

FCA regulated fees and levies 2016/17

Including feedback on CP16/9
and ‘made rules’



June 2016

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In this Policy Statement we report on the main issues arising from Consultation Paper 16/9 (*FCA Regulated fees and levies: Rates proposals 2016/17*) and publish the final rules.

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Abbreviations used in this paper

AIFMD	Alternative Investment Fund Managers Directive
AFR	Annual funding requirement
CASS	Client Money Assets sourcebook
CBTL	Consumer buy-to-let
CJ	Compulsory jurisdiction
CP	Consultation Paper
CFEB	Consumer Financial Education Body
CFOs	Community finance organisations
DGPs	Designated guidance providers
DWP	Department for Work and Pensions
EEA	European Economic Area
FEES	FEES manual
FPS	Financial Penalty Scheme
FSA	Financial Services Authority
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act
MCD	Mortgage Credit Directive
MELL	Management expenses levy limit
MELs	Modified eligible liabilities
MTFs	Multilateral trading facilities
OFT	Office of Fair Trading
ORA	Ongoing regulatory activities
PGL	Pensions guidance levy
PGPL	Pensions guidance providers' levy

PPI	Payment protection insurance
PRA	Prudential Regulation Authority
PS	Policy Statement
RIE	Recognised Investment Exchanges
SME	Small and medium enterprises

1. Overview

Introduction

- 1.1** We are publishing the 2016/17 periodic regulatory fees and levies rules for the:
- Financial Conduct Authority (FCA)
 - Pensions guidance levies
 - Financial Ombudsman Service general levy, and
 - Money Advice Service¹
- 1.2** We also publish our feedback on the responses received to the consultation on the draft fees and levies rules in CP16/9 *FCA Regulated fees and levies: Rates proposals 2016/17*, published on 5 April 2016. The consultation period for CP16/9² closed on 27 May 2016.

Who does this affect?

- 1.3** All fee-payers will be affected by this Policy Statement (PS). We have provided two tables at the end of this chapter to help fee-payers identify the chapters in this PS that are relevant to them:
- Table 1.1: fee-payers affected by the final 2016/17 fees and levies in this PS and the feedback provided on the responses received to the proposed draft rules in CP16/9.
 - Table 1.2: fee-payers affected by the final fees rules in this PS and the feedback we received on the proposals in Chapter 9 of CP16/9.

Is this of interest to consumers?

- 1.4** This PS contains no material directly relevant to retail financial services consumers or consumers groups, although fees are indirectly met by financial services consumers.

¹ The Money Advice Service is referred to in the legislation and our FEES manual rules as the Consumer Financial Education Body (CFEB).

² www.fca.org.uk/static/fca/documents/consultation-papers/cp16-09.pdf

Context

1.5 Generally, our annual fees consultation follows this cycle:

- **October/November** – we consult on any changes to our policy on how fees and levies are raised. Depending on the proposed policy change, we would expect to provide feedback on the responses received to this consultation in the following February Handbook Notice. In November 2015, we published CP15/34 *Regulatory fees and levies: policy proposals for 2016/17* and provided feedback on responses received and final rules in the February 2016 Handbook Notice.
- **January** – we consult on the Financial Services Compensation Scheme (FSCS) management expenses levy limit (MELL). This is a joint consultation with the Prudential Regulation Authority (PRA). We provide feedback on responses received to this consultation in the March Handbook Notice.
- **March/April** – we consult on FCA periodic fees rates for the next financial year (1 April to 31 March), and any proposed changes to application fees or other fees and pensions guidance levies. We also consult on the Financial Ombudsman Service general levy and Money Advice Service levies for the next financial year. In the case of draft fees and levies rates rules for 2016/17 the consultation was set out in April in CP16/9.
- **June/July** – in this PS we are publishing the feedback on the responses we received to CP16/9 together with the final FCA, pensions guidance, Financial Ombudsman Service and Money Advice Service fees and levies for 2016/17, set out in Appendix 1.

1.6 Further information about our approach to fees is presented in our publication available on our website, *How we raise our fees*³, which explains how we calculate FCA, Financial Services Compensation Scheme, Financial Ombudsman Service, and Money Advice Service fees and levies.

Summary of feedback and our response

1.7 Overall we received 13 responses to CP16/9. The non-confidential respondents are listed in Annex 1.

1.8 A full breakdown of the 'A' to 'G' and 'CC' fee-blocks we refer to in this section is given in Table 2.2 of Chapter 2.

Responses on FCA fees

1.9 We received eight responses on our proposals on FCA fees from four trade bodies and four firms. Six respondents welcomed the 1.6% reduction in the allocation of the annual funding requirement (AFR) to the fee-blocks in which the trade body respondent's members or the individual firm respondents pay fees.

1.10 One respondent challenged the 7.1% increase in our 2016/17 AFR allocated to the mortgage lender and broker fee-blocks, A.2 and A.18 respectively. This was attributed to the Mortgage Credit Directive (MCD) which they believed was included as a reason for the 2015/16 increase. Two respondents did not support the application of the £200 consumer buy-to-let (CBTL) flat

³ www.fca.org.uk/static/documents/how-we-raise-our%20fees.pdf

periodic fee to firms that also undertake the regulated activities covered by the A.18 fee-block and the CC2 consumer credit fee-block.

Our response

The MCD aims to create a harmonised EU mortgage credit market and significantly changes the regulation of second charge mortgages (brought within our mortgage regime by the Government) with effect from March 2016. The increase in the 2016/17 AFR allocation to A.2 and A.18 solely related to the recovery of our estimated set-up costs resulting from this increase in our regulatory scope. 2016/17 is the first year we have allocated MCD scope change set-up costs to fee-blocks. The cost of our ongoing regulation of this increase in our scope has been absorbed within the same levels of allocation to A.2 and A.18 as in 2015/16. In our 2015/16 Business Plan we referenced implementing the MCD, but we did not recover any set-up costs in 2015/16. This is in line with our usual treatment of scope change set-up costs where we do not recover them until the year in which the change of scope comes into effect.

We agree with the respondents regarding CBTL fees and have therefore modified the draft fee rate rules consulted on in CP16/9 so that only CBTL firms that do not have permission to carry out any regulated activities will pay the CBTL flat fees. The effect of this is that firms in the A.2, or A.18 fee-blocks, or that undertake consumer credit activities in the CC2 fee-block will not pay separate CBTL fees in addition to the minimum fees they already pay through these fee-blocks.

For a small mortgage broker⁴ this means that their 2016/17 FCA fees will now be £1,384 (£1,084+£300), which is unchanged from 2015/16, rather than the £1,584 (£1,084+£300+£200) fee originally proposed in CP16/9.

CBTL periodic fees will still be paid by firms that are registered for CBTL activities and are not in any of the above fee-blocks. This is line with our overall policy that all firms should make some contribution to our costs.

1.11 Chapter 2 also provides our feedback on responses we received on two other areas:

- Allocation of AFR to the mortgage fee-blocks (A.2 and A.18) relating to tariff data for second charge mortgages and the overall increase in AFR allocated to these fee-blocks since the Government increased the regulatory scope of our predecessor, the Financial Services Authority (FSA), in 2004.
- Consultation period and when the fee rate rules come into effect.

1.12 In Chapter 3 we provide feedback on the responses to our proposals on the 'B' to 'G' fee-blocks.

⁴ A firm that is

- only in the A.18 fee-block but their income from this activity is less than £100,000
- also authorised (i.e. no longer in the interim permission stage) to undertake consumer credit activities in the CC2 fee-block but their income from this activity is less than £50,000, and
- registered to carry out the CBTL activity of arrangers and advisers

Responses on Ring-fencing implementation fee

1.13 We did not receive any responses to these proposals.

Responses on Consumer Credit periodic fees

1.14 Three trade bodies representing consumer credit firms and an individual consumer credit firm challenged the increase in the variable rate for full permission consumer credit firms from £0.78 set in 2014/15 to £1.30 for 2016/17 (68%). The fee rate is payable per £1,000 of annual income (from consumer credit activities) above £250,000. In particular they commented that the full permission variable fee rate paying firms are effectively subsidising limited permission firms. They further argued that some of these firms are themselves SMEs (small and medium enterprises) who may exit the market due to the increased rate.

Our response

Our policy position for setting the consumer credit fees structure to recover these costs, put in place in 2014 following consultation at that time, was to recognise that:

- A significant number of firms in this market are smaller businesses. For this reason, there are different levels of minimum fees depending on the size of the firm, and the income threshold that triggers variable fees is £250,000. This has enabled us to set minimum fees at a level that we believe will not cause these smaller firms to leave the market.
- The activities covered by limited permission are lower risk than full permission and include in particular firms where consumer credit is secondary to their main business (e.g. shops, dentists, schools, sports clubs). Keeping limited permission variable fees unchanged reinforces the difference in risk between limited and full permission activities.

We do not believe that the movement since our estimate in 2014 in the number of limited permission firms compared to full permission firms should change this original policy approach.

As discussed in CP16/9 we considered alternatives that included increasing minimum fees for both limited and full permission firms which would have raised an additional £3.2m. We discounted this alternative as 95% of the firms affected would have been smaller firms. We also considered the alternative of proportionately increasing the limited permission variable fee which would have raised an additional £0.3m. We rejected this as it would undermine our recognition of the differential in the risk between limited and full permission activities.

While we recognise that some firms see themselves as SMEs, the definition varies and depending on which definition you use an SME could have a turnover anywhere between £6.5m and £50m.⁵ If we used these levels as thresholds for whether full permission firms pay variable fees we would significantly weight the recovery to the very largest firms. As explained in CP16/9 the top ten largest firms already contribute to the recovery of 41% of the £37.7m total costs.

⁵ <http://blog.thecompanywarehouse.co.uk/2012/07/31/what-is-an-sme/>

We acknowledge that we are recovering less from smaller firms, but we believe this is appropriate for the reasons set out above. However, this does not mean we might not increase fees for smaller firms in future years.

1.15 Chapter 6 further sets out the issues raised and our feedback regarding the increase in the variable fee rate for full permission firms. It also provides our feedback on responses we received on the following areas:

- not-for-profit consumer credit firms
- consumer credit activities carried out in conjunction with other regulated activities
- Financial Ombudsman Service consumer credit levies
- Money Advice Service consumer credit levies

Responses on the pensions guidance levy

1.16 We received one response from a trade body representing financial advisers which commented that the allocation of the Pension Wise funding requirement to the A.13 fee-block (Advisory arrangers, dealers or brokers), which includes their members, should be 5%.

Our response

For 2015/16 we reduced the allocation to A.13 by 50% to 12% in recognition that financial advisers only benefit from the pension flexibilities and Pension Wise if consumers seek regulated advice.

The A.13 fee-block contains a very diverse spread of types of firms. These include banks, insurance companies, securities brokers who act for retail clients and wholesale market brokers as well as financial advisers.

We estimate that around 3,108 financial advisers, whose main business is to provide advice on retail investment products, will contribute £270,000 (10%) of the £2.7m Pension Wise funding requirement allocated to the A.13 fee-block. This means that these firms contribute 1.2% of the total £22.5m Pension Wise funding requirement. The £270,000 contribution represents 0.01% of the £2.8bn income these firms report for fees calculation purposes.

We are therefore continuing with the allocations unchanged from CP16/9.

Responses on other fees policy proposals

1.17 In CP16/9 we consulted on four other fees proposals covering:

- credit union application fees
- concessions on fees for community finance organisations (CFOs) that provide mortgages
- new annual fees framework for operators of multilateral trading facilities
- clarification of administration charges for the late submission of fees data

- 1.18** We received five responses to these proposals all of which were supportive. One respondent commented on the CFO proposal which we cover in chapter 8.

Responses on Financial Ombudsman Service general levy

- 1.19** We received seven responses, two of which welcomed the proposals. Of those which expressed concern, a trade body noted that its members were not happy with the size of the levy, given that many of the complaints in the relevant area are about Payment Protection Insurance (PPI). Another trade body did not have any issues with our proposals, but noted that in its view claims management companies were using the case fee as leverage when seeking redress for their clients. A further trade body argued that case fees should be refunded to firms where complaints brought by claims management companies turn out to be unfounded, frivolous or vexatious. Lastly, a trade body and a firm noted a lack of clarity regarding the proposed levy for consumer buy-to-let (CBTL) firms.

Our response

We do not believe that the levy on any particular fee block is disproportionate given that the levy is a small part of the overall Financial Ombudsman Service budget, and all levy payers benefit from the existence of the Financial Ombudsman Service. The comments we received about claims management companies and case fees are not relevant to the consultation question, as the Financial Ombudsman Service consults separately on its case fees.

We have amended our rules to make clear that only CBTL firms that do not have permission to carry out any regulated activities will pay the £35 levy.

Responses to Money Advice Service levies

- 1.20** We received four responses on the money advice levy and none on the debt advice levy. Comments included support for the allocation method and reduction in the levy. One respondent wanted more information on how the levy for the new guidance body would be allocated.

Our response

We have decided to proceed with the levy rates as proposed. Since CP16/9 was published the Money Advice Service has reported an £0.5m underspend in the money advice budget for 2015/16. In addition we expect to receive more consumer credit contributions than reported previously which means we will be levying £65.1m as opposed to £68.9m quoted in CP16/9 (£25.7m for money advice and £39.4m for debt advice).

We will be consulting in due course about the allocation method in respect of the new money guidance body which is expected to be operational from April 2018.

Compatibility Statement

- 1.21** The rules we have now made do not differ in substance from those proposed in Appendix 1 of CP16/9, except regarding certain periodic fee rates, as explained in Chapters 2 to 10. However, these changes do not alter the compatibility statements we published with CP16/9.
- 1.22** Annex 2 of CP16/9 included a statement that we did not expect the proposals consulted on to have a significantly different impact on mutual societies when compared to other authorised persons. In our opinion, the changes to these proposals set out in this PS do not alter this assessment.

Payment of fees by instalments

- 1.23** In response to industry feedback, our predecessor body, the FSA, facilitated representatives from trade associations and the Smaller Businesses Practitioner Panel (SBPP) to select a credit provider to enable firms to pay regulatory fees and levies in instalments.
- 1.24** Following discussion with several potential credit providers, Premium Credit Limited (PCL) was chosen by the industry as the company that offered a competitive product that was available to all authorised firms. Firms contracted directly with PCL and we provided a link to their services on our invoices and through the online payment system.
- 1.25** In Chapter 6 of CP15/34⁶, published in November 2015, we said that the current three-year deal that trade associations and the SBPP selected was due to come to an end and that we were considering how firms can continue to pay through an instalment option, if they wish. We accordingly invited any credit providers that were interested in this market to contact us.
- 1.26** We have subsequently reviewed the FSA approach and have concluded that as the FCA regulates consumer credit providers (the FSA did not) we should not publish the name of a particular provider. This removes any potential for there to be any perception that we could have a conflict of interest in our regulatory relationship with that named provider. This approach will also ensure that this market is open to all premium finance providers.
- 1.27** We have therefore updated our website and our invoices to highlight for firms who want to pay their fees by instalments that there are a number of instalment finance providers available online. Firms can either search for one or speak to their trade association, if applicable, who may be able to help them.

What do you need to do next?

- 1.28** We highlighted in CP16/9 that fee-payers should be aware that the draft fee rates and levies in Appendix 1 of CP16/9 were calculated using estimated fee-payer populations and tariff data (measures of size), which may change when the final fee rates are calculated in June 2016.
- 1.29** Table 2.3 in Chapter 2 shows the estimated firm populations and tariff data contained in CP16/9 and the actual figures used to calculate the final fees rates. It also shows the year on

⁶ <http://www.fca.org.uk/static/documents/consultation-papers/cp15-34.pdf>

year movements in the draft fee rates contained in CP16/9 and the year on year movements in the final fee rates in Appendix 1 of this PS.

- 1.30** Our online fees calculator is available for firms to calculate their individual fees based on the final rates in Appendix 1 of this PS. This includes FCA fees, pensions guidance levy, the Financial Ombudsman Service general levies and Money Advice Service levies.
- 1.31** In the case of the 'B' to 'G' fee-blocks covered in Chapter 3, we have highlighted where final fee rates have changed since the draft rates in CP16/9.

What will we do?

- 1.32** We will invoice fee-payers from June 2016 onwards for their 2016/17 periodic fees and levies.

Table 1.1: Fee-payers affected by the final 2016/17 fees and levies rates rules in this PS and the feedback provided on the draft rules in CP16/9

Issue	Fee-payers affected	Chapter
FCA		
Periodic fee rates	Authorised firms – the 'A' fee-blocks	2
	All fee-payers except authorised firms – fee-blocks B to G	3
Applying financial penalties	Fee-payers listed in Table 4.1 in Chapter 4	4
Ring-fencing implementation fee		
Ring-fencing implementation fee	A.1 deposit acceptors subject to the ring-fencing regime for the UK's largest banks from 1 January 2019	5
Consumer credit		
FCA, Financial Ombudsman Service and Money Advice Service periodic fees and levies	All firms in the consumer credit market	6
Pensions guidance levies		
Pensions guidance levies (PGL)	Firms in the following fee-blocks: <ul style="list-style-type: none"> • A.4 insurers – life • A.7 portfolio managers • A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes • A.13 advisors, arrangers, dealers or brokers 	7
Pensions guidance providers' levy (PGPL)	Designated guidance providers	
Financial Ombudsman Service		
General levy rates	Firms subject to Financial Ombudsman Service general levy	9
Money Advice Service		

Issue	Fee-payers affected	Chapter
Money Advice Service levy rates	<ul style="list-style-type: none"> Firms subject to money advice levies – authorised firms, payment institutions and electronic money issuers Firms subject to debt advice levies – firms in fee-blocks A.1 (deposit acceptors) and A.2 (home finance providers and administrators) 	10

Table 1.2: Fee-payers affected by the fees policy rules in this PS and the feedback on the proposals in Chapter 9 of CP16/9

Issue consulted on	Fee-payers affected	Chapter
Credit union application fees	Credit unions	8
Concessions on fees for community finance organisations that apply for, or have permissions for, home finance provision or administration	Any community finance organisations that undertake or intend to undertake home finance provision or administration	
Periodic fees for operators of multilateral trading facilities	All operators of multilateral trading facilities	
Administrative charges for late submission of fees data	All fee-payers	

2. FCA periodic fees for authorised firms

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

2.1 In this chapter we:

- Confirm our 2016/17 annual funding requirement (AFR) and allocation across all fee-blocks.
- Give feedback on the responses to Chapters 2 and 3 of CP16/9, in which we consulted on draft fee rates for authorised firms – the 'A' fee-block.
- Highlight the changes between the draft fees rates in CP16/9 and the final rates contained in Appendix 1. These changes arise from movements between the estimated fee-payer populations and tariff data (measure of size as a proxy for risk⁷) used to calculate the draft fee rates in CP16/9 and those used to calculate the final fee rates in Appendix 1 of this policy statement.

AFR

- 2.2 Following the completion of our audited 2015/16 accounts, our total 2016/17 AFR remains unchanged from CP16/9 at £519.3m. A breakdown is given in Table 2.1 which also confirms the final amount of financial penalty rebate for 2016/17.

Table 2.1 AFR break down

	2016/17	2015/16	Movement	
	£m	£m	£m	%
Ongoing regulatory activities (ORA)	471.4	479.0	(7.6)	(1.6)
Recovery of scope change activities	10.2	2.6	7.6	292.3
AFR (excluding consumer credit)	481.6	481.6	0.0	0.0
Consumer credit ORA	31.5	0.0	31.5	–
Consumer credit scope change (i)	6.2	0.0	6.2	–
AFR (including consumer credit)	519.3	481.6	37.7	7.8
<i>Financial penalty rebate (ii)</i>	<i>(48.7)</i>	<i>(43.6)</i>	<i>(5.1)</i>	<i>11.7</i>
<i>Fees payable</i>	<i>470.6</i>	<i>438.0</i>	<i>32.6</i>	<i>7.4</i>

Notes:

(i) Consumer credit total scope change deficit of £62m to be recovered over 10 years from 2016/17.

(ii) The £48.7m rebate in 2016/17 represents the final amount of the 2015/16 financial penalties we can retain to cover 2015/16 enforcement costs (CP16/9 included an estimate of £49.6m). The £48.7m is applied as a rebate against the 2016/17 periodic fees in accordance with our financial penalty scheme as set out in Chapter 4.

⁷ See Chapter 3 of *How we raise our fees* at: <http://www.fca.org.uk/static/documents/how-we-raise-our%20fees.pdf>

- 2.3** In CP16/9 we proposed to retain the estimated £10m 2015/16 underspend in our ORA budget to improve our deficit position, which at the end of 2014/15 was £174m. The deficit mainly comprised the inherited (from the FSA) defined benefit pension obligation and costs incurred for increases in our regulatory scope not yet recovered, including that relating to consumer credit.
- 2.4** The actual 2015/16 underspend is £19.8m (4% of the AFR) and will be retained to reduce the accumulated deficit.

AFR allocation across fee-blocks

- 2.5** Our approach to the allocation of the £481.6m 2016/17 AFR (excluding consumer credit) was to maintain an even distribution across all fee-blocks of the before scope change decrease of £7.6m (1.6%) in our ORA, unless there had been a material reason not to for an individual fee-block. This was the case in the following fee-blocks (explanations were provided in Chapter 2 of CP16/9):
- A.1 Deposit acceptors +9.0%
 - A2 Home finance providers and administrators and A.18 Home finance providers, advisers and arrangers, each +7.1%
 - A.7 Portfolio managers and A.9 Managers and depositories of investment funds, and operators of collective investment schemes or pension schemes -5.1% and -9.5% respectively
 - H. FCA pensions guidance costs -48.3%
- 2.6** Table 2.2 confirms that the allocation, across fee-blocks, of the £7.6m decrease in the before scope change ORA is the same as CP16/9.
- 2.7** The allocation of the £37.7m consumer credit AFR has also not changed from CP16/9. We provide feedback on the responses to our proposed basis for recovering this AFR in Chapter 6.

Table 2.2: 2016/17 AFR allocation across fee-blocks

AFR allocations to fee-blocks	(i)	Actual 2016/17 £m	Actual 2015/16 £m	Movement over 2015/16
A.0 FCA minimum fee	Solo	19.2	19.0	1.1%
AP.0 FCA prudential fee (ii)	Solo	16.7	17.0	-1.6%
A.1 Deposit acceptors	DR	73.6	67.5	9.0%
A.2 Home finance providers and administrators	Solo	18.6	17.3	7.1%
A.3 Insurers – general	DR	24.3	24.7	-1.6%
A.4 Insurers – life	DR	40.9	41.6	-1.6%
A.5 Managing agents at Lloyd's	DR	0.2	0.2	-1.6%
A.6 The Society of Lloyd's	DR	0.3	0.3	-1.6%
A.7 Portfolio managers	Solo	42.6	44.9	-5.1%

AFR allocations to fee-blocks	(i)	Actual 2016/17 £m	Actual 2015/16 £m	Movement over 2015/16
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Solo	11.8	13.1	-9.5%
A.10 Firms dealing as principal (iii)	Solo & DR	49.3	50.1	-1.6%
A.13 Advisory arrangers, dealers or brokers	Solo	73.7	74.9	-1.6%
A.14 Corporate finance advisors	Solo	13.5	13.7	-1.6%
A.18 Home finance providers, advisers and arrangers	Solo	18.2	17.0	7.1%
A.19 General insurance mediation	Solo	27.6	28.1	-1.6%
A.21 Firms holding client money or assets or both	Solo	14.3	14.6	-1.6%
B. Recognised investment exchanges, operators of multilateral trading facilities, recognised auction platforms, service companies, and benchmark administrators	Solo	7.3	7.5	-1.6%
C. Collective investment schemes	Solo	2.4	2.4	-1.6%
D. Designated professional bodies	Solo	0.2	0.2	-1.6%
E. Issuers and sponsors of securities	Solo	21.0	21.4	-1.6%
F. Unauthorised mutuals	Solo	1.7	1.8	-1.6%
G. Firms registered under the Money Laundering Regulations 2007; and firms covered by the Regulated Covered Bonds Regulations 2008, Payment Services Regulations 2009 and Electronic Money Regulations 2011; and firms undertaking consumer buy-to-let business	Solo	3.8	3.8	-1.6%
H. FCA pensions guidance costs	n/a	0.3	0.6	-48.3
AFR excluding consumer credit		481.6	481.6	0.0%
CC1. Consumer credit – limited permission	Solo	37.7	n/a	n/a
CC2. Consumer credit – full permission				
Total AFR		519.3	481.6	7.8%

Notes:

(i) Solo = FCA solo-regulated fee-block activities. DR = fee-block activities that are dual-regulated by the FCA for conduct purposes and the PRA for prudential purposes.

(ii) AP.0 FCA prudential fee-block is only recovered from FCA solo-regulated firms in proportion to the total periodic fees they pay through FCA solo-regulated fee-blocks.

(iii) Includes certain investment firms that have been designated by the PRA to be regulated by the PRA for prudential purposes. These designated firms do not pay fees in AP.0, but the remaining solo-regulated firms in A.10 do.

n/a = Not applicable.

Periodic fees for authorised firms – summary of proposals

2.8 In Chapter 3 of CP16/9 we proposed to:

- Keep 2016/17 minimum fees unchanged from 2015/16.
- Continue to apply a premium of 25% and 65% to the fee rates for medium-high and high-impact firms respectively in the top two bands of the A.1 fee-block (Deposit acceptors).
- Continue to use bandings within the A.21 fee-block (Firms holding client money or assets or both) based on the risk classifications we apply to firms in the Client Assets sourcebook (CASS).

- Continue to apply the 2015/16 level of fees discounts for European Economic Area (EAA) passported-in branches. For all relevant fee-blocks the discount is 10%, except for A.19 (General insurance mediation) where the discount is 50%.

2.9 The draft fee rates were contained in Appendix 1 of CP16/9 and our online fees calculator was available to help firms calculate the proposed fees for 2016/17.

2.10 We asked:

Q1: Do you have any comments on the proposed FCA 2016/17 minimum fees and variable periodic fee rates for authorised firms?

Responses to proposals

2.11 We received six responses including four trade bodies representing credit unions, financial advisers, mortgage brokers and insurance brokers. One insurer and a financial intermediary firm also responded. Four respondents welcomed the 1.6% reduction in the allocation of the AFR to the fee-blocks in which the trade body respondent's members or the individual firm pay fees.

2.12 The issues raised by respondents cover two areas:

- Allocation of AFR to the mortgage fee-blocks (A.2 and A.18).
- Consultation period and when the fee rate rules come into effect.

Allocation of AFR to the mortgage fee-blocks (A.2 and A.18)

2.13 A trade body representing mortgage brokers challenged the 7.1% increase in the AFR allocated to the mortgage lender and broker fee-blocks, A.2 and A.18 respectively. They commented that:

- we had used the Mortgage Credit Directive (MCD) as a reason for the increase in 2015/16 and they were concerned that the proposed costs have been calculated without any tariff data from second charge firms,
- a statement we made, at a recent event, that 89% of firms will not see an increase in their fees was incorrect because the smallest firms face the additional costs of consumer buy-to-let (CBTL) and consumer credit annual fees bringing their fees to £1,619⁸ compared to £1,000 only two years ago. Further the other 11% of firms (569) will bear all of the £1.2m increase, and
- the allocation to A.2 and A.18 represented 7% (£36.8m) of our total AFR (£519.3m) significantly more than the self-regulatory regime of the mortgage sector cost before statutory regulation was brought in by the Government in 2004. Further that in more recent years these costs had increased substantially as a result of the Mortgage Market Review (MMR). They called for a full justification for the amount being levied on the sector.

⁸ The trade body's total minimum fees calculation is made up of: £1,084 A.0 fee-block; plus £300 consumer credit full permission (income up to £50,000); plus £200 CBTL flat fee; and £35 Financial Ombudsman Service flat fee.

Our response

Recovery of MCD set-up costs

The MCD aims to create a harmonised EU mortgage credit market and significantly changes the regulation of second charge mortgages (brought within our mortgage regime by the Government) with effect from March 2016. The increase in the 2016/17 AFR allocation to A.2 and A.18 solely related to the recovery of our estimated set-up costs resulting from this increase in our regulatory scope. 2016/17 is the first year we have allocated MCD scope change set-up costs to fee-blocks. The cost of our ongoing regulation of this increase in our scope has been absorbed within the same levels of allocation to A.2 and A.18 as in 2015/16. In our 2015/16 Business Plan we made reference to implementing the MCD but no set-up costs were recovered in 2015/16. This is in line with our usual treatment of scope change set-up costs where we do not recover them until the year in which the change of scope comes into effect.

Tariff data and calculation of fee rates

Tariff data does not affect the calculation of our costs. It represents the measure of size of the permitted business undertaken by firms used to calculate the fee rates that recover the AFR allocated to a fee-block. The total tariff data is divided into the allocated AFR to produce a fee rate per unit of measure and the fees of each firm are calculated by multiplying their individual tariff data by the fee rates (variable fees). Firms whose permitted business falls below the minimum threshold for a fee-block do not pay any variable fees in that fee-block. Therefore, firms above the threshold contribute to the recovery of the allocated AFR in direct proportion to their size relative to all the other firms above the threshold. More detail on this calculation can be found in chapter 3 of our publication *How we raise our fees*.⁹ We start collecting tariff data from firms ahead of the fees rates consultation to calculate draft rates, validating the data before calculating the final fee rates in June.

The minimum threshold for the A.18 fee-block is £100,000 of annual income as consulted on previously. We estimate that 89% of firms (4,570 firms out of a total of 5,166) have an income of less than £100,000 from this activity so they will not see any increase in their fees from being in A.18. However, this does mean that the increase in the allocation of AFR to A.18 will be recovered from the 11% of firms that come above the threshold. This will be in proportion to their income relative to the total £1.2bn reported by these firms.

Minimum fees and CBTL flat fees

In CP16/9 for FCA fees we proposed:

- to maintain the £1,084 minimum fee (A.0 fee-block) unchanged from 2015/16. In 2015/16 this minimum fee was increased from £1,000, the first increase in four years (Chapter 3),
- a £200 flat fee for firms registered to carry out the CBTL activity of arrangers and advisers (Chapter 4), and
- to maintain all consumer credit minimum fees unchanged from the levels set two years ago for 2014/15 including the full permission £300 minimum fee

⁹ www.fca.org.uk/static/documents/how-we-raise-our%20fees.pdf

where income from this activity is up to £50,000 (CC2 fee-block), referred to by the respondent trade body (Chapter 6).

For a small mortgage broker¹⁰ this meant that their total 2016/17 FCA fees would have been £1,584 (£1,084+£200+£300) an increase from 2015/16 of £200 (14%).

We are maintaining the £1,084 minimum fee (A.0 fee-block) unchanged from 2015/16. In chapter 3 of this PS we provide feedback on the responses to the proposals on CBTL fees in which we report that we have revised our proposals so that only CBTL firms that do not have permission to carry out any regulated activities will pay the CBTL flat fees. In chapter 6 of this PS we provide feedback on the responses to the proposals on consumer credit fees in which we confirm that we will maintain all minimum fees unchanged from the levels set for 2014/15.

For a small mortgage broker (described above) this means that their 2016/17 FCA fees will be £1,384 (£1,084+£300) unchanged from 2015/16.

In chapter 9 of this PS in which we provide feedback on the responses to the Financial Ombudsman Service general levy we clarify that only CBTL firms who do not have permission to carry out any regulated activities will pay the £35 levy. This means that a small mortgage broker will not pay an additional CBTL Financial Ombudsman Service levy.

AFR recovered from A.2 and A.18 fee-blocks

We continue to believe that the AFR allocated to the A.2 and A.18 fee-blocks is proportionate given our statutory responsibilities which are significantly greater than those of the Mortgage Code Compliance Board that was in place before the Government in 2004 increased the regulatory scope of our predecessor the FSA, to include the regulation of the mortgage market.

Changes in the allocation of our AFR to fee-blocks impacts on the changes firms see in the fees they pay in those fee-blocks. We, and the FSA previously, have consulted each year on the increase in fees for these fee-blocks resulting from increases in our AFR and/or additional allocation of the AFR to fund our costs to meet our statutory objectives in regulating the mortgage sector. These annual consultations have been supported by the publication of *Business Plans* explaining our overall work programme for the coming year and highlighting, where applicable, specific activities such as the Mortgage Market Review. Feedback on responses to these consultations is also provided in the subsequent policy statements published at the time.

As explained in CP16/9 and in our feedback on responses above, the 2016/17 increase in the allocation of our AFR to these fee-blocks is to recover our estimated set-up costs for the increase in our regulatory scope related to the MCD. The cost of our ongoing regulation of this increase in our scope has been absorbed within the same levels of allocation to A.2 and A.18 as in 2015/16.

¹⁰ A firm that is only in the A.18 fee-block but their income from this activity is less than £100,000 and they are also authorised (i.e. no longer in the interim permission stage) to undertake consumer credit activities in the CC2 fee-block but their income from this activity is less than £50,000 and are registered to carry out the CBTL activity of arrangers and advisers.

Consultation period and when the fee rate rules come into effect

- 2.14** A trade body representing financial advisers commented that in recent years the March/April CPs on fees and levy rates have been scheduled to close long after the actual changes have come into effect in early April. This is in contrast to the October/November CPs which close in January/February. They believe that consulting at such a late stage means that it is not a consultation in any real sense of the word and we are failing in our obligation to consult.

Our response

We are meeting our obligation to consult on fees and levy rate rules. The consultations through the March/April CPs relate to the draft fees and levy rate rules which are proposed to apply to a fee-year which runs from 1 April to 31 March. The consultation closes at the end of May. Following that consultation and taking into account responses received the fees levy rate rules are made by our Board in June with a commencement date (when the rules come into force) shortly after and the final fees and levy rate rules are published (end of June/early July) in a policy statement together with our feedback on the responses received to the consultation.

By way of example CP16/9 consulted on the draft fees and levy rate rules for fee-year 1 April 2016 to 31 March 2017. The consultation closed on the 27 May 2016. The responses received to CP16/9 have been taken into account and our Board made the final fees and levy rates rules on the 23 June for commencement 1 July 2016 from when invoices are sent out to firms. Those final rules included the revised rules for CBTL fees taking into account responses received on the CP16/9 draft CBTL rules, as discussed under paragraph 2.13 and chapter 3. Final fees and levy rates rules together with our feedback on responses received to all CP16/19 draft rules are published in this PS.

Changes between draft fee rates and final rates

- 2.15** We highlighted in CP16/9 that fee-payers should be aware that the draft fee rates and levies in Appendix 1 of CP16/9 were calculated using estimated fee-payer populations and tariff data (measures of size), which may change when the final fee rates are calculated in June 2016.
- 2.16** Table 2.2 shows the estimated firm populations and tariff data contained in CP16/9 and the actual figures used to calculate the final fees rates. It also shows the year on year movements in the draft fee rates in CP16/9 and the year on year movements in the final fee rates in Appendix 1 of this PS.

A.21 fee-block (Firms holding client money or assets or both)

- 2.17** We use bandings within the A.21 fee-block based on the risk classifications we apply to firms in the CASS sourcebook. This enables us to align where we apply our resources to the fees we charge firms.

2.18 The bandings and level of moderation we are applying to the tariff data for both client money and client assets have not changed since CP16/9 (set out in Table 3.3 of Chapter 3). However, the changes in tariff data since CP16/9 have affected the outcome of this moderation and the final distribution of the £14.3m 2016/17 AFR for A.21 will be as follows (figures in brackets are those estimated in CP16/9):

- CASS large firms 73.18% (72.62%)
- CASS medium firms 26.79% (27.35%)
- CASS small firms 0.03% (0.03%)

Table 2.3: Changes in data used to calculate draft and final fee rates and year on year movement in actual fee rates between 2015/16 and 2016/7

Fee-block	Tariff base	Number of firms in fee-blocks			Tariff data			Year on year movement fee rates from 2015/16	
		2016/17 Actual	2015/16 Actual (i)	Change	2016/17 Actual	2015/16 Actual	Change	CP16/9	Actual
A.1	Modified eligible liabilities	855	878	-2.6%	£2,831.3bn	£2,818.6bn	0.4%	8.6%	9.0%
A.2	Number of mortgages or other home finance transactions	356	317	12.3%	7.3m	7.2m	0.5%	7.1%	6.3%
A.3	Gross premium income	343	357	-3.9%	£68.1bn	£63.9bn	6.6%	-2.0%	-7.4%
	Gross technical liabilities				£140.4bn	£133.1bn	5.5%	-1.9%	-6.6%
A.4	Adjusted gross premium income	177	196	-9.7%	£60.2bn	£58.8bn	2.3%	-3.1%	-3.7%
	Mathematical reserves				£944.5bn	£952.4bn	-0.8%	-1.6%	-0.6%
A.5	Active capacity	64	64	0.0%	27.6bn	26.8bn	3.1%	-1.9%	-3.8%
A.7	Funds under management	2,795	2,741	2.0%	£6,322.0bn	£6,146.1bn	2.9%	-4.5%	-7.2%
A.9	Gross income	1,348	1,281	5.2%	£12.6bn	£11.9bn	6.2%	-10.6%	-16.4%
A.10	Traders	421	423	-0.5%	10,189	9,700	5.0%	-2.0%	-6.4%
A.13	Annual income	9,501	9,233	2.9%	£27.2bn	£24.7bn	9.8%	-5.7%	-10.2%
A.14	Annual income	783	768	2.0%	£6.8bn	£6.5bn	5.6%	-3.3%	-7.0%
A.18	Annual income	5,166	5,037	2.6%	£1.3bn	£1.2bn	10.2%	-2.3%	-2.5%

Fee-block	Tariff base	Number of firms in fee-blocks			Tariff data			Year on year movement fee rates from 2015/16	
		2016/17 Actual	2015/16 Actual (i)	Change	2016/17 Actual	2015/16 Actual	Change	CP16/9	Actual
A.19	Annual income	12,677	12,586	0.7%	£15.5bn	£15.4bn	1.0%	-3.4%	-3.1%
A.21	Client money	1,146	993	15.4%	£139.6bn	£131.6bn	6.1%	-7.8%	-7.2%
	Assets held				£12,572.8bn	£12,569.8bn	0.0%	0.0%	0.0%

Notes: (i) 'Actual' refers to the data as set out in Table 2.3 of PS15/15, published in June 2015.

3.

FCA fees for other bodies

- 3.1** In this chapter we give feedback on the responses to Chapter 4 of CP16/9, in which we consulted on the draft fees rates rules for other bodies that fall within the 'B' to 'G' fee-blocks:
- B, Market infrastructure providers
 - C, Collective investment schemes
 - D, Designated professional bodies
 - E, UK Listing Authority (UKLA)
 - F, Unauthorised mutual, and
 - G, Firms registered 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; and firms undertaking consumer buy-to-let business
- 3.2** We also highlight the changes between the draft fees rates in CP16/9 and the final rates contained in Appendix 1 of this PS.
- 3.3** In Chapter 7 we provide feedback on responses received to the 2016/17 'H' fee-block (FCA pensions guidance costs) proposed in Chapter 8 of CP16/9.
- 3.4** In Chapter 8 we provide feedback on responses we received to the new fees framework for operators of Multilateral Trading Facilities (MTFs) proposed in Chapter 9 of CP16/9.

Periodic fees for other bodies – summary of proposals

- 3.5** In Chapter 2 of CP16/9 we set out the proposed allocation of our AFR to the 'B' to 'G' fee-blocks. In Chapter 4 of CP16/9 we proposed the draft periodic fees to recover the allocated AFR from the fee-payers within each of these fee-blocks.
- 3.6** As confirmed in Table 2.2 of Chapter 2 of this PS, the allocation of our AFR to these fee-blocks has not changed from CP16/9.
- 3.7** We asked:

Q2: Do you have any comments on the proposed FCA 2016/17 minimum fees and periodic fee rates for fee payers other than authorised firms?

Responses to proposals

3.8 We received four responses including from two recognised investment exchanges (RIEs), a trade body representing mortgage brokers and a financial intermediary firm. The issues raised by respondents cover two areas:

- B fee-block - RIEs,
- G.20 and G.21 fee-blocks - consumer buy-to-let (CBTL) periodic fees

B fee-block - RIEs,

3.9 One RIE respondent welcomed the 1.6% reduction in their fees and one RIE raised concerns that their fees, although reduced by 1.6%, remain disproportionate to their revenues compared to other RIEs.

Our response

Fees for RIEs are set individually and differ between RIEs according to our work programmes for each RIE. We continue to believe that the individual fee levels set across our RIE population are appropriate given the basis on which they are calculated and therefore we are proceeding with the 2016/17 fees as set out in CP16/9.

G.20 and G.21 fee-blocks - consumer buy-to-let (CBTL) periodic fees

3.10 The Mortgage Credit Directive Order 2015, which came into force on 21 March 2016, gave us powers to register, supervise and enforce against CBTL firms. Through previous consultation¹¹ we had set up two new fee-blocks and in CP16/9 we proposed the following flat fees:

- G.20 CBTL lenders – £400
- G.21 CBTL arrangers and advisers – £200

3.11 A trade body representing mortgage brokers and a financial intermediary firm challenged our justification for charging separate fees for CBTL activities and maintained that these periodic fees for authorised firms should be included in the existing minimum fee structure. Further they highlighted that small mortgage brokers who also undertake consumer credit activities and CBTL activities would pay three minimum fees: £1,084, £300 and £200 respectively (total £1,584).

Our response

We have reconsidered the basis for charging CBTL fees in the light of the high proportion of firms that have registered for CBTL activities that are also in the mortgage fee-blocks A.2 (mortgage providers) and A.18 (mortgage brokers/advisers). We have also revisited our expected ongoing costs for regulating CBTL activities.

¹¹ Chapter 12 of CP15/14 (March 2015)
fca.org.uk/static/documents/consultation-papers/cp15-14.pdf
 Chapter 7 of CP15/15 (June 2015)
fca.org.uk/static/documents/policy-statements/ps15-15.pdf

We agree with the respondents and have therefore modified the draft fee rate rules consulted on in CP16/9 so that only CBTL firms that do not have permission to carry out any regulated activities will pay the CBTL flat fees. The effect of this is that firms in the A.2, or A.18 fee-blocks, or that undertake consumer credit activities in the CC2 fee-block will not pay separate CBTL fees in addition to the minimum fees they already pay through these fee-blocks.

CBTL periodic fees will still be paid by firms that are registered for CBTL activities and are not in any of the above fee-blocks. This is line with our overall policy that all firms should make some contribution to our costs.

See also our feedback on responses to the proposed allocation of our AFR to the A.2 and A.18 fee-blocks set out in chapter 2 of this PS.

Changes between draft fee rates and the final rates

- 3.12** We highlighted in CP16/9 that fee-payers should be aware that the draft fee rates and levies in Appendix 1 of CP16/9 were calculated using estimated fee-payer populations and tariff data (measures of size as a proxy for risk), which may change when the final fee rates are calculated in June 2016.
- 3.13** We list below, where applicable, the percentage movements in the fee rates between the draft version in CP16/9 and the final rates in Appendix 1 of this PS:
- C, Collective investment schemes – a decrease of 13.3%
 - E, UKLA – a decrease of 0.5% for E002 (premium listed issuer)
 - G, Payment Services Directive – a decrease of 10.9%
 - G, Electronic Money Directive – a decrease of 25.0%

4. Applying financial penalties

- 4.1** In this chapter we confirm the amount of retained penalties from 2015/16 and the final percentage rebates that will be applied to 2016/17 periodic fees paid by firms.
- 4.2** Each year the financial penalties we impose on regulated persons, as a result of taking enforcement action, must be paid to the Treasury after certain enforcement costs (retained penalties). These retained penalties are applied to the benefit of regulated persons through rebates to periodic fees in the following year. How these rebates are calculated is set out in our Financial Penalty Scheme, which we have consulted on previously and was detailed in Chapter 5 of CP16/9, and also in Annex 2 of this PS.
- 4.3** In Chapter 5 of CP16/9 we estimated the retained penalties for 2015/16 to be £49.6m. The amount of the estimated retained penalties allocated to each fee-block and the estimated percentage rebates for 2016/9 periodic fees was set out in Table 5.1 in CP16/9.
- 4.4** The final amount of retained penalties for 2015/16 is £48.7, 1.8% less than estimated in CP16/9. Table 4.1 sets out how the reduced retained penalties have been distributed across fee-blocks, which is in the same proportions as CP16/9.

Table 4.1: Final schedule of application of 2015/16 retained penalties in 2016/17

Fee-block	Actual 2015/16 retained penalties to be applied to benefit of fee-payers £m	Estimated rebate applied to 2016/17 fees	Estimated 2015/16 retained penalties to be applied to benefit of fee-payers £m	Estimated rebate applied to 2016/17 fees
AP.0 FCA prudential	0	0.0%	0	0.0%
A.1 Deposit acceptors	7.7	11.4%	7.8	11.6%
A.2 Home finance providers and administrators	0.8	4.6%	0.8	4.7%
A.3 Insurers – general	1.5	6.9%	1.6	7.0%
A.4 Insurers – life	2.8	7.4%	2.8	7.5%
A.5 Managing agents at Lloyd's	0	0.0%	0	0.0%
A.6 The Society of Lloyd's	0	0.0%	0	0.0%
A.7 Portfolio managers	11.3	29.0%	11.5	29.5%
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	1.8	16.7%	1.8	17.0%

Fee-block	Actual 2015/16 retained penalties to be applied to benefit of fee-payers £m	Estimated rebate applied to 2016/17 fees	Estimated 2015/16 retained penalties to be applied to benefit of fee-payers £m	Estimated rebate applied to 2016/17 fees
A.10 Firms dealing as principal	6.2	13.7%	6.3	13.9%
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	4.1	6.1%	4.2	6.2%
A.14 Corporate finance advisors	1.9	15.4%	1.9	15.7%
A.18 Home finance providers, advisers and arrangers	3.1	18.9%	3.2	19.2%
A.19 General insurance mediation	2.8	11.1%	2.9	11.3%
A.21 Firms holding client money or assets or both	3.2	24.3%	3.2	24.7%
B. Recognised investment exchanges and operators of multilateral trading facilities (only)	0	0.0%	0	0.0%
CC.1 Consumer credit – limited permission	0	0.0%	0	0.0%
CC.2 Consumer credit – full permission	0	0.0%	0	0.0%
E. Issuers and sponsors of securities	1.5	7.5%	1.5	7.0%
Total	48.7		49.6	

5. Ring-fencing implementation fee

(FEES 4 Annex 2BR final rules in Appendix 1)

- 5.1** In this chapter we provide feedback on the responses received to our proposals for a ring-fencing implementation fee (RFIF) set out in Chapter 7 of CP16/9.

Summary of proposals

- 5.2** We proposed that the RFIF will apply to firms that are ring fencing their core activities in line with the requirements of the Financial Services (Banking Reform) Act 2013 (FSBRA) ahead of the Government's 1 January 2019 deadline. The RFIF would recover our costs for implementing the new regime through to 2019 and for 2016/17 the budget costs would be £6.4m including £0.6m carried forward from 2015/16. In CP16/9 we outlined the activities we would be undertaking which are specific to the requirements to implement FSBRA and are not part of our normal regulatory activity. We will consult each year on further costs to be recovered by the RFIF after 2016/17.
- 5.3** We proposed that the allocation of our ring-fencing implementation costs to groups will reflect two equally weighted factors:
- How their core deposits compare with the core deposits of all in-scope banking groups.
 - How their total group assets outside their proposed ring-fenced body subgroups compare with the non-ring fenced assets of all in-scope banking groups.¹² Calculations were based on data from these banking groups' ring-fencing plans as at February 2016. We consider these metrics to be an appropriate proxy for the balance of work we will need to do across these banking groups to implement ring fencing.
- 5.4** The RFIF is intended to recover all our costs associated with ring fencing, including those for processing applications for authorisation, variation of permission and in connection with regulated covered bonds. We therefore proposed that existing fees for ring fencing related authorisations, variation of permission and regulated covered bonds applications will not be charged.
- 5.5** We asked:

Q3: Do you have any comments on the proposed 2016/17 ring-fencing implementation fee?

Responses to proposals

- 5.6** We did not receive any responses to these proposals.

¹² Total group assets' refers to assets of the relevant resolution group.

6. Consumer credit periodic fees

(FEES 4 Annex 2AR, FEES 5 Annex 1R and FEES 7 Annex 1R final rules in Appendix 1)

6.1 In this chapter we:

- Set out the 2016/17 final consumer credit periodic fees and levies for the FCA, the Financial Ombudsman Service and the Money Advice Service
- provide feedback on the responses received to Chapter 6 of CP16/9

FCA consumer credit periodic fees 2016/17

Background

- 6.2** The responsibility for the regulation of consumer credit was transferred from the Office of Fair Trading (OFT – a non-governmental public body) to the FCA following legislative changes that came into effect on 1 April 2014. The resulting enhanced regulatory regime gave us more responsibilities and stronger powers than the OFT.
- 6.3** Since April 2014, firms that were previously licensed by the OFT and that held interim permission to carry on consumer credit activities have, on a phased basis, been invited to apply for full authorisation to carry out consumer credit business. During this period, we have also accepted authorisation applications from new consumer credit businesses. We expect this authorisation process (of firms holding interim permission) to be completed during 2016/17, after which an estimated 35,000 firms will be authorised for consumer credit activities.
- 6.4** This is the first year that we are incorporating consumer credit costs in our AFR (see Table 2.2 in Chapter 2). The £37.7m has been allocated across the two consumer credit fee-blocks, reflecting the type of consumer credit business that firms are permitted to undertake: fee-block CC1 limited permissions, and CC2 full permissions.
- 6.5** Firms that moved from interim permission to full authorisation (for consumer credit business) over the past two years have paid minimum fees and variable fee rates, depending on their level of income from consumer credit activities. We first consulted on these in Chapter 7 of CP14/6 (March 2014¹³). These fees were made at the beginning of 2014, based on estimates of the assumptions that make up their calculation.
- 6.6** Our estimates ahead of publishing CP16/9 showed significant movement in some of these assumptions. For example, the number of firms that will have limited permission is 66% higher than we estimated in 2014, the number of firms with full permission is 48% lower than was estimated and the level of income we expected firms to report is 23% less than estimated. In CP16/9 Chapter 6 Table 6.1 we gave a full breakdown of the movements in all factors. We also

¹³ www.fca.org.uk/static/documents/consultation-papers/cp14-06.pdf.

highlighted that if we continued to use the 2014 levels of minimum fees and variable fee rates for 2016/17, we would under-recover the required £37.7m by around £12m. So we considered how we should set the 2016/17 periodic fees to make up this shortfall in the recovery of our funding requirement.

Summary of proposals

6.7 Overall we expected that our proposals would result in only 2% of consumer credit firms paying higher fees than those that have applied since 2014. This was in line with our intention, stated in March 2014, that the fee rates set in 2014/15 would be broadly in line with those that would apply in 2016/17. For 2016/17, we proposed to:

- Maintain the minimum fees for the limited permission and full permission firms unchanged. We expected that around 95% of consumer credit firms will only pay a minimum fee.
- Keep the variable fee for limited permission firms unchanged. We expected that around 4% of consumer credit limited permission firms will pay the unchanged variable rate fee in addition to the unchanged minimum fee of £500.
- Increase the 2014 full permission variable fee of £0.78 by £0.52 to £1.30 (68%). We expected that around 7% of consumer credit full permission firms will pay the increased variable fee rate in addition to the unchanged minimum fee of £1,000.

6.8 In CP16/9 we detailed two ways of recovering the £37.7m AFR allocated to the consumer credit fee-blocks and our reasons for not adopting them.

6.9 We proposed no change in the concession for Community Finance Organisations (CFOs) whereby if their income is below £250,000 they do not pay any minimum fee. In Chapter 9 of CP16/9 we set out further proposals for CFOs and we provide feedback on the responses received in Chapter 8 of this policy statement.

6.10 We asked:

Q4: Do you have any comments on the proposed FCA consumer credit fees for 2016/17 set out in Table 6.2 [as referenced in CP16/9]?

Responses on proposals

6.11 We received nine responses from three trade bodies representing consumer credit firms; three trade bodies representing financial advisers, mortgage brokers and insurance brokers; a trade body representing not-for-profit consumer credit firms; a consumer credit firm; and a financial intermediary firm.

6.12 The issues raised by respondents cover three areas:

- full permission variable fees
- not-for-profit consumer credit firms, and
- consumer credit activities carried out in conjunction with other FCA regulated activities

Full permission variable fees

6.13 Three trade bodies representing consumer credit firms and an individual consumer credit firm challenged the increase in the variable rate for full permission consumer credit firms from £0.78

set in 2014/15 to £1.30 for 2016/17 (68%). The fee rate is payable per £1,000 of annual income (from consumer credit activities) above £250,000. The issues they raised include:

- Of the 7% of firms affected by the increase, the majority are likely to be the larger banking groups who are already subject to regular supervision, including around their consumer credit activity.
- With fewer full permission firms and more limited permission than forecast in 2014, the total costs should have reduced given that limited permission firms are understood to require less direct supervision.
- The full permission variable fee rate payers are effectively subsidizing limited permission firms. Some of these firms are themselves SMEs even though they are above the £250,000 threshold. Some of these firms could exit the market due to the increased rate, which is not in keeping with the FCA's approach to promoting effective competition.
- The rationale for leaving the variable fee on limited permission firms unchanged is unclear.

Our response

Our regulation of consumer credit is in addition to our regulation of other activities that firms are permitted to undertake, and is a responsibility which transferred to us from the OFT following legislative changes that came into effect on 1 April 2014. This is the first year that we have included these costs in our AFR. The cost of regulating other regulated activities firms are permitted to undertake that come under the 'A' fee-blocks is recovered separately.

The estimate of our costs (scope change and ongoing) of £37.9m, which we produced in 2014 for recovery in 2016/17, and the final amount of £37.7m applies to the combined limited permission (CC1) and full permission (CC2) fee-blocks. Our policy position for setting the consumer credit fees structure to recover these costs, put in place in 2014 following consultation at that time, was to recognise that:

- A significant number of firms in this market are smaller businesses. For this reason, there are different levels of minimum fees depending on the size of the firm, and the threshold for consumer credit income that triggers variable fees is £250,000. This has enabled us to set minimum fees at a level that we believe will not cause these smaller firms to leave the market.
- The activities covered by limited permission are lower risk than full permission, and include in particular firms where consumer credit is secondary to their main business (e.g. shops, dentists, schools, sports clubs). Keeping limited permission variable fees unchanged reinforces the difference in risk between limited and full permission activities.

We do not believe that the movement since our estimate in 2014 in the number of limited permission firms compared to full permission firms should change this original policy approach.

As discussed in CP16/9 we considered alternatives that included increasing minimum fees for both limited and full permission firms which would have

raised an additional £3.2m. We discounted this alternative as 95% of the firms affected would have been smaller firms. We also considered the alternative of proportionately increasing the limited permission variable fee which would have raised an additional £0.3m. We rejected this as it would undermine our recognition of the differential in the risk between limited and full permission activities.

While we recognise that some firms see themselves as SMEs, the definition varies and depending on which definition you use an SME could have a turnover anywhere between £6.5m and £50m. If we used these levels as thresholds for whether full permission firms pay variable fees we would significantly weight the recovery to the very largest firms. As explained in CP16/9 the top ten largest firms already contribute to the recovery of 41% of the £37.7m total costs.

We acknowledge that we are recovering less from smaller firms, but we believe this is appropriate for the reasons set out above. However, this does not mean we might not increase fees for smaller firms in future years.

Not-for-profit consumer credit firms

- 6.14** A trade body representing not-for-profit firms called for further concessions for their members. They sought reduced variable fee rates or tiered rates.

Our response

The concessions that currently apply include that:

- a not-for-profit debt advice body does not pay any periodic fees, and
- a community finance organisation (CFO) pays no periodic fees where their income is up to £250,000

These firms are regulated by us and the concessions are effectively paid for by the firms that pay variable fees. When we originally proposed the concession for CFOs in October 2013 (CP13/14), we did so on the basis that a CFO with an income above £250,000 should be able to compete with other firms on an equal basis. We continue to believe that the existing concession sufficiently recognises the different status of these firms given their social objectives.

Consumer credit activities carried out in conjunction with other regulated activities

- 6.15** Two trade bodies (representing financial advisers and mortgage brokers) and a financial intermediary firm raised issues regarding the boundary between consumer credit activities and other regulated activities (in this case the A.13 and A.18 fee-blocks respectively). One trade body commented that most advisers do not offer credit or provide debt counselling as a service. They only get permission due to the lack of clarity on the regulatory boundary and therefore have to pay the consumer credit fees despite the fact that a negligible amount of regulatory oversight or intervention is required for the vast majority of these adviser firms.
- 6.16** One trade body commented that firms need a consumer credit permission under technicalities such as refinancing a buy-to-let to consolidate debt, whereas they should be made exempt under other areas of the FCA Handbook. They believe this requirement is an unnecessary

technical extension as they are merely facilitating the financing and not advising on debt consolidation.

- 6.17** A trade body representing insurance brokers commented that insurance intermediaries in the A.19 fee-block only provide credit broking services as an ancillary activity to the insurance placement and do not charge a fee or obtain commission by providing this service to consumers. They questioned our use of a proxy measure of income for the consumer credit activity as firms would have obtained no additional economic benefit beyond what they had earned from the insurance placement activity had they not provided the customer with access to finance. Insurance intermediaries are therefore effectively being charged twice for what is pure double-counting.

Our response

Our fees follow firms' permissions. Firms therefore only pay fees in the consumer credit fee-blocks if they have applied for and have been given permission to undertake consumer credit activities. It is therefore for individual firms to judge whether they need consumer credit permissions to do their business, and which permissions they may need. This also applies to firms that undertake regulatory activities in other fee-blocks, such as A.13 and A.18. If these firms have consumer credit permissions, for example, to undertake debt counselling, they pay the same fees as any other firm in the CC2 fee-block – the lowest minimum fee being £300 where income from any of the activities covered by it is below £50,000. If they did not make this contribution to the recovery of consumer credit costs then we would have to either increase consumer credit minimum fees or variable fees for other firms. We are therefore not changing our previously consulted on fees policy that firms with permission to undertake consumer credit activities that are also in other fee-blocks, such as A.13 and A.18, should pay the same consumer credit fees.

Firms in the A.19 (General insurance mediation) fee-block pay fees in proportion to the income they report from the regulated activities covered by that fee-block – income being the measure of size (tariff base). This is subject to a minimum threshold of £100,000 below which no fees are paid in that fee-block and ensures that all firms in A.19 contribute to the recovery of the AFR allocated in the same way. For consumer credit the tariff base is income from the regulated activities covered by the consumer credit fee-blocks and it is subject to the minimum fees/thresholds set out in Table 6.1. Where firms do not receive income for the consumer credit activities they undertake we apply a proxy measure (set out in FEES 4 Annex11B) to ensure that all firms in the consumer credit fee-blocks contribute to the recovery of our AFR allocated to those fee-blocks. There is no duplication or double charging for firms that are in A.19 and the consumer credit fee-blocks. They pay fees in the fee-blocks for which they have permission to undertake the regulated activities covered by those fee-blocks.

Changes between draft FCA fee rates and the final rates

- 6.18** We highlighted in CP16/9 that the proposed 2016/17 full permission variable fee rate of £1.30 per £1,000 of income above £250,000 was based on estimates of the assumptions that make up the calculation. Taking into account our final assumptions the final rate for this fee is £1.30, unchanged from CP16/9.
- 6.19** The final 2016/17 FCA consumer credit fees as set out in Table 6.1.

Table 6.1: Final 2016/17 FCA consumer credit fees compared to those set in 2014

Type of firm	Fees set in 2014		Final 2016/17 fees	
	Minimum annual fee	Variable annual fee on income above £250,000	Fee	Variable annual fee on income above £250,000
	Income band	Fee	Fee	
CC1: Limited permission	Up to £10,000	£100	£100	£500 + £0.40 per £1,000
	Over £10,000 to £50,000	£250	£250	
	Over £50,000 to £100,000	£400	£400	
	Over £100,000 to £250,000	£500	£500	
CC2: Full permission	Up to £50,000	£300	£300	£1,000 + £1.30 per £1,000
	Over £50,000 to £100,000	£500	£500	
	Over £100,000 to £250,000	£1,000	£1,000	

Financial Ombudsman Service consumer credit levies for 2016/17

- 6.20** Firms that moved from interim permission to authorisation over the past two years have paid the Financial Ombudsman Service consumer credit levies as set out in Table 6.2. We proposed in CP16/9 that these remain unchanged for 2016/17.

Table 6.2: Final Financial Ombudsman Service levy rates for consumer credit, 2016/17

Type of firm	Minimum annual fee		Variable annual fee on income above £250,000
	Income band	Fee	
Limited permission: industry block 19	A flat fee for not-for-profit debt advice bodies	£0	N/A
	A flat fee for all other firms with a limited permission	£35	N/A
Full permission: industry block 20	Up to £250,000	£35	£35 + £0.02 per £1,000

- 6.21** We asked:

Q5: Do you have any comments on the proposed Financial Ombudsman Service consumer credit levies for 2016/17 set out in Table 6.5 [as referenced in CP16/9]?

Responses to proposals

- 6.22** We received three responses from trade bodies representing insurance brokers; not-for-profit consumer credit firms and financial advisers. The first two supported keeping the levy unchanged. The third commented much the same as for FCA fees under paragraph 6.15 regarding the boundary between consumer credit regulated activities and other regulated activities. Our response is the same in principle as set out under paragraph 6.17.

Money Advice Service consumer credit levies for 2016/17

- 6.23** Firms that moved from interim permission to authorisation over the past two years have paid the Money Advice Service consumer credit levies as set out in Table 6.3. We proposed in CP16/9 that these remain unchanged for 2016/17.

Table 6.3: Final Money Advice Service levy rates for consumer credit, 2016/17

Type of firm	Minimum Annual Fee		Variable annual fee on income above £250,000
	Income band	Fee	
Limited Permission: fee-block CC1	Up to £250,000	£10	£10 + £0.37 per £1,000
Full Permission: fee-block CC2	Up to £250,000	£10	£10 + £0.37 per £1,000

- 6.24** We asked:

Q6: Do you have any comments on the proposed Money Advice Service consumer credit levies for 2016/17 set out in Table 6.6 [as referenced in CP16/9]?

Responses to proposals

- 6.25** We received five responses. Four trade bodies presenting consumer credit firms, mortgage brokers, not-for-profit consumer credit firms and a financial intermediary firm supported keeping the MAS levies unchanged. A trade body representing financial advisers commented much the same as for FCA fees under paragraph 6.15 regarding the boundary between consumer credit regulated activities and other regulated activities. Our response is the same in principle as set out under paragraph 6.17.

7. Pensions guidance levies

(FEES 10 and 11 – final rules in Appendix 1)

7.1 In this chapter we confirm the final 2016/17 Pension Wise funding requirement and give feedback on the responses we received to Chapter 8 of CP16/9 in which we set out our proposed 2016/17:

- pensions guidance levy rates, and
- pensions guidance providers' levy rates

2016/17 Pension Wise funding requirement

7.2 The Department for Works and Pensions (DWP) has notified us that the final 2016/17 Pension Wise funding requirement is £22.5m. This is £100,000 less than the estimated £22.6m in CP16/9 due to a higher final 2015/16 underspend than they estimated. The 2016/17 cost of the existing pension guidance service and the secondary annuities guidance service is £29.9m same as CP16/9 but the final split between the two has changed. A breakdown is provided in Table 7.1.

Table 7.1: 2016/17 Pension Wise funding requirement

	2016/17 £m	2015/16 £m	Movement
Existing pension guidance service (i)	28.0	39.1	-28%
Secondary market for annuities guidance service	1.9	N/A	–
Less 2015/16 underspend (ii)	(7.4)	N/A	–
2016/17 funding requirement	22.5	39.1	-42%

Notes:

(i) includes our 2016/17 £0.3m costs for monitoring the Designated Guidance Providers (£0.6m 2015/16) and £0.1m costs for collecting the Pensions Guidance Levy (unchanged from 2015/16)

(ii) includes our final 2015/16 £0.3m underspend in our monitoring costs and collection set-up costs

Pensions guidance levy (PGL) – summary of proposals

7.3 We proposed that the distribution of the allocation of the 2016/17 Pension Wise funding requirement across the PGL fee-blocks should be unchanged from 2015/16 as set out in Table 7.2.

Table 7.2: 2016/17 Pension Wise funding allocations

PGL fee-blocks		Actual 2016/17		Actual 2015/16	
		£m	%	£m	%
A.1	Deposit acceptors	5.4	24	9.4	24
A.4	Insurers – life	5.4	24	9.4	24
A.7	Portfolio managers	5.4	24	9.4	24
A.9	Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	3.6	16	6.2	16
A.13	Advisory arrangers, dealers or brokers	2.7	12	4.7	12
Total		22.5	100	39.1	100

7.4 The allocation is an equal distribution across the five PGL fee-blocks, with the exception of the A.9 and A.13 fee-blocks as detailed in CP16/9. We proposed this approach because:

- An equal distribution was used as the starting point due to the absence of data about what retirement products and services consumers would choose following the pension reforms/Pension Wise. As we stated when concluding the consultation on the allocations for 2015/16 in PS15/15¹⁴ such data, if available, could be used to better align the allocation of the Pension Wise funding to the PGL fee-blocks and hence the firms that are benefiting from those consumer choices. This data would need to reflect that position for each PGL fee-block and be comparable across them. We have not identified data that would meet this requirement
- We are also mindful of the Government's current public financial guidance consultation and the resulting changes to the way pensions guidance will be provided and funded in future. This may mean the allocations across fee-blocks need to take into account that the new body will give guidance to consumers at the pension accumulation stage as well as when they are considering what to do with their pension pots at retirement

7.5 We also proposed applying the same allocation distribution as last year to the extension of Pension Wise to provide guidance to consumers ahead of the new freedoms regarding annuity income.

7.6 We asked:

Q7: Do you have any comments on the proposed 2016/17 pensions guidance levy (PGL) rates?

Responses to proposals

7.7 We received one response from a trade body representing financial advisers who welcomed our recognition that advisers in the A.13 fee-block only benefit from pension flexibilities and Pension Wise when consumers seek advice, as opposed to the other four fee-blocks that benefit from the pension flexibilities regardless. However, they believe that for advisers to bear 12% of the costs is still too high a proportion. They highlight recent data that is alleged to be from Citizens Advice on how many people seek advice after a Pension Wise appointment.

¹⁴ PS15/15 FCA regulated fees and levies 2015/16 Including feedback on CP15/14 and 'made rules' (June 2015) chapter 6 feedback on responses to CP15/14 and confirmed allocation/rates www.fca.org.uk/static/documents/policy-statements/ps15-15.pdf

- 7.8** Further they comment that the vast majority of pension pots (75% to 80%) are below £50,000 and therefore paying for full advice is unlikely to be economic for most consumers. Since the Retail Distribution Review (RDR), their own commissioned survey in January 2015 showed that just over 60% of advisers said they had turned clients away in 2014 (up from over 50% in 2013), with most of them saying either the service offered was uneconomic for the client or servicing the client would be unprofitable for the firm. Nearly 60% of advisers who turned away clients said the enquires were pension related. This is backed up by anecdotal evidence from their members who tell them that they have seen only a small increase in demand for their services since the pension reforms. They suggest the proportion allocated to A.13 should be 5%.

Our response

For 2015/16 we reduced the allocation to A.13 by 50% to 12% in recognition that financial advisers only benefit from the pension flexibilities and Pension Wise if consumers seek regulated advice.

We have not been able to substantiate claims in relation to the Citizens Advice data on the extent that consumers who use Pension Wise go on to seek regulated advice.

Our own research on firms providing advice published in April 2016¹⁵ showed that pension pot size was a relatively less important factor in their considerations about whether to take on a customer seeking retirement income advice; the median threshold across these firms was £50,000. A customer's personal circumstances and other assets and liabilities, as well as the potential for a future relationship with the customer, were the most important factors considered.

As we commented in CP16/9 there is overall an absence of data needed to inform the allocation of the Pension Wise funding requirement across all fee-blocks. Further, the new pensions guidance body (expected to be operational by April 2018) will give guidance to consumers at the pension accumulation stage as well as when they are at retirement. We will be consulting in due course about the allocation of the funding requirement of the new body.

The A.13 fee-block contains a very diverse spread of types of firms. These include banks, insurance companies, securities brokers who act for retail clients and wholesale market brokers as well as financial advisers.

We estimate that around 3,108 financial advisers, whose main business is to provide advice on retail investment products, will contribute £270,000 (10%) of the £2.7m Pension Wise funding requirement allocated to the A.13 fee-block.¹⁶ This means that these firms contribute 1.2% of the total £22.5m Pension Wise funding requirement. The £270,000 contribution represents 0.01% of the £2.8bn income these firms report for fees calculation purposes.

We are therefore continuing with the allocations unchanged from CP16/9.

¹⁵ www.fca.org.uk/static/fca/documents/financial-advice-firms-survey.pdf

¹⁶ For the purposes of this data we have only included firms that pay fees in the A.13 fee-block and complete the Retail Mediation Activities Return (RMAR) through which they report to us their financial information. Banks, life insurance firms and other firms that pay fees in A.13 do not complete the RMAR so we believe that the A.13 firms who do complete the RMAR is a reasonable proxy for financial advisers that cover the regulated activities covered by A.13 in relation to retail investment products.

Pensions guidance providers' levy (PGPL) – summary of proposals

- 7.9** The Pension Wise service is provided through the DWP designated guidance providers (DGPs). We recover our pensions guidance costs from the DGPs. These can include our costs for setting the standards of pensions guidance that should be provided by the DGPs and monitoring their compliance.
- 7.10** Our 2016/17 annual funding requirement (AFR), discussed in Chapter 2, includes our budgeted pensions guidance costs of £310,000 allocated to the 'H' fee-block. We proposed an equal allocation of these costs across the DGPs as set out in Table 7.3, as was the case in 2015/16. The £310,000 levy has not changed since CP16/9 and represents part of the DWP's final £22.5m funding requirement for providing Pension Wise in Table 7.1.

Table 7.3: 2016/17 allocation of FCA monitoring costs

Designated guidance providers	2016/17 £	2015/16 £	Movement
The Pensions Advisory Service Limited	77,500	150,000	-48%
National Association of Citizens Advice Bureaux	77,500	150,000	-48%
Scottish Association of Citizens Advice Bureaux	77,500	150,000	-48%
Northern Ireland Association of Citizens Advice Bureaux	77,500	150,000	-48%
Total	310,000	600,000	-48%

- 7.11** We asked:

Q8: Do you have any comments on the proposed 2016/17 pensions guidance providers' (PGPL) rates?

Responses to proposals

- 7.12** We did not receive any responses to these proposals.

8. Other fees policy proposals from CP16/9

8.1 In this chapter, we provide feedback on the responses we received to our fees policy proposals in Chapter 9 of CP16/9. No material concerns were raised in consultation and so we are implementing all the proposals as consulted on:

- credit union application fee
- concession on fees for community finance organisations (CFOs) that provide mortgages
- a new annual fees framework for operators of multilateral trading facilities (MTFs)
- clarification of administration charge for late submission of fees data

Credit union application fee

(FEES 3 Annex 1R Part 1(b))

8.2 We proposed a charge of £150 for all credit union applications. Since credit unions are dual-regulated (i.e. regulated by both the FCA and the PRA), the PRA consulted on the same basis, making the combined fee £300. This is the amount currently charged to lower risk 'Version 1' credit unions. The change followed the removal of the distinction between Version 1 and Version 2 credit unions in the Credit Unions sourcebook (CREDS), for which there had previously been separate application fees. The changes to CREDS did not affect periodic fees for credit unions.

8.3 We asked:

Q9: Do you have any comments on our proposed application fee for credit unions?

Responses to proposals

8.4 We received only one response, supporting the proposal.

Concession on fees for community finance organisations that provide mortgages

(FEES 3 Annex 1R Part 1(a), FEES 4, Annex 2AR Part 2(a))

8.5 We proposed concessions for CFOs that provide mortgages equivalent to those offered to credit unions.

- 8.6** CFOs are defined in the FCA Handbook as: 'a community benefit society, a registered charity or a community interest company limited by guarantee (within the meaning of Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004).' Because they specialise in services for vulnerable consumers on low incomes, CFOs and credit unions were given concessions on consumer credit fees to support the government's policy of improving the range of socially responsible credit choices. They pay a standard application fee of £200 and are exempt from minimum fees up to £250,000 of credit-related income. Above that, they pay the minimum fee of £500, in addition to the appropriate variable fee in fee-block CC1 (limited permission) or £1,000 and the variable fee in fee-block CC2 (fully authorised).
- 8.7** Credit unions also receive concessions on their non-consumer credit fees in the 'A' fee blocks. We did not extend these to CFOs when we set up the consumer credit fees framework because we believed they were engaged only in credit-related activities. However, some CFOs undertake second charge mortgages and the implementation of the Mortgage Credit Directive (MCD) has taken these out of the consumer credit regime and into mortgage regulation. Consequently, in addition to their consumer credit fees, they are now also allocated to fee-block A2 as mortgage providers and fee-block A18 as mortgage intermediaries.
- 8.8** All firms in the 'A' fee blocks are allocated to fee-block A.0 where they pay a minimum fee. They only pay variable fees on top of that if they go over the minimum fee threshold in any of the fee blocks where they have permissions. The minimum fee threshold in A.2 is 50 mortgage contracts (a new contract entered into during the year counts as 1.0; an existing contract being administered counts as 0.5). On top of its A.0 fee, a firm pays £2.40 for every contract above 50. If it has 50 mortgages or fewer, it pays no fee in A.2. The threshold in A.18 is £100,000 of mortgage intermediation income, so a firm currently pays £15.76 for every £1,000 above £100,000, and no fee in A.18 below that.
- 8.9** Credit unions are primarily authorised as deposit takers in fee-block A.1, where their fees are based on their MELs (modified eligible liabilities – i.e. deposits). They pay tiered minimum fees in A.0 depending on the value of their MELs. The tiered rates apply up to the minimum fee threshold of £10 million MELs. Above that, credit unions pay the same fees as all other firms.
- 8.10** Our proposal was to base CFOs' minimum fees on their A2 mortgage provider permission and translate that into a profile comparable to the credit unions' concessions on MELs. Because credit unions are regulated prudentially by the PRA and for conduct by the FCA, their concessions are split between the two regulators. If we based our concessions for CFOs on credit unions' FCA rates only, ignoring the charge for prudential regulation that credit unions pay the PRA and which the FCA will undertake in relation to CFOs, we would be treating CFOs more generously. We accordingly proposed to charge them the equivalent of the combined FCA/PRA fee for credit unions. Table 9.1 shows how that translated into minimum fees for CFOs. Where a CFO exceeds 50 mortgages, it will pay its fees in line with other FCA-authorised firms, including the standard £1,084 minimum fee to simplify the administration.

Table 8.1: Minimum fees to be paid by CFOs in fee-block A.0

Number of Mortgages	FCA fee
Up to 3	£166
Up to 10	£562
Up to 50	£1,042
Over 50	£1,084 + variable fee

8.11 We asked:

Q10: Do you have any comments on the concessions we are proposing for fees payable by community finance organisations taking out permissions as home finance providers and administrators?

Responses to proposals

8.12 Both the consultation responses we received supported the proposal, but one commented that, although we were attempting to model CFOs' concessions on those enjoyed by credit unions, there was not complete parity between the minimum fee threshold for credit unions and the threshold for CFOs.

Our response

Our proposed concession for CFOs was based on the existing minimum fee threshold for home finance providers. We did not consult on changing the threshold but sought to translate the tiered credit union fees within it. There is not a direct equivalence between the value of a mortgage loan and the value of a deposit, and second charge mortgages tend to be considerably smaller than first charge mortgages. However, smaller mortgages are not necessarily less risky or complex than larger ones and we continue to consider the loan book value to be a less helpful measure than the volume of transactions.

New annual fees framework for operators of multilateral trading facilities

(FEES 4 Annex 10R)

8.13 Since the periodic fees for MTF operators are based on supervisory categories (Categories 1–3) that are no longer in use, we proposed to replace them with a structured fee based on our systematic framework for supervision. This is summarised on our web page 'How we supervise firms' (www.fca.org.uk/about/what/regulating/how-we-supervise-firms). Firms that operate an MTF and have their MTF operations supervised by an allocated, named 'fixed portfolio' supervisor will pay the higher fee. All other MTF operators whose MTF operations are supervised by teams of 'flexible portfolio' supervisors will pay the lower fee. Operators that have their MTF operations supervised on a fixed portfolio basis will have received a letter informing them of their supervisory status. Any MTF operator that has not been formally notified of its status is therefore being supervised on a flexible portfolio basis. While a firm as a whole may be supervised as a fixed portfolio firm, its MTF operations might be supervised on a flexible portfolio basis. We also took the opportunity to simplify the text to make it clearer that EEA firms do not pay MTF fees since they are authorised by their home regulators.

8.14 The fee rates for MTF operators are presented in Chapter 3.

8.15 We asked:

Q11: Do you have any comments on the fees structure we are proposing for operators of multilateral trading facilities?

Responses to proposals

8.16 We received no responses.

Clarify administration charge for late submission of fees data

(FFES 4 Annex 2R Part 1, FEES 4 Annex 11R, Part 1, Part 1A)

8.17 We levy an administration charge of £250 if a firm submits its data late. This is intended to recover the costs we incur in chasing the firm, remodelling its fees and so on, so that these charges are not picked up by all the other firms that have submitted their data on time. Where firms are dual-regulated, we and the PRA split the fee, and the PRA pass their £125 share to us as their collection agent.

8.18 The current rules specify £466 as the minimum amount we may collect from firms in the 'A' fee-blocks and £683 from payment services providers and e-money issuers, made up of the £250 administration charge and any unpaid fee. This restriction has had no operational impact up to now. However, it would theoretically stop us recovering the costs of dealing with the smallest firms if they fail to submit their data. In our view, it is unreasonable to pass these costs on to other firms.

8.19 We asked:

Q12: Do you have any comments on our proposal to remove the restriction on the minimum amount that we may charge firms for late submission of fees data?

Responses to proposals

8.20 Both the responses we received supported our proposal.

9. Financial Ombudsman Service general levy

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

- 9.1** In this chapter we provide feedback on the responses we received to Chapter 10 of CP16/9. In that chapter we consulted on the tariff rates for the Financial Ombudsman Service's general levy for 2016/17 and the distribution across industry blocks.

Summary of proposals

- 9.2** The Financial Ombudsman Service provides an independent service for resolving disputes for customers of financial firms. The proposals we consulted on to raise the general levy to fund its activities in 2016/17 will indirectly help it to meet its statutory function of providing a scheme for the quick and informal resolution of disputes between financial services firms and their customers. The proper functioning of the Financial Ombudsman Service also helps us to meet our consumer protection objective. It is funded by the industry through:
- a general levy, payable by authorised firms in the compulsory jurisdiction (CJ) of the Financial Ombudsman Service and
 - case fees, payable by individual firms for complaints dealt with by the Financial Ombudsman Service
- 9.3** The Financial Ombudsman Service consulted on its draft budget and corporate plan in January. In March, it presented a final budget to the FCA Board¹⁷ which approved its total annual budget of £265m¹⁸ for 2016/17, including the general levy, case fees and the number of free cases.
- 9.4** The approved budget requires the FCA to recover £24.5m by general levy and to maintain the same proportions across the industry blocks. This figure is made up of £23.3m (which is the same amount the Financial Ombudsman Service asked us to collect for 2015/16), plus an additional £1.2m for consumer credit firms which are now included in the CJ. This reflects its forecast that complaints volumes (excluding PPI complaints) will remain broadly stable. Annually, the amounts actually payable by each block will vary to reflect changes in the proportions of cases in each block.
- 9.5** We asked:

Q13: 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 proportioned?

¹⁷ The final plan and budget is available at: www.financial-ombudsman.org.uk/publications/plan-budget.htm

¹⁸ Operating costs.

Responses to proposals

- 9.6** We received seven responses in relation to this question, two of which welcomed the proposals. Of those which expressed concern, a trade body noted that its members were not happy with the size of the levy, given that many of the complaints in the relevant area are about Payment Protection Insurance (PPI). Another trade body did not have any issues with our proposals, but noted that in its view claims management companies were using the case fee as leverage when seeking redress for their clients. A further trade body argued that case fees should be refunded to firms where complaints brought by claims management companies turn out to be unfounded, frivolous or vexatious. Lastly, a trade body and a firm noted a lack of clarity regarding the proposed levy for consumer buy-to-let (CBTL) firms.

Our response

We do not believe that the levy on any particular fee block is disproportionate given that the levy is a small part of the overall Financial Ombudsman Service budget, and all levy payers benefit from the existence of the Financial Ombudsman Service. The comments we received about claims management companies and case fees are not relevant to the consultation question, as the Financial Ombudsman Service consults separately on its case fees.

We have amended our rules to make clear that only CBTL firms that do not have permission to carry out any regulated activities will pay the £35 levy.

Changes between draft levy rates and final rates

- 9.7** We highlighted in CP16/9 that fee-payers should be aware that the draft Financial Ombudsman Service levy rates in Appendix 1 were calculated using estimated fee-payer populations and tariff data (measures of size) which may change when the final levy rates are calculated in June 2016.
- 9.8** Four of the ombudsman service levy rates in Appendix 1 of this Policy Statement have changed slightly since we published the draft rates in CP16/9 (industry blocks I001, I002, I004 and I017), but we do not consider the changes to be significant.
- 9.9** Our online fees calculator¹⁹ is available for firms to calculate their individual Financial Ombudsman Service levy rates based on the final rates in Appendix 1 of this PS.

¹⁹ www.the-fca.org.uk/fees-and-levies/calculate-your-annual-fee?field_fcasf_sector=unset&field_fcasf_page_category=unset

10.

Money Advice Service levies

(FEES 7 Annex 1R final rules in Appendix 1)

10.1 In this chapter we:

- set-out the 2016/17 final levies for the Money Advice Service²⁰
- provide feedback on the responses we received to Chapter 11 of CP16/9

Background

10.2 The Money Advice Service budget for 2016/17 is £75m. We proposed two separate levies:

- £30m for the delivery of money advice (although only £25.7m will be levied)
- £45m for the coordination and provision of debt advice (although only £39.4m will be levied)

10.3 Since CP16/9 was published the Money Advice Service has reported an underspend of £0.5m in the money advice budget for 2015/16. In addition we have got more up to date data on expected consumer credit contributions. This means that we will be levying £65.1m as opposed to £68.9m quoted in CP16/9. We collected £2.5m from consumer credit firms in 2015/16 and now expect £6.9m to be collected during 2016/17. This will be distributed to offset the levy we collect from the relevant 'A' fee blocks which means that firms will see a reduction in costs for the Money Advice Service levy for the 2016/17 financial year resulting in a total of £65.1m being levied (£25.7m for money advice and £39.4m for debt advice).

10.4 In CP16/9 we noted that the Government had issued a consultation setting out its preferred models for pensions guidance and money guidance which in the case of the Money Advice Service would mean a new slimmed down money guidance body. This consultation closed in June 2016 and the Government has said that it will publish a response in the autumn. The Government has made it clear that the new money guidance body will continue to be funded by the levy and that the Money Advice Service will continue to provide guidance to consumers for at least 2016/17 and 2017/18.

²⁰ The Money Advice Service is referred to in the Financial Services and Markets Act 2000 and our FEES manual as the Consumer Financial Education Body (CFEB).

Allocation and recovery for money advice

- 10.5** The total budget for delivering the money advice function for 2016/17 is £30m. The breakdown of expenditure can be found in the Money Advice Service's business plan that was published on 11 May.²¹
- 10.6** Funding for money advice will come from levies raised from FSMA-authorised firms, payment institutions and electronic money issuers. Table 10.1 at the end of this chapter sets out how this will be allocated. It takes account of the reductions due to the underspend and the consumer credit contributions, resulting in a total levy of £25.7m.
- 10.7** The money advice budget will be allocated based on three equal components that carry equal weighting. The three components are:
- How consumers use the four channels of the Money Advice Service (web, telephone and web chat, face-to-face and printed literature), which will be weighted by the different costs of the relevant channels.
 - Mapping the five Money Advice Service's outcomes, in its previous and this year's business plan, to appropriate fee blocks. These outcomes are: budgeting to live within means, managing debt well, saving regularly, saving for retirement, and protecting assets/making provision for dependents.
 - A levy based on our own allocation for 2016/17.
- 10.8** All firms pay a fixed minimum £10 fee.
- 10.9** We asked:

Q14: Do you have any comments on the proposed 2016/17 Money Advice levy rates for money advice?

Responses to proposal

- 10.10** We received four responses: two from individual firms and two from trade bodies. Here we summarise the responses received and our feedback.
- 10.11** Two respondents welcomed the reductions in the levy and expressed support for the current method of allocation. One respondent questioned its allocation and one respondent wanted to know more about how the recent announcements on the proposed changes to the Money Advice Service would affect the future levy.

Our response

Having considered the responses received we have decided to apportion the money advice levy as set out in CP16/9. We have taken into account the underspend for 2015/16 and the additional consumer credit contributions, which means the levy has been reduced from £27.6m to £25.7m. We will be consulting in due course about the allocation methods in respect of the levy for the new money guidance body. It is expected that the new body will be operational by April 2018 and that it will be accountable to the Treasury with the FCA's role limited to collecting the levy.

²¹ The Money Advice Business Plan 2016/17 is published online at www.moneyadviceservice.org.uk/en/static/publications

Allocation and recovery for debt advice

10.12 The total budget for debt advice in 2016/17 is £45m. A breakdown of the budget can be found in the Money Advice Service business plan. Funding for debt advice will come from A1 and A2 fee-blocks, using a model that takes account of both total lending and write-off levels, on a 50% basis for each, based on Bank of England data. Table 10.1 at the end of this chapter sets out how this will be allocated and takes account of the consumer credit contributions, resulting in a total levy of £39.4m.

10.13 We asked:

Q15: Do you have any comments on the proposed 2016/17 Money Advice levy rates for debt advice?

Responses to proposal

10.14 We received no responses in respect of the debt advice levy. We will apportion it as set out in CP16/9. We have taken into account the additional consumer credit contributions which means the debt advice levy will be reduced from £41.3m to £39.4m.

Table 10.1 The revised AFR allocation table comparing 2016/17 to final AFR

Fee-Block	2016/17 Consultation AFR (£m)	2016/17 Final AFR (£m)	Movement
Money Advice Levy			
A.0 minimum fee	0.2	0.2	-7.1%
A.1 deposit acceptors	7.8	7.2	-6.8%
A.2 home finance providers and administrators	4.8	4.5	-6.8%
A.3 insurers - general	2.8	2.6	-6.8%
A.4 insurers - life	3.6	3.3	-6.8%
A.5 managing Agents at Lloyd's	0.0	0.0	0.0%
A.6 the Society of Lloyd's	0.0	0.0	0.0%
A.7 portfolio managers	1.4	1.3	-7.0%
A.9 managers and depositaries of investment funds, and operators of collective investment schemes and pension schemes	0.7	0.7	-6.9%
A.10 firms dealing as principal	1.5	1.4	-7.0%
A.13 advisory arrangers, dealers and brokers	3.1	2.9	-6.9%
A.14 corporate finance advisers	0.3	0.3	-7.1%
A.18 home finance providers, advisers and arrangers	0.4	0.4	-7.1%
A.19 general insurance mediation	0.6	0.6	-7.1%
A.21 firms holding client assets or money	0.3	0.3	-7.1%
G. firms covered by Payment Services Regulations 2009 and Electronic Money Regulations 2011*	0.1	0.1	43.1%
Money Advice Total	27.6	25.7	-6.7%
Debt Advice Levy			
A.1 deposit acceptors	20.5	19.5	-4.8%

A.2 home finance providers and administrators	20.9	19.9	-4.8%
Debt Advice Total	41.3	39.4	-4.8%
Money Advice Service total	68.9	65.1	-5.6%

Notes:

*Fee block G firms covered by Payment Services regulations 2009 and Electronic Money Regulations 2011 was understated in the consultation AFR. We have corrected the allocation in the final AFR, which explains the percentage increase (43%). Year on year this fee block has reduced by 7% (£0.1m 2016/17)

NB. All figures rounded to the nearest £0.1m

Changes between draft levy rates and final levy rates

- 10.15** We highlighted in CP16/9 that fee-payers should be aware that the draft Money Advice Service levy rates in Appendix 1 of CP16/9 were calculated using estimated fee-payer populations and tariff data (measures of size), which may change when the final levy rates are calculated in June 2016.
- 10.16** The Money Advice Service levy rates in Appendix 1 of this Policy Statement have changed since the draft rates in CP16/9.
- 10.17** Our online fee calculator is available for firms to calculate their individual Money Advice Service levy rates based on the final rates in Appendix 1 of this Policy Statement.

Annex 1

List of non-confidential respondents

Association of British Credit Unions Ltd

Association of Mortgage Intermediaries

Association of Professional Financial Advisers

British Insurance Brokers' Association

Consumer Finance Association

Credit Services Association

Finance & Leasing Association

Lloyd's

London Stock Exchange plc

Responsible Finance

Tenet Group Ltd

Annex 2

FCA applying financial penalties

1. Paragraph 21 of Schedule 1ZA of the Financial Services and Markets Act 2000 (FSMA) (as amended by the 2012 Act and the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013) sets out how we should treat financial penalties we impose on regulated persons (firms).
2. The scheme does not apply to revenue from penalties imposed on firms in the 'G' fee-blocks under regulations applying European Union Directives, all of which is paid to the Treasury. The key requirements are set out below.
 - The financial penalties we receive must be paid to the Treasury net of certain enforcement costs incurred in the financial year in which the penalties were received. These enforcement costs, which are defined in the legislation and subject to a power of direction by the Treasury, represent the 'retained penalties'.
 - For retained penalties, we must prepare and operate a scheme (the Financial Penalty Scheme (FPS)) for ensuring that retained penalties are applied for the benefit of firms.
 - Firms that have become liable to pay any penalty to us in any financial year, do not receive any benefit from any penalty imposed on any firm under the scheme in the following year.
3. Under our FPS we apply retained penalties, received in any financial year, as a rebate to the periodic fees paid in the following financial year by firms in the fee-blocks set out in Table A.
4. The total retained penalties from any financial year will be allocated across these fee-blocks in proportion to the allocation of the enforcement budgeted costs for the following financial year. This will target the benefit from retained penalties to the fee-blocks that are paying for enforcement costs.
5. Enforcement costs are not allocated to the A.0 minimum fee fee-block. Therefore, retained penalties are not allocated to this fee-block.
6. The firms on which any penalty was imposed in a financial year will not receive any rebate to their periodic fees paid, for any retained penalties, in the following financial year.
7. Each year we publish a schedule setting out the:
 - total retained penalties in the previous financial year
 - amount of retained penalties allocated to each fee-block, and
 - percentage rebate that will be applied in the following financial year to the periodic fees paid by the firms in those fee-blocks
8. A draft of this schedule is published in our annual fees rates CP in March; the final schedule is published in the subsequent policy and feedback statement to that consultation in June.

Table A: Financial Penalty Scheme – relevant fee-blocks**Fee-block**

AP.0 FCA prudential
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.6 The Society of Lloyd's
A.7 Portfolio managers
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes
A.10 Firms dealing as principal
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)
A.14 Corporate finance advisors
A.18 Home finance providers, advisers and arrangers
A.19 General insurance mediation
A.21 Firms holding client money or assets or both
B. Recognised investment exchanges and operators of multilateral trading facilities (only)
CCC.1 Consumer credit – limited permission
CCC.2 Consumer credit – full permission
E. Issuers and sponsors of securities

Appendix 1

Periodic Fees (2016/17) and Other Fees

Instrument 2016 [made rules]

PERIODIC FEES (2016/2017) AND OTHER FEES INSTRUMENT 2016**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 73A (Part 6 Rules);
 - (b) section 137A (The FCA’s general rules);
 - (c) section 137T (General supplementary powers);
 - (d) section 139A (Power of the FCA to give guidance);
 - (e) section 234 (Industry funding);
 - (f) section 333Q (Funding of the FCA’s pensions guidance costs);
 - (g) section 333R (Funding of the Treasury’s pensions guidance costs);
 - (h) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
 - (i) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body);
 - (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);
 - (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); and
 - (c) regulation 46 and paragraph 5 of Schedule 1 (Fees); and
 - (5) article 25 (Application of provisions of the Act to the FCA in respect of its supervision of consumer buy-to-let mortgage firms) of the Mortgage Credit Directive Order 2015 (SI 2015/910).

- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 July 2016.

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 (2016/2017) and Other Fees Instrument 2016.

By order of the Board
23 June 2016

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>assets outside expected RFB subgroups</i>	the assets of a <i>ring-fencing fees group</i> which its <i>ring-fencing business plan</i> indicated were not intended to be held within a <i>ring-fenced body</i> or its <i>UK subgroup</i> for <i>ring-fencing</i> purposes on 1 January 2019.
<i>core deposit</i>	core deposits within the meaning of article 2(2) of the Financial Services and Markets Act 2000 (Ring-Fenced Bodies and Core Activities) Order 2014 (SI 2014/1960).
<i>RFB</i>	<i>ring-fenced body</i> .
<i>ring-fenced body</i>	has the meaning in Section 142A of the <i>Act</i> .
<i>ring-fencing</i>	the <i>UK ring-fencing</i> regime as provided for in the <i>Act</i> , including any statutory instruments and related <i>FCA rules</i> .
<i>ring-fencing business plan</i>	a near final business plan submitted to the <i>PRA</i> on or before 1 March 2016 setting out a <i>firms'</i> proposals for <i>ring-fencing</i> .
<i>ring-fencing fees group</i>	a banking group, or part of a banking group, which (i) has submitted a <i>ring-fencing business plan</i> and (ii) was notified by the <i>FCA</i> on or prior to 1 May 2016 that a fee relating to <i>ring-fencing</i> would be payable by one or more members of its group.
<i>ring-fencing implementation fee(s)</i>	the fee or fees in <i>FEES 4 Annex 2BR(2)</i> .

Amend the existing definition as shown.

FSBRA (~~in *FEES 9*~~) the *Financial Services (Banking Reform) Act 2013* (2013 c.33).

Annex B

Amendments to the Fees manual (FEES)

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

3 Application, Notification and Vetting Fees

...

3.2 Obligation to pay fees

...

3.2.7R Table of application, notification, vetting and other fees payable to the FCA

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable (£)	Due date
(a) Any applicant for <i>Part 4A permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i>) whose <i>fee</i> is not payable pursuant to sub-paragraph (ga) of this table	(1) Unless (2) or (3) <u>or</u> (4) applies, in respect of a particular application, the highest of the tariffs set out in <i>FEES 3 Annex 1 part 1</i> which apply to that application. ... (4) No fee is payable if the applicant satisfies the criteria set out in <i>FEES 4 Annex 2BR(5)(a)</i>
...		
(p) A <i>firm</i> applying for a variation of its <i>Part 4A permission</i> whose fee is not payable pursuant to sub-paragraph (ga) of this table	(1) Unless (2), (2A), (3), (3A), (3B) or 3(C), (3C) or (3D) applies, if the proposed new business of the <i>firm</i> would fall within one or more activity groups specified in Part 1 of <i>FEES 4 Annex 1AR</i> not applicable before the application, the fee is 50% of the highest of the tariffs set out in <i>FEES 3 Annex 1R</i> which apply to	...

	that application. ... <u>(3D) No fee is payable if the applicant satisfies the criteria set out in FEES 4 Annex 2BR(5)(a).</u> ...	
...		
(zm) An <i>issuer</i> applying for registration of a <i>regulated covered bond</i> .	(1) Unless (2) or (3) applies, 45,000. ... <u>(3) No fee is payable if the issuer satisfies the criteria set out in FEES 4 Annex 2BR(5)(b).</u>	...
(zn) An <i>issuer</i> who proposes to make a material change to the contractual terms of a <i>regulated covered bond</i> under RCB 3.5.4D.	(1) Unless (2) applies 6,500. <u>(2) No fee is payable if the issuer satisfies the criteria set out in FEES 4 Annex 2BR(5)(c).</u>	...
...		

...

3 Annex Authorisation fees payable 1R

...

Part 1(a) Authorisation Fees payable to the FCA by FCA-authorized persons	
Application type	Amount payable (£)
(1) <i>Community finance organisations</i>	
...	
<u>(ab) Community finance organisations, where application is for a Part 4A permission as a home finance provider or home finance administrator</u>	<u>300</u>
...	

Part 1(b) Authorisation Fees payable to the FCA by PRA-authorised persons	
Application type	Amount payable (£)
(1) <i>Credit unions</i>	
...	
(b) <i>Credit unions which would have been categorised as version 1 credit unions before 3 February 2016</i> (other than where (aa) applies)	150
(c) <i>Credit unions which would have been categorised as version 2 credit unions before 3 February 2016</i> (other than where (aa) applies) [deleted]	900
...	

...

4 Periodic fees

...

4.2 Obligation to pay periodic fees

...

4.2.11R Table of periodic fees payable to the FCA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
Any <i>firm</i> (except an <i>AIFM</i> qualifier, <i>ICVC</i> or a <i>UCITS</i> qualifier)	As (1) Unless (2) <u>applies, as specified in FEES 4.3.1R in relation to FEES 4 Annex 2AR and FEES 4 Annex 11R.</u> (2) Where a <i>firm</i> <u>is paying a ring-fencing implementation</u>	(1) Unless (2) or (3) apply, on or before the relevant dates specified in FEES 4.3.6R.

	<u>fee, as specified in FEES 4 Annex 2BR.</u>		
...			

...

4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017

Part 1	
This table shows the tariff rates applicable to each of the fee blocks set out in Part 1 of <i>FEES 4 Annex 1AR</i> .	
...	
(3)	For a <i>firm</i> which has not complied with <i>FEES 4.4.2R</i> (Information on which fees are calculated) for this period:
(a)	the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10; <u>and</u>
(b)	an additional fee of £250 is payable, unless the <i>firm</i> is a <i>PRA-authorized person</i> in which case an additional fee of £125 is payable instead; <u>and</u>
(c)	the minimum total fee (including the administrative fee in (b)) is £466, unless the firm is a <i>PRA-authorized person</i> in which case the total minimum fee (including the administrative fee in (b)) is £233. [deleted]

Activity group	Fee payable	
A.1	Band width (£million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)
		General Periodic fee
	>10 – 140	16.04 <u>17.49</u>
	>140 – 630	16.04 <u>17.49</u>
	>630 – 1,580	16.04 <u>17.49</u>

	>1,580 – 13,400	20.05 <u>21.86</u>
	>13,400	26.47 <u>28.86</u>
	The tariff rates in A.1 are not relevant for the <i>permissions</i> relating to <i>operating a dormant account fund</i> . Instead a flat fee of £6,000 is payable in respect of these <i>permissions</i> .	
A.2	Band width (No. of mortgages and/or home finance transactions)	Fee (£/mortgage)
	>50	2.40 <u>2.55</u>
A.3	Gross premium income (GPI)	Periodic fee
	Band Width (£million of GPI)	Fee (£/m or part m of GPI)
	>0.5	353.12 <u>327.00</u>
	PLUS	
	Gross technical liabilities (GTL)	General Periodic fee
	Band Width (£million of GTL)	Fee (£/£m or part £m of GTL)
	>1	18.92 <u>17.68</u>
	For <i>UK ISPVs</i> the tariff rates are not relevant and a flat fee of £466 is payable in respect of each <i>FCA</i> financial year (the 12 <i>months</i> ending 31 March).	
A.4	Adjusted annual gross premium income (AGPI)	General Periodic fee
	Band Width (£million of AGPI)	Fee (£/£m or part £m of AGPI)
	>1	531.90 <u>512.00</u>
	PLUS	
	Mathematical reserves (MR)	General Periodic fee
	Band Width (£million of MR)	Fee (£/£m or part £m of MR)

	>1	10.93 <u>10.86</u>
A.5	Band Width (£million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	8.64 <u>8.31</u>
A.6	Flat fee (£)	332,455 <u>327,149</u>
A.7	For class 1(C), (2), (3) and (4) firms:	
	Band Width (£million of Funds under Management (FuM))	Fee (£/£m or part £m of FuM)
	>10	7.63 <u>7.08</u>
	For class 1(B) firms: the fee calculated as for class 1(C) firms above, less 15%. For class 1(A) firms: the fee calculated as for class 1(C) firms above, less 50%.	
A.9	Band Width (£million of Gross Income (GI))	Fee (£/£m or part £m of GI)
	>1	1,175.00 <u>982.68</u>
A.10	Band Width (No. of traders)	Fee (£/person)
	>1	5,380.00 <u>5,033.00</u>
	For firms carrying on <i>auction regulation bidding</i> , the fee in A.10 is calculated as above less 20% for each trader that carries on <i>auction regulation bidding</i> but not <i>MiFID business bidding</i> or <i>dealing in investments as principal</i> .	
...		
A.13	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	3.15 <u>2.83</u>
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	2.13 <u>1.98</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)

	>100	15.76 <u>15.36</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	1.91 <u>1.85</u>
A.21	<i>Client money</i>	
	Band Width (£ <i>client money</i>) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	138.20 <u>128.20</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	103.65 <u>96.15</u>
	more than £1 billion	69.10 <u>64.10</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i>) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £10 million	0.52 <u>0.51</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	0.39
more than £100 billion	0.26	
B. Market operators		49,000 <u>48,216</u>
B. Service Companies	Band Width	Flat fee (£)
	Annual income up to and including £100,000	1,084 <u>1,067</u>
	Annual income over £100,000 up to and including £1,000,000	11,000 <u>10,824</u>
	Annual income over £1,000,000	49,000 <u>48,216</u>
A <i>service company</i> that fails to provide income data for the relevant <i>fee year</i> is deemed to fall within the highest band width.		

B. Principal	£200,000 <u>£196,800</u>	
<i>B. Principal benchmark administrators</i>		
<i>B. Benchmark administrators</i>	£50,000 <u>£49,200</u>	
...		
CC1. Credit-related regulated activities with limited permission	Band Width (£ thousands of annual income (AI))	Fee (£)
	0 – 10	100
	>10 – 50	250
	>50 – 100	400
	>100	500
	PLUS:	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	0.40
CC2. Credit-related regulated activities	Band Width (£ thousands of annual income (AI))	Fee (£)
	0 – 50	300
	>50 – 100	500
	>100	1,000
	PLUS:	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	0.78 <u>1.30</u>

Part 2

The tables below show the tariff rates (minimum fees) applicable to each of the fee blocks set out in Part 2 of FEES 4 Annex 1AR.

Part 2(a) shows the tariff rates (minimum fees) payable to the FCA by FCA-*authorised persons* and Part 2(b) shows the tariff rates (minimum fees) payable to the FCA by PRA-*authorised persons*.

...

Part 2(a) tariff rates (minimum fees) payable to the FCA by FCA-*authorised persons*

A.0	(1)	<u>£1,084 unless it is a <i>community finance organisation</i> with a tariff base of:</u>
	(a)	<u>up to and including 3 mortgages and/or <i>home finance transactions</i>, in which case a minimum fee of £166 is payable; or</u>
	(b)	<u>more than 3 but no more than 10 mortgages and/or <i>home finance transactions</i>, in which case a minimum fee of £562 is payable; or</u>
	(c)	<u>more than 10 but no more than 50 mortgages and/or <i>home finance transactions</i>, in which case a minimum fee of £1,042 is payable.</u>
	...	
AP.0	Periodic fees payable under fee blocks A.2, A.7 to A.19 and A. 21 in Part 1 multiplied by rate £0.116 <u>0.118</u>	

After FEES 4 Annex 2AR (FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April 2016 to 31 March 2017) insert the following new Annex. The text is not underlined.

4 Annex Ring-Fencing Implementation Fee

2BR

In the *fee year* starting 1 April 2016 and subsequent *fee years*:

(1)	The <i>FCA</i> will charge a <i>ring-fencing implementation fee</i> to recover the annual cost to the <i>FCA</i> , as determined by the <i>FCA</i> , of implementing <i>ring-fencing</i> .	
(2)	All <i>firms</i> in a <i>ring-fencing fees group</i> are subject to <i>ring-fencing implementation fees</i> . The <i>FCA</i> may require that a single <i>firm</i> in a <i>ring-fencing fees group</i> pay all of the applicable <i>ring-fencing implementation fees</i> .	
(3)	In each <i>fee year</i> the <i>FCA</i> will allocate to each <i>ring-fencing fees group</i> the proportion referred to in (4) of the cost referred to in (1). An amount reflecting this proportion will be the total <i>fee</i> payable by the <i>firms</i> within the <i>ring-fencing fees group</i> .	
(4)	<p>The proportion was determined by the <i>FCA</i> as at 1 March 2016 in accordance with the following formula (all figures are rounded to the nearest whole number):</p> $[(X + Y) \div 2] \%$ <p>where</p> $X = [\text{core deposits (ring-fencing fees group)} \div \text{core deposits (all ring-fencing fees groups)}] \times 100$ <p>and</p> $Y = [\text{assets outside expected RFB subgroup (ring-fencing fees group)} \div \text{assets outside expected RFB subgroups (all ring fencing fees groups)}] \times 100$	
(5)		
	The following are not required to pay the <i>fee</i> set out below if a <i>ring-fencing implementation fee</i> is payable by that <i>person</i> or another <i>firm</i> in the applicant's <i>ring-fencing fees group</i> :	
	Fee payer	Fee
	(a) a <i>firm</i> that applies for a <i>Part 4A permission</i> and/or a <i>variation of a Part 4A permission</i> as a result of <i>ring-fencing</i>	an application fee under <i>FEES</i> 3.2.7R Part 1(1)(a) or (p)
	(b) an <i>issuer</i> that applies for registration of a <i>regulated covered bond</i> as a result of <i>ring-fencing</i>	an application <i>fee</i> under <i>FEES</i> 3.2.7R Part 1(1)(zm)
	(c) an <i>issuer</i> that proposes to make a material change to the contractual terms of a <i>regulated covered bond</i> under <i>RCB</i> 3.5.4D as a result of <i>ring-fencing</i>	an application <i>fee</i> under <i>FEES</i> 3.2.7R Part 1(1)(zn)

Amend the following as shown.

4 Annex 3AR Fees relating to the direct reporting of transactions to the FCA under SUP 17 for the period 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017

This table shows the fees payable by a <i>firm</i> , a third party acting on behalf of a <i>firm</i> , an <i>approved reporting mechanism</i> , an operator of a <i>regulated market</i> or an operator of an <i>MTF</i> that makes <i>transaction reports</i> directly to the <i>FCA</i> under <i>SUP 17</i> (Transaction reporting).	
Fee	Fee amount (£)
Technical support fee	5,000 <u>4,444</u>
Testing environment fee	3,750 <u>3,333</u>
Variable transaction-based fee	6.00 <u>4.56</u> per 100,000 <i>transaction reports</i> or part 100,000 <i>transaction reports</i> processed during the calendar year ending 31 December before the <i>fee year</i> to which the fee relates.

4 Annex 4R Periodic fees in relation to collective investment schemes, AIFs marketed in the UK and small registered UK AIFMs payable for the period 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017

Part 1 – Periodic fees payable

Scheme type	Basic fee (£)	Total funds/ sub-funds aggregate	Fund factor	Fee (£)
ICVC ICVC , AUF <u>AUT</u> , ACS <u>ACS</u> , UK ELTIFS , Section 264 of the <i>Act</i> , <i>schemes</i> other than <i>non-EEA</i> <i>AIFs</i> recognised under section 272 of the <i>Act</i> ;	595 <u>455</u>	1 – 2	1	595 <u>455</u>
		3 – 6	2.5	1,488 <u>1,138</u>
		7 – 15	5	2,975 <u>2,275</u>
		16 – 50	11	6,545 <u>5,005</u>
		>50	22	13,090 <u>10,010</u>

<i>Non-EEA AIFs</i> recognised under section 272 of the <i>Act</i> ,	2,420 <u>1,850</u>	1 – 2	1	2,420 <u>1,850</u>
		3 – 6	2.5	6,050 <u>4,625</u>
		7 – 15	5	12,100 <u>9,250</u>
		16 – 50	11	26,620 <u>20,350</u>
		>50	22	53,240 <u>40,700</u>

...

Part 2 – Periodic fees for *AIFs* marketed in the *UK*, following a notification to the *FCA* under regulation 57, 58 or 59 of the *AIFMD UK regulation*

Kind of notification	Fee per <i>AIF</i> (£)
Notification under regulation 57 of the <i>AIFMD UK regulation</i>	500 <u>380</u>
Notification under regulation 58 of the <i>AIFMD UK regulation</i>	350 <u>265</u>
Notification under regulation 59 of the <i>AIFMD UK regulation</i>	500 <u>380</u>

Part 3 – Periodic fees paid by *small registered UK AIFMs*

The annual fee for <i>small registered UK AIFMs</i> is £750

4 Annex 5R Periodic fees for designated professional bodies payable in relation to the period 1 April 2015 ~~2016~~ to 31 March 2016 ~~2017~~

Table of fees payable by Designated Professional Bodies

Name of Designated Professional Body	Amount payable (£)
The Law Society of England & Wales	75,390 <u>63,140</u>
The Law Society of Scotland	14,400 <u>13,560</u>
The Law Society of Northern Ireland	13,330 <u>12,680</u>
The Institute of Actuaries	10,100 <u>10,090</u>
The Institute of Chartered Accountants in England and Wales	54,910 <u>69,270</u>
The Institute of Chartered Accountants of Scotland	11,250 <u>10,980</u>
The Institute of Chartered Accountants in Ireland	13,200 <u>13,140</u>

The Association of Chartered Certified Accountants	18,710 <u>15,850</u>
The Council for Licensed Conveyancers	11,370 <u>11,170</u>
Royal Institution of Chartered Surveyors	14,360 <u>13,380</u>

...

4 Annex 6R **Periodic fees for recognised investment exchanges, and recognised auction platforms payable in relation to the period 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017**

...

Part 1 – Periodic fees for UK recognised investment exchanges

Name of UK recognised body	Amount payable (£)
ICE Futures Europe	1,300,000 <u>1,279,200</u>
LIFFE Administration and Management	300,000
London Metal Exchange	685,000 <u>674,040</u>
London Stock Exchange plc	950,000 <u>934,800</u>
ICAP Securities & Exchange Limited (RIE)	335,000 <u>329,640</u>
BATS Trading Limited	505,000 <u>496,920</u>
CME Europe Limited	350,000 <u>344,400</u>
Euronext London Limited	320,000 <u>314,880</u>
Any other UK <i>recognised investment exchange</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	£300,000

Part 1A – Periodic fees for recognised auction platforms

Name of recognised auction platform	Amount payable (£)
An <i>RAP</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	54,200 <u>53,333</u>

Part 2 – Periodic fees for overseas recognised investment exchanges (£)

The Chicago Mercantile Exchange (CME) (ROIE)	62,000 <u>61,008</u>
Chicago Board of Trade	62,000 <u>61,008</u>
EUREX (Zurich)	62,000 <u>61,008</u>
National Association of Securities and Deals <u>Dealers</u> Automated Quotations (NASDAQ)	62,000 <u>61,008</u>
New York Mercantile Exchange Inc.	62,000 <u>61,008</u>
The Swiss Stock Exchange	62,000 <u>61,008</u>
Sydney Futures Exchange Limited	62,000 <u>61,008</u>
ICE Futures US Inc.	62,000 <u>61,008</u>
Any other <i>overseas investment exchange</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	62,000 <u>61,008</u>

...

4 Annex 10R **Periodic fees for MTF operators payable in relation to the period 1 April 2015 2016 to 31 March 2016 2017**

General supervisory category of <i>MTF</i> operator (see Note below)	Fee payable (£)	Due date (i) 1 August 2015-2016 ; or; (ii) if later , 30 days from the date of the invoice <u>in the case of a firm which receives permission to be operating a multilateral trading facility or whose permission is extended to include this activity in the course of the relevant financial year.</u>
<u>Category 1</u> <i>MTF</i> operator has a named individual fixed portfolio supervisor	300,000	
<u>Category 2</u> All other <i>MTF</i> operators (i.e. those supervised by a team of flexible portfolio supervisors)	62,000 <u>28,290</u>	
<u>Category 3</u> [deleted]	18,500	

<p>Any other <i>firm</i> whose <i>permission</i> includes <i>operating a multilateral trading facility</i>, including:</p> <p>(a) An <i>EEA firm</i>; or</p> <p>(b) a <i>firm</i> that, during the course of the relevant financial year, receives <i>permission for operating a multilateral trading facility</i> or whose <i>permission</i> is extended to include this activity.</p>	<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 2014; and</p> <p>(b) notifies the <i>FCA</i> of that fact by the end of March 2015; the fee is zero.</p> <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</p> <p>In any other case £18,500</p> <p>0</p>	<p>In the case of a <i>firm</i> that, during the course of the relevant financial year, receives <i>permission for operating a multilateral trading facility</i> or whose <i>permission</i> is extended to include this activity, within 30 days of receiving that <i>permission</i> or extension. In any other case, 1 August 2015</p>
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...

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 and CBTL business carried on by CBTL firms under the MCD Order in relation to the period 1 April 2015 2016 to 31 March 2016 2017

Part 1 – Method for calculating the fee for fee-paying payment service providers	
...	
(3)	For a <i>fee-paying payment service provider</i> which is required to comply with

	<i>FEES</i> 4.4.9D (Information on which fees are calculated) and has not done so for this period:	
(a)	the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10; <u>and</u>	
(b)	an additional administrative fee of £250 is payable; <u>and</u>	
(c)	the minimum total fee (including the administrative fee in (b)) is £683. [deleted]	

Part 1A – Method for calculating the fee for fee-paying electronic money issuers		
...		
(3)	For a <i>fee-paying electronic money issuer</i> which is required to comply with <i>FEES</i> 4.4 (Information on which fees are calculated) and has not done so for this period:	
(a)	the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10; <u>and</u>	
(b)	the additional administrative fee of £250 is payable; <u>and</u>	
(c)	the minimum total fee (including the administrative fee in (b)) is £683. [deleted]	

...

Part 2B – Activity groups relevant to <i>CBTL firms</i>	
This table shows how <i>CBTL business</i> carried on by <i>CBTL firms</i> is linked to activity groups ('fee-blocks'). A <i>CBTL firm</i> can use this table to identify which fee-blocks it falls into based on its registration	
Activity Group	Fee payer falls into this activity group if:
G.20 <i>CBTL Lender</i> <u><i>CBTL lender</i></u>	It is a <i>CBTL Lender</i> <u><i>CBTL lender</i></u> and does not have <i>permission</i> to carry out <u>any regulated activities</u>
G.21 <i>CBTL arranger</i> and <i>CBTL adviser</i> <u><i>CBTL adviser</i></u>	It is a <i>CBTL arranger</i> or a <i>CBTL adviser</i> <u><i>CBTL adviser</i></u> and does not have <i>permission</i> to carry out <u>any regulated activities</u>

...		
Part 5 – Tariff rates		
Activity group	Fee payable in relation to 2015/16 <u>2016/17</u>	
G.2	Minimum fee (£)	433
	£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	>0.1	0.29999 <u>0.2450</u>
G.3	Minimum fee (£)	433
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	0.20170 <u>0.1647</u>
G.4	Flat fee (£)	433
G.5	As in G.3-	
G.10	Minimum fee (£)	1,626
	£million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m, or part £m of AOEM)
	>5.0	180.00 <u>120.00</u>
G.11	Flat fee (£)	1,084
G.15	Minimum fee for the first registered <i>programme</i> (£)	91,531 <u>90,071</u>
	Minimum fee for all subsequent registered <i>programmes</i>	75% of minimum fee for first registered <i>programme</i>
	£million or part £m of <i>regulated covered bonds</i> issued in the 12 months ending on the valuation date.	Fee (£/£m or part £m of <i>regulated covered bonds</i> issued in the 12 months ending on the valuation date)
	>0.00	12.07 <u>10.79</u>
...		

G.20	Flat fee (£)	{TBC} <u>400.00</u>
G.21	Flat fee (£)	{TBC} <u>200.00</u>

...

4 Annex UKLA periodic fees 14R

Part 1 Base fee			
Activity group or invoice code (Note 1)		Description	Base fee payable (£)
E.1	Discontinued		
E.2	Premium listed issuer	<i>A listed issuer of equity shares with a premium listing (see Note 2)</i>	5,150
E.3	Standard listed issuer	<i>A listed issuer of shares and certificates representing certain securities with a standard listing and not with a premium listing (see Note 2)</i>	19,500
E.4	Discontinued		
E.5	Discontinued		
E.6	Non-listed issuer (in DTR)	<i>A non-listed issuer (in DTR)</i>	0
E.7	Primary information provider	<i>A primary information provider</i>	16,260
ES.01	Sponsor	<i>A sponsor (see Note 3)</i>	27,100

...

Part 2 Variable fee additional to base fee			
Activity Group		Market capitalisation as at the last <i>business day</i> of the November prior to the <i>fee-year</i> in which the fee is payable in £million	Fee payable in £per £million or £part million
E.2	Premium	0 – 100	0

listed issuer (as described in Part 1)	>100 – 250	29.230818 <u>28.616971</u>
	>250 – 1,000	11.691551 <u>11.446028</u>
	>1,000 – 5,000	7.196630 <u>7.045501</u>
	>5,000 – 25,000	0.175548 <u>0.171861</u>
	>25,000	0.056715 <u>0.055524</u>

5 Financial Ombudsman Service Funding

...

5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2015/16 2016/17

Introduction: annual budget

1. The *annual budget* for ~~2015/16~~ 2016/17 approved by the FCA is ~~£270.3~~ £265m.
2. The total amount expected to be raised through the *general levy* in ~~2015/16~~ 2016/17 will be ~~£23.3m~~ £24.5m.

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>	...	£0.04425 <u>0.04530</u> per relevant account, subject to a minimum levy of £100
2-Insurers - general (excluding firms in blocks 13 & 15)	...	£0.1330 <u>0.1276</u> per £1,000 of relevant annual gross premium income, subject to a minimum levy of £100

...		
4-Insurers - life (excluding firms in block 15)	...	£0.01830 0.01730 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £130
...		
12 –	N/A for 2015/16 <u>2016/17</u>	
...		
17 - General insurance mediation (excluding firms in blocks 13, 14 & 15)	...	£0.484 0.490 per £1,000 of <i>annual income</i> (as defined in <i>MIPRU 4.3</i>) relating to <i>firm's relevant business</i> subject to a minimum levy of £100
...		
21 – <i>CBTL firms that do not have permission to carry out any regulated activities</i>	Flat fee	[TBC] <u>Levy of £35</u>
...		

...

7 CFEB levies

...

7 Annex 1R CFEB levies for the period from 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017

Part 1

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

Activity Group	<i>CFEB levy payable</i>
----------------	--------------------------

A.1	Column 1 Money advice levy		Column 2 Debt advice levy (Notes 3 – 6)	
	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fixed sum Fee (£/£m or part £m of MELs)	Band width (£ million of unsecured debt)	Fixed sum Fee (£/£m or part £m of unsecured debt)
	>10	2.93 <u>2.59</u>	>0	211.00 <u>176.50</u>
A.2	Column 1 General levy		Column 2 Debt advice levy (Notes 5 – 6)	
	Band Width (no. of mortgages and/or <i>home finance transactions</i>)	Fixed sum Fee (£/ mortgage)	Band width (£million of secured debt)	Fixed sum Fee (£/£m or part £m of secured debt)
	>50	0.72 <u>0.63</u>	>0	18.29 <u>15.87</u>
A.3	Gross premium income (GPI)			
	Band Width (£ million of GPI)		Fixed sum Fee (£/£m or part £m of GPI)	
	>0.5		45.28 <u>34.60</u>	
	PLUS			
	Gross technical liabilities (GTL)			
	Band Width (£ million of GTL)		Fixed sum Fee (£/£m of part £m of GTL)	
>1		2.43 <u>1.87</u>		
A.4	Adjusted annual gross premium income (AGPI)			
	Band Width (£ million of AGPI)		Fixed sum Fee (£/£m or part £m of AGPI)	

	>1	74.05 <u>41.64</u>
	PLUS	
	Mathematical reserves (MR)	
	Band Width (£ million of MR)	Fixed sum <u>Fee</u> (£/£m or part £m of MR)
	>1	1.53 <u>0.89</u>
A.5	Band Width (£ million of Active Capacity (AC))	Fixed sum <u>Fee</u> (£/£m or part £m of AC)
	>50	0.00
A.6	Flat levy	0.00
A.7	For class 1(c), (2), (3) and (4) firms <u>firms</u> :	
	Band Width (£ million of Funds under Management (FuM))	Fixed sum <u>Fee</u> (£/£m of part £m of FuM)
	>10	0.33 <u>0.22</u>
	...	
A.9	Band Width (£ million of Gross Income (GI))	Fixed sum <u>Fee</u> (£/£m of part £m of GI)
	>1	80.31 <u>55.55</u>
A.10	Band Width (no. of traders)	Fixed sum <u>Fee</u> (£/trader)
	>1	207.90 <u>146.00</u>
	...	
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	0.18 <u>0.112</u>
	...	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)

	>100	0.05 <u>0.041</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fixed sum Fee (£/£ thousand or part £ thousand of AI)
	>100	1.14 <u>0.32</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fixed sum Fee (£/£ thousand or part £ thousand of AI)
	>100	0.047 <u>0.038</u>
A.21	Band Width (£ <i>client money</i>) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	3.24 <u>2.61</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	2.43 <u>1.96</u>
	more than £1 billion	1.62 <u>1.31</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i>) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £10 million	0.013 <u>0.010</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	0.010 <u>0.008</u>
more than £100 billion	0.007 <u>0.005</u>	
G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	0.0338 <u>0.03825</u>
G.4	Flat fee (£)	10
G.10	Minimum fee (£)	10

	£ million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	>5.0	10.85 11.60
G.11	Flat fee (£)	10
CC.1	Minimum fee (£)	£10
	Band width (£ thousand of annual income (AI))	Fee (£/£ thousand or part thousand of AI)
	>250	0.37
CC.2	Minimum fee (£)	£10
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI
	>250	0.37
...		

10 Pensions guidance levy

10.1 Application, purpose and background

...

Purpose

- 10.1.2 G This chapter sets out *rules* governing the amounts payable by *firms* to the *FCA* to fund the ~~Treasury's~~ Secretary of State for Work and Pensions' pensions guidance costs and the related *FCA* collection costs.

Background

- 10.1.3 G The ~~Treasury's~~ Secretary of State's pensions guidance costs are defined in subsection 10 of section 333R (Funding of ~~Treasury's~~ the Secretary of State's pensions guidance costs) of the *Act* as the expenses incurred, or expected to be incurred, by the ~~Treasury~~ Secretary of State:

...

- (6) otherwise in connection with the carrying out of ~~its~~ the Secretary of State's functions under section 333B (~~Treasury's~~ the Secretary of State's role in relation to pensions guidance).

- 10.1.4 G (1) Section 333R(1) of the *Act* requires the ~~Treasury~~ Secretary of State to notify the *FCA* of the amount of the ~~Treasury's~~ Secretary of State's pensions guidance costs.
- (2) Section 333R(2) requires the *FCA* to make *rules* requiring *authorised persons* to pay amounts, or amounts calculated in a specified way, to the *FCA* with a view to recovering the amounts notified by the ~~Treasury~~ Secretary of State.
- ...
- ...
- 10.1.6 G Under section 333R(8) of the *Act*, the *FCA* must pay to the ~~Treasury~~ Secretary of State the amounts that it receives under these *rules*, apart from amounts covering its collection of costs (which it may keep).
- 10.1.7 G The total amount raised by the *pensions guidance levy* may vary from year to year depending on the amount notified to the *FCA* by the ~~Treasury~~ Secretary of State.
- 10.1.8 G These *rules* were made with the consent of the ~~Treasury~~ Secretary of State pursuant to section 333R(5) of the *Act*.
- ...

10 Annex 1R Pension guidance levy for the period 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017

Activity Group	Pensions guidance levy payable	
A.1	Band width (£ million of modified eligible liabilities (MELs)) >10	Fixed sum Fee (£/£m or part £m of MELS) 3.35 <u>1.91</u>
A.4	Band width (£ million of adjusted annual gross premium income (AGPI)) >1	Fixed sum Fee (£/£m or part £m of AGPI) 160.80 <u>89.96</u>
A.7	For class 1(B), 1 (C), (2) and (3) firms: Band width (£ million of funds under management (FuM)) >10	Fixed sum Fee (£/£m or part £m of FuM) 1.57 <u>0.88</u>
A.9	Band width (£ million of gross income (GI))	Fixed sum Fee (£/£m or part £m of GI)

	>1	551.95 <u>299.15</u>
A.13	Band Width <u>width</u> (£ thousands of annual income (AI)) >100	Fixed sum Fee (£/£ thousand or part of £ thousand of AI) 0.20 <u>0.105</u>

11 Pensions guidance providers' levy

...

11.2 Pensions guidance providers' levy

...

Revocation of designation as pensions' guidance provider

- 11.2.9 G The *FCA* will not relieve or refund the *pensions guidance providers' levy* paid by a *designated guidance provider* if the ~~Treasury~~ Secretary of State revokes that provider's designation under section 333E(3) of the *Act* after the start of that *fee year*.

Becoming a designated guidance provider

- 11.2.10 R If the ~~Treasury~~ Secretary of State designates a *person* as a *designated guidance provider* under section 333E(1)(e) of the *Act* in the course of the *fee year*, the following formula must be used to calculate the *pensions guidance providers' levy* to be paid by that provider for that *fee year*:

...

- (2) divide the number of *months* calculated in (1) by 12; and

...

...

11 Annex 1R Pensions Guidance providers' levy for the period 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017

The table below shows the *pensions guidance providers' levy* applicable to the *designated guidance providers* for the *fee year* 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017.

(A) Row	(B) Name of designated guidance provider	(C) Pensions guidance providers' levy payable (£)
1	The Pensions Advisory Service Limited	£150,000 <u>77,500</u>

2	The National Association of Citizens Advice Bureaux	£150,000 <u>77,500</u>
3	The Scottish Association of Citizens Advice Bureaux	£150,000 <u>77,500</u>
4	The Northern Ireland Association of Citizens Advice Bureaux	£150,000 <u>77,500</u>
5	Any other person designated as a <i>designated guidance provider</i> between 1 April 2015 <u>2016</u> and 31 March 2016 <u>2017</u>	£150,000 <u>77,500</u> adjusted in accordance with the formula at <i>FEES</i> 11.2.10R

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Appendix 1 Unauthorised Mutuals Registration Fees Rules

1

App 1 Annex 1R Periodic fees payable for the period 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017

Part 1 Periodic fee payable by Registered Societies (on 30 June ~~2015~~ 2016)

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

Transaction	Total assets (£'000s)	Amount payable (£)
Periodic fee	0 to 50	60
	>50 to 100	120
	>100 to 250	195
	>250 to 1,000	255
	>1,000	460

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Financial Conduct Authority



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