 was £832 reflecting the higher financial penalties available to apply as discounts for that year and the previous FPS. Around 42% of ‘A’ fee-block firms only pay the minimum fee.
- 1.51** In the case of variable periodic fees, which some firms pay in addition to the minimum fee, in all except one fee-block the movements in tariff data between estimated and final tariff data have not had a material impact on the final fee rates compared to those in CP12/3. The exception is the A.18 (home finance providers, advisers and arrangers). For A.18 we

have seen a reduction, of around 10%, in the income tariff data submitted by firms in this fee-block. Consequently year-on-year final fee rates will go up 9.2%, negating the effect of a 7.3% decrease in the AFR allocated to this fee-block.

- 1.52 Our feedback on responses received to the consultation on periodic fees for authorised firms is detailed in Chapter 12.

Periodic fees for other bodies (Chapter 14)

- 1.53 Chapter 14 sets out the final 2012/13 fees for fee-payers in the:

- B. fee-block, Market Infrastructure Providers;
- C. fee-block, Collective Investment Schemes;
- D. fee-block, Designated Professional Bodies;
- E. fee-block, Issuers and sponsors of securities (UK Listing Authority – UKLA);
- F. fee-block, Unauthorised mutuals; and
- G. fee-block, firms registered under the Money Laundering Regulations 2007, firms covered by the Payment Services Regulations 2009 and firms covered by the Electronic Money Regulations 2011.

- 1.54 We only received consultation responses about fee-block B and these are detailed in Chapter 14 together with our feedback.

Special project fees for Solvency II (Chapter 15)

- 1.55 Chapter 15 sets out the final Solvency II(SII) special project fees (SPFs) rates for 2012/13.

- 1.56 The SPF draft rates for 2012/13 included in CP12/3 were dependent on the final SII SPF under spend for 2011/12 and final budgets for 2012/13. The final under spend is higher and the final budgets are lower than estimated in CP12/3. This means that the total final SII SPF recovery for 2012/13 is £15m compared with the £25.9m estimated in CP12/3. This represents a final year-on-year decrease of 44% compared to the 3% decrease estimated in CP12/3. Chapter 15 also includes our feedback to the consultation responses received.

Other policy proposals (Chapter 16)

- 1.57 This chapter presents our feedback on the comments we received on a number of policy proposals we presented for consultation in CP12/3, on which we have not already fed back in HN 118 (March 2012) and HN 119 (April 2012):
- payment services providers and electronic money issuers – notification of agents;
 - restructuring special project fees – revised hourly rates; and
 - policy clarification – valuing derivatives in fund management.

FOS general levy 2012/13 (Chapter 17)

- 1.58 In CP12/3 we consulted on the £19.1m FOS general levy for 2012/13 of which £17.1m will be raised from firms in the compulsory jurisdiction (CJ). This remains unchanged from consultation and from 2011/12.
- 1.59 Chapter 17 sets out our feedback on consultation responses received.

Money Advice Service levies (Chapter 18)

- 1.60 In CP12/3 we consulted on 2012/13 Money Advice Service levies to raise £46.3m to fund the provision of money advice and £40.5m to fund the provision of debt advice. Final money advice levies will be based on raising £46.3m unchanged from CP12/3. Final debt advice levies will be based on raising £34.5m, a decrease of £6m since CP12/3. The debt advice budget in CP12/3 included a possible VAT charge of £6.1m. The Money Advice Service has since confirmed this charge no longer applies.
- 1.61 Chapter 18 sets out our feedback on consultation responses received.

Paying fees by instalments

- 1.62 As in previous years, a market-based plan for paying fees and levies by instalment is available. In addition, firms can work out their indicative fees and levies for the year using our Fee Calculator, available on our website at: www.fsa.gov.uk/Pages/Doing/Regulated/Fees/calculator.

Next steps

- 1.63** We will invoice fee payers from June 2012 onwards for their 2012/13 periodic fees. You can find out more about the fees timetable and billing arrangements in Part A of this PS.
- 1.64** As a reminder, where a regulatory fee and/or levy remains unpaid by the due date, we levy a £250 administrative charge. If the fee and/or levy are still outstanding 15 days after the due date, we charge interest on any unpaid amounts from the due date, at 5% above the Bank of England's base rate. Where payment is not settled in full, we may take civil and/or regulatory action against the fee payer to recover the debt.

COMPATIBILITY STATEMENT

The rules we have now made do not differ in substance from those proposed in CP12/3, except with regard to certain periodic fee rates as explained in Chapters 12 to 18. However, these changes do not alter the compatibility statements we published in those Consultation Papers.

CONSUMERS

This PS contains no material of direct relevance to retail consumers or consumer groups, although part of our fees are met indirectly by retail financial services consumers.

Fees and levies consultation for 2013/14

We are planning to publish the CP covering FSA fees rates for 2013/14 in March 2013 at the same time as we publish the Business Plan. This will enable fee-payers to comment on the fees rates CP with the full Business Plan available rather than with only an outline version, which was the case when the fees CP was published in February.

The consultation period will continue to be two months and the fees rates are scheduled to be finalised in June 2013 and included in the fees Consolidated Policy Statement published in June 2013.

Whether the consultation is undertaken by the FSA or the Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA) will depend on when legal cut-over to the new authorities will take effect. A consultation by the PRA/FCA on fees for 2013/14 will be on the basis that they will adapt the FSA's fees methodology with minimal changes to facilitate this. We intend to include details of such changes in the October 2012 fees policy CP.

The planned March 2013 CP will also cover levies for FOS and the Money Advice Service.

We plan to publish a separate CP covering the FSCS management expenses levy limit in February 2013 which is the same time as currently.

Table 1.1: CP11/21 and CP12/3 feedback provided before this PS

| Consultation | | Feedback and final rules |
|----------------------|--|--|
| CP11/21 Chapter 2 | Modification of tariff base for proprietary traders in fee-block A.10 (firms dealing as principal). | Handbook Notice(HN) 118 (March 2012) – feedback and rules finalised. |
| CP11/21 Chapter 2 | Modification of tariff base for advisory arrangers, dealers or brokers (fee-blocks A.12 and A.13) and corporate finance advisers (fee-block A.14). | HN 118 (March 2012) – feedback only; further consultation in October 2012 fees CP. |
| CP11/21 Chapter 3 | Revision to FSMA financial penalty scheme. | CP12/3 – feedback only, no rules required. |
| CP11/21 Chapter 4 | UK Listing Authority – revision of certain fees. | CP12/3 – feedback; HN118 – rules finalised on application and vetting fees; this PS – rules finalised on periodic fees. |
| CP11/21 Chapter 5 | Regulated Covered Bonds Regulations 2008 – revised fees regime. | CP12/3 – feedback; HN 118 – rules finalised on application and material change fees; this PS – rules finalised on periodic fees. |
| CP11/21 Chapter 6 | Modified tariff base for electronic money issuers and payment services providers. | CP 12/3 – feedback; this PS – rules finalised. |
| CP11/21 Chapter 7 | Fees for insurance business transfers. | HN 116 (January 2012) – feedback and rules finalised. |
| CP11/21 Chapter 9 | Complaints reporting – administration fee. | |
| CP12/3 Chapter 10 | Regulatory reporting – changes to the RMAR-J. | HN 118 (March 2012) – feedback and rules finalised. |
| CP12/3 Chapter 11 | FSCS management expenses levy limit (MELL) 2012/13. | HN 118 (March 2012) – feedback and rules finalised. |

Part A

Consolidated Policy Statement on our fee raising arrangements

Section 1: FSA periodic fees

2. Grouping firms into fee-blocks
3. Cost allocation to fee-blocks
4. Recovery of allocated costs within 'A' fee-blocks
5. Recovery of allocated costs within other fee-blocks

2

Grouping firms into fee-blocks

- 2.1 In this chapter we explain how we have developed fee-blocks, which relate to groupings of permitted regulatory activities and enable us to better target the allocation of our costs to firms.
- 2.2 Each year we apply our resources in the most effective way to meet our strategic objectives, as set out in our annual *Business Plan*, and to mitigate the risks identified in our *Retail Conduct Risk Outlook* and the Bank of England Financial Policy Committee's *Financial Stability Report*. Which sectors, types of firm – and hence the amount of resources we apply to each – will vary depending on the nature of the risks being mitigated (including the impact they would have if they were to crystallise).
- 2.3 To match the costs of these risk mitigation activities to firms we have developed a series of 'fee-blocks', which has the benefit of allowing us to:
- Link together, at an appropriate level, related types of permitted regulatory business that firms undertake into clearly defined groupings – fee-blocks.
 - Allocate the costs of our activities to mitigate the risks to our statutory objectives arising from the types of permitted business covered by a fee-block and recover those costs from the firms that fall within that fee-block. This reduces the possibility of cross-subsidy between different sectors of the financial services industry.
 - Administer cost allocation in an efficient and economic way – as we avoid the additional operational costs of putting systems and processes in place that would need to apportion costs to individual firms at a highly granular level or base them on the risk profile (impact and probability of failure) of individual firms, for the over 20,000 firms we regulate.
 - Be fair to fee payers as all firms within a given fee-block pay fees on the same basis.

Fee-block allocation

- 2.4 We have defined our fee-blocks, as far as possible, by the legal relationship between fee payers and ourselves (for example, an authorised firm's permission determines its regulated activities). This methodology gives firms certainty about their fee-block allocation and removes the need for us to make subjective judgements, which would be both impractical and subject to challenge.
- 2.5 Fee payers can belong to more than one fee-block and are charged a periodic fee in each fee-block that they belong to.
- 2.6 From time to time, we add or delete fee-blocks as circumstances dictate (for example, because a particular grouping of firms is no longer viable, or because we are regulating a new scope of activities).
- 2.7 Table 2.1 sets out a summary of the active fee-blocks. Full details of the fee-block definitions are in Annex 2.

Table 2.1: Summary of fee-block definitions

| Fee-block | Summary of fee payers | Commonly referred to as |
|---|---|-----------------------------|
| A.1 to A.19 (not all these blocks are active) | Authorised persons (which account for most of entities we regulate – for example, providing deposit-taking, insurance and investment business). | Firms |
| A.20 | Markets in Financial Instruments Directive (MiFID) transaction reporting – targeted recovery of additional IS development costs. | MiFID transaction reporting |
| B | Investment exchanges, clearing houses, multi-lateral trading facilities, service companies and firms that are designated as the operator of a prescribed market for the purposes of the market abuse regime. | Recognised bodies |
| C | Collective investment schemes. | CIS products |
| D | Designated professional bodies. | DPBs |
| E | Issuers of listed and non-listed securities or their sponsors. | Issuers of securities |
| F | Unauthorised persons subject to our registration function (registrant-only). | Mutuals/ registrant-only |
| G | Firms registered with us under the Money Laundering Regulations 2007. Firms covered by the Regulated Covered Bonds Regulations 2008, the Payment Services Regulations 2009 and the Electronic Money Regulations 2011. | MLRs/RCBs/ PSRs/EMRs |

3

Cost allocations to fee-blocks

- 3.1 Grouping firms into fee-blocks is one element of our fee-raising framework. Before firms' fees can be calculated, we must determine what proportion of our costs are to be recovered from any particular fee-block. We do this by using our financial management and reporting framework to calculate our AFR.

Our financial management and reporting framework

- 3.2 Under FSMA, we are required (when carrying out our general functions) to have regard to the need to use our resources in the most efficient and economic way. Each year we make a report to the Treasury that shows how we have taken this principle into consideration when dealing with fees and other issues.
- 3.3 The scope of activities falling within our remit is wide and varied. This includes some activities that are intended to be temporary and/or are subject to considerable variation from year to year. We cannot forecast these with the same reliability as regular recurring activities. We will continue to:
- exert sound financial management and budgetary control over all areas of our expenditure and income; and
 - seek to manage any unavoidable volatility to minimise the impact on fee-payers from year-to-year.
- 3.4 Our Board believes it is helpful to have a framework within which to manage and report on our costs and funding. The 'streams' of activities, which have distinct cost and funding characteristics, have been identified and are listed in Table 3.1.

Table 3.1: Activity streams in our financial management and reporting framework

| Activity stream | Description |
|---|---|
| Ongoing regulatory activity | These are core operating activities, managed year on year as part of our budget process. The cost of ORA is the key figure, along with the explanation for any material movements, which demonstrates how we have met our obligation to be economic and efficient in using our resources. |
| Changes in scope (increase or decrease) | Under certain circumstances, including legislation introduced by Parliament, there may be changes to the scope of activities that we regulate. Any scope changes, as with our other core operating activities, are subject to financial management as part of our budget process. However, until the supervisory process is established, material activities resulting from a scope change are controlled separately so they are individually identifiable. When the supervisory requirements of the scope change have stabilised, typically after the new scope has been in place for at least a full year we include these activities as part of the cost of our ORA. |
| Exceptional items | We include these costs within the cost of our ORA and will report on material movements from year to year. |
| External enforcement costs | <p>Total enforcement costs depend on the number of cases and their complexity. We will continue to manage these costs and seek to optimise the mix of internal and external enforcement resources when we do this. We have included these costs within the cost of our ORA and we will report on any material movements from year to year.</p> <p>Whilst we will maintain strong financial management of these costs, the actual amounts may be materially higher or lower than the budgeted level set in advance of the financial year. If this happens, we will review any excess or reduction in costs from budgeted level and, if appropriate, we will phase the impact on fee payers over a three year period, subject to us being able to maintain satisfactory reserves.</p> |
| Panel costs | The Financial Services Consumer Panel and the Practitioner Panel have a status under Financial Services and Markets Act 2000 (FSMA) that guarantees their independence from the FSA. These bodies and the Smaller Businesses Practitioner Panel manage their own costs against budgets. They are, however, subject to our approval and are funded through our fees. These costs are included within the cost of our ORA. |
| Office of the Complaints Commissioner | FSMA requires that an arrangement is in place for the investigation of complaints against the FSA. The Complaints Scheme was introduced in September 2001. FSMA requires us to ensure that the Complaints Commissioner has at his disposal the resources to conduct a full investigation of any complaints. The Complaints Commissioner controls his own costs against a budget which is subject to our approval and is funded through our fees. These costs are included within the costs of our ORA. |

| | |
|--|--|
| Pension scheme deficit reduction contributions | <p>The amounts required to fund our pension liabilities over time are inherently variable, and depend on several variable factors, including current investment values and projected investment returns. We have plans in place to reduce this deficit to nil over the ten-year period to 31 March 2021.</p> <p>Every three years the Trustee carries out a scheme specific valuation (SSV) which is a detailed valuation using actual asset and liability details. We then agree a recovery plan with the Trustees to close the current funding gap. The next SSV will be carried out using data as at 31 March 2013.</p> |
| Reserves | <p>In line with our Treasury Management Policy we maintain the equivalent value of six weeks of our ORA as a contingency fund. We anticipate that we will have sufficient financial capacity within our revolving credit facilities to meet any expenditure required to address unforeseen events. We plan to keep our ORA reserves at +/-2%.</p> |

AFR

- 3.5 Using the financial management and reporting framework, the total amount required to be raised from fee payers in a given year, can be derived. This is known as the AFR.

Other funding requirements

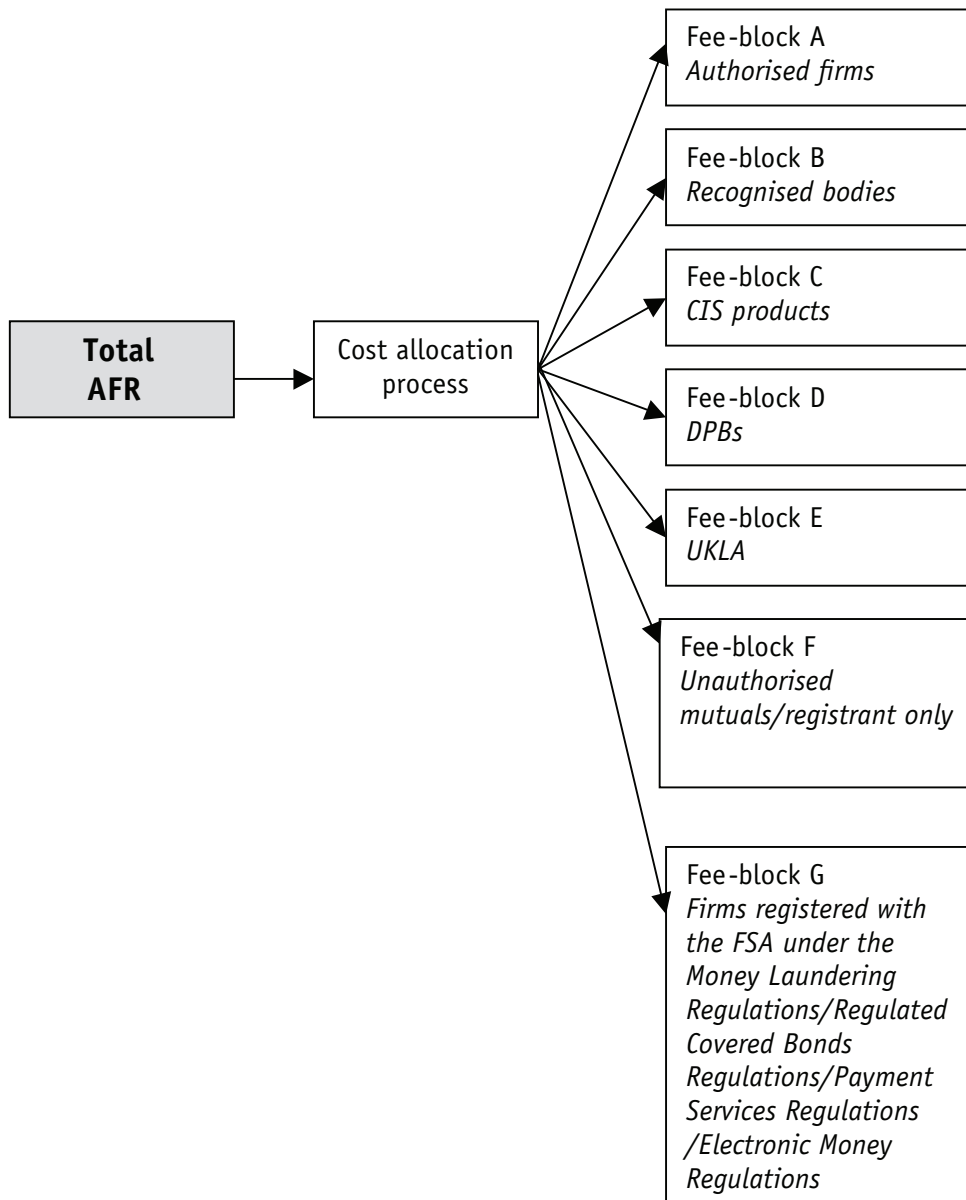
- 3.6 In addition to the costs set out in our financial management and reporting framework, additional funds may also need to be raised from time to time.

Legal assistance scheme

- 3.7 Under FSMA, we are required to recover from authorised persons, amounts determined by the Lord Chancellor relating to the costs of giving certain people legal assistance in connection with cases of alleged market abuse, which are heard before the Financial Services and Markets Tribunal. Since 1 December 2001 – when we were given our statutory powers – no such costs have actually been incurred, but they could arise in future.

Allocating the AFR to fee-blocks

- 3.8 The total AFR calculated has to be divided between the fee-blocks. This allocation is assigned using our cost-allocation process, which is described in more detail in Figure 1.

Figure 1: Allocation of the AFR to fee-blocks

- 3.9** At the time it is produced, the cost allocation is a materially accurate reflection of how we plan to allocate our resources across the fee-blocks for the year in question. However, because it is forward-looking, the actual use of resources is likely to differ from that assumed in the allocation (for example, because we have to respond to an unforeseen regulatory priority). Where this proves to be the case, the difference is taken into account in setting the subsequent year's AFR. We do not breakdown the over/under recovery across individual fee-blocks, so once fees have been set and levied in one year, they are final, which gives greater certainty. Where our fees are raised under a different legal power other than FSMA – for example, under the UK Listing Authority (fee-block E) – we keep these separate, to ensure that income and costs are separately attributed against fee-blocks.

Ongoing Regulatory Activity (ORA)

- 3.10** We allocate costs based on activities:
- For **supervisory costs** (which can include firm-specific costs from functions, such as Risk and Policy (Prudential and Conduct) and General Counsel) we take into account the overall risk profile of the firms or other bodies supervised that make up the specific allocation of costs. The more higher-risk firms (in terms of impact and probability of failure) carrying out permitted business covered by a specific fee-block, the greater the activity and hence the more costs allocated to that fee-block.
 - For **non-supervisory costs** (e.g. our Prudential and Conduct policy development work) the cost of these activities is allocated to fee-blocks whose permitted business the policy development concerns.
- 3.11** Overall, we believe that our cost-allocation framework effectively allocates the right level of **total** costs to fee-blocks. By doing so, it takes account of firms' risk profile (impact and probability), thereby reducing the possibility of cross-subsidy between sectors.
- 3.12** The above costs are treated as **direct** regulatory costs as they can be allocated to a particular fee-block. This is because they are either firm-specific or, if not firm-specific, they are still specific to a particular fee-block as a whole.
- 3.13** There are also regulatory costs that cannot be allocated to particular fee-blocks. These indirect regulatory costs and support costs relate to activities that cut across multiple fee-blocks and include costs relating to:
- regulatory activity that is not fee-block specific, e.g. policy development or risk management;
 - the operational business unit costs that support our regulatory functions, e.g. human resources, finance, facilities management, information systems (what we call IT); and
 - running the independent Consumer Panel, Practitioner Panel and Smaller Businesses Practitioner Panel.
- 3.14** Indirect costs are allocated to fee-blocks in proportion to direct costs. Both direct and indirect costs are allocated an appropriate share of overheads.

Panel costs

- 3.15** Panel costs include the costs of the Practitioner and Consumer Panels. Most of these costs concern the Consumer Panel and are allocated primarily to the fee-blocks containing the largest proportion of firms conducting retail financial services activity.

Complaints Commissioner costs

- 3.16** We allocate the costs of the Complaints Commissioner to fee-blocks in proportion to their share of the costs of our ORA.

Legal assistance costs

- 3.17** The costs of the legal assistance scheme would be spread over fee-block A (authorised firms) using a method mirroring that to which we apply market abuse penalties for the benefit of authorised persons (see Annex 4, paragraph 11).

Pension deficit reduction contributions

- 3.18** Contributions to reduce the deficit on our final salary pension scheme are allocated to fee-blocks in proportion to their share of the costs of our ORA.

4

Recovery of allocated costs within 'A' fee-blocks

- 4.1 Chapters 2 and 3 describe how firms are grouped together into fee-blocks, and how we allocate the costs to be recovered from those fee-blocks. In this chapter we describe how we recover the costs allocated to the 14 'A' fee-block sub-sets listed in Table 4.1. These fee-blocks account for 94% of our AFR for 2012/13. For ease of reference in this chapter we refer to these fee-blocks as the 'A' fee-blocks.
- 4.2 This chapter is also relevant to incoming EEA firms and incoming Treaty firms which have established branches in the UK. They can carry out permitted business in any of the 'A' fee-blocks and their fees are calculated in the same way as UK firms other than discounts are applied to their fees except for the minimum periodic fee under the A.0 fee-block.
- 4.3 This chapter made up of five sections:
- Minimum periodic fee;
 - Variable periodic fees;
 - Adjustments to the calculation of variable fees;
 - How to pay fees; and
 - Online fee calculator.

Table 4.1: 'A' sub-set fee-blocks covered in this chapter

| Fee-blocks | |
|---|--|
| A.0 | Costs that all firms in the fee-blocks below contribute through the minimum fee |
| A.1 | Deposit acceptors |
| A.2 | Home finance providers and administrators |
| A.3 | Insurers – general |
| A.4 | Insurers – life |
| A.5 | Managing agents at Lloyd's |
| A.7 | Fund managers |
| A.9 | Operators, Trustees and Depositaries of collective investment schemes and Operators of personal pension schemes or stakeholder pension schemes |
| A.10 | Firms dealing as principal |
| A.12 | Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both) |
| A.13 | Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both) |
| A.14 | Corporate finance advisers |
| A.18 | Home finance providers, advisers and arrangers |
| A.19 | General insurance mediation |
| Note: In addition to the above active 'A' fee-blocks are A.6 and A.20 – these are covered in Chapter 5. Reference to fee-blocks A.8, A.11, A.15, A.16, and A.17 are not included as they are no longer used | |

Minimum periodic fee

4.4 The aim of the minimum periodic fee policy is to ensure that:

- every firm makes an equal contribution to the minimum costs of regulation;
- those minimum costs of regulation are clearly defined, based on a stated rationale and applied consistently across all firms, but allowing for exceptions where they can be justified; and
- the level of minimum fee strikes a balance between being too high, which would unnecessarily impede competition, and being too low, which would prejudice existing fee-payers.

4.5 Although firms can undertake permitted business that falls under more than one fee-block, they only pay one minimum periodic fee.

Minimum level of regulatory costs

4.6 The minimum level of regulatory costs, which we recover through the minimum periodic fee are:

- **Regulatory reporting:** The cost of collecting, validating and carrying out first-line checks on regulatory returns. All firms must submit regulatory returns and these

functions represent the minimal level of baseline monitoring which that we must undertake for all firms. We deduct from these costs the amounts we receive from firms who we charge for submitting their regulatory returns late.

- **Customer Contact Centre (CCC):** This provides advice and guidance to both regulated firms and consumers who contact us either by telephone or correspondence (letter and emails). All firms have access to these services. The consumer part of the CCC costs is included as this service is one of the ways we have regard to the ‘principles of good regulation’ relating to public awareness.⁴ By including these costs in the minimum fee, we ensure all firms contribute to these costs and all firms should ultimately benefit from consumers’ improved financial capability.
- **Unrecovered authorisation costs:** The costs of authorising firms and vetting approved persons that are not recovered by application fees. We fix application fees for authorisation at a level that recovers the costs of processing them without posing an entry barrier. Under FSMA we cannot charge application fees for vetting Approved Persons. A key objective of the firm authorisation process is to prevent firms from entering the market who do not meet our threshold conditions. Similar aims apply to vetting individuals as Approved Persons. Including these costs in the minimum fee ensures all firms contribute to these processes. This helps to maintain market confidence, which firms benefit from.
- **Policing the perimeter:** The costs of investigating persons who are potentially carrying on regulated activities without authorisation. Including these costs in the minimum fee ensures all firms contribute, which benefits them by helping to maintain market confidence.

4.7 The net costs relating to these functions are allocated to the A.0 (zero) fee-block each year. They are apportioned equally across all ‘A’ fee-block authorised firms in line with the number of such firms on 1 April, the start of the financial year that the minimum fee will be levied. For 2012/13, we have retained the minimum periodic fee at £1,000.

4.8 We believe the minimum regulatory costs that make up the minimum periodic fee represent the right amount of our costs that can be recovered from individual firms. Such costs do not relate to either the permitted regulated business they undertake or the size of that business. They effectively relate to the minimum costs of being authorised, and it is clear what costs make up the minimum periodic fee.

4.9 The minimum periodic fee is levied on incoming EEA firms and incoming Treaty firms which have established branches in the UK in full. Discounts are not applied to their minimum fee, unlike their variable periodic fees.

⁴ In discharging our functions under FSMA, we are required to have regard to a number of additional matters, which we refer to as ‘principles of good regulation’. The public awareness principle covers the desirability of enhancing the understanding and knowledge of the public in financial matters (including the UK financial system).

Exceptions

4.10 As indicated in paragraph 4.4, one of the policy aims for the minimum periodic fee is to allow for exceptions where they can be justified. There are currently two types of firms that represent an exception and are not subject to the full minimum fee:

- **Smaller credit unions** pay minimum fees based on the levels they paid in 2009/10 (£160 or £540 depending on size). These mutual organisations are an exception because they offer basic savings and loan facilities to their members, many of whom cannot obtain such services from mainstream banks and building societies. The unrecovered minimum regulatory costs that will arise from maintaining their minimum fees at 2009/10 levels will be recovered from the other firms in A.1 fee-block (Deposit acceptors).
- **Smaller non-directive friendly societies** pay minimum fees based on the level they paid in 2009/10 (£430). These mutual organisations are an exception because, similar to credit unions, they support people with limited financial resources to improve their economic status. The unrecovered minimum regulatory costs that will arise from maintaining their fees at 2009/10 levels will be recovered from the other firms in the A.4 fee-block (Insurers – life).

4.11 These firms will continue to pay their fees at the above levels subject to increases proposed in future fee consultations.

Variable periodic fees

4.12 To recover the costs allocated to the ‘A’ fee-blocks (other than A.0 as the minimum periodic fee recovers those costs) we use variable periodic fees that aim to ensure that:

- the distribution of recovery of allocated costs from firms within fee-blocks is directly linked to the size of the permitted business they undertake – straight-line recovery;
- a framework is in place so that if we need to modify costs, they are transparent; and
- any moderation from straight-line recovery is on an exceptions basis and is supported by the principles we have set out.

4.13 As we described in Chapter 3 (paragraphs 3.10 and 3.11) we believe that our cost-allocation framework is effective at allocating the right level of aggregate costs to fee-blocks and in doing so takes account of firms’ risk profile (both impact and probability of failure), reducing the possibility of cross-subsidy between sectors (fee-blocks).

Tariff bases

4.14 To determine the amount we recover from individual firms in each fee-block we use the size of permitted business as a proxy for the impact risk on our statutory objectives should that business fail. The greater the amount of specific permitted business a firm undertakes

(above that covered by the minimum periodic fee), the more it will contribute to the supervisory and non-supervisory costs allocated to that fee-block.

- 4.15** By using the size of permitted business to apportion fee-block allocated costs to firms within them, our framework does not take into account the actual resources we apply to firms to mitigate the impact risk they represent. Also, it does not allow for the resources firms invest in their own internal controls and risk management to mitigate the risks they pose (probability of failure). To do either would present us with significant operational challenges and costs, which we will not be in a position to address for the foreseeable future. Either approach would also have the potential to result in many firms having year-on-year significant unpredictable fluctuations in the level of their fees.
- 4.16** Size of permitted business is an objective, transparent, fair and simple measure that can be efficiently applied across all firms in a fee-block in a consistent way. To measure the size of permitted business we use **tariff bases**, which are selected on the basis that:
- the tariff base is a common and relevant unit of measure for all the fee payers within the fee-block; and
 - where possible, the tariff base should minimise any data collection costs for fee payers.
- 4.17** Annex 2 of this PS sets out the tariff bases that apply in each fee-block and states the unit of measure of size for assessing the amount of permitted business a firm undertakes in a fee-block. That unit of measure we refer to as **tariff data**. We collect tariff data from firms each year in preparation for calculating their fees in the following year.

Applying tariff bases

- 4.18** A firm calculates its tariff data for each fee-block by applying the relevant tariff base definition to the business it has permission to conduct. Each tariff base has a 'valuation date' that indicates the time period for, or date when, the amount of business must be measured. This is often – but not always – 31 December of the year before the fee period begins. For example, in fee-block A.7 (fund managers), the tariff base is funds under management and the valuation date for the 2012/13 fee period is 31 December 2011. However, for firms reporting on the Retail Mediation Activities Return (RMAR), the valuation date is the firm's most recent accounting reference date.
- 4.19** Firms becoming authorised (or extending their permission) during the year must provide an annualised projection of their fee tariff data from the date of authorisation or variation of permission. This is aimed at enabling firms to calculate their likely regulatory fees and allows consistent reporting between new joiners (or firms extending their permission).
- 4.20** It is important that firms report their projections as accurately as possible, as they will be invoiced on this data, possibly for two financial years.

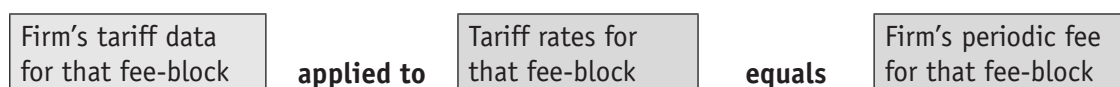
- 4.21 Newly-authorized firms completing the RMAR must complete Section J with actual tariff data, annualised up to their accounting reference date. This means their fees are calculated partly on actual tariff data rather than entirely on projections (see Chapter 9 for more details about regulatory reporting of fee tariff data).
- 4.22 In general, the tariff bases are defined so that only UK business is taken into account.

Tariff rates

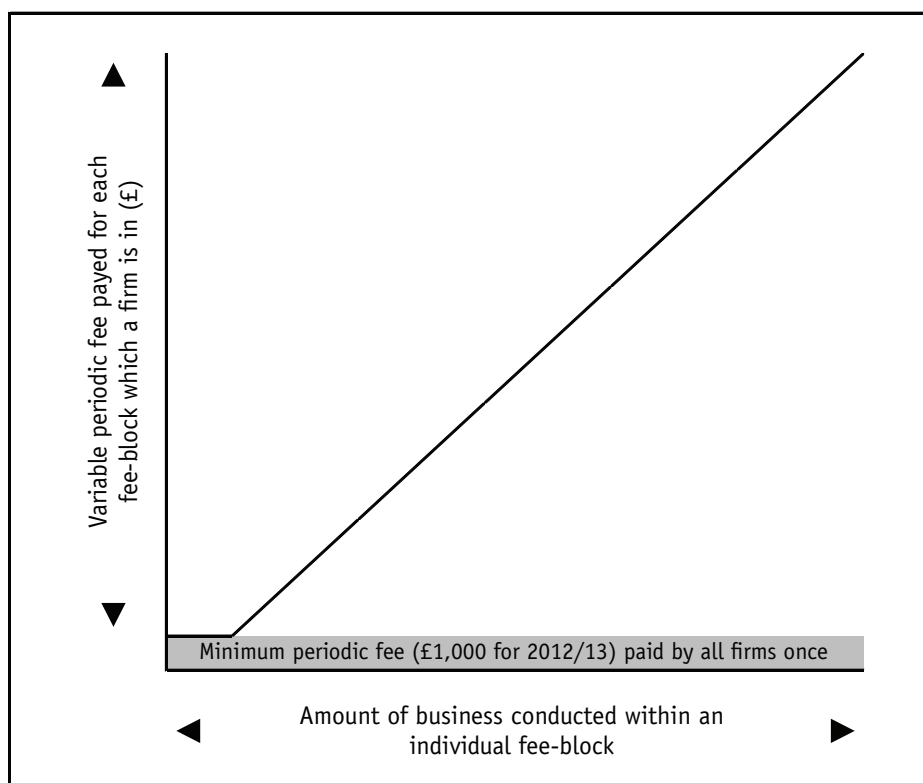
- 4.23 We total the amount of tariff data for each fee-block and we recover the costs allocated to a fee-block in proportion to the firm's level of tariff data. At the beginning of each periodic fee year (1 April to 31 March) we total the amount of tariff data reported by firms in each fee-block and effectively divide the costs allocated to the fee-blocks by the total tariff data. The tariff rate is the amount of fee per unit of tariff data. The tariff rate is then applied to the amount of tariff data of the individual firms in the fee-block. See also Figure 2.

Figure 2: Calculating a firm's periodic fee

For each fee-block a firm belongs to:



- 4.24 The tariff rates are structured in line with two main principles.
- **Maximum fee:** No maximum fees are set. This is because firms often consolidate (as frequently happens in the financial services industry), and when this happens, small and medium-sized fee payers within fee-blocks have to pay more to make up for the lost fees from the new combined firm as their fee would be artificially constrained by the maximum fee amount.
 - **Uniform tariff rate:** We apply a single uniform tariff rate, regardless of the amount of business the firm conducts. The more permitted business a firm undertakes in a fee-block the more tariff data it generates; consequently it will pay a greater proportion of the costs allocated to that fee-block through fees.
- 4.25 The combined effect of these two principles is to produce a fee tariff structure where the fee payable by an individual firm within a fee-block looks like that set out in Figure 3, which illustrates that variable periodic fees increase directly in proportion to the amount of permitted business undertaken – this is straight-line recovery.

Figure 3: Structure of firm's periodic fee within 'A' fee-blocks

- 4.26** Variable periodic fees are only levied in addition to the minimum periodic fee where firms undertake permitted business above a specified amount as measured by the amount of tariff data. Table 4.2 (at the end of this chapter) shows how tariff data levels trigger the levying of a variable periodic fee. If the amount of a firm's tariff data is less than the first amount in Band 1, the firm will not pay a variable periodic fee for that fee-block. Depending on the extent a firm's tariff data exceeds the lowest threshold in a fee-block, a firm in several fee-blocks can be subject to variable periodic fees in one fee-block but not in others. In any event, all firms only pay one minimum periodic fee.
- 4.27** When we consult each February on the tariff rates for the forthcoming periodic fee year (1 April to 31 March) we have to use estimated tariff data, as the collecting exercise of actual tariff data for the forthcoming period is not completed until March/April. We also have to estimate the number of firms in the forthcoming period. As our financial year ends 31 March, we also do not know the final position regarding any over/under spend in the previous year, which could affect the AFR for the forthcoming year. This means that the tariff rates we finalise in May could vary materially from those consulted on.

Moderation framework

- 4.28** As indicated in paragraph 4.12, one of the variable periodic fees' aims is to have in place a framework so that if we need to modify costs, they are transparent. This enables our straight-line recovery policy to be flexible enough to accommodate a targeted recovery of costs within a fee-block, for justified exceptions only. This exceptional moderation can be either side of the straight-line recovery and is achieved through applying a premium or discount to the measures (tariff data) of the amount of specific permitted business firms undertake within the fee-block where recovery will be moderated from a straight line.
- 4.29** We have established a standardised tariff band structure, and each fee-block has five tariff bands. Each band's width is determined by aligning them to the cut-off points in the ARROW⁵ risk impact categorisation (low, medium-low, medium-high and high). This has been done using ARROW metrics which determine the impact categories. However, these do not always correlate to the tariff data we use for fees purposes. The 'fifth' band comes from splitting the low impact band, as it covers such a large number of firms.
- 4.30** Table 4.2 at the end of this chapter shows how we have applied current tariff data to define the impact risk based framework.

Exceptions

- 4.31** As indicated in paragraph 4.12, one of the variable periodic fees' aims is that any moderation from straight line recovery is on an exceptions basis only, supported by stated rationale. The current exception to straight line recovery is the A.1 fee-block (Deposit acceptors). A.1 firms that fall within the medium-high and high bands of our moderation framework have a premium applied to their tariff data of 25% and 65% respectively.
- 4.32** Since 2009/10 we have moved to a more intensive and intrusive supervisory approach to higher impact firms (in all sectors). For A.1 fee-block firms, this has been particularly targeted at the high-impact, systemically important firms. Our previous supervision enhancement programme costs have already been weighted to this fee-block. This level of supervision substantially increases our costs, so we have applied these premiums to these bands in this fee-block to ensure that recovering these costs is targeted at the top end of the fee-block.
- 4.33** The firms affected will continue to pay their fees in the A.1 fee-block, with these premiums applied subject to changes proposed in future fee consultations.

Calculating variable periodic fees for firms that are part of a group

- 4.34** Many firms are members of groups of companies carrying out a variety of financial services activities. However, our fees are calculated at the level of individual authorised entities and not at group level. This is because:

⁵ Advanced Risk Responsive Operating frameWork (ARROW): this is our risk-assessment model which guides the way we risk-assess and supervise firms, and target thematic work on consumers, sectors and multiple firms.

- fee-block allocation is driven by the regulated activities in a firm's permission, and permissions are granted to individual entities, not to groups; and
- for groups carrying out a range of activities, it is not possible to determine the scale of business measures that can apply across the group's activity, but still be comparable with other fee payers who may have a similar – but not absolutely identical – range of business conducted within their particular group.

4.35 Although fees are calculated per individually-authorized firm, we issue invoices and accept payment on a group basis where this will help with the fee-payer's administration. However, this does not change the legal position that the individually-authorized entities concerned are liable for their own periodic fees in full.

Adjustments to the calculation of variable periodic fees

Financial penalties

4.36 We are empowered under FSMA to impose financial penalties in certain circumstances. FSMA sets out that we must not take account of any sums we have or may receive through penalties when fixing the level of our fees. Instead, we are required to publish and operate schemes for ensuring that any penalties imposed are applied for the benefit of issuers of securities admitted to the Official List, or authorised persons, as appropriate.

4.37 This means we do not take financial penalties into account when calculating the level of the AFR and the fee rates resulting from the AFR. Nor do we treat financial penalties as income – rather, they are a liability owed to fee payers.

4.38 The details of the FSMA penalty schemes are set out in Annex 4 of this PS.

4.39 There are different requirements for penalties administered under the Money Laundering, Payment Services and Electronic Money Regulations. The money we receive cannot be used for the benefit of authorised firms, but must be set against our costs in administering the respective regulations, or for the benefit of firms subject to the regulations. For Regulated Covered Bonds (RCBs) the treatment of financial penalties mirrors that for FSMA other than RCB-related financial penalties can only be applied to the benefit of RCB issuers. The details of our penalty scheme under all these regulations are in Annex 5.

Inward passporting EEA firms and Treaty firms

4.40 We do not require firms that passport into the UK on a services basis (i.e. without branches in the UK) to pay periodic fees. EEA and Treaty firms that passport into the UK on a branch basis are given a percentage discount on the variable periodic fees compared to a UK-authorized firm conducting the same business. The discount varies between fee-blocks and reflects the fact that the home state regulator is responsible for certain aspects of these

types of firms' supervision. The full range of discounts that apply to incoming EEA and Treaty firms can be found in our Handbook at FEES 4 Annex 2R, Part 3.

- 4.41 EEA firms passporting into the UK are allocated to our fee-blocks by comparing the activities in their passport with the equivalent activities set out in the Regulated Activities Order⁶ (which details the regulated activities used in UK authorised firms' permissions).

Changes to permissions part-way through a financial year (including new authorisations and cancellations)

- 4.42 Where a firm becomes newly authorised part-way through a fee period – or varies its existing permission so that it falls into a fee-block or fee-blocks it was not in before the variation was granted – a periodic fee becomes payable for each of the new fee-blocks that the firm falls into.
- 4.43 This fee is calculated in the same way as a full-year periodic fee on the basis of estimated tariff data. A discount is then applied to the fee to reflect how much of the financial year remains.

Table 4.3: Proportion of full-year periodic fee payable for new or extended permissions

| Quarter in which permission is received or extended | Proportion of full-year fee payable |
|---|-------------------------------------|
| 1 April to 30 June inclusive | 100% |
| 1 July to 30 September inclusive | 75% |
| 1 October to 31 December inclusive | 50% |
| 1 January to 31 March inclusive | 25% |

- 4.44 If a firm reduces the scope of its permission, or applies to cancel its authorisation altogether during a fee period, **no refund of periodic fees is made** (and fees remain due for the entire year, even if they have not yet been invoiced for and/or paid).
- 4.45 However, if a firm makes a formal application to cancel or vary its permission before the start of a fee period (i.e. on or before 31 March), then we will not charge a periodic fee in the next fee period for the fee-block(s) that will not apply after the variation (or cancellation). This is provided that the variation or cancellation the firm applied for becomes effective within three months of the start of that next fee period (i.e. by 30 June).

Appointed representatives leaving a network to become directly authorised

- 4.46 Although we do not charge fees to appointed representatives, their principal commonly seeks to recover from them amounts towards 'FSA fees' or 'regulatory costs'. These charges are entirely a private contractual matter between the principal and the appointed representative.

⁶ The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).

When an appointed representative becomes directly authorised, we do not give any credit against our periodic fees for sums they may be required to pay by their former principal. The costs we incur in regulating a newly authorised entity are not substantially different, due to the new firm previously having been an appointed representative.

Transfers of business (including mergers/acquisitions)

- 4.47** Where a firm (X) acquires part or all of the business of another firm (Y) during the financial year, then X does not become liable for an additional periodic fee on the business transferred if Y has already paid the periodic fee for the transferred business.
- 4.48** This relief is also available to an authorised firm that chooses to change the legal vehicle through which it conducts its business – for example, a sole trader transferring its authorised business to a new corporate entity. Where a firm makes such a transfer, the new entity will not be liable for a periodic fee for that fee period in relation to the transferred business, provided the original entity has already paid its periodic fee.
- 4.49** The valuation date for our fees is usually 31 December, but our fee period does not start until 1 April. So we need to take account of acquisitions that happen between these two dates. This deals with the scenario where, for example, firm X transfers all its business to firm Y on 1 January and X then ceases trading before 1 April. Firm X would pay no fees in the next financial year, but firm Y's fee would be based on its pre-transfer amount of business as at 31 December. This would lead to an inappropriately low fee for firm Y. In addition, the fees payable by the remaining firms in the affected fee-block would be based on tariff data that did not take account of the transferred business, which could result in higher fees for that fee-block. In such cases we treat the transfer as though it happened immediately before the valuation date. So firm Y pays a fee in the next fee period based on the combined amount of business.

How to pay

- 4.50** We accept periodic fee payments by various means – direct debit, credit transfer (BACS/CHAPS), cheque, Maestro or credit card (Visa/MasterCard only). Payments by credit card incur an additional 2% charge of the transaction.
- 4.51** Authorised firms can also choose to pay their fees and levies by instalments. The market solution (initially set up in 2005/6) for payment by instalments will continue, with Premium Credit Limited as the credit provider selected by the independent industry working group on instalment payments.
- 4.52** The current facility offered by Premium Credit Limited will be available for firms to pay 2012/13 fees. We are independent of this arrangement and have no contract in place with Premium Credit Limited. Firms wishing to continue paying by instalments should ensure they renew their credit arrangements for 2012/13. We will send details of the instalment plan to firms with their invoices and further information is available on our fees website

(www.fsa.gov.uk/Pages/Doing/Regulated/Fees/index.shtml). Firms can make their own arrangements directly through other credit providers, if they wish to do so.

Online fee calculator

- 4.53** Firms can calculate their periodic FSA fees online at: www.fsa.gov.uk/Pages/Doing/Regulated/Fees/calculator/index.shtml.
- 4.54** The fee calculator enables firms to work out their fees and levies for different financial periods and scenarios, based on previous, current and draft rates. So existing firms and potential applicants for authorisation can calculate the amounts they are likely to be invoiced for the financial year (including any applicable discounts) and compare these to previous years. However, firms will be liable for the fees and levies shown on their invoices rather than the amounts indicated by the fee calculator.
- 4.55** The fee calculator is intended to make the likely implications of draft and final fees and levies clearer to firms and help firms in their budget planning for the year ahead.
- 4.56** The fee calculator also enables firms to calculate FSCS, FOS and Money Advice Service levies where applicable.

Table 4.2: Moderation framework

| Fee-block | | Tariff base | Low Impact | | Medium Low Impact | Medium High Impact | High Impact | |
|-----------|--|--|------------|-------------|-------------------|--------------------|-------------------|----------|
| | | | | Band 1 | Band 2 | Band 3 | Band 4 | Band 5 |
| A.1 | Deposit acceptors | MELs [essentially UK deposits held] £ms | Moderation | 0% | 0% | 0% | plus 25% | plus 65% |
| | | | Band width | >10 - 140 | >140 - 630 | >630 - 1,580 | >1,580 - 13,400 | > 13,400 |
| A.2 | Home finance providers and administrators | Number of new home finance contracts etc | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | > 50 - 130 | >130 - 320 | >320 - 4,570 | >4,570 - 37,500 | >37,500 |
| A.3 | Insurers – general | Gross premium income £m | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >0.5 - 10.5 | >10.5 - 30 | >30 - 245 | >245 - 1,900 | >1,900 |
| | | Gross technical liabilities £m | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >1 - 12.5 | >12.5 - 70 | >70 - 384 | > 384 - 3,750 | >3,750 |
| A.4 | Insurers – life | Adjusted gross premium income £m | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >1 - 5 | >5 - 40 | > 40 - 260 | >260 - 4,000 | >4,000 |
| | | Mathematical reserves £m | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >1 - 20 | >20 - 270 | >270 - 7,000 | > 7,000 - 45,000 | >45,000 |
| A.5 | Managing agents at Lloyd's | Active capacity £m | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >50 - 150 | >150 - 250 | >250 - 500 | >500 - 1,000 | >1,000 |
| A.7 | Fund managers | Funds under management £m | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >10 - 150 | >150 - 2,800 | >2,800 - 17,500 | >17,500 - 100,000 | >100,000 |
| A.9 | Operators, Trustees and Depositories of CISs etc | Gross income £m | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >1 - 4.5 | >4.5 - 17 | >17 - 145 | >145 - 750 | >750 |
| A.10 | Firms dealing as principal | Number of traders | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | 2 - 3 | 4 - 5 | 6 - 30 | 31 - 180 | >180 |
| A.12 | Advisory arrangers, dealers or brokers (holding client money/assets) | Number of approved persons | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | 2 - 5 | 6 - 35 | 36 - 175 | 176 - 1,600 | >1,600 |

| | | | | | | | | |
|------|--|----------------------------|------------|------------|---------------|------------------|-------------------|----------|
| A.13 | Advisory arrangers, dealers or brokers (not holding client money/assets) | Number of approved persons | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | 2 - 3 | 4 - 30 | 31 - 300 | 301 - 2,000 | >2,000 |
| A.14 | Corporate finance advisers | Number of approved persons | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | 2 - 4 | 5 - 25 | 26 - 80 | 81 - 199 | >199 |
| A.18 | Home finance providers, advisers and arrangers | Annual income £000's | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >100 - 180 | >180 - 1,000 | >1,000 - 12,500 | >12,500 - 50,000 | >50,000 |
| A.19 | General insurance mediation | Annual income £000's | Moderation | 0% | 0% | 0% | 0% | 0% |
| | | | Band width | >100 - 325 | >325 - 10,000 | >10,000 - 50,750 | >50,750 - 250,000 | >250,000 |

5

Recovery of allocated costs within other fee-blocks

- 5.1 In this chapter we explain how we recover costs allocated to the other fee-blocks not covered in Chapter 4 and Chapter 8.

Fee-block A.6 – The Society of Lloyd’s

- 5.2 Fees are set based on the level of resources required to regulate this individual firm.

Fee-block A.20 – Markets in Financial Instruments Directive (MiFID) transaction fee

- 5.3 This fee-block applies to a firm or market operator in certain securitised derivatives. It was set up in 2008/09 to recover, over five years, the targeted additional IS costs related to transaction reporting arising from MiFID. Recovery of allocated costs is based on the relevant firms’ annual income in the calendar year ending 31 December. This fee-block will no longer be used after 2012/13 (being the fifth year of recovery).

Fee-block B – Recognised bodies and others

- 5.4 These include recognised exchanges, clearing houses, service companies and firms operating Multilateral Trading Facilities (MTFs). Fees are individually set for each fee-payer based on the resources required to regulate them. MTFs include some degree of flat-level fees.

Fee-block C – Collective investment schemes

- 5.5 These include unit trusts and open-ended investment companies. The costs of regulating these schemes are recovered through a fee based on the number of funds or sub-funds operated.

Fee-block D – Designated Professional Bodies (DPBs)

- 5.6 These include the Law Society of England and Wales, and the Institute of Chartered Accountants in England and Wales. The cost of regulating these DPBs and others is recovered through a fee based on the number of exempt professional firms registered with each DPB.

Fee-block F – Unauthorised mutuals

- 5.7 These include industrial and provident societies and societies registered under the Friendly Societies Acts. Fees are levied based on the size of their total assets.

Fee-block G.1 – Firms registered under the Money-Laundering Regulations 2007

- 5.8 A flat rate annual fee is levied.

Fee-block G.2 – G.5 – Firms subject to the Payment Services Regulations 2009

- 5.9 For firms also in the A.1 fee-block (Deposit acceptors), fees are based on size of business undertaken, as for A.1 business. For large payment institutions, fees are based on the size of relevant income and for small payment institutions a flat rate annual fee is levied.

Fee-block G.10 and G.11 – Firms subject to the Electronic Money Regulations 2011

- 5.10 The fees of large electronic money institutions are based on average outstanding e-money, while small electronic money institutions pay a flat rate annual fee.

Fee-block G.15– Firms subject to the Regulated Covered Bonds Regulations 2008

- 5.11 A minimum fee is levied, which recovers 75% of the amount allocated to this fee-block divided by the number of programmes, with the first programme of each issuer attracting 100% of the minimum fee and all subsequent programmes attracting 75% of the minimum fee. The remainder is recovered based on the value of the regulated covered bonds in issue in the previous 12 months ending 31 December.

Part A

Consolidated Policy Statement on our fee raising arrangements

Section 2: Application and special project fees

6. Application fees
7. Special project fees – overall policy

6

Application fees

- 6.1** Application fees are one-off payments towards our costs of processing certain applications made by fee payers under provisions of FSMA or our Handbook. Application fees rules and guidance are set out in FEES 3 of our Handbook.
- 6.2** In this chapter we will discuss the application fees that may apply to authorised firms, and firms subject to the Payment Services Regulations 2009 and Electronic Money Regulations 2011. Other transaction fees apply to non-authorised firms; for example, issuers of securities (see Chapter 8). Table 6.1 summarises the range of application or other one-off fees that we charge to different types of fee payer.

Table 6.1: Summary of application fees and one-off fees

| Type of fee payer | Trigger for fee |
|---|---|
| Firms (authorisation fees) | A new entity wishes to become authorised to carry out regulated activities. |
| Firms (change of legal status) | An existing authorised firm wishes to change its legal status, which needs authorisation as a new entity. |
| Firms (variation of permission fees) | An existing authorised firm wishes to change the scope of the regulated activities it currently has permission to undertake. |
| Periodicals (Article 54 RAO certificates) | A periodical wishes to obtain a certificate under Article 54 of the Regulated Activities Order. |
| Collective investment schemes | A scheme seeks certain declarations or gives certain notices under FSMA. |
| Designated professional bodies | An entity seeks to be designated as a designated professional body. |
| Issuers of securities | An issuer applies to list one or more securities or submits documents for vetting or approval. |
| Recognised bodies | An entity seeks to be recognised as an (overseas) investment exchange or clearing house. |
| Unauthorised mutuals | An entity seeks to be registered as a new mutual society, or a sponsoring body seeks to register a new set of model rules. |
| Leasing companies, trade finance houses, safe custody service providers | An entity that wishes to conduct or continue to conduct business in the areas listed must register under the Money Laundering Regulations 2007. |

| | |
|---------------------------------|---|
| Payment services providers | An entity seeks to register or become authorised as a payment institution. |
| Electronic money institutions | An entity seeks to register or become authorised as an electronic money institution. |
| Regulated covered bonds issuers | An entity seeks to register a regulated covered bond. |
| Insurers (general and life) | An entity proposing to cede risks to an Insurance Special Purpose Vehicle seeks a waiver. |

- 6.3** Application fees are payable in advance of, or with, the application. An application without the appropriate fee will be considered incomplete and we will not process it. If an application is unsuccessful, the fee will not be refunded. This is because we must commit resources to processing applications, even if their outcome is unsuccessful.
- 6.4** In general, where an application is successfully made (for example, for a firm to become authorised or an investment exchange to be recognised), a periodic fee will then become payable for that activity for the remainder of the fee period concerned.

Application fees payable by firms applying for authorisation

- 6.5** Most of the applications we handle are from firms seeking permission, under Part IV of FSMA, to become authorised firms (allowing them to carry out regulated activities if they are not otherwise exempt). The fee payable depends on the complexity of the application involved, which reflects the regulated activities the firm is seeking to carry out. We use the fee-block(s) a firm would fall into, should its application succeed, to determine the complexity of an application and the appropriate authorisation fee.
- 6.6** Applications are divided into three groupings (straightforward, moderately complex and complex) depending on the fee-block(s) that the entity would fall within if successful. The complexity groupings by fee-block are shown in FEES 3 Annex 1R and the application fee payable within each of these groupings is a flat amount.

Table 6.2: Application fee groupings and fees payable

| Application type | Fee payable (£) |
|-------------------------|------------------------|
| Straightforward | £1,500 |
| Moderately complex | £5,000 |
| Complex | £25,000 |

- 6.7** Certain exceptions are made to the three groupings where the fee payable for a particular type of firm would be disproportionate to the complexity of the application. For example, an application by a deposit-taker would normally be classed as complex, but we classify applications from e-money issuers (a particular type of deposit-taker) as moderately complex. Separate application fees apply to credit unions.

- 6.8 Where a firm applies for authorisation for activities that place it in more than one fee-block, only the highest application fee is payable.
- 6.9 Where a firm applies for only a simple change of legal status, it needs to pay 50% of the relevant authorisation fee. This reflects the lower regulatory effort needed to process those types of application.
- 6.10 For fees purposes, we define simple changes of legal status as those where the ‘new’ firm, in relation to the original authorised entity:
- operates to the same business plan;
 - has the same or narrower permission;
 - assumes all the original entity’s rights and obligations in relation to the regulated activities carried on by the firm;
 - continues the same compliance arrangements;
 - does not have a materially different risk profile; and
 - retains any individuals responsible for insurance mediation activity in that role.

How we set application fees

- 6.11 Before an entity can be authorised, we need to be convinced it can meet - and continue to meet – FSMA’s ‘threshold conditions’. By ensuring that new applicants meet this, the authorisation process also helps currently authorised firms by protecting the reputation of the UK financial services industry as a whole.
- 6.12 We reflect this shared benefit in our application fees by setting them at lower levels than the full costs of dealing with an application. So the remainder of the costs we incur are met through the periodic fees of firms that are already authorised. This reduces barriers to entry for new applicants and so enhances competition.
- 6.13 Overall our policy aims to ensure that application fees – the total costs of processing applications for Part IV permission – are fairly apportioned between applicants and authorised firms.

Inward passporting EEA firms and Treaty firms

- 6.14 Under FSMA, we cannot charge an application fee for EEA firms seeking to passport their activities into the UK (on either a branch or services basis).
- 6.15 For Treaty firms, the application fee we charge depends on two factors:

- whether the firm can provide a certificate issued by the Treasury, which states that the laws of the firm's home state provide consumers with equivalent protection as that given by FSMA for the activity concerned; and
- whether the Treaty firm is proposing to establish a branch in the UK, or deal on a services (cross-border) basis.

6.16 If a Treaty firm can provide the necessary certificate then, as for an EEA passporting firm, no application fee is payable. Otherwise the application fee is 50% (for a branch) or 25% (for services) of the equivalent amount that would be payable by a UK firm seeking authorisation to carry out the same activities.

Application fees payable by firms applying to vary their existing permission

6.17 Variation of permission (VoP) fees are payable by existing authorised firms when they wish to alter the regulated activities they have permission to undertake. The VoP fee recovers a proportion of the costs we incur in processing the application involved. The fee payable depends on whether the VoP application results in the firm being allocated to a fee-block or fee-blocks that did not apply before the VoP.

6.18 If the variation is granted and the firm is in an additional fee-block(s) to its previous one(s), the VoP fee is 50% of the application fee for authorisation for the same regulated activities. The 50% discount on the application fee for authorisation is because less resource is required to assess a VoP application from a currently authorised firm, compared to a full application for authorisation by a new firm.

6.19 For example, a bank in fee-block A.1 might wish to vary its permission to add the regulated activity of 'managing investments'. If the variation were successful, the firm would be allocated additionally to fee-block A.7 (fund managers). The VoP fee payable is £2,500 – 50% of a moderately complex application fee, which is payable for applications for authorisation to manage investments.

6.20 A £250 flat administration fee applies to all other VoP applications that increase a firm's permitted activities, but do not result in the firm being allocated to additional fee-blocks. This fee contributes towards the costs of us processing the VoP application. Credit unions are exempt from this fee. No VoP fees are payable for variations that only reduce a firm's permission.

Fees to register or seek authorisation as a payment services provider

6.21 From 1 November 2009, firms undertaking or wishing to undertake payment services activities in the UK were brought under the scope of our regulation by the European

Union's Payment Services Directive (PSD). This is implemented in the UK by the Payment Services Regulations 2009 (PSRs).

- 6.22** Fees for applications and variations of permission came into effect from 1 May 2009.⁷ Firms that started to provide payment services after 25 December 2007 had to register or become authorised by 1 November 2009 if they wished to continue to do so. Those that were operating before 25 December 2007 had until 25 December 2010 to register and until 1 May 2011 to become authorised.
- 6.23** Four sets of payment services providers (PSPs) do not have to pay application fees.
- *Firms in fee-block A.1* are exempt from registration and authorisation requirements under the PSRs.
 - *EEA firms passporting into the UK and UK firms passporting outwards* will be exempt from application fees in accordance with current fees rules.
 - *Certified small e-money issuers* appear on our register but are not subject to FSMA supervision. They are currently entitled to provide payment services without an application fee, but must transition to the new e-money regime by 30 April 2012 (see paragraph 6.33 – 6.34).
 - *Other bodies* exempted under the PSRs are:
 - the Post Office Ltd;
 - the Bank of England 'other than when acting in its capacity as a monetary authority or carrying out other functions of a public nature'; and
 - government departments and local authorities 'other than when carrying out functions of a public nature'.
- 6.24** The fees for registration or authorisation of payment institutions (PIs) depend on the types of activity they intend to carry out and the number of agents they have.
- *Small PIs*: A flat fee of £500 for application to register – small PIs are defined by various criteria, such as the monthly average volume of payment services transactions in the 12 months preceding the application should not exceed €3m.
 - *Authorised PIs (APIs)*: Schedule 1 Part 1, paragraphs (a) to (g) of the PSRs establish seven types of payment service activities for which permission is needed. The application fee for authorisation is affected by the activities firms propose to undertake.
 - Firms applying for one or both of activities (f) (money remittance) and (g) (consent given by telecommunications, digital or IT device) are charged £1,500.

⁷ These proposals were implemented through *Handbook Notice 87* (April 2009), which also provided feedback.

- Firms undertaking any or all of the wider range of activities under (a) to (e) are charged £5,000 – e.g operating payment accounts, execution of direct debits, or issuing payment instruments, such as payment cards, credit/debit cards, etc.

6.25 Variations of permission for PIs are based on the activities mentioned in paragraph 6.24.

- A PI will be charged £250 to expand the scope of its permission if:
 - it has permission for one or more of activities (a) to (e) and wishes to add one or both activities (f) to (g); or
 - it has permission for (f) or (g) and proposes an expansion to the other of (f) or (g).
- A PI will be charged 50% of the £5,000 authorisation fee if it has permission for (f) or (g) but wishes to include one or more of activities (a) to (e).

6.26 Some variations will be treated as new applications and charged the full application fee for authorisation because the assessment is more complex, these are:

- a small PI whose activities exceed the €3m threshold; and
- a firm that is already authorised under FSMA to undertake regulated activities but is not in fee-block A.1 and that applies for authorisation or registration as a PI.

6.27 If a firm applies to reduce the scope of its permissions, there will be no fee.

Fees to register or seek authorisation as an electronic money institution

6.28 From 30 April 2011, electronic money issuers (EMIs) or firms wishing to become electronic money issuers in the UK were brought under the scope of our regulation by the European Union's Second Electronic Money Directive (2EMD). This is implemented in the UK by the Electronic Money Regulations 2011 (EMRs). Fees for applications and variations of permission came into effect from 10 February 2011.⁸

6.29 The following types of electronic money issuers will not be charged a fee for applying under the EMRs:

- **Credit institutions:** Do not need to apply to become authorised or registered under the EMRs to issue e-money. If they propose to start issuing e-money and do not already have Part 4 Permission under FSMA to do so, they will need to apply to vary their Part 4 Permission and pay the relevant fee for this.
- **Credit unions and municipal banks:** As above.
- **Existing electronic money issuers which have already been authorised by us:** Will be 'grandfathered' into the new regulatory regime (ie brought in automatically).

⁸ These proposals were implemented through Policy Statement 11/02 (*Implementation of the second Electronic Money Directive*) (February 2011), which also provided feedback.

- **Inward passporting EEA electronic money issuers:** Appropriate checks will have been conducted by their home state regulators, and so they only have to notify us.
- **Other bodies that do not need authorisation or registration under the EMRs:** The Post Office Limited, the Bank of England, government departments, local authorities and the National Savings Bank have a right to issue electronic money and only have to notify us of their intention to do so.

Authorised EMIs

- 6.30** There is an application fee of £5,000 for businesses applying to become authorised electronic money institutions. This reflects our assessment of the complexity – and the amount – of work we expect in processing their applications.

Small electronic money institutions

- 6.31** The EMRs allow electronic money issuers with average outstanding e-money that does not exceed €5m to be registered as small EMIs rather than be fully authorised. The applications will be less complex than for authorised electronic money institutions and so we are able to set a lower fee of £1,000.

Notifications of agents by authorised payment services institutions and electronic money issuers

- 6.32** Any firm applying for authorisation or registration as an API or EMI, and intends to operate through a network of agents, will pay an agent registration fee of £3 to cover our costs in registering the details.⁹

⁹ This proposal is implemented through this PS. The feedback is in chapter 17.

7

Special project fees (SPFs) – overall policy

7.1 We raise SPFs in two ways:

- under our powers, in section 157(4)(c) of FSMA, to charge for giving guidance at the request of any person (Guidance SPFs); and
- under our general fee raising powers in paragraph 17, Schedule 1 of FSMA (General SPFs).

7.2 SPFs recover some of the costs we incur in undertaking regulatory activities that result from:

- a request from a fee payer (or a group of fee payers) for us to undertake specific regulatory activity on their behalf and where the benefit of that activity would primarily accrue to the fee payer(s) concerned, rather than to consumers generally, a particular fee-block as a whole, or the wider UK economy (Guidance SPF);
- firms carrying out certain transactions relating to restructuring (General SPF); and
- implementation of certain EU Directives (General SPF).

7.3 The rationale for SPFs is that, in the right circumstances, firms should pay for regulatory work that is performed exclusively for their benefit, rather than the work being paid for by other fee payers in the same fee-block.

7.4 The income from SPFs is accounted for as ‘sundry income’ within our expenditure total and used to off-set the relevant costs in our AFR cost allocation.

Guidance SPF

Context and scale

- 7.5 This type of SPF recovers part of the costs we incur in dealing with certain large-scale and one-off transactions undertaken at the request of fee payers. Diverting internal resources into projects of this type can place a considerable strain on our capacity to deliver other important regulatory activities. Charging this SPF allows us to bring in extra resource to deal with the increased workload. These SPFs achieve the following:
- They meet part of the costs of exercising our statutory functions and are payable whether the transaction is successful or not. As with our authorisation application fees, SPFs are non-refundable and paying the fee has no influence on how or when we exercise the relevant functions.
 - They do not aim to recover all of the costs associated with each nominated transaction, but only the incremental staff and other direct costs incurred. We do not recover any contribution to general overheads or any 'profit' element through SPFs.
 - They do not have an adverse impact on the small and medium size firms we regulate. They apply to transactions that small or medium size firms would rarely require us to undertake. We also apply a minimum level of costs (currently £50,000) to such projects. If our costs of giving guidance regarding a transaction are less than this limit, we will not levy an SPF.
- 7.6 We are keeping these SPF arrangements under review. Over time, and in the light of experience, the range of activities to which this type of SPF will apply are expected to widen and we will consult with the industry before implementing any further SPFs of this type. However, we intend these fees to meet only a small amount (anticipated to be no more than 5%) of our total costs, in any given year.

Chargeable transactions

- 7.7 These SPFs apply to three types of transaction where the incremental costs to us of undertaking the task exceed £50,000. These transactions are summarised in the following paragraphs.
- 7.8 **Reorganising the structure of legal entities within an insurance group (whether or not associated with a merger or demutualisation).** This includes transactions such as changes to the structure of – or benefits accruing from – with-profits funds, or attributions and re-attributions of inherited estates. Our role in these transactions can involve analysis of the proposed legal entity structure, financial projections and the proposed structure of the with-profits fund to provide guidance on compliance with prudential requirements and with regulatory principles (primarily treating customers fairly). These transactions may also involve us exercising formal powers for approval of change of controller, or

variations to Part IV permissions, or involve applications for transfers of business (under Part VII of FSMA).

- 7.9** **A merger or takeover involving at least one large authorised person.** Our role in these transactions can involve analysing the proposed legal entity structure, financial projections and proposed systems and controls for the merged entity or group to provide guidance on the likely prudential or other supervisory treatment of the merged entity. These transactions may also involve other formal requests to us, for example, a ‘change of controller’ approval, or a request for a variation or cancellation of Part IV permissions.
- 7.10** **A proposal from a large building society/insurer/friendly society to demutualise. A demutualisation could take place either through conversion to a plc or by merger with another non-mutually-owned firm.** Our activities would be similar to those described in the merger transaction above. We carry out formal regulatory approval of demutualisations under the Building Societies Act or Friendly Societies Act. Given the threshold for charging SPFs, we anticipate that only transactions involving the largest mutual building societies/insurers/friendly societies would incur an SPF.
- 7.11** These summaries (and the more detailed case studies in Annex 6) are illustrative, rather than a complete list, of the three types of transactions to which a Guidance SPF will initially apply. The nature of large corporate transactions is that all have certain unique features and we will judge each case on its merits.

Operational arrangements

- 7.12** The varied nature and size of the transactions and other circumstances to which Guidance SPFs apply means that fee amounts are set on a case-by-case basis. Where we believe that a transaction should attract a Guidance SPF, we write to the parties involved to let them know of:
- our intention to charge a Guidance SPF;
 - the expected scale and duration of the transaction; and
 - the incremental costs we expect to incur to complete the transaction.
- 7.13** Depending on the scale and duration of the project, we may ask the Guidance SPF fee-payer to make an initial ‘on-account’ payment at the start of the transaction and monthly or other regular fee payments thereafter, until the work is completed. We will discuss and agree these details on a case-by-case basis with the fee payer at the beginning of the project.

General SPF – restructuring

Context and scale

- 7.14** As with the Guidance SPF, this General SPF aims to recover our exceptional supervisory costs where a firm undertakes certain restructuring transactions. The main difference is that, while a Guidance SPF applies only where a firm initiates a request for guidance, this General SPF will be levied at our initiation where a firm undertakes one of the transactions set out in paragraph 7.15.

Chargeable transactions

- 7.15** This type of General SPF will be charged where a firm needs to undertake a restructuring exercise which requires:
- restructuring of regulatory capital; and/or
 - raising of additional capital; and/or
 - a corporate reorganisation; and/or
 - a merger or takeover; and/or
 - a change to the structure of – or benefits accruing from – with-profits funds, or attributions and re-attributions of inherited estates.
- 7.16** This SPF can also be levied in circumstances relating to insolvency orders, voluntary winding up or the exercise of a stabilisation power.
- 7.17** As with the Guidance SPF, this type of General SPF will only be charged where our additional costs exceed £50,000.

Operational arrangements

- 7.18** This SPF will be calculated based on the number of hours individuals work on the specific restructuring transactions, plus external costs of professional advisers we need to engage. Our hourly rate will be based on the costs we use for funding our projects internally. These are average staff costs per hour of each grade within each of the key functions that could be involved in a particular transaction. The three key functions are Supervision, Policy and General Counsel and we propose to use an average cost per hour across these functions for each grade. Table 7.1 sets out for these key functions the grades of individual and the hourly rates that will be used for SPF restructuring transactions. We will consult separately when we revise these rates in the future.

Table 7.1: Hourly rate for areas and grades of individuals within them

| | Supervision, Policy, General Counsel |
|--|--------------------------------------|
| Administrator | £30 |
| Associate | £55 |
| Technical specialist | £100 |
| Manager | £110 |
| Any other person employed by the FSA | £160 |
| Notes: | |
| (i) Hourly rate is average across each function for each grade. | |
| (ii) Any other person employed by the FSA relates to time spent by a head of department, director, a managing director or the chief executive officer. | |

- 7.19** For restructuring transactions that involve raising additional capital, we will only apply an SPF where the capital is being raised externally. Where a firm is part of a group and capital is being raised from outside which will be used to finance one or more authorised firms within the group, we will charge the authorised firm that pays the highest periodic fees (even if it does not receive any of the additional capital raised). We believe that the group is best placed to decide which entity should bear the cost and can re-direct the cost as it feels appropriate.
- 7.20** As with Guidance SPFs, we will write to the firms involved to let them know:
- our intention to charge a General SPF;
 - the expected scale and duration of the transaction; and
 - the incremental costs we expect to incur to complete the transaction.
- 7.21** As with the Guidance SPFs, depending on the scale and duration of the project, we may ask the General SPF fee-payer to make an initial on-account payment at the start of the transaction and monthly or other regular fee payments after that, until the work is completed.

General SPF – EU Directive implementation costs

Context and scale

- 7.22** This General SPF aims to target the recovery of EU Directive implementation costs (or modification to an existing Directive) on firms that are affected by changes brought about by the Directive. This SPF enables us, where it is proportionate to do so, to ensure that firms pay for regulatory work arising out of the implementation of EU Directives that is specific to them as a sub-class of a fee-block rather than the costs also being recovered from fee-payers in the fee-block not affected by the Directive.
- 7.23** This type of SPF will be levied where the implementation costs are estimated to be at a level, relative to the AFR allocated to the affected fee-block, which would result in a significant increase in periodic fees for firms in the fee-block who are not affected by the Directive.

Chargeable Directives

7.24 We will consult on a proposed General SPF to recover implementation costs of a particular Directive (or modification of an existing Directive) the year before we propose using it. In summary, when we consult we will state:

- why the Directive meets the criteria of affecting a reasonable sub-set within a fee-block to warrant targeting recovery of the implementation costs to those firms only;
- why the implementation costs are estimated to be at a level that would result in a significant increase in periodic fees for firms in the fee-block who are not affected by the Directive;
- which of our activities fall within scope of that particular proposed Directive implementation costs recovery SPF and the estimated level of costs we intend to recover in a given financial year;
- why the implementation costs meet the significance criteria to warrant starting to recover them in a given financial year; and
- when we expect ending the use of an SPF for recovering the implementation costs for that Directive.

Operational arrangements

7.25 This will be decided case-by-case, but will also form part of the consultation for each proposal to use this SPF for a specific Directive. Where possible we will seek to use a basis for recovery that uses existing mechanisms for recovering our costs through fees.

Part A

Consolidated Policy Statement on our fee raising arrangements

Section 3: Other fees issues

8. UK Listing Authority (UKLA) fees
9. Regulatory reporting of fee tariff data
10. Levies for the Financial Ombudsman Service, the Financial Services Compensation Scheme and the Money Advice Service

8

UK Listing Authority (UKLA) fees

- 8.1 The fees payable for our function as the UK Listing Authority (UKLA) are designed to recover the direct costs of carrying out our primary market regulation functions and a proportion of our overheads.
- 8.2 UKLA fee payers make up fee-block E. The fees rules and guidance for this fee-block are in FEES 3.2.7R, FEES 3 Annexes 4R and 5R, FEES 4.2.11R and FEES 4 Annexes 7R and 8R.

UKLA fee types

- 8.3 We charge two types of UKLA-related fees – annual and non-annual. Annual fees are payable by issuers of securities and sponsors and aim to recover the UKLA's annual funding requirement plus an appropriate share of overheads. Non-annual fees include fees for document vetting and approval, and are intended to meet the costs of carrying out these activities. The revenue from non-annual fees is treated as sundry income, to allow us flexibility in matching resource to workload.

Non-annual fees

- 8.4 Non-annual fees include:
- transaction vetting fees relating to specific events or transactions that an issuer might be involved in during the year;
 - application fees – for example, for an application for approval as a sponsor or applying to be admitted on the Official List;
 - administrative fees for amending the Official List or its records outside the application process; and
 - eligibility fees for potential new applicants to the Official List.

- 8.5** When issuers apply for listing, they must ensure their applications are accompanied by the relevant application fee as set out under FEES 3 Annex 4R.
- 8.6** Document vetting transactions will require paying the appropriate vetting and approval fee, based on the relevant transaction category as set out under FEES 3 Annex 5R. We charge a range of fees depending on the nature of the event or transaction; for example, vetting prospectuses, circulars or supplementary listing particulars. These fees are non-refundable and are required when work starts on vetting the relevant document(s). This aims to ensure that the companies using our resources pay fees that are proportionate to the call they make on them.
- 8.7** We charge one-off flat fees in a small minority of complex transactions, which are deemed 'super transactions' or 'significant transactions.' The complexity of these transactions requires resource, often at a very senior level, that warrants a separate transaction fee. These categories have been introduced from 2009/10¹⁰, replacing the previous single category of significant transactions.
- 8.8** The fee for vetting super transactions is set at £50,000. It applies in the following circumstances:
- the issuer has a market capitalisation in excess of £1.5bn and it is a new applicant for a primary listing under the listing rules, or involved in a reverse or hostile takeover or a significant restructuring; or
 - the issuer has a market capitalisation in excess of £5bn and is involved in a Class 1 transaction, a transaction requiring vetting of an equity prospectus or equivalent document or a transaction requiring vetting of a prospectus in relation to a Depositary Receipt.
- 8.9** The flat rate for vetting 'significant transactions' is £20,000. It will be charged in transactions where the issuer:
- has a market capitalisation in excess of £500m and is preparing an equity prospectus or a Class 1 transaction;
 - is involved in a reverse or hostile takeover or a restructuring; and
 - is proposing a Depositary Receipt issue and has a market capitalisation in excess of £500m.
- 8.10** In cases where documents include a Mineral Experts Report, an additional charge of £5,000 will be made. This reflects the complex and specialist nature of these reports.

Annual fees

- 8.11** Annual fees for issuers of equity securities, Depositary Receipts and Securitised Derivatives are tiered according to issuers' size, which is measured by market capitalisation as at 30

¹⁰ We consulted on these proposals in CP08/18 and implemented them through PS09/5.

November. To avoid the need for new reporting requirements by issuers, we base annual fees on broadly the same market capitalisation data on which the London Stock Exchange bases its fees. We consult annually on the tiered rates and fee bands.

- 8.12 We base annual fees for issuers of more than one type of share on the highest market capitalisation of the shares in issue. In most cases, these are the voting equity shares.
- 8.13 Tiered annual fees are payable by all listed issuers, irrespective of whether they are incorporated in the UK. However, overseas issuers that have secondary listing in the UK receive a 20% discount to the annual fee. This reflects the fact that those issuers also pay regulatory costs in their home state jurisdiction.
- 8.14 Issuers of securitised derivatives and issuers of depositary receipts and global depositary receipts pay flat fees. Issuers that become listed during the financial year pay a proportion of the annual listing fee, pro-rated on a quarterly basis according to the quarter in which the issuer becomes listed. So an issuer listed from May will pay 100% of the annual fee (based on its market capitalisation data), while an issuer listed from August will pay 75% of the annual fee.
- 8.15 If an issuer applies to de-list and we receive its application by 31 March, it will not be liable for annual fees for the financial year starting 1 April. Any applications received after 1 April will be liable for the whole year's fees – this fee is non-refundable.
- 8.16 If an issuer applies to re-list as a result of a reverse takeover, a restructure or re-admission to list, no additional annual fee is payable providing the original listed issuer has already paid its annual fee for the fee period.

Disclosure Rules – issuers of non-listed securities

- 8.17 All issuers of securities must comply with continuing obligations under the Disclosure Rules. The annual fees payable by issuers of listed securities cover the costs of carrying out our functions under both the Listing Rules and the Disclosure Rules.
- 8.18 Issuers of non-listed securities, to the extent they are monitored by us for compliance with their continuing obligations under the Disclosure and Transparency Rules, also pay an annual fee to cover the costs of us carrying out our functions. These fees are calculated in the same way as the annual fees payable by issuers of listed securities, but at 80% of those rates.

Effective dates

- 8.19 Fees for applications and transaction vetting are finalised in March each year and take effect on 1 April. However, annual fees are set in May to cover the fee period 1 April to

31 March. Annual fees are not set at the beginning of the fee period as they are only invoiced later in the financial year.

9

Regulatory reporting of fee tariff data

- 9.1** All Phase 1 firms¹¹ required to submit the Retail Mediation Activities Return (RMAR) and the Mortgage Lending and Administration Return (MLAR) must report their fee tariff data in Section J (Fees) of the returns, through our Gabriel system.
- 9.2** Phase 2 firms¹² are not required to report their fee tariff data on the RMAR and MLAR. However, they are required to complete their fees data in a single submission on the paper tariff data return we send to them. For the remainder of this chapter, we refer to ‘Phase 1 firms’ as ‘firms’ only.
- 9.3** Firms who report tariff data for FSA fees and levies for the Financial Ombudsman Service (FOS) and Financial Services Compensation Scheme (FSCS) in section J of the RMAR or MLAR must do so annually, for the previous financial year. The time when section J must be completed depends on what returns are being submitted and on the firm’s Accounting Reference Date (ARD). There are no separate reporting requirements for the Money Advice Service money advice levy, which is calculated from the tariff data used for FSA fees. For the Money Advice Service debt advice levy, in most cases there is no separate reporting requirement, however, a small number of firms do not submit the relevant returns and we contacted these firms earlier this year.
- 9.4** So, the FSA fee tariff data firms report on the RMAR is in line with the valuation dates for the tariff data required for fee-blocks:
- A.12 (Advisory arrangers, dealers or brokers –holding or controlling client money, or assets, or both);
 - A.13 (Advisory arrangers, dealers or brokers – not holding or controlling client money, or assets, or both);

11 Phase 1 firms: personal investment firms and firms whose regulated activities are limited to one or more of: mortgage lending; mortgage administration; mortgage mediation; insurance mediation; or retail investment activity.

12 Phase 2 firms: any firm, except authorised professional firms, that carries out one or more of the above activities in addition to other regulated activities: mortgage lending; mortgage administration; mortgage mediation; insurance mediation; or retail investment activity.

- A.18 (home finance providers, advisers and arrangers); and
- A.19 (general insurance mediation), i.e. annual income for the firm's financial year which ended in the calendar year ending 31 December.

9.5 Firms should also report the fee tariff data for the relevant FOS industry blocks and FSCS sub-classes, i.e. annual income and annual eligible income for the firm's financial year, which ended in the calendar year ending 31 December respectively. Further guidance for reporting in section J of the RMAR is located in the FSA Handbook, Supervision Manual (SUP) Chapter 16 Annex 18. Additional information on tariff base definitions is in the Fees Manual (FEES) Chapter 4 Annex 1 for FSA fees, Chapter 5 Annex 1 for FOS levies and Chapter 6 Annex 3 for FSCS levies.

Completing section J – RMAR: tariff base for 2013/14

- 9.6 We are proposing to change the tariff base for firms in fee-blocks A.12 and A.13 from 2013/14. Instead of the current headcount of approved persons (APs), our intention is to base the fees on firms' income from the activities specified for those fee-blocks. The rules have not yet been finalised but, since the fees will be based on data relating to the financial year ending in the 2012 calendar year, we have amended the return to enable firms to report their incomes to us through section J of the RMAR. Since we already hold the AP data, we would be able to set fees on the current basis without seeking further information from firms if we were unable to implement the income measure as proposed.
- 9.7 Table 9.1 summarises the information needed on section J of the RMAR for the 2013/14 fee-year and the fee-blocks to which the data relates. Firms should note that this is **not** the basis on which the current year's fees have been calculated for life and pension and investment intermediation. These are, as in previous years, based on a headcount of approved persons.
- 9.8 Firms should report a tailored income figure for the FSCS and FOS. However, they can choose not to tailor their income figure. Where firms choose not to tailor their income figures, they should report the same figure for FSA, FOS and FSCS respectively.

Table 9.1: Summary of data relating to the 2011/12 financial year to be reported in Section RMA-J of the Retail Mediation Activities Return as the proposed basis for 2013/14 fees

| | FSA: Annual regulated income | FOS: Annual relevant income | FSCS: Annual eligible income |
|---|---|--|--|
| Home finance mediation | <p>The data needed for fees in the A.18 fee-block (home finance providers, advisers and arrangers). The FSA Handbook rules on tariff data for this fee are in FEES Chapter 4 Annex 1R Part 2. Further information to help calculate this data is in our fee tariff data guidance pages on our website under fee block A.18.</p> | <p>The data needed for the levy in FOS industry block 16. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 5 Annex 1R Part 2. You do not need to complete this field unless you wish to report tailored annual income (i.e. income from consumers). The guidance sheet for reporting FOS tailored income will help you calculate the income figure to insert in this field. Further information to help calculate this data is in our fee tariff data guidance pages on our website under fee block A.18.</p> | <p>The data needed for the levy in FSCS sub-class E2. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 6 Annex 3. You do not need to complete this field unless you wish to report tailored annual income (i.e. income from eligible claimants). The guidance sheet for reporting FSCS tailored income will help you calculate the income figure to insert in this field. Further information to help calculate this data is in our fee tariff data guidance pages on our website under sub-class SE02.</p> |
| Non-investment insurance mediation | <p>The data needed for fees in the A.19 fee-block (general insurance mediation). The FSA Handbook rules on tariff data for this fee are in FEES Chapter 4 Annex 1R Part 2. Further information to help calculate this data is in our fee tariff data guidance pages on our website under fee block A.19.</p> | <p>The data needed for the levy in FOS industry block 17. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 5 Annex 1R Part 2 and FEES Chapter 4 Annex 1R Part 2. You do not need to complete this field unless you wish to report tailored annual income (i.e. income from consumers). The guidance sheet for reporting FOS tailored income will help you calculate the income figure to insert in this field. Further information to help calculate this data is in our fee tariff data guidance pages on our website under fee block A.19.</p> | <p>The data needed for the levy in FSCS sub-class B2. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 6 Annex 3. You do not need to complete this field unless you wish to report tailored annual income (i.e. income from eligible claimants excluding pure protection business). The guidance sheet for reporting FSCS tailored income will help you calculate the income figure to insert in this field. Further information to help calculate this data is in our fee tariff data guidance pages on our website under sub-class SB02.</p> |

| | FSA: Annual regulated income | FOS: Annual relevant income | FSCS: Annual eligible income |
|---|---|--|--|
| Life & pensions mediation | The data needed for fees from 2013/14 in the A.12 and A.13 fee-blocks (advisory arrangers, dealers and brokers holding/not holding client money). Further details to help calculate this data is in our guidance pages on our website under fee blocks A.12 and A.13. | The data needed for the levy from 2013/14 in FOS industry blocks 8 and 9. Further details to help calculate this data is in our guidance pages on our website under fee blocks A.12 and A.13 | Annual eligible income This is the data needed for the levy in FSCS sub-class C2. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 6 Annex 3 . Further information to help calculate this data is in our fee tariff data guidance pages on our website under sub-class SC02. |
| Investment mediation | The data needed for fees from 2013/14 in the A.12 and A.13 fee-blocks (advisory arrangers, dealers and brokers holding/not holding client money). Further details to help calculate this data is in our guidance pages on our website under fee blocks A.12 and A.13. | The data needed for the levy from 2013/14 in FOS industry blocks 8 and 9. Further details to help calculate this data is in our guidance pages on our website under fee blocks A.12 and A.13 | Annual eligible income This is the data needed for the levy in FSCS sub-class D2. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 6 Annex 3 . Further information to help calculate this data is in our fee tariff data guidance pages on our website under sub-class SD02. |
| Note: The income definitions for fee-blocks A.12 and A.13 are in our Supervision Manual – http://fsahandbook.info/FSA/html/handbook/SUP/16/Annex18A and http://fsahandbook.info/FSA/html/handbook/SUP/16/Annex18B . | | | |

Completing section J – MLAR

- 9.9** The MLAR captures fee tariff data on mortgage and other home finance business for the following fees and levies:
- FSA fees – fee-block A.2 (home finance providers and administrators); and
 - FOS general levy – industry block 1 (deposit acceptors, home finance providers, home finance administrators and dormant account fund operators).
- 9.10** Firms completing the MLAR must complete section J in each year-end return, with their FSA and FOS fee tariff data. The data firms must report for our fees is the number of new mortgage contracts or other home finance transactions entered into and the number of mortgage contracts or other home finance transactions being administered, multiplied by 0.05 for mortgage or home finance outsourcing firms and by 0.5 for all other firms. The data firms must report for the FOS is the number of relevant accounts as set out in the FSA Handbook, Dispute Resolutions: Complaints Sourcebook: [DISP 2.6.1R](#).

- 9.11** The date when the firm must calculate the fee tariff data to report in section J depends on the firm's ARD. Firms with an ARD falling between 31 December and 31 March (inclusive) must calculate their fee tariff data as at the 31 December just passed. However, firms whose ARD is between 1 April and 30 December (inclusive) must calculate fee tariff data as at 31 December of the previous calendar year, as that is the most recent data available to them.
- 9.12** To help firms complete Section J of the RMAR and MLAR, we have produced detailed help texts, available on our website:
- RMAR – www.fsa.gov.uk/pages/doing/regulated/returns/irr/gabriel/faqs/rmar/rma_j/helptext/index.shtml
 - MLAR – <http://www.fsa.gov.uk/doing/regulated/returns/irr/gabriel/faqs/mlar>

10

Levies for the FOS, FSCS and Money Advice Service

- 10.1** The Financial Ombudsman Service (FOS), the Financial Services Compensation Scheme (FSCS) and the Money Advice Service¹³ are separate legal entities from the FSA, established under FSMA. All bodies are independent from us in their day-to-day operations, but remain accountable to us through various mechanisms.
- 10.2** The FOS, FSCS and Money Advice Service are funded separately from the FSA, although we are responsible for collecting levies from the industry. Each body has its own funding model. This chapter gives a brief overview of their funding arrangements.

FOS

- 10.3** The FOS provides an independent service for resolving disputes from customers of financial firms. It operates according to rules made by us, or rules it makes subsequently approved by us. These rules are set out in the DISP module of our Handbook.
- 10.4** The FOS is funded by the financial services industry in two ways:
- a general levy, payable by authorised firms that come within the FOS' compulsory jurisdiction; and
 - case fees, payable by individual firms per complaint dealt with by the FOS.

General levy

- 10.5** The FOS has 18 'industry blocks', which are similar (but not identical) to our fee-blocks. There is a minimum levy in each industry block, and in most cases the levy then increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) each firm does. This proportion is called the 'tariff rate'. The amount of money to be

¹³ The Money Advice Service was previously known as the Consumer Financial Education Body (CFEB).

recovered from each industry block is based on the FOS' estimates of the number of complaints it expects to receive from firms within each block.

- 10.6** Where a firm does not conduct business with 'eligible complainants' (private individuals and small businesses) it can claim exemption from certain requirements of the DISP rules, including the liability to pay the general levy. Further guidance and the exemption form is available on our website (www.fsa.gov.uk/Pages/Doing/Regulated/Fees/Tariff/Notes).
- 10.7** The FOS financial year starts on 1 April. We levy firms for a full financial year's FOS levy unless we receive written notification of exemption by 31 March of the preceding financial year. Firms that are already exempt do not need to notify us again. When a firm ceases to be exempt it must notify us as soon as possible.

Case fees

- 10.8** Firms currently pay a standard case fee for the fourth and subsequent chargeable complaints referred to the FOS within a year, regardless of whether the complaint is upheld. For PPI mis-sale cases, firms pay a supplementary case fee after the first 25 PPI sale cases per firm/year, in addition to the standard case fee, regardless of whether the complaint is upheld.¹⁴
- 10.9** We invoice and collect the FOS general levy, which reduces administrative costs for levy payers. Separately, the FOS charges case fees. If a firm fails to pay the general levy or case fees, we and the FOS are able to take steps to recover the money owed, and we may also consider taking regulatory action against the firm.
- 10.10** Further information about the FOS is available on its website: www.financial-ombudsman.org.uk.

FSCS

- 10.11** The FSCS is the UK's statutory fund of last resort for customers of authorised financial services firms. This means that the FSCS can pay compensation for valid claims if a firm is unable, or likely to be unable, to pay claims against it. The FSCS operates according to rules made by us, which are set out in the COMP and FEES modules of our Handbook.
- 10.12** The FSCS is funded by two different types of levy on the financial services industry:
- compensation costs levy – this covers the actual compensation payments made to claimants; and
 - management expenses levy – this covers all the FSCS's expenses other than compensation costs and comprises a base and specific element (see paragraph 10.17).

¹⁴ There is a limited number of circumstances in which a complaint is not a 'chargeable case' and does not attract a case fee.

10.13 The base cost element is applied to firms according to their FSA periodic fee block. The specific management expenses and compensation cost elements of the levy are recovered according to a class/sub-class model. There are five broad classes:

- deposits;
- general insurance;
- life and pension;
- investment; and
- home finance.

10.14 With the exception of deposit class, each broad class includes two sub-classes. These are generally split between the provider firms (Provision) and firms that carry on distribution or mediation activities (Intermediation). The sub-class definitions are detailed below. Each sub-class has its own tariff base.

Table 10.1 FSCS sub-class definitions

| Sub-class | Definition |
|-----------|------------------------------------|
| SA01 | Deposits |
| SB01 | General insurance – provision |
| SB02 | General insurance – intermediation |
| SC01 | Life and pension – provision |
| SC02 | Life and pension – intermediation |
| SD01 | Investment Fund management |
| SD02 | Investment intermediation |
| SE01 | Home finance – provision |
| SE02 | Home finance – intermediation |

10.15 We are in the process of reviewing the funding model of the FSCS. We intend to publish our findings in the first half of 2012.

Compensation costs levy

10.16 The FSCS operates on a ‘pay as you go’ basis. This means it does not raise compensation levies to build up or ‘pre-fund’ before a firm fails. In practice, the FSCS currently forecasts each year how much compensation is likely to be paid in each class over the next 12 months, and raises a levy accordingly. If necessary (i.e. because of an unexpected large default during the year), supplementary levies can be raised. However, there are limits at sub-class level on the amount firms can be required to pay in compensation costs levies in any one year. Cross-subsidy arrangements exist to deal with situations where compensation costs exceed the limits.

- 10.17** A firm's individual share of a compensation costs levy is calculated by applying its share of the total tariff base in the relevant sub-class to the amount of the compensation costs levy. So, if there were three equal-size firms in a sub-class and a total compensation costs levy of £600,000, each firm would pay £200,000.

Management expenses levy

- 10.18** The management expenses levy includes specific costs (costs directly attributable to claims-handling and firm failures, other than compensation) and base costs (general costs associated with running the FSCS). Firms' share of specific costs are calculated in the same way as for compensation costs levies, while base costs are allocated to individual firms as a percentage of their FSA periodic fees.
- 10.19** Where a firm does not conduct business with eligible claimants¹⁵, it can claim an exemption from compensation costs levies and the specific costs element of management expenses levies. However, exempt firms remain liable for the base costs of management expenses levies. Further guidance and the exemption form are available on our website (www.fsa.gov.uk/Pages/Doing/Regulated/Fees/Tariff/Notes). We will levy firms for the full financial year's FSCS levy unless we receive written notification of exemption by 31 March of the preceding financial year; firms that are already exempt will not need to notify us again.
- 10.20** We invoice and collect levies on behalf of the FSCS, which reduces administrative costs for fee payers. If a firm fails to pay any levy, the FSCS is able to take steps to recover the money owed and we may also consider taking regulatory action against the firm.
- 10.21** For further information about the FSCS, please see its website (www.fscs.org.uk).

Money Advice Service

- 10.22** The Money Advice Service was established under the Financial Services Act 2010 (the Act) to enhance:
- a) the understanding and knowledge of members of the public of financial matters (including the UK financial system); and
 - b) the ability of members of the public to manage their own financial affairs.
- 10.23** It was set up on 26 April 2010 when our Financial Capability Division, along with its staff and costs, was transferred to it from the FSA. Until 4 April 2011, it was known as the Consumer Financial Education Body (CFEB). From April 2012, the Money Advice Service has at the request of government taken on a central role in the coordination of debt advice across the UK.

¹⁵ The definition of 'eligible claimants' depends upon the financial product involved, but broadly includes individuals and small companies, subject to certain exclusions (see COMP 4.2 and COMP 4.3).

Funding the Money Advice Service

- 10.24** The Money Advice Service's annual budget requires our approval. As well as fees raised from firms through the CFEB levy¹⁶, it may in the future receive funding from other sources.
- 10.25** The Financial Services Act 2010 empowers us to make rules setting and collecting the fees and pay the amounts received to the Money Advice Service after deducting our own costs incurred in collection.
- 10.26** The provisions for the Money Advice Service levies are detailed in a separate chapter of the Fees Manual, FEES 7.

Firms affected

- 10.27** The Act provides us with powers to levy sums from firms authorised under FSMA, payment services providers and firms subject to the second Electronic Money Directive.

Money Advice Service levies – FEES 7

- 10.28** For simplicity, the Money Advice Service levies have been incorporated into the existing FSA fees framework, as amended following the strategic review of fees. There are two separate levies for the Money Advice Service:
- For the money advice levy, all authorised firms make a minimum contribution of £10 towards the costs. The remaining costs are recovered on a straight line basis from each relevant fee-block (A.1-A.19). The money advice levy mirrors the FSA fee-blocks and costs are distributed between them using FSA tariff bases.
 - The debt advice levy is an additional charge, introduced from this year, on fee-blocks A.1 and A.2. It is based on the value of unsecured (A.1) and secured (A.2) consumer lending.
- 10.29** The main features of FEES 7 are set out below.
- It is limited to firms in fee-blocks A.0–A.19, G.3-G.5 and G.10-G.11.
 - It applies only to periodic fees. It does not apply to application, notification or vetting fees.
 - The money advice levy mirrors the FSA fees structure. It is calculated from the FSA tariff-bases and is applied to the current FSA tariff-bands. Any relevant changes to FSA fees following consultation are passed automatically to it.
 - The debt advice levy is applied to firms in fee-blocks A.1 (Deposit acceptors) and A.2 (Home finance providers and administrators) in addition to the money advice levy. The firms in these fee-blocks are responsible for consumer lending so will benefit from the debt advice given. The levy is calculated from the value of firms' unsecured lending to individuals in fee-block A.1 and their secured lending to individuals in fee-block A.2.

¹⁶ FEES 7 in the FEES Manual continues to refer to CFEB levies.

- The straight-line recovery model has been applied to all fee-blocks, without any premium on the high impact and systematically important firms. This is because the moderation is intended to take account of the FSA's enhanced supervisory costs, which do not affect Money Advice Service.
- The provisions in FEES 4.3.4 apply, so that firms which are authorised or extend their permissions in the course of the year have their fees discounted proportionately.
- Firms which, as set out in FEES 4.3.6, make pre-payments of their FSA fees by 30 April because their previous year's FSA fees (excluding the Money Advice Service levy) were £50,000 or more, make pre-payments of the Money Advice Service levy on the same terms.
- The levy does not apply to fees for FOS (FEES 5) or FSCS (FEES 6).

10.30 *Discounts*

10.31 FEES 7 carries through FSA's discounts on fees:

- Firms in fee-block A.1 which have limited their permissions to wholesale deposits (FEES4, Annex 2, Part 1) – 30%;
- Class 1(B) firms in fee-block A.7 – 15%;
- Class 1(A) firms in fee-block A.7 – 50%;
- Professional firms in fee-blocks A.12 and A.13 – 0%; and
- Passporting firms - as set out in FEES4, Annex 2, Part 3.

10.32 The discounts for financial penalties in FEES 4, Annex 2, Part 2 do not apply to the Money Advice Service levies. This is because they arise out of regulatory failures and the Money Advice Service is not a regulator.

Part B

Regulatory fees and levies 2012/13

Section 4: FSA periodic fees 2012/13

11. Annual Funding Requirement (AFR) 2012/13 and allocation to fee-blocks
12. Periodic fees for authorised firms
13. Applying financial penalties in 2012/13
14. Periodic fees for other bodies

11

FSA Annual Funding Requirement (AFR) 2012/13 and allocations to fee-blocks

11.1 In this chapter we report on the final AFR for 2012/13 and the allocation to fee-blocks, setting out the differences from the estimates in CP12/3.

AFR for 2012/13

11.2 The final 2012/13 AFR is £559.8m, which is £18.6m (3.2%) lower than estimated in CP12/3. The reduction is made up of:

- **£8m reduction in the IS infrastructure investment budget:** Following further internal challenge since CP12/3 we have reduced the budget for this investment from £22.4m to £14.4m. This investment will improve the technology platforms that underpin our key regulatory systems that will be inherited by the FCA. This includes modernising our technology infrastructure and IS capability, which will also support the new regulatory systems being designed for regulation under the FCA's expanded role.
- **£10.6m surplus from 2011/12:** This is more than we anticipated would be the case in CP12/3 and includes the return of £8.4m budgeted CEO contingency. The CEO contingency was established to cover both economic and business contingencies. Macroeconomic risks identified at the time of the planning round have not materialised and business risks that did arise were able to be absorbed in local budgets, so the contingency has not been spent.

11.3 Table 11.1 sets out the revised make up of the AFR for 2012/13 and compares it with 2011/12.

Table 11.1: Revised AFR for 2012/13 compared to 2011/12

| AFR Calculation | 2012/13 Revised budget | 2012/13 CP12/3 budget | 2011/12 Actual | Variance 2011/12 Actual against 2012/13 revised budget | |
|--|------------------------|-----------------------|----------------|--|---------------|
| | (£m) | (£m) | (£m) | (£m) | % |
| Core work programme | 521.1 | 521.1 | 492.0 | 29.1 | 5.9% |
| IS Infrastructure Investment | 14.4 | 22.4 | 0 | 14.4 | N/A |
| Ongoing Regulatory Activity (ORA) | 535.5 | 543.50 | 492.00 | 43.5 | 8.1% |
| Surplus in previous year | (10.6) | 0 | (9.0) | -1.6 | -17.8% |
| Recovery of scope change costs | 2.4 | 2.4 | 1.6 | 0.8 | 50.0% |
| Regulatory Reform Implementation | 32.5 | 32.5 | 10.9 | 21.6 | 198.2% |
| Making a Real Difference (MARD) | 0 | 0 | 5.0 | -5.0 | N/A |
| AFR Total | 559.8 | 578.4 | 500.5 | 59.3 | * |
| % year on year change in AFR | *11.9% | 15.6% | 10.1% | | |
| Financial penalty discount | 70.7 | 58.7 | 86.2 | -15.5 | -18.0% |
| <i>% year on year change in chargeable fees taking account of financial penalties discount</i> | <i>18.1%</i> | <i>25.4%</i> | <i>-1.7%</i> | | |

Financial penalties

- 11.4** Financial penalties received from enforcement activity in 2011/12 were forecast in CP12/3 to be £58.7m. The final actual amount received was higher at £70.7m, which is available to apply as a financial penalty discount to 2012/13 fees. However, this is still 18% lower than the £86.2m available for 2011/12. Taking into account the overall impact of the final financial penalties discount this equates to an increase in total chargeable fees for 2012/13 of 18.1% (a decrease of 1.7% in 2011/12).
- 11.5** The distribution of the financial penalty discount for 2012/13 fees is given in Chapter 13.

Overall impact of change in AFR and financial penalty discount

- 11.6** The combined effect of the reduced AFR and increased financial penalty discount compared to that estimated in February means that we will recover 5.9% lower fees from fee-payers than was anticipated in CP12/3.
- 11.7** Overall, for 2012/13:
- our AFR has increased by 11.9% over 2011/12 compared to 15.6% estimated in CP12/3; and

- we will collect 18.1% more fees than we collected in 2011/12 compared to the 25.4% we estimated in CP12/3.

Final 2012/13 AFR – allocations to fee-blocks

11.8 Table 11.2 shows how the final £559.8m AFR has been allocated to all fee-block and gives year on year movement comparisons with the allocations of 2011/12 AFR. The table also shows the allocations and year on year comparisons that were included in CP12/3. The reduction in the AFR from £578.4m in CP12/3 has been apportioned evenly across all fee-blocks other than A.20, which recovers specific costs as detailed under note (ii) in Table 11.2.

Table 11.2: Revised 2012/13 AFR allocations across fee-blocks compared to 2011/12

| Fee-block | Revised AFR for 2012/13 (£m) | CP12/3 AFR for 2012/13 (£m) | Actual AFR 2011/12 (£m) | % year on year change on revised allocations | % year on year change on CP12/3 allocations |
|--|------------------------------|-----------------------------|-------------------------|--|---|
| A.0 Minimum fee (i) | 18.8 | 19.2 | 18.4 | 2.6% | 4.7% |
| A.1 Deposit acceptors | 171.2 | 176.9 | 141.3 | 21.1% | 25.2% |
| A.2 Home finance providers and administrators | 13.7 | 14.2 | 13.0 | 4.9% | 8.5% |
| A.3 Insurers - general | 38.9 | 40.1 | 29.4 | 32.5% | 36.7% |
| A.4 Insurers - life | 59.2 | 61.1 | 44.5 | 33.1% | 37.3% |
| A.5 Managing Agents at Lloyd's | 1.3 | 1.3 | 1.1 | 13.4% | 17.3% |
| A.6 The Society of Lloyd's | 1.6 | 1.6 | 1.4 | 10.3% | 14.2% |
| A.7 Fund managers | 36.1 | 37.3 | 28.2 | 28.3% | 32.4% |
| A.9 Operators, Trustees and Depositories of collective investment schemes etc | 10.7 | 11.0 | 10.4 | 3.1% | 6.3% |
| A.10 Firms dealing as principal | 48.1 | 49.6 | 34.6 | 39.3% | 43.7% |
| A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both) | 38.6 | 40.2 | 49.7 | -22.3% | -19.0% |
| A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both) | 37.1 | 38.4 | 39.7 | -6.8% | -3.4% |
| A.14 Corporate finance advisors | 11.5 | 12.0 | 18.8 | -38.9% | -35.9% |
| A.18 Home finance providers, advisers and arrangers | 14.0 | 14.5 | 15.1 | -7.3% | -3.9% |
| A.19 General insurance mediation | 23.3 | 24.2 | 24.9 | -6.4% | -3.1% |
| A.20 Markets in Financial Instruments Directive (MiFID) transaction reporting - targeted recovery of additional IS costs (ii) | 2.6 | 2.6 | 2.2 | 17.2% | 17.2% |
| B. Recognised Exchanges, Clearing Houses and Operators of prescribed markets and service providers | 9.0 | 9.3 | 7.4 | 21.2% | 25.3% |
| C. Collective Investment Schemes | 2.0 | 2.0 | 1.9 | 1.5% | 5.3% |
| D. Designated Professional Bodies | 0.2 | 0.2 | 0.2 | -7.0% | -3.3% |
| E. Issuers and Sponsors of securities | 16.7 | 17.2 | 14.1 | 17.9% | 21.9% |
| F. Unauthorised mutuals | 1.6 | 1.6 | 1.4 | 13.4% | 14.3% |
| G. Firms registered under the Money Laundering Regulations 2007. Firms covered by Regulated Covered Bonds Regulations 2008; Payment Services Regulations 2009; and Electronic Money Regulations 2011. | 3.7 | 3.8 | 2.7 | 38.4% | 40.7% |
| Total | 559.8 | 578.4 | 500.5 | 11.9% | 15.6% |
| (i) Costs that all firms in the 'A' fee-blocks (except A.6 and A.20) contribute through the minimum fee – see Chapter 12. | | | | | |
| (ii) This fee-block was set up in 2008/09 to recover, over five years, the targeted additional specific costs related to transaction reporting arising from MiFID. This fee-block will no longer be used after 2012/13 (being the fifth year of recovery). Applicable firms are in FEES 4 Annex 9. | | | | | |

12

Periodic fees for authorised firms

(FEES 4 Annex 2R – final rules in Appendix 1)

- 12.1** In Chapter 6 of CP12/3, we proposed draft 2012/13 periodic fee rates payable by authorised firms (the A fee-blocks) who form the majority of our fee payers. This chapter sets out:
- the key changes since consultation that have significantly affected the calculation of final fee rates as compared to the provisional rates consulted on; and
 - our feedback on the key responses raised by respondents to the consultation.
- 12.2** The final 2012/13 periodic fee rates for other fee payers are explained in Chapter 14.

Impact of reduced AFR and increased Financial Penalty Discounts (FPDs)

- 12.3** In Chapter 11 we explain the reduction in AFR and increased FPDs since those estimated in CP12/3.
- 12.4** We recover 94% of our AFR from the 'A' fee-blocks. The reduced overall year-on-year increase in the AFR will also reduce the amount recovered from the individual 'A' fee-blocks, as set out in Table 11.2 in Chapter 11.
- 12.5** The increased FPD will be applied to the relevant fee-blocks in line with our revised financial penalty scheme (FPS), which targets the discounts to the fee-blocks that paid for the enforcement costs. The revised FPS was consulted on in CP11/21 and published in

CP12/3. The FPS is also included in Annex 4 of this Policy Statement. The distribution of the FPD for 2012/13 is given in Chapter 13.

Minimum fee

- 12.6 The final minimum fee will remain at £1,000 as consulted on, for a third year.
- 12.7 Enforcement costs are not allocated to the A.0 fee-block, so under the revised FPS it only attracts FPDs when there is a surplus after the fee-blocks, which paid for the enforcement costs, have been covered. The final net minimum fee will be £988 compared to the £987 consulted on. The net minimum fee for 2011/12 was £832, reflecting the higher financial penalties available to apply as discounts for that year and the previous FPS.
- 12.8 Overall 42% of firms in the 'A' fee-blocks only pay the minimum fee.
- 12.9 The exceptions to the standard minimum fee for smaller credit unions (reduced minimum fee of £160 or £540, depending on size) and smaller non-directive friendly societies (reduced minimum fee of £430) will also remain unchanged from the levels they were before the current full minimum fee structure was introduced in 2010/11.
- 12.10 A full description on how the minimum fees for the A.0 fee-block are calculated is included in Chapter 4.

Variable periodic fees

- 12.11 Costs allocated to the 'A' fee-blocks are recovered on a 'straight line' basis (i.e. in direct proportion to the size of permitted business firms undertake in these fee-blocks). Therefore, the fees firms pay should change broadly in line with the year-on-year percentage movement on the final allocations set out in Table 11.2 in Chapter 11.
- 12.12 However, when calculating the estimated proposed 2012/13 periodic fee rates in CP12/3, we used the latest data on firm populations and tariff data (measures of size of permitted business undertaken by firms in the fee-blocks). The final 2012/13 fee rates are based on the actual tariff data reported by firms that we have received since then, and the number of authorised firms estimated at 1 April to be fee-payers during the year. The latest data is detailed in Table 12.1 at the end of this chapter.
- 12.13 In CP12/3 we included a table (Table 6.2, Chapter 6) that set out the year-on-year percentage change in allocations and compared them with the year-on-year percentage change in provisional fee rates based on our estimates of 2012/13 firm populations and tariff data. The aim was to show whether the impact of estimated tariff data movements would result in higher or lower provisional fee rates than was indicated by the provisional AFR allocations.

- 12.14** We have reproduced this table as Table 12.2 at the end of this chapter and added the year-on-year percentage change based on the final data we have used to calculate the final 2012/13 fee rates. The figures in Table 12.2 are based on the impact of overall tariff data movements on the actual fee rate calculation per unit of tariff data measure. The year-on-year changes in an individual firm's invoiced fees will depend on the year-on-year changes in their specific tariff data.
- 12.15** This shows that overall the final differences between year-on-year changes in AFR allocations and fee rates, which result in higher fee rates are in line with those estimated in CP12/3. The only exception is A.18 (Home finance providers, advisers and arrangers). For A.18 we have seen a reduction, of around 10%, in the income tariff data submitted by firms in this fee-block. Consequently year-on-year final fee rates will go up 9.2%, negating the effect of a 7.3% decrease in the AFR allocated to this fee-block.
- 12.16** Chapter 4 provides further information on our overall policy on the calculation of variable periodic fees for the 'A' fee-blocks.

Consultation responses and our feedback

- 12.17** We asked:

Q1: Do you have any comments on the proposed FSA 2012/13 minimum fees and periodic fee rates for authorised firms?

- 12.18** We received 18 responses to this question, which included both the Practitioner Panel and the Smaller Businesses Practitioner Panel, nine trade associations covering most sectors of the industry and seven insurers.

Consultation response

Overall, respondents opposed the significant increase in the AFR on the back of similar increases in recent years and against a backdrop of harsh economic conditions. There was some acknowledgement that changes needed to be made due to the 2008 crisis and that regulatory reform has increased our costs. However, generally, respondents commented that our costs were out of control or it was not apparent how we were controlling them.

The IS Investment was seen as yet another example of previous 'investments' where we do not feedback on cost savings arising from them highlighting a perceived general lack of transparency.

Our feedback

We recognise the difficult economic circumstances for many firms and we are committed to keeping any essential cost increases to a minimum. The 5.9% increase in our core work programme, which is broadly in line with inflation, reflects this as it will be delivered with no increase in staff levels (for a second year) and contains no significant discretionary initiatives.

Our core work programme for 2012/13 continues to focus our resources on delivering the three core elements of our regulatory approach:

- our intensive and intrusive approach to on-the-ground supervision, both prudential and conduct;
- our credible deterrence agenda; and
- the considerable resources dedicated to shaping and implementing EU and domestic policy and regulations.

The majority of the increase in our AFR (61%) is due to the costs of implementing the government's reform of the UK regulatory framework and the costs of modernising our IS infrastructure to ensure it is a robust platform before the transition to the FCA.

The revised AFR of £559.8m represents an 11.9% increase over 2011/12 (£500.5m) which is a 3.2% reduction from the £578.4m included in CP12/3. Part of this reduction is due to further internal challenge of our costs.

A full account of how the AFR will be used to meet our strategic priorities for 2012/13 was set out in our annual Business Plan (published in March). An outline of this Business Plan was included in CP12/3, which was published in February. As indicated in Chapter 1, for 2013/14 we are planning to align the publication of the fees rates CP with the Business Plan publication. This will

enable fee-payers to comment on the fees rates CP with the full Business Plan available rather than just an outline.

The overall increase in fees will be borne mainly by larger firms, reflecting the resources applied to intensive supervision of high-impact firms. Medium-sized firms will see a proportionate increase reflecting the type of business they conduct. The gross minimum fee of £1,000, which for 42% of firms is the only fee they pay, has remained unchanged for a third year.

In our Business Plan published in March we provided historic comparisons of fees by size of firms. This showed that over time there has been an increase in the proportion of fees paid by the largest firms. Between 2008/9 and 2012/13, the top ten firms by size will have seen the proportion of FSA fees they pay increase from 17% to 31%, and the top 100 an increase from 24% to 29%. Firms outside the top 100 have generally seen a reduction in the proportion of total fees that they pay.

This partly reflects the change we introduced from 2010/2011 to recover costs allocated to the 'A' fee-blocks on a 'straight line' basis (i.e. in direct proportion to the size of permitted business firms undertake in these fee-blocks).

One of our primary accountability mechanisms is our Annual Report, which is made to Treasury and published in June. The Annual Report covers:

- the discharge of the our functions under FSMA;
- the extent to which, in our opinion, the regulatory objectives under FSMA have been met; and
- our consideration of matters mentioned in section 2(3) of FSMA – principles of good regulation, which include having regard to the need to use our resources in the most efficient and economic way.

In our Annual Report for 2012/13 and onwards, an assessment of the benefits of the IS Investment will be included. We stress, however, that such benefits may be derived from improvements in the effectiveness of our regulatory processes and reductions in operational risk and do not always result in cost savings.

Consultation response

Trade associations representing banks, building societies and insurers (and individual insurers) all strongly opposed the above-average year-on-year increase in their respective fee-blocks. The CP12/3 explanation was seen as insufficiently robust and lacking transparency. The Building Societies Association (BSA) also repeated their previous call for mutual building societies to be removed from the A.1 fee-block (Deposit acceptors) given that they represent a lower risk than banks.

Our feedback

The fee-blocks with the above-average year-on-year increase in AFR allocations that these respondents focused on and the explanation provided in CP12/3 are as follows:

| Fee-block | % year on year change on revised allocations | % year on year change on CP12/3 proposed allocations |
|---------------------------------|--|--|
| A.1 Deposit acceptors | 21.1% | 25.2% |
| A.3 Insurers – general | 32.5% | 36.7% |
| A.4 Insurers – life | 33.1% | 37.3% |
| A.10 Firms dealing as principal | 39.3% | 43.7% |

CP12/3 explanation: The 2012/13 AFR allocations across the 'A' fee-blocks mainly reflect the focus of our intensive and intrusive approach to on-the-ground supervision, both prudential and conduct...The focus of our supervisory approach translates to significant above average year-on-year increases for these fee-blocks.... In the case of A.10 this increase also includes the impact of higher enforcement activity focusing on systems and controls in this sector.

We stand by the explanation provided in CP12/3 in so far as it represented the main underlying reasons for the increases. This was subsequently supported in greater depth in our Business Plan published in March. This was covered in the following sections of the Business Plan:

- **Section 3 Delivering financial stability:** Includes the summary of our supervisory strategy for both banks and insurers, how we will be delivering our supervisory capabilities, our policy development work relating to European prudential framework for deposit takers and investment banks and work in relation to the internationally agreed Systemically Important Financial Institutions (SIFIs) policy framework which impact both banks and insurers.
- **Section 5 Delivering consumer protection:** Generally covers how delivering consumer protection includes the intensive supervision of firms and intervening earlier in the development of retail products, while also setting out our planned work for mitigating the risks identified in our 2012 Retail Conduct Risk Outlook (RCRO) published in March, which includes the risks relating to deposit taking and insurance.

We do, however, accept that it would have been more helpful to fee-payers if the Business Plan (and the RCRO) was available at the same time as CP12/3. As indicated in our feedback, we are planning to align the publication of the fees rates CP with the Business Plan for 2013/14.

As we have previously we stated¹⁷, we do not believe the risk differential between mutual building societies and banks accepting deposits is sufficient to warrant a separate fee-block.

¹⁷ Chapter 3 of CP10/5 (published February 2010)

Table 12.1: Comparison of actual tariff data used to set 2012/13 periodic fee rates with that used for 2011/12 fee rates

| Fee-block | Tariff base | 2012/13 (Made fee rates May 2012, using actual 2012/13 population and tariff data) | | | 2011/12 Final (Made fee rates May 2011, using actual 2011/12 population and tariff data) | | |
|-----------|--|---|-------------------|-------------|---|-------------------|-------------|
| | | AFR (£m) | No. of fee-payers | Tariff base | AFR (£m) | No. of fee-payers | Tariff base |
| A.0 | Minimum fee | 18.8 | 19,300 | NA | 18.4 | 18,702 | NA |
| A.1 | Modified eligible liabilities | 171.2 | 938(i) | £3,021.5bn | 141.3 | 792 | £3,049.7bn |
| A.2 | Number of mortgages or other home finance transactions | 13.7 | 317 | £7.6m | 13.0 | 367 | £7.2m |
| A.3 | Gross premium income | | | £61.2bn | | | £58.3bn |
| | Gross technical liabilities | 38.9 | 411 | £131.2bn | 29.4 | 445 | £125.3bn |
| A.4 | Adjusted gross premium income | | | £55.3bn | | | £54.1bn |
| | Mathematical reserves | 59.2 | 233 | £836.4bn | 44.5 | 254 | £840.5bn |
| A.5 | Active capacity | 1.3 | 59 | £24.0bn | 1.1 | 63 | £23.2bn |
| A.7 | Funds under management | 36.1 | 2,491 | £4,324.6bn | 28.2 | 2,506 | £4,364.0bn |
| A.9 | Gross income | 10.7 | 765 | £8.2bn | 10.4 | 760 | £7.7bn |
| A.10 | Traders | 48.1 | 448 | 9,781 | 34.6 | 498 | 10,126 |
| A.12 | Relevant approved persons | 38.6 | 1,871 | 67,137 | 49.7 | 1,807 | 67,691 |
| A.13 | Relevant approved persons | 37.1 | 7,086 | 37,606 | 39.7 | 7,022 | 36,990 |

| | | | | | | | |
|---|---------------------------|------|--------|-----------|------|--------|-----------|
| A.14 | Relevant approved persons | 11.5 | 780 | 7,184 | 18.8 | 843 | 7,321 |
| A.18 | Annual income | 14.0 | 5,473 | £1.1bn | 15.1 | 5,729 | £1.2bn |
| A.19 | Annual income | 23.3 | 12,906 | £14,6bn | 24.9 | 13,354 | £13.8bn |
| A.20 | Volume of Contracts | 2.6 | 80 | £2,008.2m | 2.2 | 75 | £2,275.0m |
| Note (i): The increase in firms is due to the inclusion of Northern Ireland Credit Unions, the regulation of which passed to the FSA from the Northern Ireland Department of Enterprise, Trade and Investment on 31 March 2012. | | | | | | | |

Table 12.2: Impact of firm-driven variations on final 2012/13 periodic fee rates

| Fee-Blocks | 2012/13 year on year change in revised AFR allocations | 2012/13 year on year change in final periodic fee rates | Whether final periodic fee rates change will result in higher or lower fees than indicated by the final AFR allocation changes | 2012/13 year on year change in CP12/3 AFR allocations | 2012/13 year on year change in CP12/3 estimated periodic fee rates | Whether CP12/3 estimated periodic fee rates change resulted in higher or lower fees than indicated by the CP12/3 AFR allocation changes |
|--|--|---|--|---|--|---|
| A.1 Deposit acceptors | 21.1% | 20.5% | Less | 25% | 23% | Less |
| A.2 Home finance providers and administrators | 4.9% | 0.6% | Less | 8% | 7% | Less |
| A.3 Insurers – general | 32.5% | 28.2% | Less | 37% | 29% | Less |
| A.4 Insurers – life | 33.1% | 30.1% | Less | 37% | 34% | Less |
| A.5 Managing Agents at Lloyd's | 13.4% | 8.3% | Less | 17% | 17% | Same |
| A.7 Fund managers | 28.3% | 27.4% | Less | 32% | 32% | Same |
| A.9 Operators, Trustees and Depositaries of collective investment schemes etc | 3.1% | -2.2% | Less | 6% | 8% | Greater |
| A.10 Firms dealing as principal | 39.3% | 44.0% | Greater | 44% | 50% | Greater |
| A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both) | -22.3% | -21.9% | Greater | -19% | -18% | Greater |
| A.13 Advisory arrangers, dealers or brokers (not holding or controlling...) | -6.8% | -7.7% | Less | -3% | 0% | Greater |
| A.14 Corporate finance advisors | -38.9% | -38.0% | Greater | -36% | -37% | Less |
| A.18 Home finance providers, advisers and arrangers | -7.3% | 9.2% | Greater | -4% | 2% | Greater |
| A.19 General insurance mediation | -6.4% | -13.4% | Less | -3% | -9% | Less |
| A.20 Markets in Financial Instruments Directive (MiFID) transaction reporting – targeted recovery of additional IS costs (i) | 17.2% | 1.4% | Less | 17% | 19% | Greater |

(i) This fee-block was set up in 2008/09 to recover, over five years, the targeted additional costs related to transaction reporting arising from MiFID. This fee-block will no longer be used after 2012/13 (being the fifth year of recovery). Applicable firms are in FEES 4 Annex 9.

13

Applying financial penalties in 2012/13

13.1 In this chapter we set out:

- the final financial penalty discounts (FPDs) for 2012/13 and the differences with those included in CP12/3; and
- examples of the targeting effect of our revised Financial Penalty Scheme.

13.2 In some cases, enforcement action can result in a financial penalty being imposed. Fees regarding this are treated as follows:

- Under FSMA, we are required to operate and publish a Financial Penalty Scheme (FPS) to ensure that the financial penalties we impose are applied for the benefit of authorised persons or, in the case of breaches of listing rules, issuers of securities admitted to the Official List and issuers who have requested or approved the admission of financial instruments to trading on a regulated market. Our scheme for applying these penalties is in Annex 4.
- Under the Money Laundering Regulations 2007 (MLRs), the Payment Services Regulations 2009 (PSRs) and the Electronic Money Regulations 2011 (EMRs), we must apply penalties towards the costs of carrying out our functions under those regulations. The Regulated Covered Bonds (RCB) Regulations 2008 mirrors the scheme applied to authorised firms other than RCB-related financial penalties can only be applied to the benefit of RCB issuers. Our policy on applying penalties under these various regulations is in Annex 5.

13.3 During 2011/12 we only received financial penalties in relation to authorised firms under FSMA.

FPDs applied to 2012/13 fees

13.4 Financial penalties received from enforcement activity in 2011/12 were forecast in CP12/3 to be £58.7m. The final actual amount received was higher at £70.7m, which is available to apply as FPDs to 2012/13 fees.

13.5 Table 13.1 shows the final FPDs applied to our 2012/13 fees compared to 2011/12.

Table 13.1: Final FPDs for 2012/13 compared with 2011/12

| Fee-block | 2012/13 Final | | 2012/13 Estimated in CP12/3 | | 2011/12 | |
|--|---|--|---|--|---|--|
| | Penalties to be applied for the benefit of fee payers (£'000) | Reduction in fee payable (%) – see note* | Penalties to be applied for the benefit of fee payers (£'000) | Reduction in fee payable (%) – see note* | Penalties to be applied for the benefit of fee payers (£'000) | Reduction in fee payable (%) – see note* |
| A.0 Minimum fee | 237 | 1.2% | 264 | 1.3% | 3,099 | 16.8% |
| A.1 Deposit acceptors | 14,353 | 8.3% | 9,234 | 5.2% | 24,161 | 17.0% |
| A.2 Home finance providers and administrators | 2,449 | 17.8% | 2,160 | 15.2% | 2,727 | 20.8% |
| A.3 Insurers – general | 1,683 | 4.3% | 2,135 | 5.3% | 4,991 | 16.9% |
| A.4 Insurers – life | 2,870 | 4.8% | 2,700 | 4.4% | 7,553 | 16.9% |
| A.5 Managing Agents at Lloyd's | 16 | 1.2% | 18 | 1.3% | 193 | 16.8% |
| A.6 The Society of Lloyd's | 20 | 1.2% | 22 | 1.3% | 240 | 16.8% |
| A.7 Fund managers | 9,630 | 26.6% | 8,099 | 21.7% | 5,116 | 18.1% |
| A.9 Operators, Trustees and Depositaries of collective investment schemes etc | 3,628 | 33.9% | 3,327 | 30.1% | 1,751 | 16.8% |
| A.10 Firms dealing as principal | 6,174 | 12.8% | 6,288 | 12.6% | 6,444 | 18.6% |
| A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both) | 16,297 | 42.2% | 12,302 | 30.5% | 10,813 | 21.7% |
| A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both) | 4,255 | 11.4% | 4,404 | 11.4% | 7,059 | 17.7% |
| A.14 Corporate finance advisors | 3,054 | 26.6% | 3,018 | 25.0% | 3,844 | 20.4% |
| A.18 Home finance providers, advisers and arrangers | 3,473 | 24.8% | 3,177 | 21.9% | 2,755 | 18.2% |
| A.19 General insurance mediation | 1,949 | 8.3% | 1,485 | 6.1% | 4,331 | 17.3% |
| A.20 Markets in Financial Instruments Directive (MiFID) transaction reporting – targeted recovery of additional IS costs | 32 | 1.2% | 35 | 1.3% | 365 | 16.7% |
| B (Multilateral Trading Facility operators only) | 82 | 9.3% | 82 | 10.0% | 101 | 16.7% |
| E Issuers and Sponsors of securities | 300 | 1.8% | 0 | 0.0% | 672 | 4.7% |
| Total | 70,502 | | 58,752 | | 86,215 | |

* The percentage reduction in fee amount payable has been rounded down

Targeting effect of our revised FPS

- 13.6** The revised FPS was consulted on in CP11/21 and published in CP12/3 and is also included in Annex 4 of this Policy Statement. Our revised FPS targets FPDs to the fee-blocks that paid for the enforcement costs.
- 13.7** The following fee-blocks will receive above average FPDs in 2012/13 which will go some way to mitigating the impact of the AFR allocations in 2011/12 where the increases, above the average of 10.1% for that year, were in part attributed to enforcement activity:
- **A.2 (Home finance providers and administrators):** Firms will receive a 17.8% discount to their 2012/13 fees. AFR allocation for 2011/12 increased by 36% in part reflecting enforcement work on the treatment of customers with mortgages in arrears.
 - **A.9 (Operators/trustees of Collective Investment Schemes):** Firms will receive a 33.9% discount to their 2012/13 fees. AFR allocation for 2011/12 increased by 75% in part reflecting enforcement work in this sector.
 - **A.12 (Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both):** Firms will receive a 42.2% discount to their 2012/13 fees. AFR allocation for 2011/12 increased by 88% in part attributed to increased enforcement focus in this sector.
 - **A.14 (Corporate finance advisors):** Firms will receive a discount of 26.6% to their 2012/13 fees. AFR allocation for 2011/12 increased by 136% in part reflecting enforcement work on market abuse.
- 13.8** Costs of enforcement action can be allocated to fee-blocks over more than one year and may not always cause financial penalties. Financial penalties received in one year are applied as discounts to fees in the following year. Therefore, there will always be a time lag between fee-blocks recovering enforcement-allocated costs and a discount being applied, and not all enforcement action leads to financial penalties.

14

Periodic fees for other bodies

- 14.1** This chapter gives the final 2012/13 fee rates for fee-payers other than authorised firms, which we consulted on in Chapter 8 of CP12/3. These fee-payers are in the:
- B. fee-block, Market Infrastructure Providers;
 - C. fee-block, Collective Investment Schemes;
 - D. fee-block, Designated Professional Bodies;
 - E. fee-block, Issuers and sponsors of securities (UK Listing Authority – UKLA);
 - F. fee-block, Unauthorised mutuals; and
 - G. fee-block, firms registered under the Money Laundering Regulations 2007, firms covered by the Payment Services Regulations 2009 and firms covered by the Electronic Money Regulations 2011.
- 14.2** In Chapter 11 we explain the reduction since CP12/3 in the AFR for 2012/13 and in Table 11.2 of that chapter we set out how this reduction has flowed through to reduced allocations to fee-blocks including the above.
- 14.3** As highlighted in CP12/3 we did not have all the tariff data (measures of size) we needed, where applicable, to calculate the draft fees for consultation. We now have the final tariff data and the final relevant fees included in the tables in this chapter reflect any differences between estimated and final tariff data. None of these tariff data differences result in significantly higher final fees compared to the fees in CP12/3.

Fee-block B: Market Infrastructure Providers

Recognised Investment Exchanges and Recognised Clearing Houses

(FEES 4 Annex 6R Part 1 – final rules in Appendix 1)

- 14.4 The periodic fees for the Recognised Investment Exchanges and Recognised Clearing Houses (collectively ‘UK recognised bodies’) are set on an individual basis for each body and are based on the amount of regulatory resources required. They are payable in two instalments during the year – on 30 April and 1 September. The final fees are detailed in Table 14.1.

Table 14.1: Final periodic fees for UK recognised bodies

| Name of UK recognised body | Proposed 2012/13 fee (£) | Actual 2011/12 fee (£) | Variance |
|---|--------------------------|------------------------|----------|
| Euroclear UK & Ireland Limited | 710,500 | 600,000 | 18% |
| ICE Futures Europe | 615,500 | 500,000 | 23% |
| LIFFE Administration and Management | 885,500 | 750,000 | 18% |
| LCH.Clearnet Limited | 895,000 | 700,000 | 28% |
| The London Metal Exchange Limited | 544,500 | 450,000 | 21% |
| London Stock Exchange plc | 734,000 | 615,000 | 19% |
| Plus Markets plc | 225,500 | 190,000 | 17% |
| European Central Counterparty Ltd | 380,500 | 355,000 | 7% |
| ICE Clear Europe Ltd | 686,500 | 540,000 | 27% |
| Chicago Mercantile Exchange Clearing Europe Ltd | 475,500 | 400,000 | 19% |

Recognised Overseas Investment Exchanges (ROIEs) or Recognised Overseas Clearing Houses (ROCHs)

(FEES 4 Annex 6R Part 2 – final rules in Appendix 1)

- 14.5 For 2012/13 the final minimum fee for ROIEs is £50,000 an increase of 25% compared with 2011/12 (£40,000). The final fees for ROCHs is £85,000 an increase of 21% compared with 2011/12 (£70,000) or £125,000 an increase of 25% compared with 2011/12 (£100,000) as set out in Appendix 1.

Multilateral Trading Facilities (MTFs)

(FEES 4 Annex 10R – final rules in Appendix 1)

- 14.6 The periodic fees for MTFs are set on an individual basis and are based on the amount of regulatory resources required. The final fees are detailed in Table 14.2.

Table 14.2: Final periodic fees for MTFs

| Organisation | Proposed 2012/13 fee (£) | Actual 2011/12 fee (£) | Variance |
|---|--------------------------------|------------------------------|----------|
| Chi-X Europe Limited | 175,000 | 130,000 | 35% |
| BATS Trading Limited | 109,000 | 80,000 | 36% |
| Turquoise Global Holdings Ltd | 165,000 | 80,000 | 106% |
| Liquidnet Europe Limited | 83,000 | 70,000 | 19% |
| EuroMTS Limited | 35,500 | 30,000 | 18% |
| SmartPool Trading Limited | 26,500 | 22,500 | 18% |
| Baltic Exchange Derivatives Trading Ltd | 23,500 | 20,000 | 18% |
| Tradeweb Europe Limited | 16,000 | 13,000 | 23% |
| Cantor Index Limited | 10,000 | 8,000 | 25% |
| ICAP Electronic Broking Limited | 7,800 | 6,250 | 25% |
| UBS Limited | 5,000 | 4,000 | 25% |
| Barclays Bank Plc | 5,000 | 4,000 | 25% |
| BGC Brokers LP | 5,000 | 4,000 | 25% |
| GFI Brokers Limited | 5,000 | 4,000 | 25% |
| GFI Securities Limited | 5,000 | 4,000 | 25% |
| Icap Energy Limited | 5,000 | 4,000 | 25% |
| ICAP Europe Limited | 5,000 | 4,000 | 25% |
| ICAP Securities Limited | 5,000 | 4,000 | 25% |
| ICAP Shipping Tanker Derivatives | 5,000 | 4,000 | 25% |
| ICAP-WCLK Limited | 5,000 | 4,000 | 25% |
| My Treasury Limited | 5,000 | 4,000 | 25% |
| TFS-ICAP Limited | 5,000 | 4,000 | 25% |
| Tradition (UK) Limited | 5,000 | 4,000 | 25% |
| Tradition Financial Services Limited | 5,000 | 4,000 | 25% |
| Tullet Prebon (Europe) Limited | 5,000 | 4,000 | 25% |
| Tullet Prebon (Securities) Limited | 5,000 | 4,000 | 25% |
| MF Global Limited | N/A | 4,000 | N/A |
| J.P.Morgan Cazenove Limited | N/A | 4,000 | N/A |
| Nomura International Ltd | 5,000 | 4,000 | 25% |
| Sigma X MTF | N/A | 4,000 | N/A |
| Goldman Sachs International | 5,000 | 4,000 | 25% |

| Organisation | Proposed 2012/13 fee (£) | Actual 2011/12 fee (£) | Variance |
|--|--------------------------|------------------------|----------|
| Credit Agricole Chevreux International | 5,000 | 4,000 | 25% |
| iSWAP Euro Ltd | 5,000 | N/A | N/A |

In the case of an EEA firm that:

(a) has not carried on the activity of operating a multilateral trading facility in the UK at any time in the calendar year ending 31 December 2011; and

(b) notifies the FSA of that fact by the end of March 2012;

the fee is zero.

In any other case the final fee is £4,400 an increase of 25% compared with 2011/12 (£4,400).

Service companies

(FEES 4 Annex 2R Part 1 – final rules in Appendix 1)

14.7 The final fees for service companies are detailed in Table 14.3.

Table 14.3: Final periodic fees for service companies

| Organisation | Actual 2012/13 fee (£) | Actual 2011/12 fee (£) | Variance |
|--------------------|------------------------|------------------------|----------|
| Bloomberg LP | 51,750 | 45,000 | 15% |
| LIFFE Services Ltd | 40,250 | 35,000 | 15% |
| OMGEO Ltd | 40,250 | 35,000 | 15% |
| Reuters Ltd | 51,750 | 45,000 | 15% |
| Swapswire Ltd | 40,250 | 35,000 | 15% |

Fee-block C: Collective Investment Schemes

(FEES 4 Annex 4R – final rules in Appendix 1)

14.8 The final fee rates are detailed in Table 14.4, which continue to be maintained at 2011/12 levels for 2012/13, reflecting an increase in the number of funds from which the allocated AFR is recovered.

Table 14.4: Final periodic fees

| Scheme type | Total aggregate number of funds/sub-funds | Actual 2012/13 Fee (£) | Actual 2011/12 Fee (£) | Variance |
|---|---|------------------------|------------------------|----------|
| ICVC, AUT, Section 264 of FSMA or Section 270 of FSMA | 0-2 | 580 | 585 | -0.9% |
| | 3-6 | 1,450 | 1,463 | -0.9% |
| | 7-15 | 2,900 | 2,925 | -0.9% |
| | 16-50 | 6,380 | 6,435 | -0.9% |
| | >50 | 12,760 | 12,870 | -0.9% |
| Section 272 of FSMA | 0-2 | 2,360 | 2,380 | -0.8% |
| | 3-6 | 5,900 | 5,950 | -0.8% |
| | 7-15 | 11,800 | 11,900 | -0.8% |
| | 16-50 | 25,960 | 26,180 | -0.8% |
| | >50 | 51,920 | 52,360 | -0.8% |

FEE-block D: Designated Professional Bodies (DPBs)

(FEES 4 Annex 5R – final rules in Appendix 1)

- 14.9 We set individual periodic fees for each DPB, based on the number of exempt professional firms in each body. Every DPB pays £10,000 for its first exempt professional firm. The balance allocation is then distributed in proportion to the remaining exempt professional firms reported by each DPB. The final periodic fees are detailed in Table 14.5.

Table 14.5: Final periodic fees

| Name of DPB | Actual 2012/13 fee (£) | Actual 2011/12 fee (£) | Variance |
|---|------------------------|------------------------|----------|
| The Law Society of England and Wales | 64,830 | 73,190 | -11.4% |
| The Law Society of Scotland | 13,080 | 13,990 | -6.5% |
| The Law Society of Northern Ireland | 12,500 | 12,920 | -3.3% |
| The Institute of Actuaries | 10,090 | 10,110 | -0.2% |
| The Institute of Chartered Accountants in England and Wales | 22,340 | 24,660 | -9.4% |
| The Institute of Chartered Accountants of Scotland | 11,030 | 11,200 | -1.5% |
| The Institute of Chartered Accountants in Ireland | 10,560 | 10,650 | -0.8% |
| The Association of Chartered Certified Accountants | 15,960 | 16,980 | -6.0% |
| Council for Licensed Conveyancers | 11,080 | 11,230 | -1.3% |
| Royal Institute of Chartered Surveyors | 13,360 | 13,800 | -3.2% |

Fee-block E: Issuers and sponsors of securities (UKLA)

(FEES 4 4.2.11R Table of periodic fees and FEES 4 Annex 7R and 8R – final rules in Appendix1)

Issuers

- 14.10** The final annual fee for listed issuers of securitised derivatives is £4,200 an increase of 13.5% compared with 2011/12 (£3,700). The annual fees for all other listed issuers are set out in Table 14.6.

Table 14.6: Final UKLA periodic fees for other listed issuers (FEES 4 Annex 7)

| Fee payable * | Actual 2012/13 | | Actual 2011/12 | | Variance |
|------------------------------------|----------------|----------------|----------------|----------------|----------|
| | Rate | Fee at maximum | Rate | Fee at maximum | |
| £ million of Market capitalisation | | | | | |
| Minimum fee | n.a. | 4,200 | n.a. | 3,700 | 13.5% |
| >100 – 250 | 26.778459 | 8,217 | 23.593356 | 7,239 | 13.5% |
| >250 – 1,000 | 10.710673 | 16,250 | 9.436716 | 14,317 | 13.5% |
| >1,000 – 5,000 | 6.592859 | 42,621 | 5.808686 | 37,551 | 13.5% |
| >5,000 – 25,000 | 0.160820 | 45,838 | 0.141692 | 40,385 | 13.5% |
| >25,000 | 0.051957 | - | 0.045777 | - | - |

* Issuers solely with a listing of equity securities of an overseas company which is not a primary listing pay 80% of the fee otherwise payable

- 14.11** The final annual fee in relation to the disclosure and transparency rules for all non-listed issuers of securitised derivatives is £3,360 an increase of 13.5% compared with 2011/12 (£2,960) and for all non-listed issuers of depositary receipts and global depositary receipts is £2,688 a decrease of 24.3% compared with 2011/12 (£3,552). The annual fees for all other non-listed issuers are set out in Table 14.7.

Table 14.7: Final UKLA periodic fees for other non-listed issuers (FEES 4 Annex 8)

| Fee payable | Actual 2012/13 | | Actual 2011/12 | | Variance (%) |
|-----------------|------------------------------------|--------|----------------|--------|--------------|
| | £ million of Market capitalisation | Rate | Fee at maximum | Rate | |
| Minimum fee | n.a. | 3,360 | n.a. | 2,960 | 13.5% |
| >100 – 250 | 21.422767 | 6,573 | 18.8747 | 5,791 | 13.5% |
| >250 – 1,000 | 8.568538 | 13,000 | 7.5494 | 11,453 | 13.5% |
| >1,000 – 5,000 | 5.274287 | 34,097 | 4.6469 | 30,041 | 13.5% |
| >5,000 – 25,000 | 0.128656 | 36,670 | 0.1134 | 32,308 | 13.5% |
| >25,000 | 0.041565 | - | 0.0366 | - | - |

Sponsors

- 14.12 The final 2012/13 annual periodic fee for sponsors continues to be maintained at £20,000 the same level as 2011/12.

Fee-block F: Unauthorised mutuals

(Final rules in Appendix 2)

- 14.13 The final fees are detailed in Table 14.8.

Table 14.8: Final periodic fees for unauthorised mutuals

| Total assets (£'000) | Actual 2012/13 fee (£) | Actual 2011/12 fee (£) | Variance |
|----------------------|------------------------|------------------------|----------|
| 0 – 50 | 55 | 55 | 0% |
| > 50 – 100 | 110 | 110 | 0% |
| > 100 – 250 | 180 | 180 | 0% |
| > 250 – 1,000 | 235 | 235 | 0% |
| > 1,000 | 425 | 425 | 0% |

Fee-block G: Firms registered under the Money Laundering Regulations 2007

- 14.14 The final annual fee for firms registered with us under the money laundering regulations continues to be maintained at £400 for 2012/13. [Fee-block G.1]

Fee-block G.: Firms covered by the Payment Services Regulations (PSRs) 2009

(FEES 4 Annex 11R – Final rules in Appendix 1)

- 14.15 The final fee rates are detailed in Tables 14.9 and 14.10 and reflect that, in 2011/12, we completed the recovery of our set-up costs for the scope change resulting from the introduction of the PSRs.

Table 14.9: Certain deposit acceptors (includes banks and building societies) [G.2 fee-block]

| Minimum fee (£) | 400 | | |
|--|-------------------------------|----------------|----------|
| £ million or part £m of Modified Eligible Liabilities (MELS) | Fee (£/£m or part £m of MELS) | | |
| | Actual 2012/13 | Actual 2011/12 | Variance |
| > 100,000 | 0.29055 | 0.45265 | -36% |
| > 250,000 | 0.29055 | 0.45265 | -36% |
| > 1,000,000 | 0.29055 | 0.45265 | -36% |
| > 10,000,000 | 0.29055 | 0.45265 | -36% |
| > 50,000,000 | 0.29055 | 0.45265 | -36% |
| > 500,000,000 | 0.29055 | 0.45265 | -36% |

Table 14.10 – Large payment institutions and other institutions [G3. and G.5 fee-block]

| Minimum fee (£) | 400 | | |
|---|---|----------------|----------|
| £ thousands or part £ thousand of Relevant Income | Fee (£/£thousand or part £ thousand of Relevant Income) | | |
| | Actual 2012/13 | Actual 2011/12 | Variance |
| > 100,000 | 0.19415 | 0.29950 | -35% |
| > 250,000 | 0.19415 | 0.29950 | -35% |
| > 1,000,000 | 0.19415 | 0.29950 | -35% |
| > 10,000,000 | 0.19415 | 0.29950 | -35% |
| > 50,000,000 | 0.19415 | 0.29950 | -35% |
| > 500,000,000 | 0.19415 | 0.29950 | -35% |

- 14.16 The final annual fee for small payment institutions continues to be maintained at £400 for 2012/13. [Fee-block G.4]

Fee-block G: Firms subject to the Electronic Money Regulations 2011 (EMRs)

(FEES 4 Annex 11R – final rules in Appendix 1)

- 14.17** The final fee rates for large electronic money institutions (EMIs) under the EMRs reflect the change in the way we calculate average outstanding electronic money as the tariff base on which we consulted in CP11/21 and we provides feedback in Chapter 14 of CP12/3.

Table 14.11: Large electronic money institutions [G.10 fee-block]

| | Actual 2012/13 (£) | Actual 2011/12 (£) |
|--|-------------------------------|-------------------------------|
| Minimum Fee | 1,500.00 | 1,500.00 |
| £m or part £m of average outstanding electronic money (AOEM) | Fee (£/£m or part £m of AOEM) | Fee (£/£m or part £m of AOEM) |
| >5,000,000 | 180.00 | 150.00 |

- 14.18** The final annual fee for small EMIs will continue to be maintained at £1,000 for 2012/13 the same as levied in 2011/12.[Fee-block G 11]

Fee-block G: Firms subject to the Regulated Covered Bonds Regulations 2008 (RCBs) (Fee-block G.15)

(FEES 4 Annex 11R – Final rules in Appendix1)

- 14.19** The final 2012/13 periodic fees for RCBs reflecting the original consultation under CP11/21 (Chapter 5) and that carried out under CP12/3 (Chapter 8), which took account of the responses we received from CP11/21, are as follows:
- Minimum fee: Based on 75% of the total amount allocated to G.15 divided by the number of programmes, with the first programme of each issuer attracting 100% of the minimum fee and all subsequent programmes attracting 75% of the minimum fee. This results in a minimum fee of £83,590 for the first programme for each issuer and £62,692 for subsequent programmes; and
 - Variable periodic fee: Based on a tariff base of RCBs issued in the 12 months ending 31 December 2011. This results in a fee rate of £10.28 per £m or part £m of regulated covered bonds issued.

Consultation responses and our feedback

14.20 The questions we consulted on were:

Q2: Do you have any comments on the proposed FSA 2012/13 minimum fees and periodic fee rates for fee-payers other than authorised firms?

Q3: Do you have any comments on which basis we should use to calculate periodic fees for the issuers of regulated covered bonds?

14.21 To Q2 we received eleven responses from market Infrastructures relating to fee-block B. We highlight below the key issues raised and provide our feedback.

14.22 To Q3 we received one response from a trade association which supported the alternative proposals in CP12/3 and we have proceeded on this basis for the final fees.

Consultation response

B. Recognised Exchanges, Clearing Houses Recognised Exchanges, Multilateral Trading Facilities (MTFs) and Service Companies ('Infrastructures').

Respondents opposed the above average year-on-year increase in the fees for Infrastructures. They focused on what they saw as the lack of transparency on the extent they were picking up all the costs of the significant EU driven policy work streams referred to in CP12/3, and overall lack of transparency in the way their fees are calculated.

OUR FEEDBACK

As stated in CP12/3 the allocation to the B fee-block reflects the increased resources covering both the supervision of the Infrastructures and, in particular, developing and implementing the markets-facing elements of significant EU driven policy work streams for the:

- Markets in Financial Instruments Directive (MiFID);
- European Markets Infrastructure Regulations (EMIR);
- Regulation on Energy Markets Integrity and Transparency (REMIT);
- Market Abuse Directive (MAD);
- Securities Law Directive (SLD); and

- Central Securities Depository (CSD) Legislation.

We emphasise that the costs for the above EU-driven policy workstreams allocated to the B fee-block represents only an element of those costs. We have allocated most of our costs for this work to other fee-blocks.

The increase also reflects costs associated with implementing a greater focus on the supervision of MTFs to ensure a more consistent approach across all Infrastructures.

The overall way we allocate our costs to fee-blocks, including the B fee-block, is detailed in Chapter 4. The fees to recover the allocated costs from the Infrastructures fee-payers are individually set based on the resources required to regulate them. MTFs include some degree of flat-fees. We write to each fee-payer each year advising them of their fees and further explain that there are five main elements to the costs met by the B fee-block:

- direct costs of the Market Infrastructure and Policy Department;
- other Markets Division direct costs;
- costs to the Markets Division of work performed by other specialist parts of the FSA;
- a contribution to the FSA's central management functions; and
- a contribution to overheads (which includes the non-staff costs of the Markets Division).

We believe the above information provides transparency on how the B fee-block fees are calculated and is line with the detail we provide for fee-payers in all other fee-blocks.

PART B

Regulatory fees and levies 2012/13

Section 5: Feedback on regulatory fees policy proposals 2012/13

- 15. Special project fees for Solvency II
- 16. Other policy proposals

15

Special project fees for Solvency II

(FEES 4, Annex 2R – final rules in Appendix 1)

- 15.1** In Chapter 9 of CP12/3, we proposed draft 2012/13 rates for special project fees (SPFs), which were established to recover the project development and implementation costs of the EU Solvency II Directive (SII). This chapter sets out the final amounts to be recovered through the 2012/13 SII SPF rates highlighting changes since consultation which have materially impacted the calculation of final rates and our feedback on responses we received to the consultation. Firms affected by this chapter will be in fee-blocks:
- A.3 (Insurers – general);
 - A.4 (Insurers – life); and
 - A.6 (The Society of Lloyd’s).
- 15.2** The SII SPFs are made up of the Internal Model Approval Process (IMAP) SPF and the non-IMAP SPF.
- 15.3** The SII SPFs are outside our annual funding requirement (AFR), the recovery of which is discussed in Chapters 11 to 14.

Overall SII SPF recovery for 2012/13

- 15.4** The IMAP and non-IMAP SPF draft rates for 2012/13 included in CP12/3 were dependent on the final SII SPF under spend for 2011/12 and final budgets for 2012/13. The final under spend is higher and the final budgets are lower than estimated in CP12/3. This

means that the total final SII SPF recovery for 2012/13 is £15m compared with the £25.9m estimated in CP12/3. This represents a final year-on-year decrease of 44% compared with the 3% decrease estimated in CP12/3.

Table 15.1 sets out the estimated figures as they were stated in the CP12/13 and the final figures taking into account the actual under spend for 2011/12 and revised budgets for 2012/13.

Table 15.1: SII SPF estimated and final recovery for 2012/13

| | CP12/3 | | | Final | | |
|---|--------|----------|-------|-------|----------|-------|
| | IMAP | Non-IMAP | Total | IMAP | Non-IMAP | Total |
| | (£m) | (£m) | (£m) | (£m) | (£m) | (£m) |
| 2011/12 Final recovery from firms | 15.8 | 17.6 | 33.4 | 15.8 | 17.6 | 33.4 |
| 2010/11 Under spend reimbursed to firms (i) | -6.6 | N/A | -6.6 | -6.6 | N/A | -6.6 |
| 2011/12 Final recovery from firms net of reimbursement (1) | 9.2 | 17.6 | 26.8 | 9.2 | 17.6 | 26.8 |
| 2012/13 Estimated/final costs | 11.5 | 24.7 | 36.2 | 12.0 | 18.4 | 30.4 |
| Less 2011/12 Estimated/final under spend | -5.1 | -5.2 | -10.3 | -5.0 | -10.4 | -15.4 |
| 2012/13 Estimated/final recovery from firms (2) | 6.4 | 19.5 | 25.9 | 7.0 | 8.0 | 15.0 |
| Year-on-year change between (1) and (2) | -30% | 11% | -3% | -24% | -55% | -44% |

Note (i) The 2010/11 under spend for IMAP was reimbursed to firms via a credit set-off against their periodic fees for 2011/12 rather than off-set against the 2011/12 IMAP budget. This was because the population of firms that paid the IMAP fee in 2010/11 was substantially different to the population that paid the IMAP fee in 2011/12. This adjustment is made in this table to enable a year on year comparison to be made. No adjustment is necessary for the non-IMAP fee as the 2010/11 under spend was off-set against the 2011/12 budget.

- 15.5** The final SII SPF rates have been calculated based on these revised figures and are included in the final rules Appendix 1 of this policy statement. Please note how the terms used in this paper relate to those used in Appendix 1 as follows:

| Terms in this paper | | Terms in final rules in Appendix 1 |
|---------------------------|------------------|------------------------------------|
| 'IMAP SPF' | Relate to | 'Solvency 2 Special Project Fee' |
| 'non-IMAP SPF' | Relate to | 'Solvency 2 Implementation fee' |
| 'pre-application process' | Relate to | 'pre-IMAP status' |

- 15.6** The methodology for calculating the IMAP and non-IMAP SPFs was detailed in Chapter 9 of CP12/3 and has not changed.

Consultation responses and our feedback

15.7 The questions we consulted on in CP12/3 Chapter 9 were:

Q4: Do you have any comments on the proposed IMAP SPF for 2012/13 or the proposed circumstances under which it will be payable by firms?

Q5: Do you have any comments on the proposed non-IMAP SPF for 2012/13?

15.8 We received eight responses which included three trade associations and five insurance firms. We highlight here the issues raised and provide our feedback.

Consultation response

Overall, respondents said we are spending too much on SII. Also, that we continue to under spend and should budget more realistically. Given that the go-live date for the new regulators is currently expected to be 1 January 2013, respondents asked us to confirm that there will be no IMAP SPF for 2013/14.

OUR FEEDBACK

We continue to operate within our previous estimate that the costs would be in a range of £100m to £150m over the life of the SII implementation programme.¹⁸

As stated in CP12/3 the IMAP SPF recovers the costs of developing and implementing the framework relating to our internal model approval process. It also recovers our costs of considering internal models submitted for review by firms. The non-IMAP SPF recovers the other SII implementation costs, which include the costs of staff recruitment, staff training, revised supervisory processes (other than IMAP) and developing and putting in place the technology required to support SII reporting and supervisors.

In our *Business Plan* published in March we provided detail on the activities relating to 2012/13:

- We will begin to receive submissions from internal model firms from 30 March 2012 according to their allocated submission slot. For firms intending to use the standard formula, our working assumption is that from 1 January 2013, we

¹⁸ Chapter 14 of CP10/5 (published February 2010)

will be open to receive submissions in respect of all approvals that firms will require from 1 January 2014. We may exercise our discretion to deal earlier with more complex issues.

- We will develop and deliver the design and build of the processes required for implementation on 1 January 2014 and beyond, where policy developments allow us to do this.
- We will work with firms on the implications of the change from a paper based to an electronic reporting process.
- We will provide UK-specific regulatory reporting templates, with supporting systems and materials for firms and FSA staff to complement the EU-wide material.
- We will deliver the required training and support, internally and externally.

With regard to realistic budgeting, the EU timetable for implementation has continued to experience delay which defers some of the expenditure we expected to make in one year to the following year. The final non-IMAP budget for 2012/13, which has significantly reduced to £18.4m (from £24.7m in CP12/3), also reflects a robust internal challenge of both the level and timing of our expected expenditure.

The above current EU timetable means that we expect to continue to levy both an IMAP and non-IMAP SPF in 2013/14.

Consultation response

Individual respondents said the following:

- Can the FSA confirm that the IMAP SPF makes allowances for firms being required to undertake specific reviews commissioning independent assurance?
 - The FSA should publish a forward budget for 2013/14.
 - When accounting to firms for the 2011/12 IMAP SPF under spend, refunds should be made at a firm level as the FSA did in 2011/12 for 2010/11 under spend.
-

OUR FEEDBACK

Our feedback on each of the above three comments is as follows:

- As is the case with our periodic fees we only recover FSA costs. Costs that firms incur to meet their regulatory obligations are not taken into account in setting any fees.
 - As is the case with our general funding, we only publish budgets for the following financial year.
 - 2011/12 was an exception as we changed the way we levied the fee from the previous year and there were many firms that would not have benefited from the under spend being off-set against the budget for the following year. The under spend covered by reducing the budget for 2012/13 means that firms who have left the pre-application process are treated no differently to firms who chose to no longer carry out any regulated activities and cease to be authorised in one year. Such firms miss out on any under spend in our annual funding requirement carried forward to the next year for periodic fees purposes.
-

16

Other policy proposals

16.1 This chapter presents our feedback on the comments we received on a number of policy proposals we consulted on in CP12/03, on which we have not already fed back in HN 118 (March 2012) and HN 119 (April 2012):

- payment services providers and electronic money issuers – notification of agents;
- restructuring special project fees – revised hourly rates; and
- policy clarification – valuing derivatives in fund management.

Payment services providers and electronic money issuers – notification of agents

16.2 We proposed in CP12/03 to modify our charging structure for notifications of agents by authorised payment institutions (APIs), so that it more closely reflects our actual costs, and extend it to authorised electronic money issuers (AEMIs).

Authorised payment institutions (APIs)

16.3 When we introduced application fees for APIs in 2009, we applied additional bandings to recoup the administrative costs of authorising the networks of agents which we knew that a number of APIs would operate through:

- £12,500 for applicants with over 2,500 agents; and
- £25,000 for applicants with over 5,000 agents.

16.4 Since we had not at that time processed any payment services applications, these reflected our best estimates of the costs that might be involved. They were in addition to the

application fees paid by all APIs, whether or not they have agents, which are dependent on the payment services activities applied for:

- £1,500 for money remittances and transactions where consent is given via a telecommunication, digital or IT device.
- £5,000 for more complex payment services, e.g. operating payment accounts, execution of direct debits, or issuing payment instruments such as payment cards, credit/debit cards, etc).

We did not propose any changes to the standard application fees.

16.5 With two years' experience of administering the PSRs, it has become clear that agent networks are more volatile than we anticipated, and that notifications take place not only at the application stage, but after authorisation. In addition, some agents move between APIs and some belong to several networks. All these have to be registered individually with us. Consequently, the additional costs were being picked up by the other APIs.

16.6 Having monitored the actual resources involved in handling notifications, we established that the average cost to us is £3 per notification, so we were able to dispense with the original broad bandings. Instead, we proposed to charge APIs £3 for each agent notification. This will restrict the costs to the specific APIs that have generated the work, avoiding cross-subsidy. As well as modifying the application charges, we also proposed to bring in annual charges to cover notifications submitted after authorisation:

- Firms applying for authorisation will pay an agent registration fee of £3 per agent when they submit their applications. This will be in addition to the £1,500 or £5,000 application fee.
- Firms that notify us of changes in their networks of agents after authorisation will be charged an agent notification fee of £3 per notification. This will apply to all the amendments we have to register – i.e. registering new agents, deleting existing entries or modifying the details of agents. Because it would not be cost effective – for us or firms – to pay separately for each transaction, we will charge annually in arrears, sending one invoice for all notifications during the previous calendar year ending 31 December. Since it is not cost effective for us to issue small invoices, we will not charge firms if the total number of notifications in any year is 100 or less.

Authorised electronic money issuers (AEMIs)

16.7 There have not yet been any examples of AEMIs operating through networks of agents, but some APIs with agents have told us they are considering re-registering as AEMIs, so similar concerns about cross-subsidy may arise in the future. Consequently, we decided to apply exactly the same terms to AEMIs – i.e. a charge of £3 per agent when they apply for authorisation and an annual charge for subsequent notifications, at £3 per notification.

16.8 We asked:

Q6: Do you agree with our proposal to: replace the agent bandings for authorised payment institution applications with an agent registration fee; introduce an agent notification fee in arrears for all notifications during the previous calendar year; and extend this structure to authorised electronic money issuers?

Consultation responses

We received no comments on our proposals.

Our feedback

We are accordingly proceeding with our proposals unchanged.

Restructuring Special Project Fees (SPFs) – revised hourly rates

- 16.9 These SPFs are levied to recover our exceptional supervisory costs incurred where a firm undertakes certain restructuring transactions e.g. restructuring of regulatory capital or raising additional capital. Our policy for charging restructuring SPFs and other types of SPFs is detailed in Chapter 7 of our annual Consolidated Policy Statement (PS11/7 published May 2011).
- 16.10 The restructuring SPF is only charged where our additional costs (internal and external) exceed £50,000. For our internal costs the SPF is calculated based on the number of hours individuals work on the specific restructuring transaction. Our hourly rates are based on the costs we use for funding our projects internally. These are average staff costs per hour of each grade within each of the key functions that could be involved in a particular transaction. The existing hourly rates were set in 2008 when this SPF was introduced for 2009/10. We proposed to update these rates in line with those we currently use for internal project accounting purposes, as set out in Table 17.1.

Table 16.1: Proposed revised hourly rates

| Supervision, Policy General Counsel, etc | (1) Existing hourly rate (i) | (2) Proposed revised hourly rate |
|---|------------------------------|----------------------------------|
| Administrator | £25 | £30 |
| Associate | £50 | £55 |
| Technical specialist | £85 | £100 |
| Manager | £90 | £110 |
| Any other person employed by the FSA (ii) | £135 | £160 |
| Notes: | | |
| (i) Hourly rate is average across each function for each grade. | | |
| (ii) Relates to time spent by a head of department, director, a managing director or the chief executive officer. | | |

16.11 The question we consulted on was:

Q8: Do you have any comments on the proposed revised hourly rates for restructuring SPFs?

Consultation responses

We received three responses on this proposal, two from trade associations and one from a firm. The two trade associations overall supported the proposal. One of them commented that it may be useful to clarify to what degree we have benchmarked this increase externally. The response from the firm only commented that the increase covers the period since 2008 which has been at a time when financial firms are reducing staff budgets.

Our feedback

We are proceeding with our proposal unchanged. The hourly rates we use for internal project management purposes and on which these SPF rates are based are not benchmarked externally. The purpose of this SPF is to target the recovery of exceptional supervisory costs to the firms that cause them rather than other firms picking up those costs. The increase in the hourly rates is aimed at meeting this purpose effectively. We therefore intend to review these rates again in future.

Policy clarification – valuing derivatives in fund management

- 16.12** We proposed to clarify how fund managers in fee-block A.7 should calculate the valuation of derivatives for overlay portfolios. Recent queries from firms had indicated that there might be a risk of inconsistent reporting, both between firms and over time within firms. The fees of fund managers are based on the total value of funds under management. Valuing physical assets such as cash, bonds and equities is straightforward, but when the funds include derivative instruments, there are alternative options. This can become more complex when two firms are involved, one managing the underlying assets, the other managing an overlay portfolio of derivatives. When calculating funds under management for the overlay portfolio, a firm might use its exposure value, the value of the physical assets under its control, or the value of the underlying assets. In our view, the correct interpretation for fees purposes is the fair value of the investment portfolio combining the underlying assets with the derivative overlay. This calculation reflects revised guidance that we introduced in April 2012 (Handbook Notice 119) for SUP 16 Annex 25G, following consultation in December 2011 (CP11/27).
- 16.13** We added a proviso, that if the assets were being managed by another firm within the same group, who have reported their value to us separately, then to avoid double-counting within the group, it would be reasonable to restrict the calculation to the fair value of the overlay. The issue does not arise where the assets are being managed by a firm outside the group because we are looking for a measure of the full range of the exposures of both firms to the market.
- 16.14** We proposed to direct fund managers in fee-block A.7 to apply the definition in SUP 16 Annex 25G when valuing their derivative instruments, but to exclude underlying assets from the calculation when these are managed by another firm within the same group who reports its value separately to us.
- 16.15** We asked:

Q9: Do you agree with our proposal to direct fund managers to the guidance in SUP16 Annex 25G when calculating the value of their derivative instruments, subject to the proviso on underlying assets that are reported separately within the same group?

Consultation responses

We received only one response, from a fund manager who agreed with our proposal but considered it to be unclear and wanted to follow it up with us privately.

Our feedback

We are proceeding with our proposals unchanged.

PART B

Regulatory fees and levies 2012/13

Section 6: Funding the Financial Ombudsman Service

17. Financial Ombudsman Service general levy 2012/13

17

Financial Ombudsman Service general levy 2012/13

(FEES 5 Annex 1 – see Appendix 1)

- 17.1** In chapter 12 of CP12/03, we consulted on the tariff rates for the Financial Ombudsman Service's (FOS's) general levy for 2012/13.
- 17.2** The ombudsman service separately consulted on its case fees, and its total budget, which were approved by our Board in March 2012. The total budget for 2012/13 is £191.1m. The FOS also consulted on its general reserve, which it has set at £30m for 2012/13.
- 17.3** The annual budget for 2012/13 is a 60% increase on the 2011/12 budget of £119.7m. The increase is driven primarily by an expected increase in the number of new complaints about PPI in 2012/13. The FOS expects to close 260,000 cases in 2012/13 compared with 213,500 for 2011/12. It is expected that just under half of those complaints are likely to be about the sale of PPI.
- 17.4** Details of the FOS's consultation, and final budget and plan, are available on its website: www.financial-ombudsman.org.uk/news/updates/planandbudget-2012-13-approved.html

General levy/case fee split 2012/13

- 17.5** The FOS is funded by a combination of annual fees (including the compulsory jurisdiction (CJ) general levy, which we collect) and case fees (collected by the FOS).
- 17.6** All authorised firms pay a general levy, even if they have not had any cases referred to the FOS, unless they have notified us that they are exempt.¹⁹

¹⁹ Under DISP1.1.12R, a firm or payment service provider falling within the compulsory jurisdiction which does not conduct business with eligible complainants and has no reasonable likelihood of doing so, can, by written notification to the FSA, claim exemption from the rules relating to the funding of the Financial Ombudsman service.

- 17.7** The general levy for 2012/13 will be set at £19.1m. The amount raised from firms in the CJ will be £17.7m, unchanged from 2011/12. The general levy represents 9% of the FOS's total budget for 2012/13, compared with 14% in 2011/12. This means that the firms generating complaints will pay a greater proportion of the FOS's costs than the firms which generate few or no complaints.
- 17.8** The case fee is paid by firms that have cases referred to the ombudsman service. There will be no change to the standard case fee (£500) or number of free cases (three) for 2012/13. But in 2012/13 firms will also incur a PPI supplementary case fee of £350 for the 26th and any subsequent cases involving the mis-sale of PPI. This supplementary case fee will be charged once the complaint is formally taken on by the FOS.

FOS general levy categories

- 17.9** The FOS categorises firms into three groups for the purposes of paying the general levy: the CJ; voluntary jurisdiction; and consumer credit jurisdiction.²⁰ The total budget for 2012/13 divided between jurisdictions is as follows:

Table 17.1: Division of FOS 2012/13 budget across jurisdictions

| 2012/13 | £m | % |
|--------------------------------------|--------------|------------|
| Compulsory jurisdiction ¹ | 186.9 | 97.8 |
| Voluntary jurisdiction | 1.3 | 0.7 |
| Consumer credit jurisdiction | 2.9 | 1.5 |
| Total | 191.1 | 100 |

FSA consultation

- 17.10** In CP12/03, we consulted on the allocation of the general levy across the industry blocks that make up FOS's CJ. We set this based on the resources the FOS has budgeted to deal with the number of cases it expects to receive from firms in each block.²¹ We asked:

Q8: *Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?*

²⁰ All businesses licensed by the Office of Fair Trading (OFT) under the *Consumer Credit Act* would in principle belong to the Credit Consumer Jurisdiction (CCJ). They would be covered for all the consumer credit activities they carry out, including those currently excluded from the Compulsory Jurisdiction (CJ).

²¹ FEES 5.3.3 G

17.11 Five respondents, all trade bodies, replied to our question.

Consultation responses

All of the respondents welcomed retaining the general levy for firms in the CJ at £17.7m. They also supported the collection of a greater proportion of the FOS's budget through its case fees.

The only issue raised in response to the consultation was that including building societies within the same industry block as banks disproportionately penalises building societies.

Our feedback

Industry blocks and tariff rates

The minimum levies and tariff rates for individual fee blocks consulted on in CP12/3 are based on the existing fee block structure.

At this time we do not intend to segregate building societies from other deposit takers. Tailoring industry blocks for some sub-sectors risks calls for further granularity with increased complexity and costs to the FSA.

When calculating the estimated minimum levies and tariff rates in CP12/3, we used the latest data on firm populations and tariff data (measures of size of permitted business undertaken by firms in the fee-blocks). The final 2012/13 fee rates are based on the actual tariff data reported by firms that we have received since then, and the number of authorised firms estimated at 1 April to be fee-payers during the year. The minimum levies and tariff rates for four industry blocks have been amended as a result of finalising the tariff data. The industry blocks affected are industry blocks 001, 002, 016 and 017.

Annex 7 shows the final minimum levies and tariff rates for each block.

Regulatory fees and levies 2012/13 –feedback to CP12/3 and ‘made’ rules

Section 7: Funding the Money Advice Service

18. Money Advice Service levy 2011/12

18

Money Advice Service levy 2012/13

(FEES 7 – see Appendix 1)

- 18.1** In Chapter 13 of CP12/3, we consulted on the 2012/13 levy rates for the Money Advice Service. The legislation and our rules refer to it as the ‘consumer financial education body’ (CFEB). This was an interim name that was used until the launch of the Money Advice Service brand in April 2011.
- 18.2** The Money Advice Service was established in April 2010 to fulfil a requirement in the Financial Services Act 2010 that we establish a body corporate (the ‘consumer financial education body’) to enhance:
- the understanding and knowledge of members of the public of financial matters (including the UK financial system); and
 - the ability of members of the public to manage their own financial affairs.
- 18.3** The Money Advice Service’s annual budget is approved by the FSA. For 2012/13, the Money Advice Service will have two separate budgets and levies:
- for delivery of money advice; and
 - for carrying out a central role, from April 2012, in the coordination and provision of debt advice across the UK and to put the funding of debt advice on a sustainable footing – a new responsibility, agreed with the government in July 2011.²²
- 18.4** This new responsibility is consistent with the core statutory functions of the Money Advice Service to improve people’s understanding of financial matters and their ability to manage money well.

²² The government has clarified the consumer financial education function in the Financial Services Bill, by including express provision for the coordination and provision of debt advice.

- 18.5 In March 2012, the Money Advice Service published separate business plans and budgets for its money advice and debt advice work for 2012/13.²³ As these money advice and debt advice functions have, for this year, discrete strategic aims and differentiated allocation and recovery models, we have separated the two business activities within this paper.

Allocation and recovery for money advice

- 18.6 The total budget for money advice in 2012/13 is £46.3m. Figures relating to expenditure breakdown have varied slightly since CP12/3 and are shown in table 18.1.

Table 18.1: 2012/13 Breakdown of Money Advice Service expenditure for money advice

| Type of expenditure | Cost £m |
|---|-------------|
| Service delivery & ongoing product development – digital/web delivery | 2.1 |
| Service delivery & ongoing product development – non-digital delivery and development | 6.6 |
| Staff & associated costs | 7.1 |
| Service transition costs | 6.7 |
| Core operational costs | 2.8 |
| Consumer communications & marketing – to drive awareness | 7.0 |
| Consumer communications & marketing – to promote products | 4.9 |
| Consumer communications & marketing – to drive response and utilisation | 8.2 |
| Research & evaluation | 1.0 |
| Total | 46.3 |
| Notes: (i) The individual figures have been rounded up to the nearest 0.1m. | |

- 18.7 Consistent with 2011/12, the Money Advice Service's 2012/13 funding for money advice will come entirely from levies raised from FSA-authorized firms, payment institutions and electronic money issuers. Overall, this will come through an allocation and recovery framework that:
- mirrors the allocation of Money Advice Service funding to the fee-block structure used to allocate the FSA's annual funding requirement (AFR) in 2010/11; and
 - recovers those allocations from the firms that have permission to undertake the regulated activities covered by the relevant fee-blocks, based on the size of the business undertaken, using the tariff data (which is the unit of measure for the size of business undertaken) used to calculate FSA periodic fees. This is subject to a fixed £10 minimum levy.

23 www.moneyadvice.org.uk/_assets/downloads/pdfs/mas_business_plan_2012.pdf
www.moneyadvice.org.uk/_assets/downloads/pdfs/mas_debt_advice_business_plan_2012.pdf

- 18.8** The Money Advice Service will start collecting relevant data during 2012/13 and will work with the FSA/FCA to review the current funding model for 2014/15.
- 18.9** The allocation of £46.3m for the money advice funding requirement from the FSA fee-block structure for 2012/13 is set out in Table 18.2.

Table 18.2: Allocation of money advice 2012/13 budget to fee-blocks, compared to allocation for 2011/12

| Fee-blocks | Allocation 2012/13 (£m) | Allocation 2011/12 (£m) | % year-on-year change |
|--|-------------------------|-------------------------|-----------------------|
| A.0 Minimum fee ⁽ⁱ⁾ | 0.2 | 0.2 | 0.0% |
| A.1 Deposit acceptors | 14.7 | 13.9 | 5.7% |
| A.2 Home finance providers and administrators | 1.1 | 1.0 | 5.7% |
| A.3 Insurers - General | 3.5 | 3.3 | 5.7% |
| A.4 Insurers - Life | 5.5 | 5.2 | 5.7% |
| A.5 Managing Agents at Lloyds | 0.1 | 0.1 | 5.7% |
| A.6 The Society of Lloyds | 0.2 | 0.2 | 5.7% |
| A.7 Fund Managers | 3.5 | 3.3 | 5.7% |
| A.9 Operators, Trustees and Depositaries of collective investment schemes | 0.7 | 0.6 | 5.7% |
| A.10 Firms dealing as principle in investments | 3.3 | 3.0 | 5.7% |
| A.12 Advisory managers, dealers or brokers (holding client money) | 3.0 | 2.8 | 5.7% |
| A.13 Advisory arrangers, dealers or brokers (not holding client money) | 4.6 | 4.3 | 5.7% |
| A.14 Corporate finance advisers | 0.9 | 0.8 | 5.7% |
| A.18 Home finance providers, advisers and arrangers | 1.6 | 1.5 | 5.7% |
| A.19 General insurance mediation | 3.5 | 3.3 | 5.7% |
| G. Firms covered by Payment Services Regulations 2009 (PSRs) and Electronic Money Regulations 2011 (EMRs) | 0.1 | 0.1 | 6.5% |
| Total | 46.3 | 43.7 | 5.9% |
| Notes: | | | |
| Individual figures have been rounded up to the nearest 0.1m. The totals reflect the non-rounded up position. We are proposing to maintain the minimum fee at £10 so have maintained the 2012/13 allocation to the A.0 fee-block as that allocated in 2011/12. | | | |
| The G fee-block year-on-year movement reflects our approach to new scope firms. We base money advice allocations on FSA allocations for each year that we are in process of recovering set-up costs until the year when there are no set-up costs – that will be the FSA allocation base for subsequent years. | | | |

- 18.10** The year-on-year increases in the Money Advice Service for money advice allocations are reflected in the levy rates set out in the instrument in Appendix 1. The final levy rate for A.18 is 10.6% higher than the rate in CP12/3. This reflects the movement in tariff data

from that estimated in CP12/3 to the final tariff data reported by firms as explained in paragraphs 12.11 to 12.15 in Chapter 12. The year-on-year change in an individual firm's invoiced levies will depend on the year-on-year change in their specific tariff data.

18.11 The question we asked was:

Q12: Do you have any comments on the proposed 2012/13 Money Advice Service levy rates for money advice?

18.12 We received 14 responses. Responses were primarily from trade associations and included debt advice agencies and individual firms. Here, we summarise the responses received and our feedback.

Consultation responses

We consulted on the basis that the money advice 2012/13 funding will come entirely from levies raised from FSMA-authorized firms, payment institutions and electronic money issuers. This will come through an allocation and recovery framework that mirrors the fee-block structure used to allocate our AFR in 2010/11. No respondents specifically commented on the money advice framework or proposed levy rates.

Some respondents noted the total budget for money advice had increased by 5.9% to £46.3m, compared to 2011/12 and raised issues around accountability, demonstrating value for money and the level of expenditure allocated to marketing/communications. Some respondents also queried why the Money Advice Service business plan was not published in time for consideration with CP12/3.

OUR FEEDBACK

Having considered the responses received, we have decided to continue to apportion the money advice levy as set out in CP12/3. This means the allocation of funding for the money advice levy will mirror the fee-block structure used to allocate our AFR in 2010/11. As explained in Chapter 13, we consulted with proposed fee rates in CP12/3 based on the latest data on the number of relevant firms and the tariff data available at the time. The final 2012/13 fee rates are based on the actual tariff data reported by firms that we have received since then, and the number of authorised firms as of 1 April.

In line with our governance and oversight powers, the FSA/FCA will commission a value-for-money report once the Money Advice Service's new operating model is fully functioning. The Money Advice Service has developed a set of

metrics and will monitor progress against these. The Money Advice Service will continue to refine its measurement suite throughout the year and will report against these in its 2012/13 annual report.

We have published a summary business plan within the fees and levies Consultation Paper for the past three years and have not received comments that the absence of the full one affects readers' ability to respond to the fees and levies consultation. But from 2013/14, we will publish the fee rates consultation paper at the same time as the FSA/FCA Business Plan – in March 2013. This will also align with the publication of the Money Advice Service's business plan.

The Money Advice Service has developed a marketing strategy capable of generating enough awareness of its service and brand recognition to engage an audience across the whole of the United Kingdom, as well as targeting specific segments of the population and encouraging people to act. Over the course of 2012/13, the Money Advice Service aims to reach 1.9m people across face to face, phone and online, and generate 1 million action plans to encourage people to take control of their finances. The marketing budget also allows it to test consumer engagement and refine its strategy in order to have the maximum beneficial impact on consumer behaviour.

Allocation and recovery for debt advice

- 18.13** The total budget for debt advice in 2012/13 is £34.5, a decrease of £6m since CP12/3. The debt advice budget in CP12/3 included a possible VAT charge of £6.1m. The Money Advice Service has since confirmed this charge no longer applies.
- 18.14** Figures relating to expenditure breakdown have varied slightly since CP12/3 and are shown in table 18.3.

Table 18.3: 2012/13 Breakdown of Money Advice Service expenditure for debt advice

| Type of Expense | Cost £m |
|--|-------------|
| Face to face contracts in England and Wales | 27.0 |
| Barnett Formula (10%) for Scotland | 2.7 |
| Barnett Formula (2.9%) for Northern Ireland | 0.8 |
| Service delivery costs sub-total | 30.6 |
| Proposition development costs (including evaluation, procurement, marketing and Money Advice internal staff costs) | 2.2 |
| BIS contracts contingent contractual liabilities | 1.8 |
| Total | 34.5 |
| Notes: | |
| (i) The individual figures have been rounded up to the nearest 0.1m. | |

- 18.15** In CP12/3, we proposed the funding for debt advice is allocated to the firms who will benefit from the provision of debt advice. Based on research commissioned by the Money Advice Service²⁴ household debt is 15% unsecured and 85% secured. We proposed this split as the basis for allocating the £34.5m funding requirement between the following fee-blocks:
- £5.2m (15%) to a separate debt advice A.1 (Deposit acceptors) fee-block as the firms undertaking this regulated activity also provide unsecured lending; and
 - £29.4m (85%) to a separate debt advice A.2 (Home finance providers and administrators) fee-block as these firms provide secured lending.
- 18.16** This approach targets the recovery of the debt advice costs to the lenders who are the beneficiaries of the debt advice, in particular the secured lenders. When a consumer reaches a crisis debt situation, any debt advice given will ensure that secured debt is the ‘priority debt’ to be paid ahead of other debt.
- 18.17** Table 18.4 sets out the overall impact of allocating debt advice costs in this way alongside the allocation of money advice costs for 2012/13 compared to 2011/12. We have not set an additional minimum fee for debt advice recovery.

Table 18.4: Allocation of 2012/13 debt advice funding to the fee-blocks alongside money advice funding for 2012/13 compared to 2011/12 funding

| Fee-Block | | Money Advice Service allocation 2011/12 (£m) | (A) | % year-on-year change -money advice only | (B) | (A)+(B) | |
|--|---|--|--------------------------------------|--|-------------------------------------|--|--------------|
| | | | Money advice allocation 2012/13 (£m) | | Debt advice allocation 2012/13 (£m) | Total money advice and debt advice allocation 2012/13 (£m) and % year on year change | |
| A.0 | Minimum fee | 0.2 | 0.2 | 0.0% | 0.0 | 0.2 | 0.0% |
| A.1 | Deposit acceptors | 13.9 | 14.7 | 5.7% | 5.2 | 19.9 | 43.1% |
| A.2 | Home finance providers & administrators | 1.0 | 1.1 | 5.7% | 29.4 | 30.4 | 2883.2 |
| A.3 -A.19 | All other MAS fee payers in A fee-block | 28.4 | 30.4 | 5.7% | 0.0 | 30.2 | 5.7% |
| G | PSRs and EMRs | 0.1 | 0.1 | 6.5% | 0.0 | 0.1 | 6.5% |
| Total | | 43.7 | 46.3 | 5.9% | 34.5 | 80.8 | 99.1% |
| Notes: | | | | | | | |
| (i) The individual figures have been rounded up to the nearest 0.1m. The totals reflect the non-rounded up position. | | | | | | | |
| (ii) We are not levying a minimum fee on debt advice. | | | | | | | |

24 www.moneyadvice.org.uk/_assets/downloads/pdfs/funding_debt_advice_a_proposed_model.pdf

18.18 The question we asked was:

Q13: Do you have any comments on the proposed 2012/13 Money Advice Service levy rates for debt advice?

18.19 We received 14 responses, primarily from trade associations and including debt advice agencies and individual firms. We summarise the responses received and give our feedback.

Consultation responses

In CP12/3, we consulted on the proposed levy rates and the allocation between fee-blocks for funding debt advice for 2012/13.

Responses were divided in their support for apportioning the debt advice levy to 15% fee-block A.1 (deposit accepters) and 85% to fee-block A.2 (Home finance providers and administrators). Six respondents agreed with our approach, three respondents did not specifically comment and five respondents disagreed with our approach.

Of those respondents who disagreed, most queried why other creditors, such as pay day lenders, were not sharing the burden of financing debt advice – some respondents were not convinced that using the Office of Fair Trading (OFT) credit register as the basis for the debt advice levy would be too onerous or too difficult.

Some respondents felt the debt advice levy was disproportionately weighted to secured lenders and suggested it did not take into account that unsecured lenders have the most to gain from debt advice, mitigating the need to write off debts. Some respondents also suggested that bad debts primarily arose from irresponsible unsecured lending.

One respondent raised a technical point, asking whether overdrafts are included in the definition of unsecured debt for A.1 fee-payers.

OUR FEEDBACK

The research the Money Advice Service commissioned and published for funding debt advice²⁵ examined whether the OFT credit register was an appropriate source of data for the funding model. It concluded that the data, in its current form, was of limited use for the purpose of a debt advice levy. The OFT credit register currently offers information about the number of credit providers on the OFT register. However, it does not provide the volume of credit extended by each credit license holder. A major data collection exercise would need to be initiated to collect the information necessary to implement a credit volume based levy through the OFT Register.

The government is committed to the principle that consumer credit firms should contribute towards debt advice. Many large OFT licensed firms are also regulated by the FSA and so will contribute to the Money Advice Service via the levy. Future levies on the consumer credit industry will be considered alongside work on the proposed transfer of consumer credit regulation from the OFT to the FCA.

Given the limitations set out above, we do not consider the weighting to fee-blocks A.1 and A.2 are disproportionate. As stated in CP12/3, when a consumer reaches a crisis debt situation, any debt advice given will ensure that secured debt is a 'priority debt' to be paid ahead of other debts. Debt advice involves assessing the whole situation, solutions are provided for unsecured and other non-priority debts once secured and other priority debts are dealt with and where additional disposable income is available for repayments. The Money Advice Service has not seen evidence to suggest unsecured lending is the principle cause of over-indebtedness and its research indicates debt problems are often caused by life events or changes in economic conditions.

Having considered the responses received, we have decided to apportion the debt advice levy on the same basis as set out in CP12/3. We believe this is the fairest and simplest way to apportion the costs at this time given the limitations set out above.

As explained in CP12/3, the allocated debt advice funding will be recovered from the separate A.1 and A.2 fee-blocks in proportion to the amount of outstanding debt rather than the FSA measures of size – Modified Eligible Liabilities (MELs) and annual mortgage transactions respectively. We anticipate this will target recovery to the firms who have undertaken lending on a large scale.

We have based the levy for fee-block A.1 on the total value of unsecured debt owned by firms and the total value of secured debt for A.2. The valuation date is 31 December of the year preceding the fees year – i.e. 31 December 2011 for the 2012/13 levy. Most firms already report this information, either to the FSA or the Bank of England, so do not need to submit any additional data. A small number

²⁵ www.moneyadviceservice.org.uk/_assets/downloads/pdfs/funding_debt_advice_a_proposed_model.pdf

do not submit the relevant returns, so we have written to them separately. This is basic information on loans which we believe firms will have to hand for their own internal financial reporting. We are taking the unsecured debt data from Bank of England form BE where available, and their guidance excludes overdrafts, so we have applied the same definition when writing to firms.

The levy rates for the Money Advice Service debt advice allocations are set out in Appendix 1.

Annex 1

Rules and guidance on fees

Legal powers

1. The Financial Services and Markets Act 2000 (FSMA) contains two main sets of similar provisions concerning our fee-raising powers and financial penalties. One set of provisions relates to the FSA's general functions under FSMA; and the other to the UK Listing Authority (UKLA) function. The Table A.1 sets out where the provisions can be found in FSMA:

Table A.1: Location of main fees material in FSMA

| | Fees | Financial penalties |
|---|--|--|
| General functions (excluding UKLA) | Paragraphs 17 – 18 of part III of schedule 1 | Paragraph 16 of part III of schedule 1 |
| UKLA function | Section 99 | Section 100 |

2. In addition, certain pieces of secondary legislation convey powers on us to raise fees – for example, section 5 of The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (SI 1999/2979).

Handbook of rules and guidance

3. Table A.2 shows the organisation of rules and guidance in the Fees manual (FEES) in the FSA Handbook.
4. You can access our Handbook on our website at: www.fsa.gov.uk/handbook.

Table A.2: Location of fees rules and guidance in the Fees Manual

| Chapter | Fees rules and guidance, and fee annexes |
|-----------|--|
| FEES 1 | Application and purpose |
| FEES 2 | General provisions |
| FEES 3 | Application, notification and vetting fees |
| Annex 1R | Authorisation fees payable |
| Annex 2R | Application and notification fees payable in relation to collective investment schemes |
| Annex 3R | Application fees payable in connection with Recognised Investment Exchanges and Recognised Clearing Houses |
| Annex 4R | Application fees in relation to listing rules |
| Annex 5R | Document vetting and approval fees in relation to listing and prospectus rules |
| Annex 6R | Fees payable for permission or guidance on its availability in connection with the Basel Capital Accord |
| Annex 7R | Fees where changes are made to firms' transaction reporting systems and the FSA is asked to check that these systems remain compatible with FSA systems |
| Annex 8R | Fees payable for authorisation as an authorised payment institution or registration as a small payment institution in accordance with the Payment Services Regulations and electronic money issuers under the Electronic Money Regulations |
| Annex 9R | Special Project Fee for restructuring |
| Annex 10R | Fees payable for authorisation as an authorised electronic money institution or registration as a small electronic money institution or variation thereof in accordance with the Electronic Money Regulations |
| FEES 4 | Periodic fees |
| Annex 1R | Activity groups, tariff bases and valuation dates applicable |
| Annex 2R | Fee tariff rates, permitted deductions and EEA/Treaty firm modifications for the period from 1 April 2012 to 31 March 2013 |
| Annex 3R | Transaction reporting fees |
| Annex 4R | Periodic fees in relation to collective investment schemes payable for the period 1 April 2012 to 31 March 2013 |
| Annex 5R | Periodic fees for designated professional bodies payable in relation to the period 1 April 2012 to 31 March 2013 |
| Annex 6R | Periodic fees for recognised investment exchanges and recognised clearing houses payable in relation to the period 1 April 2012 to 31 March 2013 |
| Annex 7R | Periodic fees in relation to the Listing Rules for the period 1 April 2012 to 31 March 2013 |
| Annex 8R | Periodic fees in relation to the discolour rules and transparency rules for the period 1 April 2012 to 31 March 2013 |
| Annex 9R | Periodic fees in respect of securities derivatives for the period from 1 April 2012 to 31 March 2013 |
| Annex 10R | Periodic fees for MTF operators payable in relation to the period 1 April 2012 to 31 March 2013 |

| Chapter | Fees rules and guidance, and fee annexes |
|----------------|--|
| Annex 11R | Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations, electronic money issuers under the Electronic Money Regulations and issuers of regulated covered bonds in relation to the period 1 April 2012 to 31 March 2013 |
| Annex 12G | Guidance on the calculation of tariffs set out in FEES 4 Annex 1R Part 2 |
| FEES 5 | Financial Ombudsman service Funding |
| Annex 1R | Annual Fees Payable in Relation to 2012/13 |
| FEES 6 | Financial Services Compensation Scheme Funding |
| Annex 1R | Management Expenses Levy Limit |
| FEES 7 | Money Advice Service |
| Annex 1R | Money Advice Service levies for the period from 1 April 2012 to 31 March 2013 |

Annex 2

Fee-blocks and tariff bases

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|--|--|---|
| A.0 Minimum periodic fee | it also falls into one of the other 'A' sub-set fee-blocks below except if it only falls in A.6 or A.20. | Not applicable. <i>This fee-block recovers certain minimum regulatory costs which make up the minimum periodic fee per applicable firm. For 2010/11 the minimum fee was £1,000.</i> |
| A.1 Deposit acceptors | its <i>permission</i> includes <i>accepting deposits or issuing e-money</i> ; BUT DOES NOT include either of the following: <i>effecting contracts of insurance</i> ; <i>carrying out contracts of insurance.</i> | MODIFIED ELIGIBLE LIABILITIES For banks: Modified eligible liabilities (MELs), valued at: – for a <i>firm</i> which reports monthly, the average of the MELs for October, November and December; and – for a <i>firm</i> which reports quarterly, the MELs for December. For e-money issuers: MELs, valued at the end of the financial year ended in the calendar year ending 31 December. For credit unions: MELs, valued at December or as disclosed by the most recent annual return made prior to that date. For building societies: MELs, valued at the average of the MELs for October, November and December. |
| A.2 Home finance providers and administrators | its <i>permission</i> includes one or more of the following: <i>entering into a regulated mortgage contract</i> ; or <i>administering a regulated mortgage contract</i> ; or <i>agreeing to carry on a regulated activity</i> which is within either of the above. | NUMBER OF MORTGAGES OR OTHER HOME FINANCE TRANSACTIONS ENTERED INTO AND ADMINISTERED The number of new mortgage contracts, <i>home purchase plans</i> or <i>home reversion plans</i> entered into in the twelve months ending 31 December; and the number of mortgage contracts, <i>home purchase plans</i> or <i>home reversion plans</i> being administered on 31 December, multiplied by 0.05 for mortgage outsourcing <i>firms</i> or other home finance outsourcing <i>firms</i> and by 0.5 for all other <i>firms</i> . |
| A.3 Insurers – general | its <i>permission</i> includes one or more of the following: <i>effecting contracts of insurance</i> ; <i>carrying out contracts of insurance</i> ; in respect of <i>specified investments</i> that are: – <i>general insurance contracts</i> ; or – <i>long-term insurance contracts</i> other than <i>life-policies</i> . | GROSS PREMIUM INCOME AND GROSS TECHNICAL LIABILITIES Annual gross <i>premium</i> income, for the financial year ended in the calendar year ending 31 December. AND Gross technical liabilities valued at the end of the financial year ended in the calendar year ending 31 December. |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|--|--|--|
| A.4 Insurers – life | its <i>permission</i> includes one or more of: <i>effecting contracts of insurance;</i> <i>carrying out contracts of insurance;</i> in respect of <i>specified investments</i> including <i>life policies;</i> <i>entering as provider into a funeral plan contract.</i> | ADJUSTED GROSS PREMIUM INCOME AND MATHEMATICAL RESERVES Adjusted gross <i>premium</i> income, for the financial year ended in the calendar year ending 31 December. AND Mathematical reserves valued at the end of the financial year ended in the calendar year ending 31 December. |
| A.5 Managing agents at Lloyd's | its <i>permission</i> includes <i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's.</i> | ACTIVE CAPACITY Active capacity, in respect of the Underwriting Year which is current at the beginning of the period to which the fee relates. |
| A.6 The Society of Lloyd's | It is the <i>Society of Lloyd's.</i> | Not applicable. |
| <p>Note for authorised professional firms:</p> <p>Generally, for fee-blocks A.7 to A.19 below, only those <i>regulated activities</i> that are not limited to <i>non-mainstream regulated activities</i> should be taken into account in determining which fee-block(s) fee payers belong to for the purpose of charging periodic fees.</p> <p>However, in the case that all the <i>regulated activities</i> within a <i>firm's permission</i> are limited to <i>non-mainstream regulated activities</i>, then that <i>firm</i> will be allocated to fee-block A.13 alone.</p> <p>This does not prevent a fee being payable by an <i>authorised professional firm</i> under FEES 3.2.7R (p) where it applies to vary its <i>Part IV permission</i> such that it would normally be allocated to fee-block(s) other than A.13 if the variation was granted.</p> | | |

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|----------------------|---|--|
| A.7 Fund managers | <p>its <i>permission</i> includes <i>managing investments</i>;</p> <p>OR</p> <p>(2) its <i>permission</i> includes</p> <p>ONLY either one or both of:</p> <p><i>safeguarding and administering of investments (without arranging)</i>; and</p> <p><i>arranging safeguarding and administration of assets</i>;</p> <p>OR</p> <p>(3) the <i>firm</i> is a <i>venture capital firm</i>.</p> <p>Class (1) firms are subdivided into three classes:</p> <ul style="list-style-type: none"> - class (1)A, where the funds managed by the <i>firm</i> belong to one or more <i>occupational pension schemes</i>; - class (1)B, where: <ul style="list-style-type: none"> (a) the <i>firm</i> is not a class (1)A <i>firm</i>; and (b) the <i>firm's</i> <i>permission</i> includes NEITHER of the following: <ul style="list-style-type: none"> <i>safeguarding and administering of investments (without arranging)</i>; <i>arranging safeguarding and administration of assets</i>; and (c) the <i>firm</i> EITHER: <ul style="list-style-type: none"> has a <i>requirement</i> that prohibits the <i>firm</i> from holding or controlling <i>client money</i>, or both; OR if it does not have such a <i>requirement</i>, only holds or controls <i>client money</i> (or both), arising from an agreement under which <i>commission</i> is rebated to a <i>client</i>; and - class (1)C, where the <i>firm</i> is not within class (1)A or class (1)B. | <p>FUNDS UNDER MANAGEMENT</p> <p>Total funds under management, valued at 31 December.</p> |
| A.8 | Not applicable. | Not applicable. |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|--|--|--|
| A.9 Operators, Trustees and Depositaries of collective investment schemes and Operators of personal pension schemes or stakeholder pension schemes | <p>its <i>permission</i>: includes one or more of the following: <i>establishing, operating or winding up a regulated collective investment scheme;</i> <i>establishing, operating or winding up an unregulated collective investment scheme;</i> <i>acting as trustee of an authorised unit trust scheme;</i> <i>acting as the depositary or sole director of an open-ended investment company;</i> <i>establishing, operating or winding up a personal pension scheme or a stakeholder pension scheme (but only if the firm does not fall within activity group A.1 or A.4);</i></p> <p>AND PROVIDED the <i>firm</i> is NOT one of the following: <i>a corporate finance advisory firm;</i> <i>a firm in which the above activities are limited to carrying out corporate finance business;</i> <i>a venture capital firm;</i></p> <p>OR (2) if the fee-payer has none of the <i>regulated activities</i> above within its <i>permission</i>, but ALL the remaining <i>regulated activities</i> in its <i>permission</i> are limited to carrying out trustee activities.</p> | <p>GROSS INCOME</p> <p>Annual gross income, valued at the most recent financial year ended before 31 December.</p> |
| A.10 Firms dealing as principal | <p>its <i>permission</i> includes <i>dealing in investments as principal</i>; BUT NOT if one or more of the following apply: the <i>firm</i> is acting exclusively as a matched principal broker; the above activity is limited either to acting as an <i>operator</i> of a <i>collective investment scheme</i>, or to carrying out <i>trustee</i> activities; the <i>firm</i> is a <i>corporate finance advisory firm</i>; the above activity is otherwise limited to carrying out <i>corporate finance business</i>; the <i>firm</i> is subject to a <i>limitation</i> to the effect that the <i>firm</i>, in carrying on this <i>regulated activity</i>, is limited to entering into transactions in a manner which, if the <i>firm</i> was an <i>unauthorised person</i>, would come within article 16 of the <i>Regulated Activities Order</i> (Dealing in contractually based investments); the above activity is limited to not acting as a <i>market maker</i>; the <i>firm</i> is an <i>oil market participant</i>, <i>energy market participant</i> or a <i>local</i>; its <i>permission</i> includes either: <i>effecting contracts of insurance</i>; or <i>carrying out contracts of insurance</i>.</p> | <p>NUMBER OF TRADERS</p> <p>Number of traders as at 31 December.</p> |

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|----------------|--|--|
| A.11 | Not applicable. | Not applicable. |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|---|---|--|
| A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both) | <p>its <i>permission</i>:</p> <p>includes one or more of the following, in relation to one or more <i>designated investments</i>:</p> <p><i>dealing in investments as agent;</i> <i>arranging (bringing about) deals in investments;</i> <i>making arrangements with a view to transactions in investments;</i> <i>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <i>oil market participant, energy market participant or local;</i> <i>advising on investments (except pension transfers and pension opt-outs);</i> <i>providing basic advice on a stakeholder product;</i> <i>advising on pension transfers and pension opt-outs;</i> <i>advising on syndicate participation at Lloyd's;</i></p> <p>BUT NONE of the following:</p> <p><i>effecting contracts of insurance; or</i> <i>carrying out contracts of insurance;</i></p> <p>AND</p> <p>CAN HAVE one or more of the following:</p> <p><i>safeguarding and administering of assets;</i> <i>arranging safeguarding and administration of assets;</i> the ability to hold or control <i>client money</i>, or both:</p> <ul style="list-style-type: none"> - that is, there is no <i>requirement</i> which prohibits the <i>firm</i> from doing this; and - provided that the <i>client money</i> in question does not only arise from an agreement under which <i>commission</i> is rebated to a <i>client</i>; <p>AND</p> <p>PROVIDED the fee-payer is NOT any of the following:</p> <p><i>a corporate finance advisory firm;</i> <i>a firm for whom all of the applicable activities above are otherwise limited to carrying out corporate finance business;</i></p> | <p>APPROVED PERSONS</p> <p>Relevant <i>approved persons</i> as at 31 December.</p> |

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|----------------|---|--|
| | <p>a <i>firm</i> whose activities are limited to carrying out <i>venture capital business</i>;</p> <p>a <i>firm</i> whose activities are limited to acting as an operator of a <i>regulated collective investment scheme</i>;</p> <p>a <i>firm</i> whose activities are limited to carrying out <i>trustee</i> activities;</p> <p>a <i>service company</i>.</p> | |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|---|---|--|
| <p>A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)</p> | <p>it is an <i>authorised professional firm</i> and ALL the <i>regulated activities</i> in its <i>permission</i> are limited to <i>non-mainstream regulated activities</i>; OR its <i>permission</i>: includes one or more of the following, in relation to one or more <i>designated investments</i>: <i>dealing in investments as agent</i>; <i>arranging (bringing about) deals in investments</i>; <i>making arrangements with a view to transactions in investments</i>; <i>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <i>oil market participant</i>, <i>energy market participant</i> or <i>local</i>; <i>advising on investments (except pension transfers and pension opt-outs)</i>; <i>providing basic advice on a stakeholder product</i>; <i>advising on pension transfers and pension opt-outs</i>; <i>advising on syndicate participation at Lloyd's</i>; BUT NONE of the following: <i>effecting contracts of insurance</i>; <i>carrying out contracts of insurance</i>; <i>safeguarding and administration of assets</i>; <i>arranging safeguarding and administration of assets</i>; AND MUST EITHER: have a <i>requirement</i> that prohibits the <i>firm</i> from holding or controlling <i>client money</i>, or both; OR if it does not have such a <i>requirement</i>, only holds or controls <i>client money</i> (or both), arising from an agreement under which <i>commission</i> is rebated to a <i>client</i>; AND PROVIDED the fee-payer is NOT any of the following: <i>a corporate finance advisory firm</i>; <i>a firm</i> for whom all of the applicable activities above are otherwise limited to carrying out <i>corporate finance business</i>; <i>a firm</i> whose activities are limited to carrying out <i>venture capital business</i>; <i>a firm</i> whose activities are limited to acting as an <i>operator</i> of a <i>regulated collective investment scheme</i>; <i>a firm</i> whose activities are limited to carrying out <i>trustee activities</i>; and <i>a service company</i>.</p> | <p>APPROVED PERSONS</p> <p>Relevant <i>approved persons</i> as at 31 December.</p> |

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|---|---|--|
| A.14 Corporate finance advisers | the <i>firm</i> is carrying on <i>corporate finance business</i> PROVIDED the fee-payer is NOT a <i>venture capital firm</i> . | APPROVED PERSONS Relevant <i>approved persons</i> as at 31 December. |
| A.15 | Not applicable. | Not applicable. |
| A.16 Pensions review levy firms (FSCS levies only) | it was liable to pay the Pensions Levy to <i>PIA</i> in 2001/2002. | Percentage share of the amount paid towards <i>PIA's</i> 2001/2002 pensions review levy by fee payers in fee-block A.16. |
| A.17 | Not applicable. | Not applicable. |
| A.18 Home finance providers, advisers and arrangers | its <i>permission</i> includes a <i>regulated activity</i> within one or more of the following: <i>entering into a home finance transaction; or</i> <i>arranging (bringing about) a home finance transaction; or</i> <i>making arrangements with a view to a home finance transaction; or</i> <i>advising on a home finance transaction; or</i> <i>agreeing to carry on a regulated activity which is within any of the above.</i> | ANNUAL INCOME Annual income for the financial year ended in the calendar year ending 31 December. |
| A.19 General insurance mediation | its <i>permission</i> includes one or more of the following in relation to a <i>non-investment insurance contract</i> : <i>dealing in investments as agent; or</i> <i>arranging (bringing about) deals in investments; or</i> <i>making arrangements with a view to transactions in investments; or</i> <i>assisting in the administration and performance of a contract of insurance; or</i> <i>advising on investments; or</i> <i>agreeing to carry on a regulated activity which is within any of the above.</i> | ANNUAL INCOME Annual income for the financial year ended in the calendar year ending 31 December. |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|--|--|--|
| A.20 Markets in Financial Instruments Directive (MiFID) transaction – targeted recovery of additional IS costsreporting | it is a firm or market operator in respect of certain securitised derivatives. | ANNUAL INCOME For Firms: Annual income for the financial year ended in the calendar year ending 31 December in the preceding year; and Number of relevant contracts entered into by firms in securitised derivatives which are entered into on or settled through LIFFE or Eurex Clearing AG. For market operators, a fee. |
| B. | it: is a <i>recognised body</i> under section 286 of the Act; or has been prescribed as an operator of a prescribed market under the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996); or is a <i>service company</i> . | Not applicable. Fees set individually for each fee-payer. |
| C. | it has authorised/recognised CIS products under Part XVII of FSMA. | Number of funds or sub-funds operated by a <i>firm</i> as at 31 March. |
| D. | it is a <i>designated professional body</i> under section 326 of FSMA. | Number of <i>exempt professional firms</i> registered with each body. |
| E. | it is: an issuer of securities who has been admitted to the <i>official list</i> (as defined in section 74 of FSMA); or a sponsor (as defined in section 88 of FSMA). | <i>Firm's</i> market capitalisation figure (as at 30 November). |
| F. | it is: an <i>industrial and provident society</i> ; or a society registered under the Friendly Societies Acts; subject to the registration functions transferred to the FSA in Part XXI of FSMA; BUT NOT otherwise authorised under Part IV of FSMA. | The fee payable by societies is based on their total assets. |
| G.1 Firms registered under the Money-Laundering Regulations 2007 | it is registered with the FSA under the Money Laundering Regulations. | Flat rate annual fee. |

| Activity group | Fee payer falls in the activity group if | Tariff base summary and valuation date 1. For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. |
|---|--|---|
| G.2 Certain deposit acceptors and e-money issuers | it is a fee-paying payment service provider not falling within any of the other fee-blocks in this table | Annual fee based on modified eligible liabilities determined in the same manner as the tariff-base for relevant firms in the A.1 fee-block set out in FEES 4 Annex 1 Part 2 R |
| G.3 Large payment institutions | it is an authorised payment institution, an EEA authorised payment institution or the Post Office Limited | Annual fee based on relevant income |
| G.4 Small payment institutions | it is a small payment institution or a small e-money issuer | Flat rate annual fee. |
| G.5 Other institutions | it is the Bank of England, a government department or local authority that provides payment services other than when carrying out functions of a public nature | As in G.3 |
| G.10 Large electronic money institutions | it is a fee-paying electronic money issuer (except if it is a small electronic money institution) | Annual fee based on average outstanding electronic money |
| G.11 Small electronic money institutions | it is a small electronic money institution | Flat rate annual fee |
| G.15 Issuers of regulated covered bonds | It is a regulated covered bond issuer | Annual fee based on value of regulated covered bonds in issue |

Annex 3

Administrative aspects of periodic fees

| A fee-blocks Firms | Fee-block B Recognised bodies | Fee-block C CIS products | Fee-block D DPBs | Fee-block E Issuers of securities | Fee-blocks F and G Registrant-only |
|---|---|--|--|--------------------------------------|--|
| When is the periodic fee payable? | | | | | |
| <p>If previous year's periodic fee was £50,000 or more: 50% of last year's periodic fee by 30 April; balance of current year periodic fee by 1 September;</p> <p>Other firms: full periodic fee by 1 July;</p> <p>or 30 days after invoicing if later</p> | <p>UK recognised bodies: first instalment by 30 April; balance of periodic fee by 1 September;</p> <p>Overseas recognised bodies: 1 July;</p> <p>Service companies and operators of prescribed markets: as for A fee-blocks;</p> <p>or 30 days after invoicing if later</p> | <p>30 April, or 30 days after invoicing if later</p> | <p>If paying by instalments: first instalment by 30 April; balance of periodic fee by 1 September;</p> <p>Other DPBs: <i>full periodic fee by 1 July;</i></p> <p>or 30 days after invoicing if later</p> | <p>30 days after invoicing</p> | <p>30 days after invoicing</p> |

| A fee-blocks Firms | Fee-block B Recognised bodies | Fee-block C CIS products | Fee-block D DPBs | Fee-block E Issuers of securities | Fee-blocks F and G Registrant-only |
|---|---|-----------------------------|--|--|--|
| What are the payment methods for the periodic fee? | | | | | |
| Direct debit BACS/CHAPS Cheque Switch Credit card – Visa/MasterCard only (2% surcharge) Via Premium Credit Ltd | Recognised bodies: None specified Service companies and operators of prescribed markets: as for A fee-blocks | As for A fee-blocks | None specified but payment expected by electronic transfer | None specified but payment expected by electronic transfer | Direct debit BACS/CHAPS Cheque Switch Credit card – Visa/ MasterCard only (2% surcharge) |

Notes

1. Failure to pay a periodic fee will generally involve contravention of a rule, so may also attract regulatory action.
2. Our financial year runs from 1 April to 31 March.

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| A fee-blocks Firms | Fee-block B Recognised bodies | Fee-block C CIS products | Fee-block D DPBs | Fee-block E Issuers of securities | Fee-blocks F and G Registrant- only |
|---|--|--------------------------------|---------------------|---|--|
| What happens if the full periodic fee is not paid by the due date? (note 1) | | | | | |
| An administrative fee of £250 plus, from the invoice due date interest on any unpaid amount at 5% per annum above the Bank of England's repo rate will be charged for the period from the due date until payment is received | Recognised bodies: Not specified Service companies and operators of prescribed markets: as for A fee-blocks | As for A fee-blocks | As for A fee-blocks | As for A fee-blocks | As for A fee-blocks |
| What periodic fee is payable where an entity joins a fee-block part-way through a fee period? | | | | | |
| Periodic fee is calculated as for full-year, and then the following discounts apply depending which quarter of the financial year (note 2) the firm joins the fee-block: quarter 1: 0% quarter 2: 25% quarter 3: 50% quarter 4: 75% | UK recognised investment exchange: £150,000 UK recognised clearing house: £250,000 Overseas recognised investment exchange: £20,000 Overseas recognised clearing house: £50,000 Service companies: not specified Operators of prescribed markets: as for A fee-blocks | As for A fee-blocks | Not specified | As for A fee-blocks | None |

Annex 4

Financial Penalty Scheme under the Financial Services and Markets Act 2000

1. We apply penalties under two distinct legal frameworks:
 - FSMA; and
 - legislation including the Money Laundering Regulations 2007 (MLRs), the Regulated Covered Bonds Regulations 2008 (RCB), the Payment Services Regulations 2009 (PSRs) and the Electronic Money Regulations 2011 (EMRs).
2. This annex sets out our schemes for applying penalties imposed under FSMA. Annex 5 presents our approach to penalties imposed under the various regulations.
 - We are required under FSMA to operate and publish schemes to ensure that:
 - financial penalties imposed under FSMA are applied for the benefit of authorised persons; and
 - financial penalties imposed under Part 6 of FSMA are applied for the benefit of the issuers of securities admitted to the Official List, and issuers who have requested or approved the admission of financial instruments to trading on a regulated market.
3. By publishing details of the schemes in this annex, we are complying with the requirements of sections 100(4), 100(5) and paragraphs 16(4) and 16(5) of part III of schedule 1 of FSMA.

Penalties received under section 206 of FSMA

4. This section of FSMA gives us the power to impose penalties on authorised persons who have contravened requirements imposed on them.

5. Generally, penalties imposed under this section are for activities undertaken in a particular fee-block or blocks. Taking enforcement action raises the annual funding requirement (AFR) for all the firms in the fee-blocks concerned. We intend to apply the money received as a result of penalties to reduce the impact on firms who are not the subject of any enforcement investigation, but are in fee blocks where our investigations into other firms generate enforcement activity. The fee-blocks affected are A.0 – A.20 and operators of multi-lateral trading facilities in fee-block B. Money received from financial penalties under this section is distributed to benefit authorised firms in the following order:
- firstly, it is allocated to the fee-block(s) paying the enforcement costs of the specific closed cases that gave rise to the penalties, to meet the costs of enforcement action in full, where possible;
 - secondly, any remaining money is distributed across fee-blocks to meet the costs of enforcement cases that closed during the year without leading to penalties;
 - thirdly, any remaining money is distributed across fee-blocks in proportion to the projected costs of enforcement for the coming year; and
 - finally, if any money remains from penalties after all the enforcement costs have been met, it is applied to all authorised firms (fee-blocks A.0 – A.20) and operators of multi-lateral trading facilities in fee-block B, in proportion to their respective contributions to our AFR.
6. These distributions are applied in the financial year after we receive the penalty money. If at any stage in this process applying the money from penalties would exceed the total AFR for any particular fee-block, the surplus is returned to the total remaining penalty pot and applied to the other fee-blocks in the same order.
7. An individual authorised firm should not benefit from deductions generated by a penalty we have imposed on it. We therefore invoice the firm to recover the value of the deduction, provided it exceeds £250.

Penalties received under section 66 of FSMA

8. This section of FSMA gives us the power to impose a penalty on any person guilty of misconduct while an **approved person** in the circumstances set out under section 66.
9. Penalties imposed on approved persons will be treated as if the fine had been imposed on the authorised person that employed them when the misconduct occurred. They are dealt with in the same manner as penalties received under section 206, as set out in paragraphs 4 to 6.

Penalties received under section 91 of FSMA

10. This section of FSMA gives us the power to impose penalties for breach of Part 6 rules.
11. Penalties imposed under this section of FSMA are applied for the benefit of issuers of securities admitted to the Official List, and issuers who have requested or approved the admission of financial instruments to trading on a regulated market, in fee-block E.

Penalties imposed under section 123 of FSMA

12. Section 123 of FSMA gives us the power to impose penalties on any person that has engaged in market abuse. How we will apply penalties that we receive under this section of FSMA, for the benefit of authorised persons, differs with the nature of the person to which the penalty applies. The scheme operates as follows:
 - market abuse penalties imposed on **authorised persons** are dealt with, as penalties received under section 206, in the manner described in paragraphs 4 to 6;
 - market abuse penalties imposed on **approved persons** will be treated as if the fine had been imposed on the authorised person that employed them when the abuse occurred, and so allocated as in the manner described in paragraphs 4 to 6; and
 - market abuse penalties imposed on persons who are **neither approved nor authorised** are applied for the benefit of all authorised persons – fee-blocks A.0 to A.20 and operators of multi-lateral trading facilities in fee-block B, in proportion to the AFR of each fee-block.

Annex 5

Policy on financial penalties under Treasury Regulations

1. Annex 4 summarises our penalty schemes under FSMA. In this annex, we set out our policy on penalties imposed under various regulations introduced by the Treasury to implement European Union Directives:
 - the Money Laundering Regulations 2007 (MLRs), the Payment Services Regulations 2009 (PSRs) and the Electronic Money Regulations 2011 (EMRs); and
 - the Regulated Covered Bonds (RCB) Regulations 2008.
2. We are not required under the PSRs, EMRs or MLRs to consult on our approach or publish a scheme as under FSMA but, as a matter of good practice, we believe we should put a statement of our policy on the public record.
3. FSMA requires us to consult upon and publish our penalty scheme under the RCB regulations. We consulted in October 2011¹ and provided feedback in February 2012.² Through this statement, we are complying with the requirement to publish it.

Penalties under the MLRs, PSRs and EMRs

4. FSMA requires us to apply the money we receive from penalties for the benefit of authorised persons and issuers of securities firms, and not take it into account when calculating our costs. However, the MLRs, PSRs and EMRs require us to apply the money we receive from penalties towards the expenses we incur in carrying out our functions under the particular set of regulations or for any incidental purpose.³ Our interpretation of these requirements is that:
 - we should apply money received from penalties directly against our expenses in administering the regulations, to reduce our AFR; and

¹ *Regulatory fees and levies: policy proposals for 2012/13* (CP11/21, October 2011).

² *Regulated fees and levies: rates proposals 2012/13* (CP12/03, February 2012).

³ Money Laundering Regulations 2007, paragraph 35(4), Payment Services Regulations 2009, paragraph 92(2); Electronic Money Regulations 2011, paragraph 59(2).

- there must be no cross-subsidy – i.e. money from penalties imposed under one of the above set of regulations cannot be applied to expenses incurred either under FSMA or the other regulations.

Applying money received from penalties against anticipated expenses

5. We establish the total costs of administering the regulations for the coming year as part of our normal business planning process (which forms part of the total Annual Funding requirement (AFR) for that year). Any penalties received under these sets of regulations will first be applied as a reduction in the AFR.
6. As with penalties imposed under FSMA, one of our objectives is to mitigate the impact of enforcement costs on firms that are not subject to enforcement activity, so we apply the penalties we receive in two stages:
 - first, we reduce the AFRs of the fee-block/s that were charged the costs of conducting the enforcement actions that secured the penalties, up to the level of those enforcement costs; and
 - second, any balance remaining is then distributed between the relevant fee-blocks, in line with the estimated cost of carrying out our work under the relevant regulations in the coming financial year.
7. If this results in the AFR of any particular fee-block being reduced to zero, then any balance of penalties will be off-set against the AFRs of the remaining fee-blocks, up to the limit of our costs in administering the particular regulations.
8. If, after these processes have been completed, the money received from penalties exceeds the total costs of administering the regulations for the coming year, then any remaining balance is used to either support additional work to improve our administration of the regulations, or is carried forward to the following year.

Avoiding cross-subsidy

9. There is no risk of cross-subsidy under the PSRs and EMRs because all the costs of administration are ring-fenced within specific fee-blocks (G.2 to G.5 for PSRs and G.10 to G.11 for EMRs).
10. Fee-block G.1 is designated for firms that are registered with us under the MLRs, but have no other regulatory engagement with us, so it represents only a fraction of our MLR costs. Our general costs of administering the MLRs are not ring-fenced within discreet fee-blocks because anti-money-laundering is integral to our day-to-day supervision of firms' systems and controls. To avoid cross-subsidy, we apply any penalties under the MLRs to reduce the AFRs across the fee-blocks whose firms come within the scope of the money-laundering

legislation, up to the limit of our estimate of total money-laundering administration costs.⁴ As with the PSRs and EMRs, we use the profile of our enforcement work as the template for distributing the penalties.

Regulated Covered Bonds (RCB) Regulations 2008

11. Schedule 1, paragraph 16 of FSMA applies penalties to the RCB regime in the same way as to authorised firms, but the RCB regulations limit its application to issuers of RCB. Therefore, money received from penalties can only be applied to firms subject to the regulations.
12. The costs of administering the RCB regime are allocated to a single fee-block, G.15, so there is no requirement to prioritise the application of money from penalties under the RCB regulations. It is simply set against the AFR for G.15. As with penalties under the MLRs, PSRs and EMRs, if the penalty money received exceeds the fee-block's AFR, it is carried forward to the following year.

⁴ The excluded fee-blocks are: A.3: Insurers – general
A.18: Home finance providers, advisers and arrangers (given that lenders are also covered under A.2)
A.19: general insurance mediation
D: designated professional bodies
E: issuers and sponsors of securities
F: unauthorised mutuals
G.2-G.5: payment institutions
G.15: issuers of regulated covered bonds

Annex 6

Fees consultations

1. The table below lists the main Consultation Papers (CPs) and resulting Policy Statements and other documents that have been issued by us concerning the FSA's fees since 'N2' (when we were given our statutory powers on 1 December 2001). They also include consultations that relate to the Money Advice Service.
2. Not included are:
 - consultations primarily on other topics which incidentally discuss related fees issues;
 - fee consultations concerning the FOS and the FSCS; and
 - consultations relating to fees before 1 December 2001.
3. All the documents listed below are available on our website at: www.fsa.gov.uk/Pages/Library/Policy/index.shtml.

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Date | Consultation Paper | Date | Feedback Statements/other documents |
|----------------|---|---------------|--|
| June 2000 | CP56: The FSA's post-N2 fee-raising arrangements | | (feedback in CP79) |
| December 2000 | CP79: Feedback Statement to CP56 and second Consultation Paper on the FSA's post-N2 fee-raising arrangements | | (feedback in CP95) |
| May 2001 | CP95: Third Consultation Paper on the FSA's post-N2 fee-raising arrangements including feedback on CP79 | July 2001 | Handbook Notice 2 (feedback also in CP111) |
| September 2001 | CP111: Fourth Consultation Paper on the FSA's post-N2 fee-raising arrangements including feedback on CP95 | January 2002 | PS111: Fee-raising arrangements (feedback on CP111) |
| January 2002 | CP125: Fees 2002/03 | April 2002 | Handbook Notice 9 |
| | | June 2002 | PS125: Fees 2002/03 (feedback on CP125) |
| | | January 2002 | Consolidated Policy Statement on our fee-raising arrangements (version 1.0) |
| | | June 2002 | Consolidated Policy Statement on the FSA's general policy framework for raising fees (version 2.0) |
| July 2002 | CP141: Miscellaneous amendments to the Handbook (No.3) | November 2002 | Handbook Notice 16 |
| | | August 2002 | Feedback Statement on fees review |
| September 2002 | CP152: Fees – interim consultation on policy issues | | (feedback in CP168) |
| November 2002 | CP156: Miscellaneous amendments to the Handbook (No.5) | March 2003 | Handbook Notice 20 |
| January 2003 | CP168: Fees 2003/4 | March 2003 | Handbook Notice 20 |
| | | May 2003 | FS168: Fees 2003/04 (feedback on CP168) |
| April 2003 | CP180: Fees for mortgage firms and insurance intermediaries | October 2003 | PS180: Fees for mortgage firms and insurance intermediaries (feedback and made text from CP180) |
| | | May 2003 | Consolidated Policy Statement on the FSA's general policy framework for raising fees (version 3.0) |
| July 2003 | CP192: Further consultation on fees for mortgage firms and insurance intermediaries | December 2003 | PS192: Further consultation on fees for mortgage firms and insurance intermediaries (feedback and made text from CP192) |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Date | Consultation Paper | Date | Feedback Statements/other documents |
|---------------|--|----------------|---|
| | | July 2003 | Consolidated Policy Statement on our fee raising framework (version 3.1) |
| January 2004 | CP04/2: Fees and fees policy 2004/05 | March 2004 | Handbook Notice 31 (feedback also in CP04/9) |
| May 2004 | CP04/9: Fees issues arising from the regulation of mortgage business and general insurance broking – including feedback on CP04/2 | May 2004 | Consolidated Policy Statement on our fee-raising arrangements (version 4.1) |
| | | October 2004 | PS04/21: Regulatory fees relating to mortgage and insurance mediation regulation (feedback on CP04/4 and CP04/9 and made text) |
| January 2005 | CP05/2: Regulatory fees and levies 2005/06 | March 2005 | Handbook Notice 42 |
| | | May 2005 | PS05/6: Regulatory fees and levies 2005/06 – including feedback on CP 05/2 and made rules |
| | | June 2005 | Consolidated Policy Statement on our fee-raising arrangements (version 5.0) |
| February 2006 | CP06/2: Regulatory fees and levies 2006/07 | March 2006 | Handbook Notice 53 |
| | | May 2006 | PS06/2: Regulatory fees and levies 2006/07 – including feedback on CP 06/2 and made rules |
| | | May 2006 | Consolidated Policy Statement on our fee-raising arrangements (version 6.0) |
| July 2006 | CP06/13: Quarterly Consultation (No. 9) | September 2007 | PS06/7: The regulation of personal pension schemes including SIPPS |
| | | September 2007 | CP06/16: Prudential changes for insurers |
| | | September 2007 | Handbook Notice 58 |
| | | October 2007 | PS06/12: Regulation of Home Reversion and Home Purchase Plans (Volume 1) |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Date | Consultation Paper | Date | Feedback Statements/other documents |
|----------------|--|-------------------------|---|
| February 2007 | CP07/3: Regulatory fees and levies 2007/08 | March 2007 | Handbook Notice 64 |
| | | May 2007 | PS07/7: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2007/08, including feedback on CP07/3 and 'made rules' |
| July 2007 | CP07/13: Quarterly Consultation (No.13) | September 2007 | Handbook Notice 69 |
| July 2007 | Proposals for a UK recognised covered bonds legislative framework HM Treasury FSA | March 2008 | PS08/2: Regulated Covered Bonds: feedback on proposals for a Recognised Covered Bonds legislative framework and final Handbook |
| | | N/A | N/A |
| September 2007 | The FSA's new role under the Money Laundering Regulations 2007 – our approach | March 2008/ May 2008 | Handbook Notice 75 |
| November 2007 | CP07/19: Regulatory fees and levies: policy proposals for 2008/09 | May 2008 | PS08/5: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2008/09, including feedback on CP07/19, CP08/2, CP08/7 and 'made rules' |
| December 2007 | CP07/22: Regulating connected travel insurance | March 2008 | PS08/4: Travel Insurance – feedback on CP07/22 and made rules |
| | | May 2008 | Handbook Notice 75 |
| February 2008 | CP08/2: Regulatory fees and levies: rates proposals 2008/09 and feedback on CP07/19 | | PS08/5: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2008/09, including feedback on CP07/19, CP08/2, CP08/7 and 'made rules' |
| April 2008 | CP08/7: Quarterly Consultation Paper (No.16) | May 2008 | PS08/5: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2008/09, including feedback on CP07/19, CP08/2, CP08/7 and 'made rules' |
| July 2008 | CP08/12: Quarterly Consultation Paper (No.17) | September 2008 | Handbook Notice 81 |
| | | October 2008 | CP08/18: Regulatory fees and levies: policy proposals for 2009/10 |

| Date | Consultation Paper | Date | Feedback Statements/other documents |
|----------------|--|---------------------------------------|--|
| October 2008 | CP08/18: Regulatory fees and levies: policy proposals for 2009/10 | February 2009 June 2009 | PS09/5: Fees and levy policy and certain regulatory fee and levy rates 2009/10 – including feedback on CP08/18 and part of CP09/7 PS09/8: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2009/10, including feedback on CP08/18, CP09/7 and ‘made rules’ |
| December 2008 | CP08/21: Consultation on amendments to the Listing Rules and feedback on DP08/1 (A review of the structure of the Listing Regime) | November 2009 February 2010 | CP09/28: Listing Regime Review Consultation on changes to the listing categories consequences to CP09/24 PS10/2: Listing Regime review: Consultation on changes to the listing categories consequent to CP09/24 Note: Concerning change in terminology from ‘Primary Listing’ to ‘Premium Listing ‘only. |
| February 2009 | CP09/6: Regulating sale and rent back – an interim regime | | PS09/9: Regulating sale and rent back: an interim regime – Feedback on CP09/6 and near-final rules |
| February 2009 | CP09/7: Regulatory fees and levies: rates proposals for 2009/10 | March 2009 April 2009 June 2009 | PS09/5: Fees and levy policy and certain regulatory fee and levy rates 2009/10 - including feedback on CP08/18 and part of CP09/7 Handbook Notice 87 PS09/8: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2009/10, including feedback on CP08/18, CP09/7 and ‘made rules’ |
| February 2009 | CP09/8: Regulating reclaim funds | July 2009 July 2009 | Handbook Notice 90 PS09/12: Policy Statement Regulating Reclaim Funds – Feedback on CP09/8 and final rules |
| April 2009 | CP09/12: Quarterly Consultation Paper (No.20) | July 2009 | Handbook Notice 89 |
| September 2009 | CP09/22: Regulating sale and rent back – the full regime | January 2010 | PS10/4: Sale and rent back (full regime) – Feedback on CP09/22, made rules and consultation on reporting |
| October 2009 | CP09/25: Quarterly Consultation Paper (No.22) | December 2009 | Handbook Notice 95 |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Date | Consultation Paper | Date | Feedback Statements/other documents |
|---------------|---|--|---|
| November 2009 | CP09/26: Regulatory fees and levies: policy proposals for 2010/11 | December 2009 March 2010 December 2010 | Handbook Notice 95 Handbook Notice 98 Handbook Notice 105 |
| February 2010 | CP10/5: Regulatory fees and levies – Rates proposals 2010/11 and feedback statement on Part 1 of CP09/26 | March 2010 May 2010 | Handbook Notice 98 PS10/7: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2010/11 |
| April 2010 | CP10/10: Quarterly Consultation Paper (No.24) | June 2010 | Handbook Notice 101 |
| October 2010 | CP10/22: Regulatory fees and levies: policy proposals for 2011/12 | December 2010 January 2011 February 2011 | Handbook Notice 105 PS11/2: Implementation of the 2 nd Electronic Money Directive CP11/2: Regulatory fees and levies – Rates proposals 2011/12 |
| February 2011 | CP11/2: Regulatory fees and levies – Rates proposals 2011/12 | March 2011 May 2011 | Handbook Notice 108 PS11/7 Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2011/12 |
| April 2011 | CP11/7: Quarterly Consultation Paper (No.28) | May 2011 | PS11/7: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2011/12 |
| October 2011 | CP11/21: Regulatory fees and levies: policy proposals for 2012/13 | January 2012 February 2012 May 2012 | Handbook Notice 116 CP12/3: Regulatory fees and levies – Rates proposals 2012/13 PS12/11: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13 |
| February 2012 | CP12/3: Regulatory fees and levies – Rates proposals 2012/13 | March 2012 May 2012 | Handbook Notice 118 PS12/11: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13 |

Annex 7

Financial Ombudsman service general levy – 2012/13 overview

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Industry Block | Description | Tariff Base | Final 2012/13 tariff rate | Actual 2011/12 tariff rate | Final 2012/13 minimum levy per firm | Actual 2011/12 minimum levy per firm | Final 2012/13 gross total | Actual 2011/12 gross total | Final 2012/13 contribution by block | Actual 2011/12 contribution by block |
|----------------|---|---|---------------------------|----------------------------|-------------------------------------|--------------------------------------|---------------------------|----------------------------|-------------------------------------|--------------------------------------|
| 1 | Deposit acceptors, home finance lenders and administrators (excluding firms in block 14) | Per relevant account | 0.0331 | 0.0643648 | 100 | 100 | £8,708,200 | £16,701,075 | 49.2% | 39.1% |
| 2 | Insurers – general (excluding firms in blocks 13 & 15) | Per £1,000 of relevant annual gross premium income | 0.10 | 0.21626 | 100 | 100 | £2,670,000 | £5,237,172 | 15.1% | 12.3% |
| 3 | Society of Lloyd's | | 0 | 0 | 20,000 | 48,116 | £20,000 | £48,116 | 0.1% | 0.1% |
| 4 | Insurers – life (excluding firms in block 15) | Per £1,000 of relevant adjusted annual gross premium income | 0.0146 | 0.038445 | 100 | 100 | £740,000 | £1,785,187 | 4.2% | 4.2% |
| 5 | Fund managers | Flat fee | 0 | 0 | 200 | 485 | £180,000 | £440,380 | 1.0% | 1.0% |
| 6 | Operators, Trustees and Depositories of collective investment schemes | Flat fee | 0 | 0 | 50 | 120 | £20,500 | £50,880 | 0.1% | 0.1% |
| 7 | Dealers as principal | Flat fee | 0 | 0 | 50 | 125 | £13,400 | £32,500 | 0.1% | 0.1% |
| 8 | Advisory arrangers, dealers or brokers holding and controlling client money and/or assets | Per relevant approved person | 15 | 36.98 | 35 | 35 | £370,000 | £894,574 | 2.1% | 2.1% |
| 9 | Advisory arrangers, dealers or brokers not holding and controlling client money and/or assets | Per relevant approved person | 10 | 30.02 | 35 | 35 | £370,000 | £895,985 | 2.1% | 2.1% |
| 10 | Corporate finance advisors | Flat fee | 0 | 0 | 50 | 130 | £13,900 | £33,540 | 0.1% | 0.1% |
| 11 | Fee-paying payment service providers (excluding firms in any other industry block) | Authorised payment institutions per £1,000 of relevant income | 0.0153 | 0.040854 | 75 | 75 | £25,000 | £62,957 | 0.1% | 0.1% |
| | | Small payment institutions and small e-money issuers a flat fee | 0 | 0 | 50 | 150 | £21,000 | £81,300 | 0.1% | 0.2% |
| 13 | Cash plan health providers | Flat fee | 0 | 0 | 50 | 125 | £600 | £1,500 | 0.0% | 0.0% |
| 14 | Credit unions | Flat fee | 0 | 0 | 50 | 125 | £23,000 | £56,875 | 0.1% | 0.1% |

Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2012/13

| Industry Block | Description | Tariff Base | Final 2012/13 tariff rate | Actual 2011/12 tariff rate | Final 2012/13 minimum levy per firm | Actual 2011/12 minimum levy per firm | Final 2012/13 gross total | Actual 2011/12 gross total | Final 2012/13 contribution by block | Actual 2011/12 contribution by block |
|----------------|--|---|---------------------------|----------------------------|-------------------------------------|--------------------------------------|---------------------------|----------------------------|-------------------------------------|--------------------------------------|
| 15 | Friendly societies whose tax exempt business represents 95% or more of their total relevant business | Flat fee | 0 | 0 | 50 | 125 | £3,500 | £8,625 | 0.0% | 0.0% |
| 16 | Home finance providers, advisers and arrangers (excluding firms in blocks 13, 14 & 15) | Flat fee | 0 | 0 | 60 | 110 | £348,000 | £650,100 | 2.0% | 1.5% |
| 17 | General insurance mediation | Per £1,000 of relevant business annual income | 0.362 | 1.6492774 | 85 | 85 | £4,099,500 | £15,718,115 | 23.2% | 36.8% |
| 18 | Electronic money institutions | Per £1,000 of outstanding electronic money | 0.0466 | 0 | 75 | 180 | £71,000 | £6,300 | 0.4% | 0% |
| | | Small electronic money institutions | 0 | 0 | 50 | 180 | £2,400 | £7,200 | 0.0% | 0% |
| | Total – all blocks | | | | | | £17,700,000 | £42,712,381 | 100.0% | 100.0% |

Annex 8

List of non-confidential respondents to CP12/03

Association of British Credit Unions Limited

Association of British Insurers

Association of Financial Mutuals

Association of Independent Financial Advisers

Association of Mortgage Intermediaries

Association of Private Client Investment Managers and Stockbrokers (APCIMS)

Aviva plc

AXA UK

BATS CHI-X-Europe

British Bankers' Association

Building Societies Association

Chartered Financial Analysts Society of the UK

CME Clearing Europe Limited

Euroclear UK & Ireland Limited

Friends Life Limited

ICE Clear Europe

ICE Futures Europe

International Underwriting Association

Irish League of Credit Unions
LCH.Clearent Group Limited
Legal and General Group plc
LIFFE Administration and Management
Lloyd's
Lloyd's Market Association
London Metal Exchange
London Stock Exchange
Money Advice Trust
Practitioner Panel
Prudential plc
Smaller Businesses Practitioner Panel
Standard Life plc
Think Money Group
Zurich Financial Services (UKISA) Limited

Appendix 1

Periodic fees (2012/13) and other fees instrument 2012

PERIODIC FEES (2012/2013) AND OTHER FEES INSTRUMENT 2012

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 99 (Fees);
 - (b) section 101 (Part 6 rules: general provisions);
 - (c) section 156 (General supplementary powers);
 - (d) section 157(1) (Guidance);
 - (e) section 234 (Industry Funding);
 - (f) paragraph 17(1) (Fees) of Schedule 1 (The Financial Services Authority);
 - (g) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body); and
 - (h) paragraphs 1 (General), 4 (Rules), and 7 (Fees) of Schedule 7 (The Authority as Competent Authority for Part VI);
 - (2) the following provisions of the Payment Services Regulations 2009 (SI 2009/209):
 - (a) regulation 82 (Reporting requirements);
 - (b) regulation 92 (Costs of supervision); and
 - (c) regulation 93 (Guidance);
 - (3) the following provisions of the Electronic Money Regulations 2011 (SI 2011/99):
 - (a) regulation 49 (Reporting requirements);
 - (b) regulation 59 (Costs of supervision); and
 - (c) regulation 60 (Guidance); and
 - (4) the following powers and related provisions in the Regulated Covered Bond Regulations 2008 (SI 2008/346):
 - (a) regulations 18, 20, 24 and 25 (notification requirements);
 - (b) regulation 42 (Guidance);
 - (c) regulation 46 and paragraph 5 of Schedule 1 (fees).
- B. The rule-making powers listed above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 June 2012.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Periodic Fees (2012/2013) and Other Fees Instrument 2012.

By order of the Board
24 May 2012

Annex A**Amendments to the Glossary of definitions**

In this Annex, underlining indicates new text and striking through indicates deleted text.

issuer

...

- (5) (in *RCB* and *FEES* ~~3~~ 1 to 4, where applicable) (as defined in Regulation 1(2) of the *RCB Regulations*) a person which issues a *covered bond*.

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Application

1.1.2 R This manual applies in the following way:

(1) ...

(2) *FEES* 1, 2 and 4 apply to:

...

(i) under the Disclosure Rules and Transparency Rules (*DTR*) every *issuer* of *shares*, depositary receipts and securitised derivatives; ~~and~~

...

(k) every *fee-paying electronic money issuer*; and

(l) every issuer of a regulated covered bond.

...

...

3 Annex 8R Fees payable for authorisation as an authorised payment institution or registration as a small payment institution, including notification fees, in accordance with the Payment Services Regulations

Authorisation and registration fees payable

| Application type for authorisation, or registration <u>and notification</u> under Part 2 of the <i>Payment Services Regulations</i> | Amount payable |
|---|---|
| ... | |
| (4) <i>authorised payment institution</i> - where, <u>at the time the application is made</u> , the applicant has or intends to have <u>use</u> between 2,500 and 5,000 <i>agents</i> | <p>£12,500</p> <p><u>£3 for each agent registered with the FSA at the time of application.</u></p> <p><u>This fee is in addition to any fee due under paragraph (2) or (3) of</u></p> |

| | |
|---|---|
| | this table. |
| (5) <i>authorised payment institution</i> – where, during the course of the <i>FSA</i> financial year (12 months ending 31 March), the applicant <i>firm</i> notifies the <i>FSA</i> of any changes to the list of <i>agents</i> it has registered since authorisation has or intends to have more than 5,000 <i>agents</i> | <p>£25,000</p> <p>£3 for each change notified to the <i>FSA</i> during the <i>FSA</i> financial year.</p> <p>No fee is due under paragraph (5) if the total number of notifications to the <i>FSA</i> during the <i>FSA</i> financial year numbers 100 or less.</p> |

3 Annex Special Project Fee for restructuring 9R

| | | |
|-----------|---|---------------------------|
| ... | | |
| (11) R | Table of hourly rates: | |
| | FSA pay grade | Hourly rate (£) |
| | Administrator | 25 <u>30</u> |
| | Associate | 50 <u>55</u> |
| | Technical Specialist | 85 <u>100</u> |
| | Manager | 90 <u>110</u> |
| | Any other person employed by the <i>FSA</i> | 135 <u>160</u> |
| ... | | |

3 Annex Fees payable for authorisation as an authorised electronic money institution 10R or registration as a small electronic money institution or variation thereof, including notification fees, in accordance with the Electronic Money Regulations

Authorisation, registration and variation fees payable

| | |
|--|----------------|
| Application type for authorisation, registration, or variation or <u>notification</u> under Part 2 of the <i>Electronic Money Regulations</i> | Amount payable |
|--|----------------|

| | |
|--|---|
| ... | |
| <u>(3) electronic money institution - where, at the time the application is made, the applicant intends to use agents</u> | <u>£3 for each agent registered with the FSA at the time of application.</u> <u>This fee is in addition to any fees due under paragraph (1) or (2) of this table.</u> |
| <u>(4) electronic money institution – where, during the course of the FSA financial year (12 months ending 31 March), the firm notifies the FSA of any changes to the list of agents it has registered since its authorisation</u> | <u>£3 for each change notified to the FSA during the FSA financial year.</u> <u>No fee is due under paragraph (4) if the total number of notifications to the FSA during the FSA financial year numbers 100 or less.</u> |

...

Background

4.1.4 G ...

(3) The periodic fees for *fee-paying payment service providers*, ~~and~~ *fee-paying electronic money issuers* and issuers of regulated covered bonds are set out in FEES 4 Annex 11R. This annex sets out the activity groups, tariff base, valuation dates and, where applicable, the flat fees due for these *firms*.

...

4.2.7C R ...

4.2.7D R If an issuer of a regulated covered bond becomes registered after 31 December its valuation date will be calculated in the manner described in FEES 4 Annex 11R Part 4.

...

4.2.11 R Table of periodic fees

| 1 Fee payer | 2 Fee payable | 3 Due date | 4 Events occurring during the period leading to modified periodic fee |
|--|---------------|------------|---|
| ... | | | |
| All <i>firms</i> reporting transactions in <i>securities derivatives</i> to the FSA in | ... | ... | ... |

| | | | |
|--|-------------------------|--|---|
| accordance with SUP 17, and market operators who provide facilities for trading in securities derivatives. | | | |
| <u>Any issuer of a regulated covered bond.</u> | <u>FEES 4 Annex 11R</u> | <p>(1) Unless (2) applies, on or before the relevant dates specified in <u>FEES 4.3.6R</u></p> <p>(2) If an event specified in column 4 occurs during the course of a financial year, 30 days after the occurrence of that event or, if later, the dates specified in <u>FEES 4.3.6R</u></p> | <u>A person becomes registered as an issuer of a regulated covered bond</u> |

...

Time of payment

- 4.3.6 R (1) If the *firm's or regulated covered bond issuer's* periodic fee for the previous financial year was at least £50,000, ~~the firm~~ it must pay:
- ...
- (2) If the *firm's or regulated covered bond issuer's* periodic fee for the previous financial year was less than £50,000, ~~the firm~~ it must pay the periodic fee due in full by 1 July in the financial year to which that sum relates.

...

...

4 Annex 1R Activity groups, tariff bases and valuation dates applicable

...

| |
|--------|
| Part 2 |
| ... |

| Activity group | Tariff base |
|------------------------------|---|
| <p>...</p> <p>A.7</p> | <p>...</p> <p>...</p> <p>Notes on FuM</p> <p>...</p> <p><u>(f) If the <i>firm</i> is managing an overlay portfolio of <i>derivative</i> instruments and the underlying assets are managed by itself or a <i>firm</i> within the same <i>group</i> that has not reported them separately to the <i>FSA</i>, or by a <i>firm</i> outside its <i>group</i>, then it should calculate the value of the <i>derivatives</i> and other assets as prescribed in the <i>guidance</i> in FSA038 in SUP 16 Annex 25G.</u></p> <p><u>If the underlying assets are managed by another <i>firm</i> within the same <i>group</i> who has reported their value separately to the <i>FSA</i>, then to avoid double-counting within the <i>group</i>, the calculation must be restricted to the exposure of the overlay.</u></p> |

...

4 Annex 2R Fee tariff rates, permitted deductions and EEA/Treaty firm modifications for the period from 1 April ~~2011~~ 2012 to 31 March ~~2012~~ 2013

Part 1

This table shows the tariff rates applicable to each fee block

| | | | |
|----------------|--|---|--|
| ... | | | |
| Activity group | Fee payable | | |
| A.1 | Band width (£ million of Modified Eligible Liabilities (MELs)) | Fee (£/£m or part £m of MELs) | |
| | | Column 1 General Periodic fee | |
| | >10 – 140 | 33.44 <u>40.30</u> | |

| | | | | |
|-----|--|----------------------------------|---|--|
| | >140 – 630 | 33.44 <u>40.30</u> | | |
| | >630 – 1,580 | 33.44 <u>40.30</u> | | |
| | >1,580 – 13,400 | 41.80 <u>50.37</u> | | |
| | >13,400 | 55.18 <u>66.49</u> | | |
| | ... | | | |
| A.2 | Band width (No. of mortgages and/or home finance transactions) | Fee (£/mortgage) | | |
| | >50 - 130 | 1.79 <u>1.80</u> | | |
| | >130 – 320 | 1.79 <u>1.80</u> | | |
| | >320 – 4,570 | 1.79 <u>1.80</u> | | |
| | >4, 570 – 37,500 | 1.79 <u>1.80</u> | | |
| | >37,500 | 1.79 <u>1.80</u> | | |
| A.3 | Gross premium income (GPI) | Column 1 General periodic fee | Column 2 Solvency 2 Implementation fee | Column 3 Solvency 2 Special Project fee |
| | Minimum fee (£) | Not applicable | 25.00 | 25.00 |
| | Band Width (£ million of GPI) | Fee (£/£m or part £m of GPI) | | |
| | >0.5 – 10.5 | 505.51 <u>647.01</u> | 119.38 <u>45.93</u> | 127.57 <u>59.66</u> |
| | >10.5 – 30 | 505.51 <u>647.01</u> | 119.38 <u>45.93</u> | 127.57 <u>59.66</u> |
| | >30 – 245 | 505.51 <u>647.01</u> | 119.38 <u>45.93</u> | 127.57 <u>59.66</u> |
| | >245 – 1,900 | 505.51 <u>647.01</u> | 119.38 <u>45.93</u> | 127.57 <u>59.66</u> |
| | >1,900 | 505.51 <u>647.01</u> | 119.38 <u>45.93</u> | 127.57 <u>59.66</u> |
| | PLUS | | | |
| | Gross technical | Column 1 General | Column 2 Solvency 2 | Column 3 Solvency 2 |

| | liabilities (GTL) | Periodic fee | Implementation fee | Special Project fee |
|-----|---|---|---|--|
| | Band Width (£ million of GTL) | Fee (£/£m or part £m of GTL) | | |
| | >1 – 12.5 | 26.82 <u>34.44</u> | 6.42 <u>2.42</u> | 7.25 <u>3.59</u> |
| | >12.5 – 70 | 26.82 <u>34.44</u> | 6.42 <u>2.42</u> | 7.25 <u>3.59</u> |
| | >70 – 384 | 26.82 <u>34.44</u> | 6.42 <u>2.42</u> | 7.25 <u>3.59</u> |
| | >384 – 3,750 | 26.82 <u>34.44</u> | 6.42 <u>2.42</u> | 7.25 <u>3.59</u> |
| | >3,750 | 26.82 <u>34.44</u> | 6.42 <u>2.42</u> | 7.25 <u>3.59</u> |
| | ... | | | |
| A.4 | Adjusted annual gross premium income (AGPI) | Column 1 General Periodic fee | Column 2 Solvency 2 Implementation fee | Column 3 Solvency 2 Special Project fee |
| | Minimum fee (£) | Not applicable | 25.00 | 25.00 |
| | Band Width (£ million of AGPI) | Fee (£/£m or part £m of AGPI) | | |
| | >1 – 5 | 628.82 <u>806.72</u> | 147.39 <u>68.13</u> | 151.35 <u>69.03</u> |
| | >5 – 40 | 628.82 <u>806.72</u> | 147.39 <u>68.13</u> | 151.35 <u>69.03</u> |
| | >40 – 260 | 628.82 <u>806.72</u> | 147.39 <u>68.13</u> | 151.35 <u>69.03</u> |
| | >260 – 4,000 | 628.82 <u>806.72</u> | 147.39 <u>68.13</u> | 151.35 <u>69.03</u> |
| | >4,000 | 628.82 <u>806.72</u> | 147.39 <u>68.13</u> | 151.35 <u>69.03</u> |
| | PLUS | | | |
| | Mathe- matical reserves (MR) | Column 1 General Periodic fee | Column 2 Solvency 2 Implementation fee | Column 3 Solvency 2 Special Project fee |
| | Minimum | Not applicable | 25.00 | 25.00 |

| | | | | |
|-----|--|---|-----------------------------|-----------------------------|
| | fee (£) | | | |
| | Band Width (£ million of MR) | Fee (£/£m or part £m of MR) | | |
| | >1 –20 | 13.44 <u>17.73</u> | 3.10 <u>1.52</u> | 3.06 <u>1.44</u> |
| | >20 – 270 | 13.44 <u>17.73</u> | 3.10 <u>1.52</u> | 3.06 <u>1.44</u> |
| | >270 – 7,000 | 13.44 <u>17.73</u> | 3.10 <u>1.52</u> | 3.06 <u>1.44</u> |
| | >7,000 – 45,000 | 13.44 <u>17.73</u> | 3.10 <u>1.52</u> | 3.06 <u>1.44</u> |
| | >45,000 | 13.44 <u>17.73</u> | 3.10 <u>1.52</u> | 3.06 <u>1.44</u> |
| A.5 | Band Width (£ million of Active Capacity (AC)) | Fee (£/£m or part £m of AC) | | |
| | >50 – 150 | 56.34 <u>61.02</u> | | |
| | >150 – 250 | 56.34 <u>61.02</u> | | |
| | >250 – 500 | 56.34 <u>61.02</u> | | |
| | >500 – 1,000 | 56.34 <u>61.02</u> | | |
| | >1,000 | 56.34 <u>61.02</u> | | |
| A.6 | Flat fee | 1,419,112.28 <u>1,565,615.52</u> | | |
| | PLUS | | | |
| | Solvency 2 Special Project Flat fee (£) | 975,000 <u>682,500</u> | | |
| | PLUS | | | |
| | Solvency 2 Implementation Flat fee (£) | 331,238.49 <u>149,517.37</u> | | |
| A.7 | For class 1(C), (2) and (3) <i>firms</i> : | | | |
| | Band Width (£ million of Funds under Management (FuM)) | Fee (£/£m or part £m of FuM) | | |
| | >10 – 150 | 6.80 <u>8.66</u> | | |

| | | |
|------|---|-------------------------------------|
| | >150 – 2,800 | 6.80 <u>8.66</u> |
| | >2,800 – 17,500 | 6.80 <u>8.66</u> |
| | >17,500 – 100,000 | 6.80 <u>8.66</u> |
| | >100,000 | 6.80 <u>8.66</u> |
| | ... | |
| ... | ... | |
| A.9 | Band Width (£ million of Gross Income (GI)) | Fee (£/£m or part £m of GI) |
| | >1 – 4.5 | 1,380.85 <u>1,350.30</u> |
| | >4.5 – 17 | 1,380.85 <u>1,350.30</u> |
| | >17 – 145 | 1,380.85 <u>1,350.30</u> |
| | >145 – 750 | 1,380.85 <u>1,350.30</u> |
| | >750 | 1,380.85 <u>1,350.30</u> |
| A.10 | Band Width (No. of traders) | Fee (£/trader) |
| | 2 – 3 | 3,565.73 <u>5,133.71</u> |
| | 4 – 5 | 3,565.73 <u>5,133.71</u> |
| | 6 – 30 | 3,565.73 <u>5,133.71</u> |
| | 31 – 180 | 3,565.73 <u>5,133.71</u> |
| | >180 | 3,565.73 <u>5,133.71</u> |
| ... | | |
| A.12 | Band Width (No. of persons) | Fee (£/person) |
| | 2 – 5 | 757.17 <u>591.58</u> |
| | 6 – 35 | 757.17 <u>591.58</u> |
| | 36 – 175 | 757.17 <u>591.58</u> |
| | 176 – 1,600 | 757.17 <u>591.58</u> |
| | >1,600 | 757.17 <u>591.58</u> |

| | | |
|------|---|---|
| | For a <i>professional firm</i> in A.12 the fee is calculated as above less 10%. | |
| A.13 | For class (2) <i>firms</i> : | |
| | Band Width (No. of persons) | Fee (£/person) |
| | 2 – 3 | 1,290.54 <u>1,191.47</u> |
| | 4 – 30 | 1,290.54 <u>1,191.47</u> |
| | 31 – 300 | 1,290.54 <u>1,191.47</u> |
| | 301 – 2,000 | 1,290.54 <u>1,191.47</u> |
| | >2,000 | 1,290.54 <u>1,91.47</u> |
| | ... | |
| A.14 | Band Width (No. of persons) | Fee (£/person) |
| | 2 – 4 | 2,809.83 <u>1,742.49</u> |
| | 5 – 25 | 2,809.83 <u>1,742.49</u> |
| | 26 – 80 | 2,809.83 <u>1,742.49</u> |
| | 81 – 199 | 2,809.83 <u>1,742.49</u> |
| | >199 | 2,809.83 <u>1,742.49</u> |
| ... | | |
| A.18 | Band Width (£ thousands of Annual Income (AI)) | Fee (£/£ thousand or part £ thousand of AI) |
| | >100 – 180 | 13.12 <u>14.33</u> |
| | >180 – 1,000 | 13.12 <u>14.33</u> |
| | >1,000 – 12,500 | 13.12 <u>14.33</u> |
| | >12,500 – 50,000 | 13.12 <u>14.33</u> |
| | >50,000 | 13.12 <u>14.33</u> |
| A.19 | Band Width (£ thousands of Annual Income (AI)) | Fee (£/£ thousand or part £ thousand of AI) |

| | | |
|----------------------|-----------------------------------|-----------------------------------|
| | >100 –325 | 1.94 <u>1.68</u> |
| | >325 – 10,000 | 1.94 <u>1.68</u> |
| | >10,000 – 50,750 | 1.94 <u>1.68</u> |
| | >50,750 – 250,000 | 1.94 <u>1.68</u> |
| | >250,000 | 1.94 <u>1.68</u> |
| B. Market operators | £35,000 <u>£40,250</u> | |
| B. Service companies | Bloomberg LP | £45,000 <u>£51,750</u> |
| | LIFFE Services Ltd | £35,000 <u>£40,250</u> |
| | [row deleted] | |
| | OMGEO Ltd | £35,000 <u>£40,250</u> |
| | Reuters Ltd | £45,000 <u>£51,750</u> |
| | Swapswire Ltd | £35,000 <u>£40,250</u> |
| ... | | |

...

Part 2

This table shows the permitted deductions that apply where financial penalties are received by the *FSA* under sections 66, 123 and 206 of the *Act* and regulation 42 of the *Money Laundering Regulations*:

| Activity group | Amount of deduction |
|-----------------------|--|
| Part 1A (minimum fee) | 16.8% <u>1.2%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.1 | 17.0% <u>8.3%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.2 | 20.8% <u>17.8%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.3 | 16.9% <u>4.3%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1). The deduction does not apply to any Solvency 2 Special Project fee (as defined in Part 1) or Solvency 2 Implementation fee as applicable under Part 5. |

| | |
|------|--|
| A.4 | 16.9% <u>4.8%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1). The deduction does not apply to any Solvency 2 Special Project fee (as defined in Part 1) or Solvency 2 Implementation fee as applicable under Part 5. |
| A.5 | 16.8% <u>1.2%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.6 | 16.8% <u>1.2%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1). The deduction does not apply to any Solvency 2 Special Project flat fee or Solvency 2 Implementation flat fee (as defined in Part 1). |
| A.7 | 18.1% <u>26.6%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.9 | 16.8% <u>33.9%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.10 | 18.6% <u>12.8%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.12 | 21.7% <u>42.2%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.13 | 17.7% <u>11.4%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.14 | 20.4% <u>26.6%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.18 | 18.2% <u>24.8%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |
| A.19 | 17.3% <u>8.3%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1) |

...

Part 4

This table shows the calculation of the Solvency 2 Special Project fee for *firms* falling into fee block A3 or A4.

| | |
|-----|--|
| (1) | ... |
| (2) | The Solvency 2 Special Project fee is only payable by a <i>firm</i> if it meets the conditions in Part 5 and the <u>either of the</u> conditions set out in paragraph (3) of this part. |
| | ... |

| | | |
|-----|--------------------------|--|
| (3) | The conditions are that: | |
| | (a) | before 1 April 2011 <u>2012</u> the <i>firm</i> , or a member of the group of which the <i>firm</i> is also a member (in either case, 'the recipient'), received a written communication from the <i>FSA</i> that it has met the criteria for entry into pre-Internal Model Approval Process status ('pre-IMAP'); and <u>the recipient remains in pre-IMAP status on 1 April 2012; or</u> |
| | (b) | the recipient remains in pre-IMAP status on 1 April 2011. <u>before 1 April 2013 the <i>firm</i> makes a written application to the <i>FSA</i> for internal model approval under the <i>Solvency 2 Directive</i> where:</u> |
| | (i) | <u>the application is made on or after the date from which the <i>FSA</i> is required under the <i>Solvency 2 Directive</i> to consider internal model approvals from a <i>firm</i>; and</u> |
| | (ii) | <u>the <i>firm</i> has not otherwise paid a <i>Solvency 2 Special Project Fee</i> in respect of the <i>FSA</i> financial year ending on 31 March 2013.</u> |
| ... | | |

Part 5

This Part sets out when a Solvency 2 Implementation fee is due for *firms* in the A.3 and A.4 fee-blocks.

| | | |
|-----|--|---|
| (1) | The Solvency 2 Implementation fee is only payable by a <i>firm</i> if it meets all the conditions in (2) and neither of the conditions in (3). | |
| (2) | The conditions in this paragraph are: | |
| | (a) | ... |
| | (b) | the <i>firm</i> has not notified the <i>FSA</i> before the start of the financial year 2011/12 <u>2012/13</u> that it intends to migrate out of the <i>United Kingdom</i> for regulatory purposes before the <i>Solvency 2 Directive</i> is implemented; |
| | (c) | ... |
| | (d) | it was in one or both of the insurance fee blocks at the start of the financial year 2011/12 <u>2012/13</u> ; |
| | ... | |
| ... | | |

...

4 Annex 4R **Periodic fees in relation to collective investment schemes payable for the period 1 April ~~2011~~ 2012 to 31 March ~~2012~~ 2013**

Part 1 - Periodic fees payable

| Scheme type | Basic fee (£) | Total funds/sub-funds aggregate | Fund factor | Fee (£) |
|---|----------------------------------|---------------------------------|-------------|---------------------------------|
| ICVC, AUT, Section 264 of the <i>Act</i> Section 270 of the <i>Act</i> | 585 <u>580</u> | 1-2 | 1 | 585 <u>580</u> |
| | | 3-6 | 2.5 | 1,463 <u>1,450</u> |
| | | 7-15 | 5 | 2,925 <u>2,900</u> |
| | | 16-50 | 11 | 6,435 <u>6,380</u> |
| | | >50 | 22 | 12,870 <u>12,760</u> |
| Section 272 of the <i>Act</i> | 2,380 <u>2,360</u> | 1-2 | 1 | 2,380 <u>2,360</u> |
| | | 3-6 | 2.5 | 5,950 <u>5,900</u> |
| | | 7-15 | 5 | 11,900 <u>11,800</u> |
| | | 16-50 | 11 | 26,180 <u>25,960</u> |
| | | >50 | 22 | 52,360 <u>51,920</u> |

Fees are charged according to the number of funds or *sub-funds* operated by a *firm* as at 31 March ~~2011~~ 2012 ...

4 Annex 5R **Periodic fees for designated professional bodies payable in relation to the period 1 April 2012 to 31 March 2013**

Table of fees payable by Designated Professional Bodies

| Name of Designated Professional Body | Amount payable | Due date |
|--------------------------------------|-----------------------------------|---|
| The Law Society of England & Wales | ... | ... |
| | £31,660 <u>£28,235</u> | 1 September 2011 <u>2012</u> |
| The Law Society of Scotland | £13,990 <u>£13,080</u> | 1 July 2011 <u>2012</u> |
| The Law Society of Northern Ireland | £12,920 <u>£12,500</u> | 1 July 2011 <u>2012</u> |
| The Institute of Actuaries | £10,110 <u>£10,090</u> | 1 July 2011 <u>2012</u> |

| | | |
|---|------------------------------------|------------------------------------|
| The Institute of Chartered Accountants in England and Wales | £ 24,660 <u>£22,340</u> | 1 July 2011 <u>2012</u> |
| The Institute of Chartered Accountants of Scotland | £ 11,200 <u>£11,030</u> | 1 July 2011 <u>2012</u> |
| The Institute of Chartered Accountants in Ireland | £ 10,650 <u>£10,560</u> | 1 July 2011 <u>2012</u> |
| The Association of Chartered Certified Accountants | £ 16,980 <u>£15,960</u> | 1 July 2011 <u>2012</u> |
| The Council for Licensed Conveyancers | £ 11,230 <u>£11,080</u> | 1 July 2011 <u>2012</u> |
| Royal Institution of Chartered Surveyors | £ 13,800 <u>£13,360</u> | 1 July 2011 <u>2012</u> |

...

4 Annex 6R Periodic fees for recognised investment exchanges, recognised clearing houses and recognised auction platforms payable in relation to the period 1 April 2012 to 31 March 2013

...

Part 1 - Periodic fees for UK recognised clearing houses and recognised investment exchanges

| Name of UK recognised body | Amount payable | Due date |
|-------------------------------------|---|--|
| Euroclear UK & Ireland Limited | ... | ... |
| | £ 275,000 <u>£410,500</u> | 1 September 2011 <u>2012</u> |
| ICE Futures Europe Ltd | ... | ... |
| | £ 245,000 <u>£365,500</u> | 1 September 2011 <u>2012</u> |
| LIFFE Administration and Management | ... | ... |
| | £ 350,000 <u>£510,500</u> | 1 September 2011 <u>2012</u> |
| LCH Clearnet Limited | ... | ... |
| | £ 325,000 <u>£545,000</u> | 1 September 2011 <u>2012</u> |
| The London Metal Exchange Limited | ... | ... |

| | | |
|---|--|--|
| | £212,500 <u>£319,500</u> | 1 September 2011 <u>2012</u> |
| London Stock Exchange plc | ... | |
| | £280,000 <u>£427,000</u> | 1 September 2011 <u>2012</u> |
| PLUS Markets Plc | ... | |
| | £85,000 <u>£127,500</u> | 1 September 2011 <u>2012</u> |
| European Central Counterparty Limited | ... | .. |
| | £167,500 <u>£203,000</u> | 1 September 2011 <u>2012</u> |
| ICE Clear Europe Limited | ... | |
| | £265,000 <u>£416,500</u> | 1 September 2011 <u>2012</u> |
| Chicago Mercantile Exchange Clearing Europe | ... | |
| | £275,000 <u>£275,500</u> | 1 September 2011 <u>2012</u> |
| ... | | |

...

Part 2 - Periodic fees for overseas recognised bodies

| Name of overseas recognised body | Amount payable | Due date |
|--|-----------------------------------|------------------------------------|
| The Chicago Mercantile Exchange (CME) (ROIE) | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |
| Chicago Board of Trade | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |
| EUREX (Zurich) | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |
| National Association of Securities and Dealers Automated Quotations (NASDAQ) | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |
| New York Mercantile Exchange Inc. | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |
| The Swiss Stock Exchange | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |

| | | |
|---|--|------------------------------------|
| Sydney Futures Exchange Limited | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |
| ICE Futures US Inc | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |
| NYSE Liffe US | £40,000 <u>£50,000</u> | 1 July 2011 <u>2012</u> |
| SIS x-clear AG | £100,000 <u>£125,000</u> | 1 July 2011 <u>2012</u> |
| Eurex Clearing AG | £70,000 <u>£85,000</u> | 1 July 2011 <u>2012</u> |
| ICE Clear US Inc | £70,000 <u>£85,000</u> | 1 July 2011 <u>2012</u> |
| Chicago Mercantile Exchange (CME) (ROCH) | £100,000 <u>£125,000</u> | 1 July 2011 <u>2012</u> |
| European Multi-Lateral Clearing Facility | £100,000 <u>£125,000</u> | 1 July 2011 <u>2012</u> |
| Cassa di Compensazione e Garanzia (CC&G) | £70,000 <u>£85,000</u> | 1 July 2011 <u>2012</u> |
| LCH Clearnet SA | £100,000 <u>£125,000</u> | 1 July 2011 <u>2012</u> |
| <u>Green Exchange (ROIE)</u> | <u>£50,000</u> | <u>1 July 2012</u> |
| ... | | |

4 Annex 7R Periodic fees in relation to the Listing Rules for the period 1 April ~~2011~~ 2012 to 31 March ~~2012~~ 2013

| Fee type | Fee amount |
|--|--|
| Annual fees for the period 1 April 2011 <u>2012</u> to 31 March 2012 <u>2013</u> | |
| ... | <p>(1) For all <i>issuers</i> of <i>securitised derivatives</i>, depository receipts and global depository receipts the fees payable are set out in Table 1.</p> <p>(2) For all other <i>issuers</i>, fees to be determined according to market capitalisation, as at the last <i>business day</i> of the November prior to the <i>FSA</i> financial year in which the fee is payable, are as set out in Table 2. The fee is calculated as follows:</p> <p>(a) the relevant minimum fee; plus</p> |

| | |
|--|--|
| | (b) the cumulative total of the sums payable for each of the bands calculated by multiplying each relevant tranche of the <i>firm's</i> market capitalisation by the rate indicated for that tranche. Where issuers have more than one type of share in issue, the highest market capitalisation of all of its securities in issue is used. (3) ... |
| ... | |
| <u>No fee is due under this annex in relation to regulated covered bonds. FEES 4 Annex 11R sets out the fees due in relation to regulated covered bonds.</u> | |

Table 1

~~The Annual Fees~~ annual fee for issuers of *securitised derivatives*, ~~depository receipts and global depository receipts~~ is £4,200.

| Issuer | Fee amount |
|--|------------|
| <i>Issuers of securitised derivatives</i> | £3,700 |
| Issuers of depository receipts and global depository receipts | £4,440 |

Table 2

Tiered annual fees for all other issuers

| Fee payable | |
|--|--|
| Minimum Fee (£) | 3,700 <u>4,200</u> |
| £ million of Market Capitalisation as at the last <i>business day</i> of the November prior to the <i>FSA</i> financial year in which the fee is payable | Fee (£/£m of part £m of Market Capitalisation as at the last <i>business day</i> of the November prior to the <i>FSA</i> financial year in which the fee is payable) |
| 0 – 100 | 0 |
| > 100 – 250 | 23.593356 <u>26.778459</u> |
| > 250 – 1,000 | 9.436716 <u>10.710673</u> |
| > 1,000 – 5,000 | 5.808686 <u>6.592859</u> |
| > 5,000 – 25,000 | 0.141692 <u>0.160820</u> |

| | |
|----------|-------------------------------------|
| > 25,000 | 0.045777 <u>0.051957</u> |
|----------|-------------------------------------|

There is deducted from the fee specified in this Annex ~~4.7%~~ 1.8% of the fee payable to take into account financial penalties received by the *FSA* under section 91 of the *Act* in the previous financial year.

4 Annex 8R Periodic fees in relation to the disclosure rules and transparency rules for the period 1 April ~~2011~~ 2012 to 31 March ~~2012~~ 2013

| | |
|--|--|
| Annual fees for the period 1 April 2011 <u>2012</u> to 31 March 2012 <u>2013</u> | |
| ... | |

Table 1

Annual fees for non-listed issuers of securitised derivatives, depositary receipts and global depositary receipts

| Issuer | Fee amount |
|--|---------------------------------|
| <i>Issuers of securitised derivatives</i> | £2,960 <u>£3,360</u> |
| <i>Issuers of depositary receipts and global depositary receipts</i> | £3,552 <u>£2,688</u> |

Table 2

| Fee payable | |
|---|--|
| Minimum Fee (£) | 2,960 <u>3,360</u> |
| £ million of Market Capitalisation <u>as at the last business day of the November prior to the FSA financial year in which the fee is payable</u> | Fee (£/£m of part £m of Market Capitalisation <u>as at the last business day of the November prior to the FSA financial year in which the fee is payable</u>) |
| 0 – 100 | 0 |
| > 100 – 250 | 18.874685 <u>21.422767</u> |
| > 250 – 1,000 | 7.549373 <u>8.568538</u> |
| > 1,000 – 5,000 | 4.646949 <u>5.274287</u> |

| | |
|------------------|-------------------------------------|
| > 5,000 – 25,000 | 0.113353 <u>0.128656</u> |
| > 25,000 | 0.036622 <u>0.041565</u> |

There is deducted from the fee specified in this Annex ~~4.7%~~ 1.8% of the fee payable to take into account financial penalties received by the *FSA* under section 91 of the *Act* in the previous financial year.

4 Annex 9R **Periodic fees in respect of securities derivatives for the period from 1 April ~~2011~~ 2012 to 31 March ~~2012~~ 2013**

Part 1

...

For the purposes of this Annex, a “relevant contract” is any contract entered into or settled by *firms* on or through LIFFE or Eurex Clearing AG in *securities derivatives* and the “relevant period” is 1 January ~~2010~~ 2011 to 31 December ~~2010~~ 2011 inclusive.

The fee shown in the table below for *firms* (but not *market operators*) will be subject to a deduction of ~~16.7%~~ 1.2%, as if that fee were a periodic fee charged under *FEES* 4.3.3R, and the deduction were a deduction set out in Part 2 of *FEES* 4 Annex 2R.

...

| Fee amount for <i>firms</i> | |
|--|-----------------------------------|
| Number of relevant contracts entered into by the <i>firm</i> during the relevant period | Fee amount |
| 0 – 100 | £0 |
| 101 - 1,000 | £585 <u>£595</u> |
| 1,001 - 100,000 | £2,950 <u>£2,995</u> |
| 100,001 - 1,000,000 | £8,875 <u>£9,000</u> |
| 1,000,001 - 5,000,000 | £21,300 <u>£21,600</u> |
| 5,000,001 - 20,000,000 | £37,750 <u>£38,280</u> |
| >20,000,000 | £57,500 <u>£58,300</u> |
| Fee amount for <i>market operators</i> | |
| <i>Market operators</i> providing facilities for trading in <i>securities derivatives</i> that do not identify those <i>securities derivatives</i> | £11,000 <u>£11,150</u> |

| | |
|--|--|
| using an <i>International Securities Identity Number</i> . | |
|--|--|

4 Annex 10R **Periodic fees for MTF operators payable in relation to the period 1 April ~~2011~~ 2012 to 31 March ~~2012~~ 2013**

| Name of <i>MTF</i> operator | Fee payable (£) | Due date 1 July 2011 2012 |
|--|-----------------------------------|---|
| Barclays Bank Plc | 4,000 <u>5,000</u> | |
| Baltic <u>Exchange</u> Derivatives Trading Ltd | 20,000 <u>23,500</u> | |
| BATS Trading Ltd | 80,000 <u>109,000</u> | |
| BGC Brokers L.P | 4,000 <u>5,000</u> | |
| Cantor Index Limited | 8,000 <u>10,000</u> | |
| Chi-X Europe Limited | 130,000 <u>175,000</u> | |
| EuroMTS Limited | 30,000 <u>35,500</u> | |
| GFI Brokers Limited | 4,000 <u>5,000</u> | |
| GFI Securities Limited | 4,000 <u>5,000</u> | |
| ICAP Electronic Broking Limited | 6,250 <u>7,800</u> | |
| ICAP Energy Limited | 4,000 <u>5,000</u> | |
| ICAP Europe Limited | 4,000 <u>5,000</u> | |
| ICAP Shipping Tanker Derivatives Limited | 4,000 <u>5,000</u> | |
| ICAP Securities Limited | 4,000 <u>5,000</u> | |
| ICAP WCLK Limited | 4,000 <u>5,000</u> | |
| J.P.Morgan Cazenove Limited | 4,000 <u>N/A</u> | |
| Liquidnet Europe Limited | 70,000 <u>83,000</u> | |
| MF Global UK Limited | 4,000 <u>N/A</u> | |
| My Treasury Limited | 4,000 <u>5,000</u> | |
| <u>iSWAP Euro Ltd</u> | <u>5,000</u> | |

| | | |
|---|--|---|
| Nomura <u>International Plc</u> | 4,000 <u>5,000</u> | |
| <u>Credit Agricole Cherveux International</u> | <u>5,000</u> | |
| Sigma X MTF | 4,000 | |
| SmartPool Trading Limited | 22,500 <u>26,500</u> | |
| TFS-ICAP Limited | 4,000 <u>5,000</u> | |
| Tradeweb Europe Limited | 13,000 <u>16,000</u> | |
| Tradition (UK) Limited | 4,000 <u>5,000</u> | |
| Tradition Financial Services Limited | 4,000 <u>5,000</u> | |
| Tullett Prebon (Europe) Limited | 4,000 <u>5,000</u> | |
| Tullett Prebon (Securities) Limited | 4,000 <u>5,000</u> | |
| Turquoise Global Holdings Ltd | 140,000 <u>165,500</u> | |
| <u>Goldman Sachs International</u> | <u>5,000</u> | |
| UBS Ltd | 4,000 <u>5,000</u> | |
| ... | <p>In the case of an <i>EEA firm</i> that:</p> <p>(a) has not carried on the activity of <i>operating a multilateral trading facility</i> in the <i>UK</i> at any time in the calendar year ending 31 December 2009 <u>2011</u>; and</p> <p>(b) notifies the <i>FSA</i> of that fact by the end of March 2010 <u>2012</u>;</p> <p>the fee is zero.</p> <p>.....</p> <p>In any other case £3,500 <u>£4,400</u></p> | <p>...</p> <p>In any other case, 1 July 2011 <u>2012</u></p> |
| | There is deducted from the fee specified in this Annex 16.7% <u>9.3%</u> of the fee payable to take into account financial penalties received by the <i>FSA</i> under section | |

| | |
|--|---|
| | 66, 123 and 206 of the <i>Act</i> in the previous financial year. |
|--|---|

4 Annex 11R **Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations and electronic money issuance by fee-paying electronic money issuers under the Electronic Money Regulations and issuance of regulated covered bonds by issuers in relation to the period 1 April ~~2011~~ 2012 to 31 March ~~2012~~ 2013**

...

| |
|---|
| Part 1B – Method for calculating the periodic fee where the firm is both a fee-paying payment service provider and a fee-paying electronic money issuer |
| ... |

| |
|---|
| <u>Part 1C – Method for calculating the fee for an issuer of a regulated covered bond</u> |
| <u>The issuance of <i>regulated covered bonds</i> by <i>issuers</i> is linked to activity group G.15 in this annex. The periodic fees for <i>issuers</i> of <i>regulated covered bonds</i> is calculated by multiplying the tariff base relevant to G.15 in Part 3 of <i>FEES</i> 4 Annex 11R by the appropriate rates applying to each tranche of the tariff base as indicated in the table at Part 5.</u> |

...

| Part 3 | |
|--|--|
| This table indicates the tariff base for each fee-block. The tariff base is the means by which the <i>FSA</i> measures the ‘amount of business’ conducted by <i>fee-paying payment service providers</i> , and <i>fee-paying electronic money issuers</i> <u>and issuers of regulated covered bonds</u> . | |
| Activity group | Tariff base |
| ... | |
| G.10 | Average outstanding electronic money as defined under regulation 2(1) of the <i>Electronic Money Regulations</i> . This is the average total amount of financial liabilities related to <i>electronic money</i> in issue at the end of each calendar day over the preceding twelve calendar months (which is the period ending on the date set out under Part 4), calculated on the first calendar day of each calendar month and applied for that calendar month (£million). This tariff base applies for the period 2012/13. |
| G.11 | ... |
| <u>G.15</u> | <u><i>Regulated covered bonds</i> issued in the 12 months ending on the valuation date and valued as at the valuation date.</u> |

Part 4 – Valuation period

This table indicates the valuation date for each fee-block. A *fee-paying payment service provider*, ~~and~~ a *fee-paying electronic money issuer* and a *regulated covered bond issuer* can calculate tariff data by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.

| Activity group | Valuation date |
|----------------|--|
| ... | |
| G.11 | ... |
| G.15 | <p><u>(1) The last day of the financial quarter during which the issuer became registered as an issuer in the FSA financial year (the 12 months ending 31 March).</u></p> <p><u>(2) For subsequent FSA financial years, 31 December unless (3) applies.</u></p> <p><u>(3) If the issuer became registered as an issuer between 1 January and 31 March inclusive, 31 March in respect of the FSA financial year immediately following the FSA financial year during which it became registered and 31 December in respect of all further FSA financial years.</u></p> <p><u>A reference to a financial quarter in this box means any of the following periods: 1 April to 30 June inclusive, 1 July to 30 September inclusive, 1 October to 31 December inclusive or 1 January to 31 March inclusive.</u></p> |

Part 5 – Tariff rates

| Activity group | Fee payable in relation to 2011/12 2012/13 | |
|----------------|--|-----------------------------------|
| G.2 | Minimum fee (£) | 400 |
| | £ million or part £m of Modified Eligible Liabilities (MELS) | Fee (£/£m or part £m of MELS) |
| | > 0.1 | 0.45265 <u>0.29055</u> |
| | > 0.25 | 0.45265 <u>0.29055</u> |
| | > 1.0 | 0.45265 <u>0.29055</u> |
| | > 10.0 | 0.45265 <u>0.29055</u> |
| | > 50.0 | 0.45265 <u>0.29055</u> |
| | > 500.0 | 0.45265 <u>0.29055</u> |

| | | |
|---|---|--|
| G.3 | Minimum fee (£) | 400 |
| | £ thousands or part £ thousand of Relevant Income | Fee (£/£thousand or part £ thousand of Relevant Income) |
| | > 100 | 0.29950 <u>0.19415</u> |
| | > 250 | 0.29950 <u>0.19415</u> |
| | > 1000 | 0.29950 <u>0.19415</u> |
| | > 10,000 | 0.29950 <u>0.19415</u> |
| | > 50,000 | 0.29950 <u>0.19415</u> |
| | > 500,000 | 0.29950 <u>0.19415</u> |
| ... | | |
| G.10 | Minimum fee (£) | 1,500 |
| | £million or part £m of average outstanding electronic money (AOEM) | Fee (£/£m or part £m of AOEM) |
| | >5.0 | 150.00 <u>180.00</u> |
| G.11 | £1,000 <u>£1,000</u> | |
| <u>G.15</u> | <u>Minimum fee for the first registered programme</u> | <u>£83,590</u> |
| | <u>Minimum fee for all subsequent registered programmes</u> | <u>75% of minimum fee for first registered programme</u> |
| | <u>£million or part £m of regulated covered bonds issued in the 12 months ending on the valuation date.</u> | <u>Fee (£/£m or part £m of regulated covered bonds issued in the 12 months ending on the valuation date)</u> |
| | <u>>0.00</u> | <u>10.28</u> |
| <p><u>For the purposes of calculating fees, any regulated covered bonds denominated in a currency other than sterling must be converted into sterling at the applicable exchange rate set out below.</u></p> <p><u>Where an exchange rate hedging agreement was entered into in connection with the issuance of regulated covered bonds denominated in a currency other than sterling, the applicable exchange rate for those regulated cover bonds is the exchange rate stipulated in the exchange rate hedging agreement.</u></p> | | |

| | |
|--|--|
| | <p><u>An exchange rate hedging agreement is any agreement entered into to hedge the market risk relating to fluctuations in exchange rates.</u></p> <p><u>In all other cases, the applicable exchange rate is the daily spot rate available on the Bank of England’s Statistical Interactive Database (the “Bank of England exchange rate”) applying on the valuation date. If the valuation date is not a <i>business day</i>, then the applicable exchange rate is the Bank of England exchange rate applying on the first <i>business day</i> following the valuation date.</u></p> |
|--|--|

Part 6 – Permitted deductions for financial penalties pursuant to regulation 85 of the *Payment Services Regulations*, ~~and~~ regulation 51 of the *Electronic Money Regulations* and regulation 34 of the *RCB Regulations*, as applicable.

Fee-paying payment service providers, ~~and~~ *fee-paying electronic money issuers* and issuers of regulated covered bonds may make deductions as provided in this Part.

| Activity group | Nature of deduction | Amount of deduction |
|----------------|-------------------------------------|-----------------------------|
| G.2 | Financial penalties received | 0.1% <u>0.0%</u> |
| G.3 | Financial penalties received | 0.1% <u>0.0%</u> |
| G.4 | Financial penalties received | 0.1% <u>0.0%</u> |
| G.5 | Financial penalties received | 0.1% <u>0.0%</u> |
| G.10 | Financial penalties received | 0.1% <u>0.0%</u> |
| G.11 | Financial penalties received | 0.1% <u>0.0%</u> |
| <u>G.15</u> | <u>Financial penalties received</u> | <u>0.0%</u> |

...

5 Financial Ombudsman Service Funding

...

5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for ~~2011/12~~ 2012/13

Introduction: annual budget

1. The *annual budget* for ~~2011/12~~ 2012/13 approved by the FSA is ~~£127.9m~~ £191.1m.

2. The total amount expected to be raised through the *general levy* in ~~2011/12~~ 2012/13 will be ~~£42.7m~~ £17.7m (net of ~~£1.8m~~ £1.5m to be raised from consumer

credit firms).

Compulsory jurisdiction – general levy

| Industry block | Tariff base | General levy payable by firm |
|--|-------------|--|
| 1-Deposit acceptors, <i>home finance providers, home finance administrators</i> (excluding <i>firms</i> in block 14) and <i>dormant account fund operators</i> | ... | £0.0643648 <u>£0.0331</u> per relevant account, subject to a minimum levy of £100 |
| 2-Insurers - general (excluding <i>firms</i> in blocks 13 & 15) | ... | £0.21626 <u>£0.10</u> per £1,000 of relevant annual gross premium income, subject to a minimum levy of £100 |
| 3-The <i>Society</i> (of Lloyd's) | ... | £48,116 <u>£20,000</u> to be allocated by the <i>Society</i> |
| 4-Insurers - life (excluding <i>firms</i> in block 15) | ... | £0.038445 <u>£0.0146</u> per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £100 |
| 5-Fund managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i>) | ... | Levy of £485 <u>£200</u> |
| 6-Operators, trustees and depositaries of collective investment schemes and operators of personal pension schemes or stakeholder pension schemes | ... | Levy of £120 <u>£50</u> |
| 7-Dealers as principal | ... | Levy of £125 <u>£50</u> |
| 8-Advisory <i>arrangers, dealers or brokers</i> holding and controlling <i>client money</i> and/or assets | ... | £36.98 <u>£15</u> per relevant <i>approved person</i> subject to a minimum levy of £35 |
| 9-Advisory <i>arrangers, dealers or brokers</i> not holding and controlling | ... | £30.02 <u>£10</u> per relevant <i>approved person</i> subject to a minimum levy of £35 |

| | | |
|---|--|---|
| <i>client money</i> and/or assets | | |
| 10-Corporate finance advisers | ... | Levy of £130 <u>£50</u> |
| 11- <i>fee-paying payment service providers</i> (but excluding <i>firms</i> in any other Industry block except Industry block 18) | ... | £0.040854 <u>£0.0153</u> per £1,000 of relevant income subject to a minimum levy of £75 |
| | ... | Levy of £150 <u>£50</u> |
| 12- | N/A for 2010/11 <u>2012/13</u> | |
| 13-Cash plan health providers | ... | Levy of £125 <u>£50</u> |
| 14- <i>Credit unions</i> | ... | Levy of £125 <u>£50</u> |
| 15- <i>Friendly societies</i> whose tax-exempt business represents 95% or more of their total relevant business | ... | Levy of £125 <u>£50</u> |
| 16- <i>Home finance providers, advisers and arrangers</i> (excluding <i>firms</i> in blocks 13, 14 & 15) | ... | Levy of £110 <u>£60</u> |
| 17-General insurance mediation (excluding <i>firms</i> in blocks 13, 14 & 15) | ... | £1.649277 <u>£0.362</u> per £1,000 of <i>annual income</i> (as defined in <i>MIPRU</i> 4.3) relating to <i>firm's relevant business</i> subject to a minimum levy of £85 |
| 18- <i>fee-paying electronic money issuers</i> | For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , average outstanding <i>electronic money</i> , as described in <i>FEES</i> 4 Annex 11R Part 3. This tariff base applies for the period 2012/13. | the <u>£0.0466 per £1,000 of average outstanding electronic money subject to a minimum levy of £75</u> |
| | For <i>small electronic</i> | £180 <u>£50</u> |

| | | |
|--|---------------------------------------|--|
| | <i>money institutions, a flat fee</i> | |
|--|---------------------------------------|--|

...

...

7 Annex 1R **CFEB levies for the period from 1 April 2011 2012 to 31 March 2012 2013**

Part 1

This table shows the *CFEB levies* applicable to each activity group (fee-block)

| Activity Group | <i>CFEB levy payable</i> | | | |
|----------------|---|-------------------------------------|---|--|
| A.1 | <u>Column 1</u> <u>Money advice levy</u> | | <u>Column 2</u> <u>Debt advice levy</u> <u>(Notes 3 – 6)</u> | |
| | Band Width (£ million of Modified Eligible Liabilities (MELs)) | Fixed sum (£/£m or part £m of MELs) | <u>Bandwidth</u> (£ million of unsecured debt) | <u>Fixed sum (£/£m or part £m of unsecured debt)</u> |
| | > 10 - 140 | 5.04 <u>5.30</u> | ≥0 | <u>48.00</u> |
| | > 140 - 630 | 5.04 <u>5.30</u> | | |
| | >630 - 1,580 | 5.04 <u>5.30</u> | | |
| | >1,580 - 13,400 | 5.04 <u>5.30</u> | | |
| | >13,400 | 5.04 <u>5.30</u> | | |
| | Note 1 In respect of Column 1, Money advice levy only, For for a firm in A.1 which has a limitation on its <i>permission</i> to the effect that it may accept deposits from wholesale depositors only, this levy is calculated as above less 30%. | | | |
| A.2 | <u>Column 1</u> <u>General levy</u> | | <u>Column 2</u> <u>Debt advice levy</u> <u>(Notes 5 – 6)</u> | |

| | Band Width (no. of mortgages and/or <i>home finance transactions</i>) | Fixed sum (£/mortgage) | Bandwidth (£ million of secured debt) | Fixed sum (£/£m or part £m of secured debt) |
|-----|--|------------------------------------|---------------------------------------|---|
| | >50 – 130 | 0.142 <u>0.142</u> | <u>≥0</u> | <u>24.37</u> |
| | >130 – 320 | 0.142 <u>0.142</u> | | |
| | >320 – 4,570 | 0.142 <u>0.142</u> | | |
| | >4, 570 – 37,500 | 0.142 <u>0.142</u> | | |
| | >37,500 | 0.142 <u>0.142</u> | | |
| A.3 | Gross premium income (GPI) | | | |
| | Band Width (£ million of GPI) | Fixed sum (£/£m or part £m of GPI) | | |
| | >0.5 – 10.5 | 55.74 <u>57.52</u> | | |
| | >10.5 - 30 | 55.74 <u>57.52</u> | | |
| | >30 - 245 | 55.74 <u>57.52</u> | | |
| | >245 - 1, 900 | 55.74 <u>57.52</u> | | |
| | >1,900 | 55.74 <u>57.52</u> | | |
| | PLUS | | | |
| | Gross technical liabilities (GTL) | | | |
| | Band Width (£ million of GTL) | Fixed sum (£/£m of part £m of GTL) | | |
| | >1 – 12.5 | 3.01 <u>3.07</u> | | |
| | >12.5 - 70 | 3.01 <u>3.07</u> | | |
| | >70 - 384 | 3.01 <u>3.07</u> | | |
| | >384 - 3,750 | 3.01 <u>3.07</u> | | |
| | >3,750 | 3.01 <u>3.07</u> | | |
| A.4 | Adjusted annual gross premium income (AGPI) | | | |

| | | |
|-----|--|---|
| | Band Width (£ million of AGPI) | Fixed sum (£/£m or part £m of AGPI) |
| | >1 - 5 | 72.65 <u>74.61</u> |
| | >5 - 40 | 72.65 <u>74.61</u> |
| | >40 - 260 | 72.65 <u>74.61</u> |
| | >260 - 4,000 | 72.65 <u>74.61</u> |
| | >4,000 | 72.65 <u>74.61</u> |
| | PLUS | |
| | Mathematical reserves (MR) | |
| | Band Width (£ million of MR) | Fixed sum (£/£m or part £m of MR) |
| | >1 - 20 | 1.57 <u>1.64</u> |
| | >20 - 270 | 1.57 <u>1.64</u> |
| | >270 - 7,000 | 1.57 <u>1.64</u> |
| | >7,000 - 45,000 | 1.57 <u>1.64</u> |
| | >45,000 | 1.57 <u>1.64</u> |
| A.5 | Band Width (£ million of Active Capacity (AC)) | Fixed sum (£/£m or part £m of AC) |
| | >50 - 150 | 5.63 <u>5.69</u> |
| | >150 - 250 | 5.63 <u>5.69</u> |
| | >250 - 500 | 5.63 <u>5.69</u> |
| | >500 - 1,000 | 5.63 <u>5.69</u> |
| | >1,000 | 5.63 <u>5.69</u> |
| A.6 | Flat levy | £159,941.90 <u>£169,333.29</u> |
| A.7 | For class 1(C), (2) and (3) <i>firms</i> : | |
| | Band Width (£ million of Funds under Management (FuM)) | Fixed sum (£/£m of part £m of FuM) |
| | >10 - 150 | 0.79 <u>0.84</u> |

| | | |
|------|---|-----------------------------------|
| | >150 - 2,800 | 0.79 <u>0.84</u> |
| | >2,800 - 17,500 | 0.79 <u>0.84</u> |
| | >17,500 - 100,000 | 0.79 <u>0.84</u> |
| | >100,000 | 0.79 <u>0.84</u> |
| | ... | |
| A.9 | Band Width (£ million of Gross Income (GI)) | Fixed sum (£/£m of part £m of GI) |
| | >1 - 4.5 | 83.73 <u>84.56</u> |
| | >4.5 - 17 | 83.73 <u>84.56</u> |
| | >17 - 145 | 83.73 <u>84.56</u> |
| | >145 - 750 | 83.73 <u>84.56</u> |
| | >750 | 83.73 <u>84.56</u> |
| A.10 | Band Width (no. of traders) | Fixed sum (£/trader) |
| | 2 - 3 | 318.75 <u>349.48</u> |
| | 4 - 5 | 318.75 <u>349.48</u> |
| | 6 - 30 | 318.75 <u>349.48</u> |
| | 31 - 180 | 318.75 <u>349.48</u> |
| | >180 | 318.75 <u>349.48</u> |
| A.12 | Band Width (no. of persons) | Fixed sum (£/person) |
| | 2 - 5 | 43.13 <u>45.59</u> |
| | 6 - 35 | 43.13 <u>45.59</u> |
| | 36 - 175 | 43.13 <u>45.59</u> |
| | 176 - 1,600 | 43.13 <u>45.59</u> |
| | >1,600 | 43.13 <u>45.59</u> |
| | ... | |
| A.13 | For class (2) firms | |

| | | |
|------|--|---|
| | Band Width (no. of persons) | Fixed sum (£/person) |
| | 2 – 3 | 160.79 <u>147.11</u> |
| | 4 - 30 | 160.79 <u>147.11</u> |
| | 31 - 300 | 160.79 <u>147.11</u> |
| | 301 - 2,000 | 160.79 <u>147.11</u> |
| | >2,000 | 160.79 <u>147.11</u> |
| | ... | |
| A.14 | Band Width (no. of persons) | Fixed sum (£/person) |
| | 2 – 4 | 126.34 <u>128.22</u> |
| | 5 - 25 | 126.34 <u>128.22</u> |
| | 26 - 80 | 126.34 <u>128.22</u> |
| | 81 - 199 | 126.34 <u>128.22</u> |
| | >199 | 126.34 <u>128.22</u> |
| A.18 | Band Width (£ thousands of Annual Income (AI)) | Fixed sum (£/£ thousand or part £ thousand of AI) |
| | >100 - 180 | 1.36 <u>1.67</u> |
| | >180 - 1,000 | 1.36 <u>1.67</u> |
| | >1,000 - 12,500 | 1.36 <u>1.67</u> |
| | >12,500 - 50,000 | 1.36 <u>1.67</u> |
| | >50,000 | 1.36 <u>1.67</u> |
| A.19 | Band Width (£ thousands of Annual Income (AI)) | Fixed sum (£/£ thousand or part £ thousand of AI) |
| | >100 - 325 | 0.256 <u>0.249</u> |
| | >325 - 10,000 | 0.256 <u>0.249</u> |
| | >10,000 - 50,750 | 0.256 <u>0.249</u> |
| | >50,750 - 250,000 | 0.256 <u>0.249</u> |
| | >250,000 | 0.256 <u>0.249</u> |

| | | |
|--|---|---|
| G.3 | <u>Minimum fee (£)</u> | <u>10</u> |
| | £ thousands or part £ thousand of Relevant Income | Fee (£/£thousand or part £ thousand of Relevant Income) |
| | >100 | 0.04787 <u>0.04430</u> |
| | >250 | 0.04787 <u>0.04430</u> |
| | >1,000 | 0.04787 <u>0.04430</u> |
| | >10,000 | 0.04787 <u>0.04430</u> |
| | >50,000 | 0.04787 <u>0.04430</u> |
| | >500,000 | 0.04787 <u>0.04430</u> |
| G.4 | A flat fee of £10 <u>£10</u> | |
| G.10 | <u>Minimum fee (£)</u> | <u>10</u> |
| | £ million or part £m of average outstanding electronic money (AOEM) | Fee (£/£m or part £m of AOEM) |
| | > 5.0 | 12.00 <u>13.10</u> |
| ... | | |
| Notes | | |
| ... | | |
| <p><u>(3) The tariff base for column 2 in activity group A.1:</u></p> <p><u>for credit unions:</u></p> <p><u>the total sterling value of all loans LESS total sterling value of any residential loans.</u></p> <p><u>for banks and building societies:</u></p> <p><u>the sterling value of all outstanding loans to individuals in the UK, excluding bridging loans and loans secured on dwellings and land.</u></p> <p><u>The firm must include:</u></p> <p>(a) <u>any credit card lending;</u></p> <p>(b) <u>any charge card lending, even if the outstanding balance has to be paid off in full at the end of each charging period;</u></p> | | |

(c) any other loans and advances to individuals that are not bridging loans or secured on dwellings or land;

provided that the *firm* only includes data that it is required to include in entries 29DB3A3 and 29DB3A4 of Form BE (that is, the Additional Sectoral Details Return that is completed to provide information by banks and building societies to the Bank of England).

(4) The valuation date for column 2 in activity group A.1 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the Form BE or other annual return made in the calendar year prior to the 31 December.

(5) The tariff base for column 2 in activity group A.2 is the sterling value of any residential loans to individuals being the sum of gross unsecured and securitised balances (applying the definitions of “Unsecured balances” and “Securitised balances” set out in SECTION A: BALANCE SHEET of SUP 16 Annex 19BG).

(6) The valuation date for column 2 in activity group A.2 is the 31 December before the start of the period to which the fee applies or, if earlier, the date of the valuation as disclosed by the annual return made in the calendar year prior to the 31 December.

Appendix 2

Periodic fees (unauthorised mutual societies registration) (2012/13) instrument 2012

**PERIODIC FEES (UNAUTHORISED MUTUAL SOCIETIES REGISTRATION)
(2012/2013) INSTRUMENT 2012**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 156 (General supplementary powers); and
 - (2) paragraph 17 (Fees) of Schedule 1 (The Financial Services Authority).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 June 2012.

Amendments to the FSA’s rules

- D. The Unauthorised mutuals registration fees rules are amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Periodic Fees (Unauthorised Mutual Societies Registration) (2012/2013) Instrument 2012.

By order of the Board
24 May 2012

Annex

Amendments to the Unauthorised mutuals registration fees rules

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amend Annex 1R as shown.

ANNEX 1R

PERIODIC FEES PAYABLE FOR THE PERIOD 1 APRIL ~~2011~~ 2012 TO 31 MARCH ~~2012~~ 2013

Part 1

Periodic fee payable by Registered Societies (on 30 June ~~2011~~ 2012)

This fee is not payable by a *credit union*.

| Transaction | Total assets (£'000s) | Amount payable (£) |
|--------------|-----------------------|--------------------|
| Periodic fee | 0 - 50 | 55 |
| | > 50 to 100 | 110 |
| | > 100 to 250 | 180 |
| | > 250 to 1,000 | 235 |
| | > 1,000 | 425 |

Part 2

Methods of payment of periodic fees

A periodic fee must be paid using either direct debit, credit transfer (BACS/CHAPS), cheque, switch or by credit card (Visa/Mastercard only). Any payment by permitted credit card must include an additional 2% of the sum paid.

PUB REF: 004436

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