

FCA Regulated fees and levies

Rates proposals 2017/18

Consultation Paper

CP17/12**

April 2017

How to respond

We are asking for comments on this Consultation Paper (CP) by 9 June 2017.

You can send them to us using the form on our website at: www.fca.org.uk/cp17-12-response-form.

Or in writing to:
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1 Summary

Introduction

1.1 This Consultation Paper (CP) covers the proposed 2017/18 regulatory fees and levies for the:

- Financial Conduct Authority (FCA)
- Financial Ombudsman Service
- Money Advice Service¹
- Pension Wise service, and
- Illegal Money Lending expenses of HM Treasury

Who does this consultation affect?

1.2 All fee payers will be affected by this CP. We have provided two tables at the end of this chapter to help fee payers identify the chapters that are relevant to them:

- Table 1.1: Fee payers affected by the 2017/18 fees and rates proposals in this CP
- Table 1.2: Fee payers affected by our response to the feedback we received on our fees policy proposals in CP16/33²

Is this of interest to consumers?

1.3 This CP contains no material directly relevant to retail financial services consumers or consumer groups, although fees are indirectly met by financial services consumers.

¹ The Money Advice Service is referred in the legislation and our FEES manual rules as the Consumer Financial Education Body (CFEB)
² www.fca.org.u/publication/consultation/cp16-33.pdf



Context

- 1.4** Generally, our annual fees consultation follows this cycle:
- **October/November** – We consult on any changes to the policy in relation to 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 2016, we published CP16/33 Regulatory fees and levies: policy proposals for 2017/18 and provided feedback on some of the responses received (see Table 1.2 at the end of this chapter) and final rules in the February 2017 Handbook Notice. We provide feedback on the remaining responses received in Chapter 9 and 10 of this CP and the final rules in Appendix 3.
 - **January** – We consult on the Financial Services Compensation Scheme (FSCS) management expenses levy limit. 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), any proposed changes to application fees or other fees. We also consult on the Financial Ombudsman Service general levy, the Money Advice Service levies, the pensions guidance levies and the Illegal Money Lending levies for the next financial year. This CP forms the March/April part of the annual fees consultation.
 - **June/July** – We expect to publish feedback on the responses received to the March/April CP, together with final FCA, Financial Ombudsman Service, Money Advice Service and Illegal Money Lending fees and levies rates, in a Policy Statement (PS) at the end of June or early July.
- 1.5** 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, FSCS, the Financial Ombudsman Service and Money Advice Service fees and levies.

Summary of our proposals

FCA 2017/18 fees

- 1.6** We published our 2017/18 Business Plan on 18 April 2017, setting out how we plan to promote our vision and achieve our objectives during 2017/18.
- 1.7** Our annual funding requirement (AFR) for 2017/18 is £526.9m. This is an increase of £7.6m (1.5%) over the AFR for 2016/17 and is driven by an inflation aligned £5.1m (1.0%) increase in our ongoing regulatory activities (ORA) budget and £2.5m for EU withdrawal costs.
- 1.8** Over the past three years our approach to allocation has been to maintain an even distribution of AFR increases, unless there have been material and explainable exceptions not to do so for individual fee-blocks (an allocation by exception approach). We are proposing to continue to follow the allocations by exception approach for

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

2017/18. The exceptions we are proposing to an even distribution of the 1.5% increase in our 2017/18 AFR cover:

- changes to our regulatory scope (scope change)
- EU withdrawal costs
- Payment Services Directive (PSD) 2 implementation costs, and
- an adjustment relating to the annual contribution to reducing the FCA pension deficit

We provide details of these exceptions in Chapter 2 and set out the impact on allocations across fee-blocks in Table 2.3.

- 1.9** Chapter 3 covers the proposed fee rates for authorised firms in the A fee-blocks and CC1 and CC2 Consumer Credit fee-blocks, which account for 92% of our AFR. We are proposing to increase 2017/18 minimum and flat fees by 1% to reflect the inflation increase in our ORA. We are also proposing to link minimum fees and flat fees to future movements in our ORA. Such a link will mean that the level of minimum fees and flat fees will reflect increases in our costs over time rather than only variable fee-payers picking up these increased costs (or any decreases in our costs as applicable). Tables 3.1 and 3.2 set out the proposed changes in minimum and flat fees for authorised firms.
- 1.10** For firms of a size that triggers variable fees in the A fee-blocks, Table 3.3 in Chapter 3 sets out the year-on-year movements in the draft 2017/18 fee rates for each fee-block. The draft fee rates take into account movements in the number of fee-payers and tariff data from 2016/17, which can have a significant effect on the movements in the fee rates that firms will pay when compared to the movements in the AFR allocated to particular fee-blocks set out in Table 2.2 in Chapter 2. Table 3.4 in Chapter 3 sets out the changes in variable fee rates for consumer credit firms that pay fees above their minimum fees.
- 1.11** Chapter 4 covers proposed periodic fees for other bodies (B to G fee-blocks) and shows where fee rates differ from the movement in the AFR allocations.
- 1.12** After taking into account rebates resulting from retained financial penalties, total fees collected from fee-payers in 2017/18 will reduce by £51.6m. How we apply the financial penalty rebate is set out in Chapter 5.
- 1.13** All proposed fee rates are included in the draft instrument in Appendix 1.
- FCA fee-block allocation policy**
- 1.14** In Chapter 6 we consult on adopting the allocations by exceptions approach as our allocation policy for the foreseeable future from 2018/19.
- Ring-fencing implementation fee**
- 1.15** In Chapter 7 we consult on the 2017/18 ring-fencing implementation fee (RFIF). 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 ahead of the Government's 1 January 2019 deadline.



- 1.16** Our budgeted costs associated with this work in 2017/18 are £5.8m. In 2016/17 we raised £6.4m and we estimate there will be an underspend of £1.4m which we will return to firms in proportion to the RFIF they paid for that year.

Payment Services Directive 2 – application fees

- 1.17** In Chapter 8 we set out our proposals for the revised application, reauthorisation, re-registration and exemption fees to accommodate changes from PSD 2.

Financial Ombudsman Service general levy

- 1.18** In Chapter 11, we consult on allocating the Financial Ombudsman Service general levy between industry blocks. The Financial Ombudsman Service has asked us to recover £24.5m. Following the transition of consumer credit regulation from the Office of Fair Trading (OFT) to the FCA, this figure includes consumer credit firms. The proportions are similar to previous years, and this reflects the Financial Ombudsman Service's forecast that complaint volumes (excluding payment protection insurance (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.

Money Advice Service levies

- 1.19** In Chapter 12, we consult on the levies proposed for the Money Advice Service. The total budget for the Money Advice Service is £75m, which is the same as last year. However, as a result of consumer credit contributions collected from last year, as well as the anticipated consumer credit contributions for 2017/18, £64.1m will be levied as opposed to £75m. Two separate levies are being proposed to raise £23.1m for delivering money advice, and £41.0m for coordinating and providing debt advice.

Pensions guidance levies

- 1.20** The Department for Work and Pensions have notified us that the 2017/18 funding requirement for providing Pension Wise will be £16.2m. This is an estimate and may be revised when the pensions guidance levy (PGL) rates are finalised in June. This represents a 28% decrease from the £22.5m raised in 2016/17. We are proposing the same allocation of this funding requirement across the five PGL fee-blocks as in 2016/17 – as set out in Table 13.2 in Chapter 13.

Illegal Money Lending levies

- 1.21** We consulted on the proposed structure for recovering HM Treasury's illegal money lending expenses from consumer credit firms in Chapter 2 of CP16/33 (November 2016). We responded to the feedback we received in our Handbook Notice 41 and published final rules in February 2017. This confirmed the 2017/18 CC1 flat levy of £5 and the CC2 minimum levy of £10.

- 1.22** In Chapter 14 we are therefore only consulting on the 2017/18 CC2 variable levy rate of £0.192 per £1,000 of income for firms with over £250,000 of income from consumer credit activities.

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2017/18 – which will be made by our Board in June 2017 – could vary from those in this CP.

Our response to feedback received to CP16/33

- 1.23** We published CP16/33⁴ in November 2016 and provided our response to feedback we received on most of the policy proposals in our Handbook Notice 41⁵ published February 2017 (see Table 1.2 at the end of this chapter). The final rules were made in legal instrument FCA 2017/6 Fees (Miscellaneous Amendments) (No 9) Instrument 2017⁶, which was also published in February 2017.
- 1.24** In this CP we respond to the remainder of the feedback we received to the fees policy proposals in CP16/33.
- 1.25** In Chapter 9 we summarise the feedback that we received on our proposals for which fee-blocks should be allocated the recovery of our costs of implementing the Markets in Financial Services (MiFID) II and the provisional basis for distribution across those fee-blocks. In Chapter 2 we set out the proposed allocation of the £9.2m we are recovering in 2017/18.
- 1.26** In Chapter 10 of this CP, we summarise the feedback that we received on our proposals to use income as a measure for calculating fees to recover our AFR allocated to the B fee-block (market infrastructure providers). We also explain how we have taken this feedback into account in the final rules in Appendix 3.
- 1.27** The non-confidential respondents to the CP16/33 proposals covered by Chapters 9 and 10 are listed in Annex 4.

Next steps

What do you need to do next?

- 1.28** We want to know what you think of our proposed 2017/18 rates for the FCA periodic fees and ring-fencing implementation fee; the Financial Ombudsman Service, Money Advice Service, pensions guidance and Illegal Money Lending levies; and the FCA application fees relating to PSD 2.
- 1.29** Please let us have your comments by **9 June 2017**.

How?

- 1.30** Use the online response form on our website or write to us at the address on page 2.

What will we do?

- 1.31** We provide a facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA periodic fees and the Financial Ombudsman Service, Money Advice Service, pensions guidance and Illegal Money Lending levy consultative rates in Appendix 1 of this CP. The fees calculator will also cover Prudential Regulation Authority (PRA) - where applicable and FSCS levies. The fees calculator for 2017/18 fees and levies will be available for firms to use from 19 April 2017.

4 www.fca.org.uk/publication/consultation/cp16-33.pdf

5 www.fca.org.uk/publication/handbook/handbook-notice-41.pdf

6 www.handbook.fca.org.uk/instrument/2017/FCA_2017_6.pdf



- 1.32** We will consider your comments and, subject to FCA Board approval in June, we plan to publish a PS at the end of June/early July 2017, which will include our feedback on your comments and the final rules.
- 1.33** Certain fee payers have been invoiced from February 2017 for 'on-account' payments, and other firms will be invoiced from July 2017, on the basis of the new fees and levies.

Table 1.1: Fee payers affected by the 2017/18 fees and levies rates proposals in this CP

| Issue | Fee payers affected | Chapter |
|--|--|---------|
| FCA | | |
| Periodic fee rates | Authorised firms – the 'A' and 'CC' (consumer credit) fee blocks | 2 and 3 |
| | All fee payers except authorised firms – fee blocks B to G | 2 and 4 |
| Applying financial penalties | Fee payers listed in Table 5.1 in Chapter 5 | 5 |
| FCA fee-block allocation policy from 2018/19 | All fee-payers | 6 |
| 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 | 7 |
| Payment Services Directive 2 – application fees | | |
| Revised application, reauthorisation, re-registration and exemption fees resulting from the PSD) 2 | Payment services firms and electronic money firms as well entities considering applying for authorisation or considering registration for these activities | 8 |
| Financial Ombudsman Service | | |
| General levy rates | Firms subject to Financial Ombudsman Service general levy | 11 |
| Money Advice Service | | |
| 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) Consumer credit firms | 12 |
| Pensions guidance levies | | |
| Pensions guidance levy (PGL) rates | 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 | 13 |
| Pensions guidance providers' levy rates | Designated guidance providers | |
| Illegal money lending levy | | |
| Recovering HM Treasury's expenses for tackling illegal money lending | All firms with credit related permissions | 14 |



Table 1.2: Fee payers affected by our response to feedback to CP16/33

| Issue consulted on | Fee payers affected | Chapter |
|--|--|---------|
| Fee-blocks affected by allocation of MiFID II implementation costs | All firms that might be affected by MiFID II/MiFIR | 9 |
| B fee-block proposals for using income to calculate fees | RIEs, BAs and SCs. In the future operators of multilateral trading facilities and organised trading facilities | 10 |

Our response to feedback included in Handbook Notice 41 (published February 2017⁷) related to:

- Introduction of a levy to recover HM Treasury's costs of tackling illegal money lending
- Community finance organisations applying for limited consumer credit permission
- Use of Bank of England base rate in calculating proxy consumer credit income
- Valuation date for fee-block A.9
- Firms registered under the Money Laundering Regulations
- UK Listing Authority transaction fees
- Firms authorised part-way through a fee year and transfer of business between new Firms

⁷ www.fca.org.uk/publication/handbook/handbook-notice-41.pdf

2 FCA annual funding requirement and allocation to fee-blocks

2.1 In this chapter we set out our annual funding requirement (AFR) for 2017/18 and the allocations to fee blocks.

AFR

2.2 We published our 2017/18 Business Plan on 18 April 2017, setting out how we plan to promote our vision and achieve our objectives during the next financial year.

2.3 Our AFR for 2017/18 is £526.9m. This is an increase of £7.6m (1.5%) which is driven by an inflation aligned £5.1m (1.0%) increase in our ongoing regulatory activities (ORA) budget and an additional £2.5m for EU withdrawal. Our EU withdrawal costs are to cover additional resource to support our EU planning and general counsel activity. As we gain more certainty over the process we will review the need to recover these costs in future years. Table 2.1 shows the breakdown of our 2017/18 AFR as compared with that for 2016/17 and the impact of estimated financial penalty rebates.

Table 2.1: 2017/18 AFR breakdown

| | 2017/18 | 2016/17 | Movement | |
|-------------------------------------|---------------|---------------|--------------|------------|
| | £m | £m | £m | % |
| ORA | 508.0 | 502.9 | 5.1 | 1.0 |
| Recovery of scope change activities | 16.4 | 16.4 | 0.0 | 0.0 |
| EU Withdrawal costs | 2.5 | 0.0 | 2.5 | n/a |
| AFR | 526.9 | 519.3 | 7.6 | 1.5 |
| <i>Financial penalty rebate (i)</i> | <i>(51.6)</i> | <i>(48.7)</i> | <i>(2.9)</i> | <i>6.0</i> |
| <i>Fees payable</i> | 475.3 | 470.6 | 4.7 | 1.0 |

Notes:

(i) The £51.6m rebate in 2017/18 represents an estimate of the 2016/17 financial penalties we can retain to cover 2016/17 enforcement costs.

2.4 We are currently forecasting to end 2016/17 with an approximate £10m (2% of the AFR) underspend in our ORA budget, having made an additional contribution of £10m in support of our ongoing annual contribution to reducing the pension deficit. The pension deficit relates to the final salary section of the FCA Pension Plan inherited from the Financial Services Authority (FSA). We are proposing that the £10m underspend will be retained as reserves to help us mitigate costs in the future, for example, costs related to the move to our new offices at The International Quarter (Stratford) in 2018 and further EU withdrawal costs.



- 2.5** We must pay all financial penalties we receive to the Exchequer (net of certain enforcement costs incurred in generating these penalties) in the same year. Any retained penalties are used to reduce our fees in the following year, other than for the fees levied on the penalty payers themselves. We currently estimate the financial penalty rebate to be £51.6m in 2017/18 (£48.7m in 2016/17). Taking into account this rebate, the overall total fees collected from fee payers in 2017/18 will be reduced by £51.6m to £475.3m.
- 2.6** The application across fee payers of the financial penalty rebate is set out in Chapter 5.

AFR allocation across fee-blocks

- 2.7** The allocation of the £526.9m AFR is set out in Table 2.3 at the end of this chapter.
- 2.8** Over the past three years our approach to allocation has been to maintain an even distribution of AFR increases, unless there have been material and explainable exceptions not to do so for individual fee-blocks (allocation by exception approach). We are proposing to continue to follow the same allocation by exception approach for 2017/18. The exceptions to an even distribution of the 1.5% increase in our 2017/18 AFR cover:
- changes to our regulatory scope (scope change)
 - EU withdrawal costs
 - Payments Services Directive (PSD) 2 implementation costs, and
 - an adjustment relating to the annual contribution to reducing the FCA pension deficit

Scope change costs

- 2.9** The breakdown of the 2017/18 £16.4m scope change costs is set out in Table 2.2.

Table 2.2: Breakdown of 2017/18 £16.4m scope change costs

| Scope change | £m |
|--|-------------|
| Senior Managers and Certification Regime | 1.7 |
| Mortgage Credit Directive | (0.7) |
| Markets in Financial Services Directive (MiFID) II | 9.2 |
| Consumer Credit | 6.2 |
| Total | 16.4 |

Senior Managers and Certification Regime

2.10 The Senior Managers and Certification Regime (SM&CR) implemented the recommendations of the Parliamentary Commission on Banking Standards. The £1.7m in Table 2.2 reflects the recovery of the final amount of these scope change costs in 2017/18. The allocation of our 2017/18 AFR to the A.1 Deposit acceptors fee-block reflects this plus an adjustment to take account of the costs recovered in 2016/17. Overall, this has the impact of reducing the 2017/18 allocation to the A.1 fee-block.

Mortgage Credit Directive

2.11 In 2016/17 we over-estimated by £0.7m the scope change costs for implementing the Mortgage Credit Directive (MCD). The allocation of our 2017/18 AFR to the A.2 (Home finance providers and administrators) and A.18 (Home finance providers, advisers and arrangers) fee-blocks reflects this over recovery. It also reflects an adjustment to take account of the actual MCD scope change costs that were recovered in 2016/17. Overall, both these factors have the impact of reducing the 2017/18 allocation to the A.2 and A.18 fee-blocks.

MiFID II

2.12 We have allocated the £9.2m interim recovery of scope change costs for implementing MiFID II to the fee-blocks most directly impacted by the MiFID II regulatory regime and market data reporting.

2.13 Within the A fee-block these are:

- 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 Advisors, arrangers, dealers or brokers
- A.14 Corporate finance advisers

2.14 Within the B fee-block these are operators of Multilateral Trading Facilities (MTFs) and Recognised Investment Exchanges (RIEs).

2.15 We have provisionally distributed the cost across the five A fee-blocks and MTFs and RIEs in proportion to their overall share of the AFR.

2.16 In Chapter 3 of CP16/33⁸ (November 2016) we consulted on which fee-blocks should be allocated the MiFID II implementation costs and this provisional basis of distribution. In Chapter 9 of this CP we summarise the feedback that we received on these proposals and our response to that feedback explaining why we have decided to proceed with the proposals.



Consumer Credit

2.17 The £6.2m set against Consumer Credit in Table 2.2 is the 2017/18 contribution to recovering the scope change deficit for bringing consumer credit firms within our regulatory regime. These scope change costs are being recovered over 10 years from 2016/17. The 2017/18 £6.2m recovery is included in the AFR allocation to the CC1 and CC2 consumer credit fee-blocks. This is on the same basis as last year.

EU withdrawal costs

2.18 We propose allocating the cost of £2.5m to fund our work relating to EU withdrawal across the fee-blocks that include banks (A.1 fee-block), insurers (A.3, A.4, A.5 and A.6 fee-blocks), fund managers (A.7 fee-block) and proprietary traders (fee-block A.10). We believe that the types of firms in these fee-blocks are most likely to be affected by EU withdrawal.

PSD 2 implementation costs

2.19 PSD 2 will impact on the existing around 1,400 payment services firms who pay fees in the G fee-block and which include banks and credit card issuers. We estimate that there will also be around 120 new firms. We are not treating PSD 2 as a scope change because the estimated 120 new firms are not expected to come within our scope of regulation until between 2018 and 2020. This would not have a material impact on the fees paid by the 1,400 existing fee-payers therefore we are not deferring commencing the recovery of these costs. For 2017/18 we are allocating £3m interim PSD 2 implementation costs to the G fee-block which has the impact of increasing the allocation of our AFR by 79.4% compared to 2016/17. However, these costs will only be recovered from payment services firms within the G fee-block as set out in Chapter 4.

Annual contribution to reducing the pension deficit

2.20 During 2016/17 the triennial valuation of the final salary section of the FCA Pension Plan (inherited from the FSA in 2013/14) was completed. This showed that the Plan's deficit has increased from £224.3m in March 2013 to around £300m by 30 June 2016. As a result we are increasing our annual contribution to reducing the pension deficit from £19.5m to circa £29m from 1 April 2018 until 31 March 2027. In addition, we have made an additional contribution of £10m in 2016/17.

2.21 Following consultation ahead of 2013/14 (the first year the FCA operated)⁹, we allocated the current £19.5m annual contribution across fee-blocks on an historic basis so that FCA/PRA dual-regulated firms and FCA solo-regulated firms all make the same contribution as they would have done under the FSA.

2.22 The proportion of the 2016/17 ORA budget that makes up the £10m additional contribution was not allocated on the historic basis as, at the time, only £19.5m of the 2016/17 ORA budget had been earmarked for the annual contribution. We have therefore reallocated the 2016/17 £10m additional contribution on the historic basis and adjusted the 2017/18 allocations to reflect the differences. Those differences also include adjustments to reflect that since 2013/14 a small element of our ORA budget in addition to the £19.5m annual contribution has been allocated on the historic basis.

⁹ This consultation was undertaken by the FSA and was included in Chapter 2 of CP12/28 published October 2012 and feedback provided in FCA CP13/1 published April 2013:

- www.fsa.gov.uk/static/pubs/cp/cp12-28.pdf
- www.fca.org.uk/publication/consultation/cp13-01.pdf

- 2.23** The impact of this adjustment is generally an increase in the allocation to dual-regulated fee-blocks and a decrease in the allocations to solo-regulated fee-blocks. We have not made any adjustments to the Consumer Credit fee-blocks CC1 and CC2 as they were not included in the allocation of the £19.5m 2016/17 annual contribution.

Fee-block A.0 FCA minimum fee

- 2.24** Minimum fees are fixed amounts that each firm pays. The amount of AFR we recover from the 'A.0 FCA minimum fee' fee-block depends on the number of existing firms that remain authorised at the beginning of the fee year (1 April) and the number of new firms that become authorised during the forthcoming year. We anticipate that the number of firms that will pay these minimum fees in 2017/18 will result in an AFR recovery of £19.7m. As we state in Chapter 3 (which covers proposed periodic fees for authorised firms), we propose increasing the minimum fees and flat fees for 2017/18 by 1% to reflect the increase in our ORA. We also propose the same 1% increase for minimum and flat fees in Chapter 4 (which covers proposed periodic fees for other bodies).

Fee rates

- 2.25** In Chapter 3 we consult on the 2017/18 periodic fees for authorised firms to recover the AFR allocated to the A fee-blocks and the CC1 and CC2 Consumer Credit fee-blocks.
- 2.26** In Chapter 4 we consult on the 2017/18 periodic fees for other bodies to recover the AFR allocated to the B to G fee-blocks.
- 2.27** In Chapter 13 we consult on the 2017/18 levy for pensions guidance providers to recover the AFR allocated to the H fee-block.

FCA fee-block allocation policy

- 2.28** In Chapter 6 we consult on adopting the allocations by exceptions approach as our allocation policy from 2018/19 and for the foreseeable future.



Table 2.3: 2017/18 AFR allocation across fee-blocks

| | (i) | Proposed 2017/18 £m | Actual 2016/17 £m | Movement over 2016/17 |
|---|-----------|---------------------------|-------------------------|-----------------------------|
| A.0 FCA minimum fee | Solo | 19.7 | 19.2 | 2.5% |
| AP.0 FCA prudential fee (ii) | Solo | 16.3 | 16.7 | -2.1% |
| A.1 Deposit acceptors | DR | 71.5 | 73.6 | -2.8% |
| A.2 Home finance providers and administrators | Solo | 16.6 | 18.6 | -10.7% |
| A.3 Insurers – general | DR | 24.9 | 24.3 | 2.5% |
| A.4 Insurers – life | DR | 41.8 | 40.9 | 2.2% |
| A.5 Managing agents at Lloyd's | DR | 0.2 | 0.2 | 2.5% |
| A.6 The Society of Lloyd's | DR | 0.3 | 0.3 | 2.5% |
| A.7 Portfolio managers | Solo | 44.9 | 42.6 | 5.3% |
| A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes | Solo | 12.3 | 11.8 | 4.3% |
| A.10 Firms dealing as principal (iii) | Solo & DR | 52.1 | 49.3 | 5.6% |
| A.13 Advisory arrangers, dealers or brokers | Solo | 77.1 | 73.7 | 4.7% |
| A.14 Corporate finance advisors | Solo | 14.0 | 13.5 | 4.1% |
| A.18 Home finance providers, advisers and arrangers | Solo | 16.3 | 18.2 | -10.6% |
| A.19 General insurance mediation | Solo | 27.5 | 27.6 | -0.6% |
| A.21 Firms holding client money or assets or both | Solo | 13.9 | 14.3 | -3.3% |
| CC1. Consumer credit – limited permission | Solo | 37.8 | 37.7 | 0.3% |
| CC2. Consumer credit – full permission | | | | |
| B. Recognised investment exchanges, operators of multilateral trading facilities, recognised auction platforms, service companies, and benchmark administrators | Solo | 7.7 | 7.3 | 4.6% |
| C. Collective investment schemes | Solo | 2.4 | 2.4 | -0.6% |

| | (i) | Proposed 2017/18 £m | Actual 2016/17 £m | Movement over 2016/17 |
|---|------|---------------------------|-------------------------|-----------------------------|
| D. Designated professional bodies | Solo | 0.2 | 0.2 | -0.7% |
| E. Issuers and sponsors of securities | Solo | 20.9 | 21.0 | -0.7% |
| F. Unauthorised mutuals | Solo | 1.7 | 1.7 | -0.4% |
| 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 | 6.8 | 3.8 | 79.4% |
| H. FCA pensions guidance costs | n/a | 0.1 | 0.3 | -83.4% |
| Total AFR | | 526.9 | 519.3 | 1.5% |

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.



3 FCA periodic fees for authorised firms

(FEES 4 Annex 2AR draft rules in Appendix 1)

- 3.1** This chapter sets out our 2017/18 periodic fees proposals for authorised firms in the A fee-blocks and the CC1 and CC2 Consumer Credit fee-blocks. These fee-blocks account for 92% of our 2017/18 annual funding requirement (AFR).
- 3.2** Proposals for periodic fees payable by other bodies are discussed in Chapter 4 of this paper.

Proposed minimum periodic fees

- 3.3** Any firm that is authorised to carry out any of the regulated activities covered by the 'A' fee-block is subject to the A.0 minimum fee. The CC1 and CC2 Consumer Credit fee-blocks have a separate structure of minimum fees.¹⁰ Some firms that pay minimum fees in the CC1 and CC2 fee-blocks also pay the minimum fee under the A.0 fee-block.
- 3.4** The aim of minimum fees is to ensure that all authorised firms (including small firms) contribute to the cost of regulation. It also aims to ensure that the minimum fee level is not too high (which would unnecessarily impede competition) and not too low (which would prejudice existing fee payers).
- 3.5** Minimum fees are fixed amounts that each firm pays. They are subject to a size threshold below which only the minimum fee is payable. Above the threshold variable fees are also payable based on the measure of business that is applicable to a particular fee-block – the larger the fee-payer the more it contributes to the recovery of the AFR allocated to the fee-block.
- 3.6** We are proposing to increase the 2017/18 minimum and flat fees by 1% to reflect the inflation increase in our ongoing regulatory activities (ORA). We are also proposing to link minimum fees and flat fees to future movements in our ORA. Such a link will mean that the level of minimum fees and flat fees will reflect increases in our costs over time rather than only variable fee-payers picking up these increased costs (or any decreases in our costs, if applicable).
- 3.7** This does not prevent us from consulting in the future on not doing so in a particular year if the increases in our ORA are exceptional and to pass on such increases would mean that minimum fees would become too high and therefore impede competition. This situation occurred following the banking crisis when we effectively froze minimum fees for four years to shelter firms who only pay minimum fees from the exceptional increases in our ORA during that time. Such a link also ensures that flat fees are aligned to movements in our costs (excluding costs arising from scope change). Tables 3.1 and 3.2 sets out the proposed changes in minimum and flat fees.

¹⁰ With the exception of A.6, which has one fee payer (the Society of Lloyd's) who is invoiced on an individual basis.

Table 3.1 – Proposed 2017/18 A fee-block minimum fees

| | Current fee | Increase | Proposed new fee |
|---|-------------|----------|------------------|
| FCA solo-regulated firms | £1,084 | £11 | £1,095 |
| Dual-regulated with the PRA firms | £542 | £5 | £547 |
| Dual-regulated concessionary firms: | | | |
| • smaller credit unions (depending on size) | £86 | £1 | £87 |
| | £292 | £3 | £295 |
| • smaller friendly societies | £233 | £2 | £235 |
| Community finance organisations concessionary firms (depending on size) | £166 | £2 | £168 |
| | £562 | £2 | £568 |
| | £1,042 | £10 | £1,052 |
| UK insurance special purpose vehicle (flat fee) | £466 | £5 | £471 |

Notes:

- Firms in the 'A' fee-blocks include banks, building societies, credit unions, insurers, fund managers, and retail investment, mortgage and general insurance intermediaries. In total we recover around 85% of our AFR from firms in the 'A' fee-block. Around 36% of 'A' fee-block firms are small enough to only pay the minimum fee.
- 1% increase has been rounded to the nearest £.

Table 3.2 – Proposed 2017/18 Consumer Credit fee-blocks minimum fees

| Type of firm | Income band | Current fee | Increase | Proposed new fee |
|-------------------------|---------------------------|-------------|----------|------------------|
| CC1: Limited permission | Up to £10,000 | £100 | £1 | £101 |
| | Over £10,000 to £50,000 | £250 | £3 | £253 |
| | Over £50,000 to £100,000 | £400 | £4 | £404 |
| | Over 100,000 to £250,000 | £500 | £5 | £505 |
| CC2: Full permission | Up to £50,000 | £300 | £3 | £303 |
| | Over £50,000 to £100,000 | £500 | £5 | £505 |
| | Over £100,000 to £250,000 | £1,000 | £10 | £1,010 |

Notes:

- The Consumer Credit fee-blocks also include firms that pay the 'A' fee-block minimum fees.
- 1% increase has been rounded to the nearest £.

Proposed variable periodic fees

A fee-blocks

3.8 The AFR allocated to the 'A' fee-blocks is recovered on a 'straight line' basis, i.e. in direct proportion to the size of permitted business that firms undertake in these fee blocks. Firms should therefore pay fees that change in line with the year-on-year allocations of our AFR, as set out in Table 2.2 in Chapter 2. However, in some cases the movements in the allocations of our AFR stated in this table at a fee-block level will differ from the movements in the draft fee rates detailed in Appendix 1. This is due to annual changes in the number of fee payers and the level of tariff data in each fee block.

3.9 Table 3.3 sets out the number of fee payers and the total tariff data we have used to calculate the draft 2017/18 fee rates in Appendix 1. It then compares them to the data used to calculate 2016/17 fee rates, showing the level of year-on-year movements. To show the effect of these movements on the fees that firms will pay, compared to the movements in the allocations of our AFR, we also include the year-on-year movements in fee rates.

Table 3.3: Data used to estimate 2017/18 periodic fee rates for consultation

| Fee block | Tariff base | Number of firms in fee blocks | | | Tariff data | | | Change in rates |
|-----------|--|-------------------------------|--------------------|--------|-------------------|----------------|--------|-----------------|
| | | 2017/18 Estimated | 2016/17 Actual (i) | Change | 2017/18 Estimated | 2016/17 Actual | Change | |
| A.1 | Modified eligible liabilities | 842 | 855 | -1.5% | £2,830.4bn | £2,831.3bn | 0.0% | -2.9% |
| A.2 | Number of mortgages or other home finance transactions | 428 | 356 | 20.2% | 7.4m | 7.3m | 1.1% | -12.2% |
| A.3 | Gross premium income | 336 | 343 | -2.0% | £66.2bn | £68.1bn | -2.9% | 5.2% |
| | Gross technical liabilities | | | | £137.0bn | £140.4bn | -2.4% | 4.9% |
| A.4 | Adjusted gross premium income | 172 | 177 | -2.8% | £59.7bn | £60.2bn | -0.8% | 2.8% |
| | Mathematical reserves | | | | £942.8bn | £944.5bn | -0.2% | 2.1% |
| A.5 | Active capacity | 59 | 64 | -7.8% | £30.0bn | £27.6bn | 8.8% | -6.1% |
| A.7 | Funds under management | 2,897 | 2,795 | 3.6% | £7,623.3bn | £6,322.0bn | 20.6% | -12.4% |
| A.9 | Gross income | 1,396 | 1,348 | 3.6% | £12.9bn | £12.6bn | 2.4% | 2.3% |
| A.10 | Traders | 418 | 421 | -0.7% | 9,921 | 10,189 | -2.6% | 8.6% |
| A.13 | Annual income | 9,779 | 9,501 | 2.9% | £29.2bn | £27.2bn | 8.6% | -3.7% |
| A.14 | Annual income | 803 | 783 | 2.6% | £7.9bn | £6.8bn | 15.3% | -8.8% |
| A.18 | Annual income | 5,360 | 5,166 | 3.8% | £1.5bn | £1.3bn | 11.7% | -19.4% |

| Fee block | Tariff base | Number of firms in fee blocks | | | Tariff data | | | Change in rates |
|-----------|---------------|-------------------------------|--------------------|--------|-------------------|----------------|--------|-----------------|
| | | 2017/18 Estimated | 2016/17 Actual (i) | Change | 2017/18 Estimated | 2016/17 Actual | Change | |
| A.19 | Annual income | 12,963 | 12,677 | 2.3% | £16.5bn | £15.5bn | 6.2% | -6.2% |
| A.21 | Clients money | 1,136 | 1,146 | -0.9% | £147.7bn | £139.6bn | 5.8% | -9.2% |
| | Assets held | | | | £13,763.9bn | £12,572.8bn | 9.5% | -11.5% |

Notes: (i) 'Actual' refers to the data as set out in Table 2.3 of PS16/16, published in June 2016.

3.10 The data and fees for 2017/18 given in Table 3.3 may change between now and June when we will calculate the final fee rates. This is because we calculated the draft fee rates a few weeks before this Consultation Paper (CP) was published and therefore estimated the population of fee payers as at 1 April 2017. In addition, we will not complete collecting and validating the tariff data until the end of April.

Consumer Credit fee-blocks

3.11 Firms with income from consumer credit activity above £250,000 pay the variable fee rates set out in Table 3.4.

Table 3.4: 2017/18 proposed consumer cred variable fee-rates

| Type of firm | Proposed 2017/18 variable fee rate on income above £250,000 | Actual 2016/17 variable rate on income above £250,000 | Change in rates |
|-------------------------|---|---|-----------------|
| CC1: Limited permission | £0.40 Per £1,000 | £0.40 Per £1,000 | 0.0% |
| CC2: Full permission | £1.30 Per £1,000 | £1.30 Per £1,000 | 0.0% |

Moderation framework

3.12 In exceptional cases we apply our moderation framework, which allows our straight-line recovery policy to accommodate a targeted recovery of costs within a fee-block, so long as it can be justified. This moderation can be either side of the straight-line recovery and is achieved by applying a premium or discount to the tariff data that measures the amount of permitted business that firms undertake within a moderated fee-block.

A.1 fee-block (Deposit acceptors)

3.13 The A.1 fee-block (Deposit acceptors) is an existing exception from straight-line recovery. Within this fee-block, the firms who fall within the medium-high and high bands of our moderation framework pay a premium fee rate. This reflects that we target our overall supervision at the high-impact, systemically important firms in this sector.

3.14 We apply a premium of respectively 25% and 65% to the fee rates for firms in the medium-high and high impact bands of the A.1 fee-block.



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

3.15 We use bandings within the A.21 fee block-based on the risk classifications we apply to firms in the Client Assets sourcebook (CASS). This enables us to match where we apply our resources to the fees that we charge firms.

3.16 The bandings and level of moderation that we have applied to the tariff data for both client money and assets held are set out in Table 3.5. The result of our moderation is that the 2017/18 £13.9m AFR is distributed as follows:

- CASS large firms 74.1%
- CASS medium firms 25.81%
- CASS small firms 0.03%

Table 3.5: Bandings and level of modification

| Client money | CB01 CASS small firms | CB02 CASS medium firms | CB03 CASS large firms |
|-------------------|--------------------------|---------------------------------|--------------------------|
| Band width | 0–1,000,000 | >1,000,000– 1,000,000,000 | >1,000,000,000 |
| Moderation | 0% | -25% | -50% |
| Assets held | CB01 CASS small firms | CB02 CASS medium firms | CB03 CASS large firms |
| Band width | 0–10,000,000 | >10,000,000– 100,000,000,000 | >100,000,000,000 |
| Moderation | 0% | -25% | -50% |

European Economic Area (EEA) branches – fee discounts

3.17 The FCA, as the host state conduct regulator, is primarily responsible for the conduct regulation of incoming EEA branches (passported into the UK). We apply discounts to the fees paid by these firms to reflect the extent to which our supervisory responsibilities for EEA incoming branches are lower than for UK-based firms carrying on the same regulated activities, specifically in relation to systems and controls and approved persons.

3.18 We apply the discounts as set out in Appendix 1.

Online fees calculator

3.19 We provide a facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA periodic fees and the Financial Ombudsman Service, Money Advice Service, pensions guidance and Illegal Money Lending levy consultative rates in Appendix 1 of this CP. The fees calculator will also cover Prudential Regulation Authority (PRA - where applicable) and FSCS levies.

3.20 The fees calculator for 2017/18 fees and levies will be available for firms to use from 19 April 2017.

Q1: Do you have any comments on the proposed FCA 2017/18 minimum fees and variable periodic fee rates for authorised firms?

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2017/18 – which will be made by our Board in June 2017 – could vary from those in this CP.



4 FCA periodic fees for other bodies

4.1 This chapter sets out the proposed periodic fees for fee payers in fee-blocks:

- B, market infrastructure providers
- C, collective investment schemes
- D, designated professional bodies
- E, UK Listing Authority (UKLA)
- F, unauthorised mutuals, 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

4.2 The proportion of the 2017/18 £526.9m annual funding requirement (AFR) allocated to fee-blocks B to G is discussed in Chapter 2. In this chapter, we only comment where year-on-year percentage movements for subsets of fee payers within the B to G fee-blocks are substantially different to the year-on-year movements in the overall fee-blocks set out in Table 2.3 of Chapter 2.

4.3 We are proposing to increase 2017/18 minimum and flat fees for the B to G fee-blocks by 1% to reflect the inflation increase in our ongoing regulatory activities (ORA). We are also proposing to link minimum fees and flat fees to future movements in our ORA. Such a link will mean that the level of minimum fees and flat fees will reflect increases in our costs over time rather than only variable fee-payers picking up these increased costs (or any decreases in our costs, if applicable). As discussed in Chapter 3 we are also applying the same 1% increase and link to future movements in our ORA for minimum and flat fees in the A fee-blocks and the consumer credit fee-blocks.

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2017/18 – which will be made by our Board in June 2017 – could vary from those in this CP.

Fee-block B: Market infrastructure providers

4.4 The allocation of our 2017/18 AFR to the B fee-block is £7.7m. This is an increase of 4.6% from £7.3m allocated for 2016/17. The increase is primarily driven by the 1% inflation linked increase in our ORA and recovery of part of our interim scope change costs for implementing the Markets in Financial Instruments Directive (MiFID II) from recognised investment exchanges (RIEs) and operators of multilateral trading facilities (MTFs). Full details of the AFR allocations to the B fee-block are provided in Chapter 2.

Recognised investment exchanges, benchmark administrators and service companies

- 4.5** In Chapter 4 of CP16/33 (November 2016), we proposed the following changes to how we calculate fees in the B fee-block from 2017/18.
- Introduce an income measure for recognised investment exchanges and benchmark administrators (BAs).
 - Amend the calculation of fees for service companies (SCs), which are already based on income, by moving from three fixed-rate income bands to a variable rate above £100,000 of income.
- 4.6** In Chapter 10 of this Consultation Paper (CP) we summarise the feedback that we received on these proposals, and explain how we have taken this feedback into account in the final rules in Appendix 3.
- 4.7** We are not consulting in this CP on the 2017/18 fee rates for RIEs and BAs. Following receipt of updated income data from RIEs and BAs (required by 18 June) we will consult on their 2017/18 fee rates in a separate CP to be published end of July. We will take into account feedback to that consultation, finalise the fee rates and provide our response to feedback received in October/November 2017.
- 4.8** We are proceeding to amend the calculation of fees for SCs, which are already based on income, by moving from a three fixed-rate income bands to a variable rate above £100,000 of income. We consult on the 2017/18 fee rates for SCs, calculated on this basis, under paragraph 4.14.

**Recognised auction platforms
(FEES 4 Annex 2AR - draft rules in Appendix 1)**

- 4.9** We propose a flat fee of £53,866 for 2017/18 for recognised auction platforms – an increase of 1% (rounded to nearest £) from £53,333 in 2016/17.

**Recognised overseas investment exchanges
(FEES 4 Annex 2AR - draft rules in Appendix 1)**

- 4.10** We propose a flat fee of £61,618 for 2017/18 for recognised overseas investment exchanges – an increase of 1% (rounded to nearest £) from £61,008 in 2016/17.

**Multilateral trading facilities
(FEES 4 Annex 10R - draft rules in Appendix 1)**

- 4.11** Table 4.1 sets out the proposed MTF fees for 2017/18.

Table 4.1: Proposed MTF fees

| | Proposed 2017/18 fee (£) | Actual 2016/17 fee (£) | Variance |
|---|--------------------------------|------------------------------|----------|
| MTF operator that has a named individual fixed portfolio supervisor | 316,710 | 300,000 | 5.6% |
| All other MTF operators (i.e. supervised by a team of flexible portfolio supervisors) | 29,867 | 28,290 | 5.6% |
| European Economic Area (EEA) firm | 0 | 0 | 0.0% |

- 4.12** As stated in CP16/33, in future we propose basing the fees for operators of MTFs on income. However, this will not occur until after implementation of MiFID II, which will bring transparency to how firms charge clients for the various services they offer. In the meantime, we are maintaining the fees structure we introduced for 2016/17 following consultation in April 2016. Organised trading facilities will be treated like MTFs when they come into scope under MiFID II from 2018.

Market operators
(FEES 4 Annex 1AR and FEES 4 Annex 2AR – draft rules in Appendix 1)

- 4.13** We no longer need the separate activity group 'Market operators' as this is covered by RIEs and MTFs. We are therefore proposing to delete all references to Market operators from our fees rules.

Service companies
(FEES 4 Annex 2AR – draft rules in Appendix 1)

- 4.14** The proposed 2017/18 fees for service companies, calculated on the amended basis consulted on in CP16/33, are set out in Table 4.2.

Table 4.2: Proposed service companies fees

| | Proposed 2017/18 fee (£) |
|---|-----------------------------|
| Income up to and including £100,000 | 1,078 |
| Income over £100,000 (£/£m or part £ thousands of income) | £1.80 |

Fees relating to the direct reporting of transactions to the FCA under SUP 17
(FEES 4 Annex 3AR - draft rules in Appendix 1)

- 4.15** The 2017/18 transaction reporting fees are set out in Table 4.3. The variance over 2016/17 is due to changes in number of approved reporting mechanisms and volume of transactions reported for the calendar year ending 31 December 2016.

Table 4.3: Transaction reporting fees

| | Proposed 2017/18 fee (£) | Actual 2016/17 fee (£) | Variance |
|--|--------------------------|------------------------|----------|
| Technical support fee | 5,000 | 4,444 | 12.5% |
| Testing environment fee | 3,750 | 3,333 | 12.5% |
| Variable transaction-based fee per 100,000 transaction reports processed | 3.91 | 4.56 | -14.3% |

- 4.16** As stated in CP16/33, we are not changing the charging structure for entities submitting transaction reports under SUP 17. As we explained in CP15/34, we intend to discontinue these charges when MiFID II comes into effect and the reports are submitted through our new market data processor.

**Fee-block C: Collective investment schemes
(FEES 4 Annex 4R - draft rules in Appendix 1)**

- 4.17** Table 4.4 and 4.5 details the proposed collective investment schemes (CIS) fee rates for 2017/18, which have remained the same as 2016/17 compared to the 0.6% decrease in AFR allocation for this fee block. The AFR allocated to this fee block is recovered from fee payers in proportion to the number of funds or sub-funds operated. The total number of funds/sub-funds reported by all fee payers for 2017/18 has risen compared to 2016/17. The proposed 2017/18 annual fee for small registered UK Alternative Investment Fund Managers (AIFMs) is £750 – the same as 2016/17.

Table 4.4: Proposed CIS periodic fees

| Scheme type | Basic fee (£) | Total aggregate number of funds/sub-funds | Proposed 2017/18 fee rate (£) | Actual 2016/17 fee rate (£) | Variance |
|---|---------------|---|-------------------------------|-----------------------------|----------|
| ICVC, AUT, ACS, UK ELTIFs | 455 | 1-2 | 455 | 455 | 0.0% |
| | | 3-6 | 1,138 | 1,138 | 0.0% |
| | | 7-15 | 2,275 | 2,275 | 0.0% |
| | | 16-50 | 5,005 | 5,005 | 0.0% |
| | | >50 | 10,010 | 10,010 | 0.0% |
| Section 264 of FSMA, schemes other than non-EEA AIFs recognised under section 272 of FSMA | | | | | |
| Non-EEA AIFs recognised under section 272 of FSMA | 1,850 | 1-2 | 1,850 | 1,850 | 0.0% |
| | | 3-6 | 4,625 | 4,625 | 0.0% |
| | | 7-15 | 9,250 | 9,250 | 0.0% |
| | | 16-50 | 20,350 | 20,350 | 0.0% |
| | | >50 | 40,750 | 40,750 | 0.0% |

Table 4.5: Proposed CIS periodic fees

| Kind of notification | Proposed 2017/18 fee per AIF (£) | Actual 2016/17 fee per AIF (£) | Variance |
|---|----------------------------------|--------------------------------|----------|
| Notification under regulation 57 of the AIFMD UK regulation | 380 | 380 | 0.0% |
| Notification under regulation 58 of the AIFMD UK regulation | 265 | 265 | 0.0% |
| Notification under regulation 59 of the AIFMD UK regulation | 380 | 380 | 0.0% |

Fee-block D: Designated professional bodies (FEES 4 Annex 5R - draft rules in Appendix 1)

4.18 We set individual periodic fees for each designated professional body (DPB) based on an estimated number of exempt professional firms in each body. Each DPB pays £10,000 for its first exempt professional firm, which recovers £100,000 of the allocation to this fee block. The remaining amount allocated to this fee block is then recovered in proportion to the number of exempt professional firms reported by each DPB. The proposed 2017/18 periodic fees are detailed in Table 4.6 The variances differ from the 0.7% decrease in the AFR allocation to this fee block because of movements in the number of exempt professional firms reported for 2017/18 compared to 2016/17.

Table 4.6: Proposed DPB periodic fees

| DPB | Proposed 2017/18 fee (£) | Actual 2016/17 fee (£) | Variance |
|---|--------------------------|------------------------|----------|
| The Law Society of England and Wales | 62,320 | 63,140 | -1.3% |
| The Law Society of Scotland | 13,390 | 13,560 | -1.3% |
| The Law Society of Northern Ireland | 12,530 | 12,680 | -1.2% |
| The Institute of Actuaries | 10,090 | 10,090 | 0.0% |
| The Institute of Chartered Accountants in England and Wales | 68,920 | 69,270 | -0.5% |
| The Institute of Chartered Accountants of Scotland | 10,910 | 10,980 | -0.6% |
| The Institute of Chartered Accountants in Ireland | 13,140 | 13,140 | 0.0% |
| The Association of Chartered Certified Accountants | 15,920 | 15,850 | 0.4% |
| Council for Licensed Conveyancers | 11,170 | 11,170 | 0.0% |
| Royal Institute of Chartered Surveyors | 13,320 | 13,380 | -0.4% |

Fee-block E: United Kingdom Listing Authority (FEES 4 Annex 14 R - draft rules in Appendix 1)

4.19 We are proposing 2017/18 United Kingdom Listing Authority (UKLA) periodic fees as set out in Tables 4.7 and 4.8. Base fees have increased by 1% in line with our ORA increase. Variable fees have decreased by 4.7% compared to the 0.7% decrease in the AFR allocation to this fee-block. This is due to an increase in the reported market capitalisation tariff data by these fee-payers.

Table 4.7: Base fees

| Activity group or invoice code | Proposed 2017/18 fee (£) | Actual 2016/17 fee (£) | Variance |
|----------------------------------|--------------------------|------------------------|----------|
| E.2 Premium listed issuer | 5,200 | 5,150 | 1.0% |
| E.3 Standard listed issuer | 19,695 | 19,500 | 1.0% |
| E.6 Non-listed issuer (i) | 0 | 0 | n/a |
| E.7 Primary information provider | 16,425 | 16,260 | 1.0% |
| ES.01 Sponsor | 27,370 | 27,100 | 1.0% |

(i) Not needed at present but retained pending implementation of MiFID II

Note: 1% increase in base fee has been rounded to the nearest £.

Table 4.8: Variable fee additional to base fees

| Activity Group E.2 | Proposed 2017/18 | Actual 2016/17 | Variance |
|------------------------------------|------------------|----------------|----------|
| £ million of market capitalisation | Fee rate (£) | Fee rate (£) | |
| 0–100 | 0 | 0 | n/a |
| >100–250 | 27.271725 | 28.616710 | -4.7% |
| >250–1,000 | 10.908065 | 11.446028 | -4.7% |
| >1000–5,000 | 6.714362 | 7.045501 | -4.7% |
| >5,000–25,000 | 0.163784 | 0.171861 | -4.7% |
| >25,000 | 0.052914 | 0.055524 | -4.7% |

Fee-block F: Unauthorised mutuals (FEES App1 - draft rules in Appendix 1)

- 4.20** The proposed 2017/18 fees for unauthorised mutuals are set out in Table 4.9. Increases range from 3.9% to 8.3% compared to the overall 0.4% decrease in the AFR allocated to this fee-block.
- 4.21** The allocated AFR is recovered through flat fees broken down into five bands that reflect the size of a mutual's assets. We have not increased these flat fees since 2015/16 even though the amount of our AFR allocated to the F fee-block has increased in intervening years. We have treated mutuals like small minimum fee paying firms whose fees have not generally increased. This has led to some under-recovery in recent years, ranging from 4% to 6%. The 2017/18 fees in Table 4.9 are aimed at addressing this under-recovery.

Table 4.9: Proposed periodic fees for unauthorised mutuals

| Total assets £000's) | Proposed 2017/18 fee rate (£) | Actual 2016/17 fee rate (£) | Variance |
|----------------------|-------------------------------|-----------------------------|----------|
| 0–50 | 65 | 60 | 8.3% |
| >50–100 | 125 | 120 | 4.2% |
| >100–250 | 205 | 195 | 5.1% |
| >250–1,000 | 265 | 255 | 3.9% |
| >1,000 | 480 | 460 | 4.3% |

Fee-block G

4.22 The allocation of our 2017/18 AFR to the G fee-block is £6.8m. This is an increase of 79.4% from £3.8m allocated for 2016/17. The increase is driven by commencing recovery of our PSD2 implementation costs (£3m for 2017/18). These costs are only being recovered from payment services firms in the G.2 to G.5 fee-blocks. Full details of the AFR allocations to the G fee-block are provided in Chapter 2. Below we set out the resulting 2017/18 fees for payment services firms.

Fee-block G: Firms registered under the Money Laundering Regulations 2007 (FEES 4 Annex 11R - draft rules in Appendix 1)

4.23 We propose that the annual fee for firms registered with us under the Money Laundering Regulations should be £438 for 2017/18 – an increase of 1% (rounded to nearest £) from £433 in 2016/17 (Fee block G.1).

Fee-block G: Firms covered by the Payment Services Regulations (PSRs) 2009 (FEES 4 Annex 11R - draft rules in Appendix 1)

4.24 To recover the 2017/18 £3m Payment Services Directive (PSD) 2 implementation costs we propose increasing minimum fees by £67 to £500 (15.5%) and the variable fees above the minimum threshold by 195%, as set out in Tables 4.10 and 4.11 (firms in G.2, G.3 and G.5 fee-blocks). We also propose increasing the flat fee for small payment institutions in the G.4 fee-block by £67 to £500 (15.5%).

4.25 We have distributed the PSD2 recovery costs between minimum/flat fees and variable fees to ensure that the minimum fee/flat fee is not too high (which would unnecessarily impede competition) and not too low (which would prejudice existing fee payers). We acknowledge that the range of percentage increase between small firms that only pay the minimum/flat fee and larger firms who also pay the variable fee is wide. We considered increasing the minimum/flat fees to £1,000 (representing a 77% increase). This would reduce the increase in the variable fee to 146%. However, we do not believe the difference this would make to larger firms is sufficient to warrant substantially increasing fees for the smallest firms.

Table 4.10: Certain deposit acceptors (includes banks and building societies) G.2 fee-block)

| | Proposed 2017/18 | Actual 2016/17 | Variance |
|--|------------------|----------------|----------|
| Minimum fee (£) | 500 | 433 | 15.5% |
| £ millions or part £ millions of modified eligible liabilities | Fee rate | | |
| | Proposed 2017/18 | Actual 2016/17 | Variance |
| >0.1 | 0.7215 | 0.2450 | 194.5% |

Table 4.11: Large payment institutions and other institutions (G.3 and G.5 fee blocks)

| | Proposed 2017/18 | Actual 2016/17 | Variance |
|---|------------------|----------------|----------|
| Minimum fee (£) | 500 | 433 | 15.5% |
| £ thousands or part £ thousands of fee rate relevant income | Fee rate | | |
| | Proposed 2017/18 | Actual 2016/17 | Variance |
| >100 | 0.4851 | 0.1647 | 194.5% |

Fee-block G: Firms subject to the Electronic Money Regulations 2011 (FEES 4 Annex 11R – draft rules in Appendix 1)

- 4.26** Table 4.12 sets out the proposed fee rates for large electronic money institutions under the Electronic Money Regulations 2011. The minimum fee has increased by 1% (rounded to the nearest £) and the variable fee by 0.0%%.

Table 4.12: Large electronic money institutions (Fee-block G.10)

| | Proposed 2017/18 | Actual 2016/17 | Variance |
|---|------------------|----------------|----------|
| Minimum fee | £1,643 | £1,626 | 1.0% |
| £ millions or part £ millions of average outstanding electronic money | | | |
| >5.0 | 120.00 | 120.00 | 0.0% |

Note: 1% increase in minimum fee has been rounded to the nearest £.

- 4.27** We propose that the annual fee for small electronic money institutions should increase to £1,095 for 2017/18, an increase of 1%(rounded to nearest £) from £1,084 in 2016/17 (Fee block G.11).

Fee-block G: Firms subject to the Regulated Covered Bonds Regulations 2008 (Fee-block G.15) (FEES 4 Annex 11R - draft rules in Appendix 1)



4.28 The AFR allocated to the fee block for firms subject to the Regulated Covered Bonds Regulations 2008 is recovered through two levels of flat minimum fees based on the number of registered programmes. There is also a variable fee that takes into account the number of issues made (market activity). The proportion recovered through the minimum fees is 90%, and 10% is recovered through the variable fee. The proposed fees for 2017/18 are set out in Table 4.13. The minimum fee has decreased by 0.9% and the variable fee by 0.8%. The variance in the variable fee is due to movements in the number of issues made during 2016/17 compared to the previous year.

Table 4.13: Proposed periodic fees

| | Proposed 2017/18 | Actual 2016/17 | Variance |
|--|-----------------------------------|-----------------------------------|-----------|
| Minimum fee for the first registered programme | 89,275 | 90,071 | -0.9% |
| Minimum fee for all subsequent registered programmes | 75% of first registered programme | 75% of first registered programme | Unchanged |
| Variable periodic fee – £m or part £m of RCBs issued in the 12 months ending on valuation date | 10.70 | 10.79 | -0.8% |

Consumer buy-to-let
(FEES 4 Annex 11R - draft rules in Appendix 1)

4.29 We propose increasing the consumer buy-to-let flat fees by 1% (rounded to nearest £) as set out in Table 4.14.

Table 4.14: Consumer buy-to-let fees

| Total assets £000's) | Proposed 2017/18 fee rate (£) | Actual 2016/17 fee rate (£) | Variance |
|------------------------------------|-------------------------------|-----------------------------|----------|
| G.20 – CBTL lenders | 404 | 400 | 1.0% |
| G.21 – CBTL arrangers and advisers | 202 | 200 | 1.0% |

Q2: Do you have any comments on the proposed FCA 2017/18 minimum fees and periodic fee rates for fee payers other than authorised firms?

5 Applying financial penalties

- 5.1** This chapter is relevant to all fee payers that fall within the fee-blocks set out in Table 5.1

Financial penalty scheme

- 5.2** 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 the financial penalties that we impose on regulated persons (firms). 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 HM 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) to ensure 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.
- 5.3** Under our Financial Penalty Scheme 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 5.1.
- 5.4** 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.
- 5.5** Enforcement costs are not allocated to the 'A.0 minimum fee' fee-block. Therefore, retained penalties are not allocated to this fee-block.
- 5.6** 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.
- 5.7** 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

5.8 A draft of this schedule is published in our annual fees rates Consultation Paper in March/April. The final schedule is published in the subsequent policy and feedback statement to that consultation in June.

Financial penalty rebates for 2017/18

5.9 We currently estimate the retained penalties for 2016/17 to be £51.6m (£48.7m in 2015/16). The amount of the estimated retained penalties allocated to each fee-block, along with the estimated percentage rebates that will be applied to the 2017/18 periodic fees paid by the firms in those fee-blocks, is set out in Table 5.1. We will publish the final rebates in the June 2017 policy and feedback statement to this Consultation Paper.

Table 5.1: Draft schedule of application of 2016/17 retained penalties in 2017/18

| Fee block | Estimated 2016/17 retained penalties to be applied to benefit of fee-payers | Estimated rebate applied to 2017/18 fees |
|--|---|--|
| AP.0 FCA prudential | 0.0 | 0.0% |
| A.1 Deposit acceptors | 8.1 | 11.5% |
| A.2 Home finance providers and administrators | 0.8 | 5.1% |
| A.3 Insurers – general | 1.6 | 6.6% |
| A.4 Insurers – life | 2.9 | 7.1% |
| A.5 Managing agents at Lloyd's | 0.0 | 0.0% |
| A.6 The Society of Lloyd's | 0.0 | 0.0% |
| A.7 Portfolio managers | 12.0 | 27.0% |
| A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes | 1.9 | 15.7% |
| A.10 Firms dealing as principal | 6.5 | 12.7% |
| A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both) | 4.4 | 5.7% |
| A.14 Corporate finance advisors | 2.0 | 14.5% |
| A.18 Home finance providers, advisers and arrangers | 3.3 | 20.8% |
| A.19 General insurance mediation | 3.0 | 11.0% |
| A.21 Firms holding client money or assets or both | 3.4 | 24.6% |
| B. Recognised investment exchanges and operators of multilateral trading facilities (only) | 0.0 | 0.0% |
| CC.1 Consumer credit – limited permission | 0.0 | 0.0% |
| CC.2 Consumer credit – full permission | 0.0 | 0.0% |
| E. Issuers and sponsors of securities | 1.5 | 7.4% |
| Total | 51.6 | |



6 FCA fee-block allocation policy

- 6.1** In this chapter we set out our proposed policy for allocating our annual funding requirement (AFR) across fee-blocks from 2018/19 and for the foreseeable future thereafter.
- 6.2** Under our current method for raising fees we group related regulated activities that firms have permission to undertake in to fee-blocks. The amount of our total AFR allocated to each fee-block is recovered from the firms in that fee-block in proportion to their size. The measure of size varies depending on the fee-block but the most common is income. Firms pay variable fees in a particular fee-block if they exceed the minimum size threshold. Firms can be in more than one fee-block. All firms pay a minimum fee and some smaller firms only pay the minimum fee. A more detailed account of the current method is set out in our publication *How we raise our fees* on our website¹¹, in particular Chapter 2 which covers the allocation of our costs to fee-blocks.
- 6.3** Over the past three years (2014/15 to 2016/17), following consultation, our approach to allocating our AFR across fee-blocks has been to maintain an even distribution of the overall increase¹² in our AFR across fee-blocks other than where, for individual fee-blocks, there has been a material and explainable exception ('allocation by exception approach'). In Chapter 2 of this Consultation Paper we are proposing continuing the allocation by exception approach for the overall 1.5% increase in our 2017/18 AFR.
- 6.4** We introduced the allocation by exception approach for 2014/15. This was in anticipation that the review we were undertaking during 2013/14¹³ of how we raise our fees would give rise to fundamental alternatives to our current method, inherited from the Financial Services Authority (FSA). Any change in how we raise our fees may result in a shift in the amount of fees paid by firms and we wanted to keep the movements in allocation of our AFR to a minimum in 2014/15.
- 6.5** In particular the fees review considered the alternative that our AFR would be shared across all firms in proportion to their income as a common measure of the overall regulated activity they undertake. This would have significantly reduced the number of fee-blocks that our AFR would need to be allocated across. Our discussions with stakeholders during 2013/14 showed that there was no broad consensus for such a fundamental alternative. Also, consultants that we engaged at the time highlighted that there were significant issues that would need to be addressed in developing a single measure of the size of firms' overall UK-regulated activity based on income.

11 www.fca.org.uk/publication/corporate/how-we-raise-our%20fees.pdf

12 2016/17 unchanged (excluding consumer credit), 7.8% increase (including consumer credit); 2015/16 7.9% increase; and 2014/15 3.3% increase.

13 The first year the FCA started operating following the splitting of the Financial Services Authority (FSA) into the FCA and the Prudential Regulation Authority (PRA).

- 6.6** We therefore maintained the current multiple fee-block structure and stated that through our annual funding allocation process we would, as far as possible:
- align allocations of our funding to fee-blocks with where we are focusing our resources, and
 - be transparent in explaining any changes in allocations from the previous year
- 6.7** We published a full account of the outcome of this fees review in Chapter 9 of CP14/6 (March 2014)¹⁴.
- 6.8** We continued with the allocation by exception approach for 2015/16 and 2016/17. This allowed us to assess the impact on our allocation process of:
- our strategic review on how we operate to meet our statutory objectives
 - the subsequent changes to our supervision model, and
 - taking on the responsibility for regulating consumer credit from April 2014
- 6.9** The outcome of the strategic review was published in December 2014¹⁵. We committed to placing a greater focus on bringing together the intelligence that we collect from a wide range of sources to form a common view of each of the markets and sectors we regulate. In addition, while continuing to focus our resources on our key priorities, we committed to ensuring that we have greater flexibility to use our resources on emerging issues when necessary. We subsequently revised our supervision model and published our approach to fixed portfolio firms¹⁶ and flexible portfolio firms¹⁷ in September 2015. A small proportion of firms were classified as fixed portfolio with the majority classified as flexible portfolio firms. A key feature of the flexible portfolio approach is we proactively supervise these firms through market-based thematic work and programmes. By 2016/17 an additional 25,000 firms, resulting from taking on the responsibility for consumer credit, had come within our regulatory scope bringing the number of firms we regulate to 56,000.
- 6.10** Overall, the allocation by exception approach has been well received by the industry in the consultations during this time.
- 6.11** It has allowed firms to better predict where changes in the allocation of our AFR to fee-blocks (which in turn impacts on the fees they pay), are likely to occur. The exceptions relating to scope change, including implementing EU Directives, are flagged in our Business Plans often well ahead of us allocating the recovery of their costs to the relevant fee-blocks. As these work streams are managed as specific projects, we are able to identify their costs and map them to the relevant fee-blocks.

14 www.fca.org.uk/publication/consultation/cp14-06.pdf

15 www.fca.org.uk/publication/corporate/fca-our-strategy-december-2014.pdf

16 www.fca.org.uk/publication/corporate/supervision-guide-fixed.pdf

17 www.fca.org.uk/publication/corporate/supervision-guide-flexible.pdf



This also increases transparency as we are better placed to explain to fee-payers why those costs have been allocated to their fee-blocks.

6.12 However, our current business as usual regulatory model does not facilitate the identification of costs and the mapping of them to fee-blocks with the same accuracy as for those relating to our project work. This is for several reasons. We carry out our supervisory functions at the firm or group level as well as through thematic projects. Firms or groups can be in multiple fee-blocks and thematic projects can cut across a range of regulated activities and therefore fee-blocks. Our other functions (e.g. policy, risk and research, competition, enforcement and authorisations) can also cut across a range of regulated activities. As we first highlighted when we reported on the outcome of our 2013/14 review of how we raise our fees, this limits the extent to which we can directly allocate the funding of all our functions to fee-blocks and be transparent about shifts that firms in specific fee-blocks see each year in the amount of funding we recover from them. Changes since then in the way we supervise firms and the significant increase in the number of firms we regulate has further limited our ability to directly allocate the funding of our functions to fee-blocks.

6.13 In summary, we have consulted with stakeholders on the alternative options to a multiple fee-block structure for which there was no broad consensus across the industry. Further, our current business as usual regulatory work does not facilitate the identification of costs and the mapping of them to fee-blocks with the same accuracy as we do for our project work. We are proposing therefore to adopt the allocation by exception approach as our allocation policy from 2018/19 and for the foreseeable future. This will mean that the baseline for the underlying distribution of our AFR across fee-blocks will be as it was for 2013/14 (the first year that the FCA operated), adjusted for the material and explainable exceptional movements since then and from 2018/19.

6.14 We will continue to recover our AFR allocated to fee-blocks using minimum size thresholds and minimum fees. This will ensure that above the minimum fee firms pay fees based on their size. Overall, approximately 36% of firms in the 'A' fee-blocks¹⁸ and 94% of firms in the consumer credit fee-blocks only pay the minimum fees because they fall below the minimum size threshold and therefore do not pay variable fees.

6.15 Following the outcome of this consultation on our allocation policy we will update our *How we raise our fees* publication on our website accordingly.

Q3: Do you have any comments on the proposed adoption of the allocation by exception approach as our allocation policy from 2018/19 (and for the foreseeable future) and that 2013/14 is the baseline?

18 Firms in the 'A' fee-blocks include banks, building societies, credit unions, insurers, fund managers, and retail investment, mortgage and general insurance intermediaries.

7 Ring-fencing implementation fee

(Fees 4 Annex 2B – draft rules in Appendix 1)

- 7.1** In this chapter, we set out our proposals for the 2017/18 ring-fencing implementation fee (RFIF). 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 (in-scope banking groups)¹⁹.
- 7.2** The implementation of the new regime requires a significant amount of work to be undertaken by us through to 2019. Our budgeted costs associated with this work in 2017/18 are £5.8m. In 2016/17 we raised £6.4m and we estimate there will be an underspend of £1.4m which we will return to firms in proportion to the RFIF they paid for that year.
- 7.3** The Prudential Regulation Authority is consulting on its RFIF under Consultation Paper (CP)4/17 published on 24 March 2017.
- 7.4** Our budgeted costs for 2017/18 include the costs of:
- **Reviewing and processing firms' applications for regulatory transactions connected with ring-fencing:** ring-fencing will involve a high volume of regulatory transactions (e.g. applications for new banking licenses, variation of permissions, change in control, waivers).
 - **Reviewing firms' proposed ring-fencing transfer schemes against our objectives:** most firms need to undertake at least one ring-fencing transfer scheme to restructure their business to a compliant structure. This will be a court-led process and will vary significantly from the current Part VII processes of FSMA in terms of size and complexity.
 - **Supervision of firms through transition:** we need to analyse firms' ring-fencing implementation plans to identify, monitor and manage risks posed to our objectives, both during the transition and after.
 - **Other:** communications (internal and external), policy, legal and project management support for the above activities.
- 7.5** These activities are specific to the requirements to implement FSBRA and are not part of our normal regulatory activity. They are therefore not included in our 2017/18 AFR discussed in Chapter 2. We will consult next year on further costs to be recovered in 2018/19.

¹⁹ The Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 provides that a bank is subject to ring-fencing if it has a three-year average of more than £25 billion 'core deposits' (broadly those from individuals and small and medium-sized enterprises (SMEs)).



- 7.6** The allocation of our ring-fencing implementation costs to groups will reflect two equally weighted factors (on the same basis as for the RFIF in 2016/17):
- 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.
- 7.7** Calculations will be based on forecasted (1 January 2019) data provided by banking groups in March 2017. 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.
- 7.8** 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. Therefore, our existing RFIF rules include a provision that fees for ring-fencing related authorisations, variation of permission and regulated covered bonds applications will not be charged.
- 7.9** The draft rules relating to the 2017/18 RFIF are in Appendix 1.

Q4: Do you have any comments on the proposed 2017/18 ring-fencing implementation fee?

8 Payment Services Directive 2 – application fees

(Draft rules in Appendix 2)

- 8.1** In this chapter we present our fees proposals in preparation for the second Payment Services Directive (PSD2), which will come into effect from 13 January 2018. We need to implement some changes before January 2018 to enable firms to submit applications to us in advance. We intend to bring these in from October 2017, subject to Parliament giving us the appropriate powers.
- 8.2** Our fees proposals include the following.
- Impact on application fees of changes to definitions of services provided by authorised payment institutions (APIs).
 - Creation of a new category of registered account information service providers (RAISPs).
 - Application of reauthorisation and re-registration fees to existing firms.
 - Application of fees for registering exemptions from regulation.
- 8.3** In Chapter 2 we set out the allocation of our annual funding requirement (AFR) to fee-blocks, and propose allocating our PSD2 implementation costs to the G fee-block from 2017/18. In Chapter 4 we set out our proposals for recovering these costs from payment services firms within the G fee-block.

Impact on application fees from changes to definitions of services

- 8.4** PSD2 changes some of the service categories that determine the application fees for APIs in fee-block G3. Revising the definitions for authorisation will not affect the application fees for APIs or their periodic fees once authorised. There is no impact on payment institutions in the other fee-blocks – i.e. deposit acceptors in fee-block G2, small payment institutions (SPIs) in fee-block G4 or 'other institutions' in fee-block G5.
- 8.5** PSD2 will also allow firms to register as RAISPs if they intend to offer only 'account initiation services'.
- 8.6** Table 8.1 summarises the changes following PSD2.



Table 8.1: Impact of PSD2 on service categories in fee-block G3 and RAISPs

| Fee block | Current definition | Impact of PSD2 | Application fee | Periodic fee |
|---|--|--|-----------------------|---|
| G3 Large payment institutions | Authorised payment institution providing the following services: (a) cash placed on payment account (b) cash withdrawals enabled (c) execution of direct debits, etc. (d) execution of direct debits, etc. where credit line available, and (e) issuing payments and transactions | No change | £5,000 (no change) | No Change |
| | (f) money remittance (g) consent given by electronic device | (f) no change (g) delete. New categories created: (g) payment initiation services (h) account information services | £1,500 (no change) | |
| Registered account information service providers (RAISPs) | Not applicable | Firm can offer only (h) account information services. Propose to add RAISPs to the definition of fee-block G3 | Propose fee of £1,500 | Propose to charge the periodic fee for fee-block G3 |

8.7 Our proposals are:

- **Consent given by electronic device.** The current service category (g), 'consent given by electronic device,' will be removed by PSD2. Transitional provisions will allow APIs that provide services that also fall under category (c), 'execution of direct debits, etc.' to continue to provide these services until January 2020, by which time they will need to have proved to us that they meet the applicable own funds requirements. They will not be charged for doing this.
- **Payment initiation services and account information services.** PSD2 introduces two new categories of payment service: (g) 'payment initiation services' and (h) 'account information services'. SPIs will not be able to provide these services. We propose to include new categories (g) and (h) within the scope of the £1,500 application fee for APIs. There will be no impact on periodic fees for APIs.

Creation of a new category of registered account information service providers (RAISPs)

- 8.8** Some providers will wish to offer new category (h) 'account information services' only. They will fall under a lighter regulatory regime and will be registered by us rather than authorised. We will apply an application fee and periodic fee for firms that register as RAISPs. Our general policy is to avoid creating new fee-blocks unless essential, especially for small populations of firms. Since they will be exercising category (h), we propose to treat them on the same terms as an API paying the £1,500 application fee for categories (f) – (h), and add RAISPs to the definition of fee-block G3. RAISPs will not be APIs so we propose the new definition of G3 as: 'Large payment institutions and registered account information service providers'.

Re-authorisation and re-registration fees to be applied to existing firms

- 8.9** We will require existing firms to submit additional information to enable us to determine whether they continue to meet the requirements for authorisation as an API or electronic money institution (EMI) or for registration as an SPI or SEMI (small electronic money institution). In effect, this will amount to re-authorisation of APIs and EMIs and re-registration of SPIs and SEMIs. The requirement applies both to payment institutions and to e-money institutions. E-money application fees are generally higher than payment services application fees but, since the requirement will come under PSD2, we have decided that in this instance e-money institutions should be charged the same fees as payment services providers.
- 8.10** On our current understanding of the requirement, we believe that the process, and the resources involved, will be similar to a variation of permission (VoP). On this basis, we are consulting on a reauthorisation fee of £750 for APIs and EMIs and a re-registration fee of £250 for SPIs and SEMIs. This represents 50% of the lower, £1,500, application fee for APIs and 50% of the £500 application fee for SPIs.

Fees for registering exemption from regulation

- 8.11** Firms which believe they are exempt from regulation under PSD2's exemptions for limited networks (LNs) and electronic communications networks (ECNs) must notify the FCA in order to register their exemption. LNs must notify us annually if they believe they still meet the conditions for exemption. After their initial notification, ECNs must supply an auditor's opinion. We would not normally charge a firm for claiming exemption from regulation, but in this instance there will be a significant demand on our resources and so we believe it is reasonable that the firms claiming exemption and continued exemption should contribute towards our costs.



8.12 The demand on our resources is a result of the following.

- We will have to maintain a register of exempt firms and firms must be on the register to be confident that they are trading lawfully.
- We will have to assess firms' eligibility for exemption when they first register and, even if they assert there has been no change in their circumstances in subsequent years, we will have to confirm whether we agree. If we determine that a firm is not after all eligible for exemption, it will have to apply for authorisation as an API or registration as an SPI.

8.13 We wish to keep the costs of claiming exemption as low as possible, so we are consulting on a fee of £300 for registering LN exemptions and £200 for ECN exemptions. The fee would be payable each time a firm makes its annual notification. If we subsequently determine that a firm should not be exempt, the registration fee already paid during that fee-year would be deducted from the relevant application fee.

Q5: Do you have any comments on our application fees proposals arising out of PSD2?

9 Allocation of MiFID II costs (feedback on CP16/33)

9.1 In this chapter, we summarise the feedback that we received on our proposals for which fee-blocks should be allocated the recovery of our costs of implementing the Markets in Financial Instruments Directive (MiFID) II and the provisional basis for distribution across fee-blocks.

9.2 In Table 3.1 of Chapter 3 of CP16/33²⁰ published in November 2016, we proposed that these costs should be allocated to the following six fee-blocks out of the 15 listed in that table:

- 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 Advisors, arrangers, dealers or brokers
- A.14 Corporate finance advisers
- B Market infrastructure providers – market operators, service companies and operators of multilateral trading facilities (and, from January 2018, operators of organised trading facilities)

9.3 In CP16/33 we highlighted that because MiFID II will not be implemented until January 2018, we do not yet have comprehensive information about the proportion of firms for each of these fee-blocks that will directly benefit from it. We therefore also proposed that when we commence recovering our MiFID II implementation costs in 2017/18 we would, as an interim measure, allocate those costs across the relevant fee-blocks in proportion to their share of our annual funding requirement (AFR). We said that we would use this allocation basis when we consult on our 2017/18 fees in the April 2017 fees rates Consultation Paper (CP) - i.e. this CP. We also said that when we complete our cost recovery in 2018/19, we expect to have sufficient information to moderate the allocations for fee-blocks with low proportions of firms benefiting directly from MiFID II and would set out that final position in our March/April 2018 fees rates CP.

9.4 Our consultation question was:

Do you have any comments on the fee-blocks that should contribute towards the recovery of MiFID II costs?



9.5 We received five responses.

A.9 and A.7 fee-blocks

9.6 Three respondents commented about allocating MiFID implementation costs to the A.9 fee-block. One of these respondents also commented about allocating these costs to the A.7 fee-block.

- One respondent highlighted that Article 2 of MiFID II specifically exempts collective undertakings and the depositaries and managers of such undertakings from the scope of MiFID II. The A.9 fee-block includes depositaries of investment funds, and the activities of investment funds are governed by the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive (for UCITS) and the Alternative Investment Fund Managers (AIFM) Directive (for other funds). As MiFID II does not apply to the core activities of firms governed by the UCITS or AIFM directives, the respondent argued that it is not appropriate to recover MiFID costs from the A.9 fee-block, in particular from depositaries of investment funds who do not generally undertake MiFID II activities.
- One respondent highlighted that investment companies, in their capacity as 'collective investment undertakings', do not fall within scope of MiFID II and therefore should not be required to contribute to our MiFID II costs. However, they accepted that a number of investment companies are authorised as AIFMs or are registered as small AIFMs and pay fees in the A.7 and A.9 fee-blocks. As a general principle, they did not believe it is appropriate for firms to pay for the introduction of regulation that does not apply to them. Therefore, AIFMs should be excluded from contributing to the costs of MiFID II. Delivering this principle should take priority over any administrative difficulties, such as amending the current fee-blocks or subdividing entities within them on the basis of whether or not MiFID applies to them.
- One respondent, while acknowledging that other firms in the A.9 fee-block carry out MiFID activities, highlighted that pensions are largely exempt from MiFID and this remains the case under MiFID II. Under the A.9 fee-block, pension scheme operators will contribute to the recovery of MiFID II costs but life companies, which also offer personal pensions, will not. This places non-pension operators at a disadvantage so the respondent believes that firms which only hold this permission, within the A.9 fee-block, should be excluded from A.9 for MiFID II costs purposes.

Service companies and other financial services firms

9.7 A respondent supported our excluding Benchmark Administrators from recovering the costs of implementing MiFID II. However, they questioned why we proposed excluding service companies from the B fee-block. They also commented that, while recovering the implementation costs of MiFID II will concentrate on certain firms, the benefits of MiFID II in terms of investor protection, market transparency and integrity apply to nearly all financial services firms that provide MiFID II investment services and also their clients. The respondent therefore believed that we should spread the cost recovery more equally across all financial services firms.

- 9.8** A respondent commented that as a general principle any increase in fees as a result of MiFID II should be shared equally across all firms in all fee-blocks who are affected, rather than focusing cost recovery on certain large firms and leaving smaller firms unaffected.

Our response

A.9 and A.7 fee-blocks

Fee-blocks link together related types of permitted regulatory business into clearly defined groupings. All fee-payers within a given fee-block pay fees on the same basis. Overall we have around 56,000 fee-payers grouped into 24 fee-blocks. We consulted on the definitions of all the fee-blocks when they were set up and when we added new types of permitted regulatory business following changes in our regulatory scope. The fee-block structure allows us to recover our costs in an efficient and economical way as we avoid the additional operational costs of putting systems and processes in place that would be needed to apportion costs to more granular groups of types of fee-payers.

It is therefore a consequence of our fee-block structure that, from time to time, 'one-off' costs will be recovered from a sub-set of firms within a fee-block to whom the costs do not specifically relate. We do not believe that the recovery of some of the costs of implementing MiFID II from all the firms in A.9 and A.7 is different in this regard. As such, we continue to consider it appropriate to recover some of the MIFID II scope change costs from these fee-blocks. This is also consistent with the way we recovered the implementation costs of the AIFMD in 2014/15 where the AIFMD did not impact on all the fee-payers in A.9 and A.7.

The definition of the A.9 fee-block includes firms carrying on the activity of establishing, operating or winding up a personal pension scheme or a stakeholder pension scheme but only if the firm does not fall within fee-block A.4 life insurers. Such firms only contribute to the recovery of the £12.3m of our AFR allocated to the A.9 fee-block rather than the £41.8m allocated to the A.4 fee-block. As the respondent pointed out pensions are largely exempt from MiFID and this remains the case under MiFID II and therefore we are not allocating part of those costs to the A.4 fee-block.

As discussed in paragraph 9.3 above, when we complete our cost recovery in 2018/19 we expect to have sufficient information to moderate the allocations for fee-blocks with low proportions of firms benefiting directly from MiFID II and will set out that final position in our March/April 2018 fees rates CP.



Service companies and other financial services firms

Service companies are neither MiFID firms nor carry on MiFID investment services and activities. They only carry on article 25(2) Regulatory Activities Order (RAO) activity, which does not constitute reception and transmission under MiFID.

Our proposal is to recover MiFID II implementation costs from only the fee-blocks that include fee-payers directly affected by it. We believe this is fairer than allocating those costs across all fee-blocks. In doing so we are not focusing cost recovery on certain large firms and leaving smaller firms unaffected. Any firm that falls above the minimum size threshold for the relevant fee-block will contribute in proportion to their size whether small, medium or large. Only the very smallest firms, who fall below the minimum size thresholds for the relevant fee-blocks and therefore just pay a minimum fee, will not contribute to the costs of MiFID II.

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- 9.9** In Chapter 2 of this CP we have proceeded to allocate the interim MiFID II implementation costs we are recovering in 2017/18 across the six fee-blocks as proposed in CP16/33 and listed under paragraph 9.2.

10 B fee-block – using income to calculate fees (feedback to CP16/33)

- 10.1** In this chapter, we summarise the feedback that we received on our proposals to use income as a measure for calculating fees to recover our annual funding requirement (AFR) allocated to the B fee-block (market infrastructure providers). We also explain how we have taken this feedback into account in the final rules in Appendix 3.
- 10.2** In Chapter 4 of CP16/33²¹ published in November 2016, we proposed the following changes to how we calculate fees in the B fee-block from 2017/18.
- Introduce an income measure for recognised investment exchanges (RIEs) and benchmark administrators (BAs).
 - Amend the calculation of fees for service companies (SCs), which are already based on income, by moving from three fixed-rate income bands to a variable rate above £100,000 of income.

Recognised investment exchanges

- 10.3** Our consultation questions on RIEs were:

Do you have any comments on our proposals to base the fees of recognised investment exchanges on an income measure? (Q3)

Do you have any comments on our proposal to ensure recognised investment exchanges are subject to the same requirements for annual fees as other fee-payers? (Q4)

- 10.4** We received no responses to Question 4.
- 10.5** We received three responses to Question 3, one of which disagreed with our proposals. Feedback included:
- The current approach of directly linking fees to the amount of resources we use to supervise firms is fair and no further transparency is needed. However, more transparency should be provided in relation to the wider B fee-block calculations.

21 www.fca.org.uk/publication/consultation/cp16-33.pdf



- The income metric we proposed is not a good proxy for regulatory risk because it only takes into account the size of the firm (i.e. impact) but not the probability of risk. A respondent noted that higher income could actually result in a stronger, better controlled firm and therefore it seemed counterintuitive to assign a greater regulatory fee.
- The FCA should provide further clarity on how we will implement the definition of income to ensure consistency across the population. Specific concerns relate to: 'any other relevant revenue streams' being too broad which gives us too much discretion, rebate schemes becoming too costly, and the risk of us double counting our cost if fees from third parties are included.

Our response

After considering the feedback provided by respondents we believe our income based approach strikes the right balance between simplicity in calculation while ensuring fees reflect the scale of regulated activities that are undertaken.

In CP16/33, we set out a view that RIE income offers a reasonable proxy for the risk posed to our objectives and would provide a more reliable indication than resourcing estimates for current and future projects. We maintain the view that the income attributable to an RIE's activities is a reasonable indicator of the scale, diversity and complexity of its markets and services, and potentially of its role in price formation and the maintenance of resilient and clean markets. We use income as a measure across a wide range of fee-blocks. Therefore, we believe an income measure provides a reasonable reflection of the relevance of an RIE's activities to the advancement of our objectives and will offer a simpler and more objective basis for calculations than using resourcing estimates. We have therefore concluded that there is not a case for RIEs to remain an outlier to the calculation methods for firms falling within other fee blocks.

We acknowledge that transitioning to an income measure will cause an increase in the fee level of certain RIEs and a decrease for others. We note that the actual level at which fees will be set will be determined by the amount allocated to each category of firm within the B fee-block, the number of firms in those categories and the total amount of relevant income they report collectively. Given this, in Chapter 2 of this Consultation Paper we set out the proposed allocation of our 2017/18 AFR across fee-blocks and the factors that drive it. The allocation of £7.7m

AFR to the B fee-block is 1.5% of our total £526.9m AFR. In Chapter 4 we consult on the fee rates for firms in the B fee-block other than RIEs and BAs. Following receipt of updated income data from RIEs and BAs (required by 18 June) we will consult on their 2017/18 fee rates in a separate Consultation Paper to be published end of July. Taking into account the feedback to that consultation we will finalise those fee rates and provide our response to any feedback we receive in October/November 2017.

Finally, we acknowledge the importance of all firms applying the definition of income consistently and will therefore work closely with RIEs to ensure this happens. In relation to specific feedback from firms:

- Our definition of income is broad in its nature as we consider it is not appropriate to provide an exhaustive list of revenue streams. Given the ever changing nature of markets, it is crucial that we can future proof our definition.
 - When authorised firms pay fees to RIEs, this is for services provided by the RIE so there is no overlap with the regulatory fees they pay the FCA.
 - Our income definition is intended to capture the real income that is received as part of the on-going activities of an RIE. This will include pricing strategies such as rebates.
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Benchmark administrators

10.6 Our consultation question was:

Do you have any comments on our proposals to base the fees of benchmark administrators on an income measure? (Q5)

10.7 We received five responses. Two of the respondents disagreed with the proposed metric while three suggested either amendments or requested further information. The feedback included:

- The income metric is not an effective proxy for impact risk, with one respondent suggesting the cost of administering the benchmark would be an improved proxy.
- The current two tiered structure of having a 'principal benchmark administrator' administering the arrangements for determining a benchmark and a 'benchmark administrator' carrying out a more limited role such as calculation agent should remain.
- The minimum fee of £100,000 and the variable fee-rate is too high and will be a barrier to entry for many BAs when the EU Benchmark Directive comes



into force in 2018. As a result of the high fees, there is the possibility that BAs could set up in other jurisdictions where fees are more favourable.

- The FCA should provide further clarity on how the definition of income will be implemented to ensure consistency across the population. Some raised a specific concern related to how global revenue is captured within the definition.

Our response

As with our RIE population, we believe moving to an income based metric will provide a clear framework for regulatory fees and increase the transparency by which they are calculated for BAs. The framework is designed to be simple and allow for the various nuances of the Benchmark Regulations which will be applicable from 1 January 2018. The concept of a 'Benchmark Administrator' (under our current definition) does not exist in future regulation, so we do not believe it appropriate to continue with our current two tiered structure.

The proposed minimum fee of £100,000 is appropriate for the current regulatory environment of BAs. However, we appreciate the landscape is changing and the Benchmark Regulations will bring more BAs into scope. Therefore, in preparation, we will re-assess this minimum figure to ensure it is still appropriate. The variable fee-rate was purely an indicative figure based on the data available. We will consult on the actual figure for firms in July.

We acknowledge that if firms believe their regulatory fees are too high they may consider relocating to other jurisdictions. However, as previously stated, we believe the income metric is fair and transparent, and future proofed for potential regulatory changes. In addition, it is not possible to compare fees levied by regulators across jurisdictions because regulatory structures and remits, as well as the size and complexity of financial markets/services in the various jurisdictions, differ.

In relation to other possible metrics, we do not believe a cost based metric is appropriate as it will encourage firms to keep costs to a minimum which could harm the BAs control environment.

Finally, we acknowledge the importance of all firms applying the definition of income consistently and will therefore work closely with BAs to ensure this happens. A respondent raised the possibility of income being captured from the use of benchmarks outside of the EU (notwithstanding that benchmarks are only required to be authorised when used by entities supervised in the EU). This is something we are aware of and will consider further in the context of the EU Benchmark Regulation.

Services companies

10.8 Our consultation question was:

Do you have any comments on our proposals to introduce a variable fee for service companies with incomes above £100,000? (Q6)

10.9 We received no comments. We are proceeding to amend the calculation of fees for service companies (SCs), which are already based on income, by moving from three fixed-rate income bands to a variable rate above £100,000 of income. In Chapter 4 we consult on the 2017/18 fee rates for SCs calculated on this basis.



11 Financial Ombudsman Service general levy

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

- 11.1** In this chapter, we consult on the 2017/18 fee rates for firms in the compulsory jurisdiction (CJ) of the Financial Ombudsman Service. In Annex 3, we set out the proposed fee rates for firms in each industry block²². In Appendix 1, we set out the draft rules for FEES 5.
- 11.2** Under the Financial Services and Markets Act (FSMA), the Financial Ombudsman Service's 2017/18 budget must be set before the financial year begins on 1 April 2017. The Financial Ombudsman Service's consultation²³ on its draft budget and corporate plan began on 14 December 2016 and ended on 31 January 2017. In March 2017, the Financial Ombudsman Service presented a final budget to the FCA Board, which approved its total annual budget of £263.5m for 2017/18, including the general levy, case fees, and the number of free cases. The final plan and budget is available at: <http://www.financial-ombudsman.org.uk/publications/our-plans-2017-18.pdf>.
- 11.3** The FCA Board will make rules setting the CJ general levy fee rates in June following this consultation.

Budget and funding

- 11.4** The Financial Ombudsman Service must budget separately for the CJ and the voluntary jurisdiction (VJ). Each of these jurisdictions is funded by a combination of annual fees (levies)²⁴ and case fees.²⁵ The majority of the Financial Ombudsman Service's funding comes from case fees, which are currently invoiced and collected once cases have been resolved, or collected via the group account case fee arrangement.
- 11.5** The general levy only applies to firms covered by the CJ²⁶, and it is raised and collected by the FCA. It is payable by all firms authorised or registered by us, including those that have not had any cases referred to the Financial Ombudsman Service, unless they have claimed exemption because they do not deal with retail customers²⁷.
- 11.6** The Financial Ombudsman Service collects a separate levy from financial businesses that have signed up to its VJ. It also collects case fees from firms covered by the CJ and financial businesses covered by the VJ.

22 The Financial Ombudsman Service's general levy is calculated using 'industry blocks', which are similar (but not identical) to the FCA fee blocks. Each industry block has a minimum levy and, in most cases, the levy then increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals).

23 www.financial-ombudsman.org.uk/publications/plan-and-budget-2017-18.pdf

24 The FCA's power to raise the general levy from authorised firms arises from FSMA section 234.

25 See FSMA Schedule 17 paragraph 15.

26 Authorised firms, payment service providers, electronic money issuers, consumer buy-to-let (CBTL) firms, designated finance platforms and designated credit reference agencies (See FEES 5.1)

27 See DISP 1.1.12R.

CJ levy for 2017/18

11.7 Apportionment among fee blocks

In line with FEES 5.3.3G, the 2017/18 CJ levy is based on the Financial Ombudsman Service's forecasts for the proportion of resources that it expects to devote to cases from firms in each sector over the next financial year. The total amount that needs to be collected from the industry is then allocated across the respective industry blocks to produce the final tariff rate.

Table 11.1: Distribution of CJ levy based on the 2017/18 forecast of relevant business

| Industry block | Industry block description | Proposed levy as % of budget |
|----------------|--|------------------------------|
| I001 | Deposit acceptors, home finance lenders and administrators | 46.9% |
| I002 | Insurers: General | 14.0% |
| I003 | The Society of Lloyd's | 0.1% |
| I004 | Insurers: Life | 4.0% |
| I005 | Fund managers | 1.0% |
| I006 | Operators, Trustees and depositaries of collective investment schemes | 0.1% |
| I007 | Dealers as principal | 0.1% |
| I008 | Advisory arrangers, dealers or brokers (holding client money) | 2.0% |
| I009 | Advisory-only firms and advisory, arrangers, dealers, or brokers (not holding client money) | 2.0% |
| I010 | Corporate finance advisers | 0.1% |
| IA11 | Authorised payment institutions | 0.1% |
| IS11 | Small payment institutions and small e-money issuers | 0.1% |
| I013 | Cash plan health providers | 0.0% |
| I014 | Credit unions | 0.1% |
| I015 | Friendly societies whose tax-exempt business represents 95% or more of their total relevant business | 0.0% |
| I016 | Home finance lenders, advisers and arrangers | 1.9% |
| I017 | General insurance mediation | 21.9% |
| IA18 | Authorised electronic money institutions | 0.0% |
| IS18 | Small electronic money institutions | 0.0% |
| I019 | Consumer credit: limited | 2.7% |
| IA19 | Consumer credit: limited (not for profit) | 0.0% |
| I020v | Consumer credit: full | 2.9% |
| IR21 | Consumer buy-to-let | 0.0% |
| I22 | Designated credit reference agencies (but excluding firms in any other industry block) | 0.0% |
| I23 | Designated finance platforms (but excluding firms in any other industry block) | 0.0% |



11.8 The Financial Ombudsman Service has asked us to recover £24.5m by general levy and allocate this in line with the forecast of where costs will fall. Following the transition of consumer credit regulation from the OFT to the FCA, this figure includes consumer credit firms that are now authorised firms covered by the CJ. The proportions are similar to previous years, and this reflects the Financial Ombudsman Service's 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.

Apportionment of the CJ levy within fee blocks

11.9 Annex 3 sets out the proposed allocation of the CJ levy for 2017/18 within each industry block. The rates for 2016/17 are also included for comparison.

11.10 There is a minimum levy in each industry block and, in most cases, the levy then increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) that each firm does.

11.11 For 2017/18, we estimate that 92.1% of firms will pay only the minimum levy for their block.

11.12 Individual firms can calculate the impact of the proposed fees and levies using our online fees calculator²⁸.

11.13 The general levy tariff rates will be finalised in June 2017 for the 2017/18 fee period.

Q6: Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2017/18 – which will be made by our Board in June 2017 – could vary from those in this CP.

²⁸ www.fca.org.uk/firms/being-regulated/fees/calculator

12 Money Advice Service levies

(FEES 7 Annex 1R – draft rules in Appendix 1)

- 12.1** In this chapter we consult on the levies proposed for the Money Advice Service²⁹ for 2017/18. The total budget for the Money Advice Service is £75m, the same as last year, but only £64.1m will be levied for the reasons referred to in paragraph 12.11 below.
- 12.2** Two separate levies are proposed for the Money Advice Service in this consultation:
- The delivery of money advice, to raise £27m in 2017/18 (£30m in 2016/17) although only £23.1m will be levied for the reasons referred to in paragraph 12.11 below.
 - The coordination and provision of debt advice, to raise £48m in 2017/18 (£45m in 2016/17) although only £41.0m will be levied for the reasons referred to in 12.11 below.
- 12.3** Following approval of the draft business plan and budget of £75m by the FCA Board in December 2016, the Money Advice Service consulted on its draft plan on 21 December. The consultation closed on 6 February and 27 responses were received. These are summarised in Appendix 1 of the 2017/18 Money Advice Service Business Plan which is published on its website³⁰.
- 12.4** Further details on the role of the Money Advice Service, its strategic aims and a full breakdown of its budget are also contained in its 2017/18 Business Plan.

The new single financial guidance body

- 12.5** The Government consulted in March 2016 on setting up a two-body delivery model for Government-sponsored guidance. This included replacing the Money Advice Service with a new, streamlined money guidance body and bringing together the Pensions Advisory Service and Pension Wise into a new pension guidance body. However, after considering concerns raised by respondents to the consultation regarding how the two bodies might work together effectively, the Government announced in October 2016 its view that a single body would be better able to respond to the different financial guidance needs of consumers.
- 12.6** The Government consulted on this approach on 19 December 2016 and is expected to respond later this year. The Government anticipates launching the new single financial guidance body no earlier than autumn 2018 and proposed that it will continue to be funded by the financial service levy and

²⁹ 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).

³⁰ The Money Advice Business plan 2017/18: <http://tinyurl.com/mas1718final>



the general levy. In the meantime, the Money Advice Service, the Pensions Advisory Service and Pension Wise will continue to deliver their statutory functions.

- 12.7** The Government expects that the amounts charged to the levies for the new single body will remain in line with the amounts charged before the new arrangements take effect.
- 12.8** The Government will consider whether the new single body should be given a degree of flexibility in how it uses its funding, but until a decision on this is reached funding will continue to be allocated as previously consulted on and agreed.

Money Advice Service consumer credit levies for 2017/18

- 12.9** Consumer credit firms that have been authorised by the FCA also contribute to the Money Advice Service levy as set out in table 12.1. We are proposing that these levies remain unchanged for 2017/18.
- 12.10** In addition to the £9m we expect to raise from consumer credit firms in 2017/18, £1.9m has still to be allocated from consumer credit firms for 2015/16 and 2016/17, making a total of £10.9m. This will be distributed to offset the levy collected from the relevant 'A' fee blocks.

Table 12.1: Proposed Money Advice Service levy rates for consumer credit

| | Minimum Annual fee | | Variable annual fee on income above £250,000 |
|-----------------------------------|--------------------|-----|--|
| Type of firm | 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 |

Q7: Do you have any comments on the proposed Money Advice Service consumer credit levies for 2017/18 set out in table 12.1?

- 12.11** Taking account of the £10.9m consumer credit contributions, the total we need to levy will be £64.1m: £23.1m for money advice and £41.0m for debt advice. We will report any underspend for 2016/17 in our June Policy Statement on fees and take account of it in the final levy rates.

Funding and budget for money advice

- 12.12** The total budget for delivering the money advice function in 2017/18 is £27m, a decrease of 10% from 2016/17. However, only £23.1m will be levied due to consumer credit contributions.

The general principles in the 2017/18 Money Advice Service plan are to:

- Make its direct services more cost-effective and more targeted at specific groups of people with clearly identified needs – especially the 'squeezed' or 'just about managing' segments of the population. The Money Advice Service has stopped some direct services (face-to-face) that did not represent good value for money and improved others.
- Direct the Money Advice Service resources by influencing the wider sector through providing evidence, co-ordination and commissioning services. For example, in 2017/18 the Money Advice Service expects to fund up to 60 projects delivered by voluntary sector organisations across the UK that are designed to provide robust, shareable evidence of how it can improve the money management skills of people in the 'struggling' or 'squeezed' segments in local community sessions.

Allocation for money advice funding

12.13 The Money Advice Service's 2017/18 funding for money advice will come from levies raised from FSMA-authorized firms, payment institutions and electric money issuers. We propose to allocate the money advice budget on the same basis as last year, based on three components that will carry equal weighting:

- How consumers use the three channels of the Money Advice Service (web, telephone and web chat, and printed literature) which will be weighted by the different costs of the channels.
- Mapping the Money Advice Service's strategic aims and outcomes, in its previous and this year's business plans, to appropriate fee blocks. These outcomes include: budgeting to live within means, managing debt well, saving regularly, saving for retirement and protecting assets/making provisions for dependents.
- A levy based on our own allocation for 2017/18.

12.14 Table 12.2 sets out how the allocation method is reflected across fee-blocks and the movement between the amounts allocated to each fee block in 2017/18 compared to 2016/2017. The majority of fee blocks will see a decrease in their money advice levy because of the overall decrease in the money advice budget and contributions by consumer credit firms.

12.15 We are proposing to maintain the minimum fee at £10 for 2017/18.

Table 12.2 Proposed money advice allocation method 2017/18 Fee-Block

| Fee-Block | 2016/17 Allocation £m | 2017/18 Allocations using Usage/Levy/ Outcomes £m | | | 2017/18 Allocation £m | % change in allocation |
|---|--------------------------|---|------------|--------------|-----------------------------|---------------------------|
| | | Usage | Levy | Out comes | | |
| Money advice levy: | | | | | | |
| A.0 Minimum fee | 0.2 | 0.0 | 0.2 | 0.0 | 0.2 | -10.2% |
| A.1 Deposit acceptors | 7.2 | 1.6 | 1.3 | 2.3 | 5.2 | -27.5% |
| A.2 Home finance providers and administrators | 4.5 | 3.1 | 0.3 | 0.8 | 4.2 | -5.9% |
| A.3 Insurers – general | 2.6 | 0.1 | 0.4 | 1.5 | 2.1 | -17.1% |
| A.4 Insurers – life | 3.3 | 0.7 | 0.7 | 1.9 | 3.4 | 1.4% |
| A.5 Lloyd’s managing agents | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| A.6 The Society of Lloyds’ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| A.7 Fund managers | 1.3 | 0.0 | 0.8 | 0.4 | 1.2 | -10.2% |
| A.9 Operators, trustees and depositaries of collective investment schemes etc | 0.7 | 0.6 | 0.2 | 0.4 | 1.2 | 73.8% |
| A.10 Firms dealing as principal | 1.4 | 0.0 | 0.9 | 0.4 | 1.3 | -10.2% |
| A.13 Advisers, arrangers, dealers or brokers | 2.9 | 1.4 | 1.3 | 0.0 | 2.7 | -6.1% |
| A.14 Corporate finance advisers | 0.3 | 0.0 | 0.2 | 0.0 | 0.2 | -10.2% |
| A.18 Home finance providers, advisers and arrangers | 0.4 | 0.0 | 0.3 | 0.0 | 0.3 | -10.2% |
| A.19 General insurance mediation | 0.6 | 0.2 | 0.5 | 0.0 | 0.7 | 19.3% |
| A.21 Firms holding client money or assets | 0.3 | 0.0 | 0.3 | 0.0 | 0.3 | -10.2% |
| G Firms covered by Payment Services Regulations 2009 (PSRs) and Electronic Money Regulations 2011 (EMRs) | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | -10.2% |
| Total | 25.7 | 7.7 | 7.7 | 7.7 | 23.1 | -10.2% |

Q8: Do you have any comments on the proposed 2017/18 Money Advice Service levy rates for money advice?

Funding and budget for debt advice

12.16 The Money Advice Service took on responsibility for coordinating debt advice in April 2012. The budget for this activity in 2017/18 will be £48m, an increase of 7% over the £45m allocated in 2016/17. The Money Advice Service will commission £3m of additional debt advice sessions based on evidence from mapping debt advice provision across the UK which showed that available provision has dropped by about 15,000 sessions. However, we will levy only £41.0m due to the consumer credit contributions.

12.17 The Money Advice Service expects to deliver high quality, free debt advice sessions to 468,000 people in 2017/18. This is 43,000 more than in 2016/17, which represents an increase of 10% against a funding increase of 7%.

Allocation of debt advice funding

12.18 We propose to allocate the debt advice budget in the same way as last year – between the A1 and A2 blocks, on the basis of 50% for A1 and 50% for A2. This uses a model that accounts for both total lending and write off levels and is based on Bank of England data. We believe this model reflects the difficulties that can occur during the lending process. In addition, we have offset some of the contribution by taking into account the amounts received from the consumer credit fees.

12.19 We will continue to make appropriate concessions for credit unions regarding the debt advice levy by operating a tiered system so that smaller firms with unsecured debt less than £250,000 will not have to contribute. Those with unsecured debt of over £250,000 will pay on the value of unsecured debt above this threshold. This will be the same rate as paid by all other firms in that fee-block.

12.20 We do not levy a debt advice minimum fee.

12.21 Table 12.3 sets out the 2017/18 allocation of debt advice funding compared to 2016/17.

Table 12.3 Proposed allocation of 2017/18 debt advice funding to fee-blocks compared to 2016/17

| Debt advice levy: | Allocation 2016/17 | Allocation 2017/8 based on 50% lending | Allocation 2017/18 based on 50% Write Offs | 2017/18 Allocation £m | Movement % |
|--|--------------------|--|--|-----------------------|-------------|
| A.1 Deposit acceptors | 19.5 | 2.3 | 18.0 | 20.3 | 4.2% |
| A.2 Home finance providers and administrators | 19.9 | 18.3 | 2.5 | 20.7 | 4.2% |
| Total | 39.3 | 20.5 | 20.5 | 41.0 | 4.2% |

Q9: Do you have any comments on the proposed 2017/18 Money Advice Service levy rates for debt advice?

Fee payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2017/18 – which will be made by our Board in June 2017 – could vary from those in this CP.

13 Pensions guidance levies

13.1 In this chapter, we set out our proposed 2017/18:

- pensions guidance levy (PGL) rates, and
- pensions guidance providers' levy rates

Pensions guidance levy 2017/18 rates

13.2 The PGL will recover the 2017/18 funding requirement of Pension Wise. Pension Wise provides an impartial guidance service to help consumers understand the greater flexibility they have with their pension pots as a result of the pension reforms which came into effect from April 2015.

13.3 The Department for Work and Pensions have notified us that the 2017/18 funding requirement for providing Pension Wise will be £16.2m. This is an estimate and may be revised when the PGL rates are finalised in June. A breakdown of the funding requirement is provided in Table 13.1.

Table 13.1: 2017/18 Pension Wise funding requirement

| | 2017/18 £m | 2016/17 £m | Movement |
|------------------------------------|-------------|-------------|-------------|
| Pensions guidance service (i) | 22.5 | 29.9 | -25% |
| Less 2016/17 underspend (ii) | (6.3) | (7.4) | -15% |
| 2017/18 funding requirement | 16.2 | 22.5 | -28% |

Notes:

- (i) includes our 2017/18 £0.1m costs for monitoring the Designated Guidance Providers (£0.3m 2016/17) and £0.1m costs for collecting the Pensions Guidance Levy (unchanged from 2016/17)
- (ii) includes our 2016/17 £0.1m underspend in our monitoring costs

13.4 The £6.3m underspend is primarily due to the Government's decision in October 2016³¹ not to proceed with putting in place a secondary market for annuities, which was scheduled to commence from April 2017. Pension Wise therefore did not need funding to complete plans for providing guidance to consumers ahead of such a market being formed.

The new single guidance body

13.5 The Government consulted in March 2016 on setting up a two-body delivery model for Government-sponsored guidance. This included replacing the Money Advice Service with a new, streamlined money guidance body and bringing together the Pensions Advisory Service and Pension Wise into a new pensions guidance body. However, after considering concerns raised by respondents to the consultation regarding how the two bodies might work together effectively, the Government announced in October 2016 that a

31 <https://www.gov.uk/government/news/government-cancels-plans-to-create-a-market-for-secondary-annuities>

single body would be better able to respond to the different financial guidance needs of consumers.

- 13.6** The Government consulted on this approach on 19 December 2016 and is expected to respond to feedback shortly after the closing date of 13 February 2017.
- 13.7** The Government anticipates launching the new single body no earlier than autumn 2018 and made it clear that the new organisation will continue to be funded by a levy on the industry. In the meantime, the Money Advice Service, the Pensions Advisory Service and Pension Wise will continue to deliver their statutory functions.

Pension Wise 2017/18 funding requirement – allocation to PGL fee-blocks

- 13.8** The framework for recovering Pension Wise funding is based on using five PGL fee-blocks covering the regulated activities undertaken by firms who may benefit from the retirement financial products and services that consumers may purchase as a result of the pension reforms³². The range of such products/services is wide and includes cash savings accounts, annuities, income draw down, investment funds/schemes and other guaranteed income-generating products that may emerge, as well as the services of financial advisers and managers of investments.
- 13.9** The framework also included a policy of equal allocation of Pension Wise funding across the five PGL fee blocks with the following two exceptions:
- A.9 allocation of 16%: most regulated activities covered by the A.7 and A.9 fee-blocks are unique to each fee-block. However, the regulated activities of managing an AIF (alternative investment fund) or UCITS (undertakings for collective investment in transferable securities) are common to both fee-blocks. Therefore firms managing an AIF or UCITS can pay the PGL in both A7 and A9. In the case of firms managing an AIF or UCITS the potential benefit is the additional charges they receive from enlarged funds

32 Established through three consultations in 2014 and 2015:

- FCA, CP14/11: Retirement reforms and the Guidance Guarantee, (July 2014) chapter 3, www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf
- FCA, CP14/26: Regulatory fees and levies: policy proposals for 2015/16, (November 2014) chapter 3 feedback on responses to CP14/11, and chapter 4 revised proposals www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf
- FCA, CP15/14: FCA Regulated fees and levies: Rates proposals 2015/16 (March 2015) chapter 9 feedback on responses to C14/26 and chapter 10 proposed allocation across PGL fee-blocks and rates www.fca.org.uk/static/documents/consultation-papers/cp15-14.pdf
- FCA, 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



if consumers invest their pension pots directly or indirectly in the AIFs or UCITS they are managing. To address this we adjusted the allocation for A.9 to 16%. While firms in both A.7 and A.9 form around 67% of the total PGL fee payers in A.9 they only form around 5% of PGL fee payers in A.7 so applying the reduced allocation to A.9 better targeted the adjustment to the firms most affected. This situation does not occur for the regulated activities covered by the other PGL fee-blocks.

- A.13 allocation of 12%: the A.13 fee block includes firms that provide financial advice who will only benefit if, after using Pension Wise, consumers seek advice from regulated financial advisers. However, firms in the other four fee-blocks will more likely benefit as the monies released through greater pension flexibility, if used for investment, will be distributed among them. The reduced allocation to A.13 is intended to allow for this difference.

13.10 We started with an equal distribution 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 PS15/15 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. Such data will need to be specific to each PGL fee-block and measurable to enable the potential benefit to firms in one fee-block to be compared to firms in another. No such data has become available.

13.11 We are also mindful of the Government's intention to set up a new single guidance body, as discussed in paragraphs 13.5 to 13.7. This may result in the need for the allocations across fee-blocks to take account that the new body will be giving guidance to consumers at the pension accumulation stage as well as when they are considering what to do with their pension pots at retirement.

13.12 We therefore propose that the distribution of the 2017/18 Pension Wise funding requirement should be unchanged from that used for 2016/17, as set out in Table 13.2.

Table 13.2: 2017/18 Pension Wise funding allocations

| PGL fee-blocks | | Proposed 2017/18 | | Actual 2016/17 | |
|----------------|--|------------------|------------|----------------|------------|
| | | £m | % | £m | % |
| A.1 | Deposit acceptors | 3.9 | 24 | 5.4 | 24 |
| A.4 | Insurers – life | 3.9 | 24 | 5.4 | 24 |
| A.7 | Portfolio managers | 3.9 | 24 | 5.4 | 24 |
| A.9 | Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes | 2.6 | 16 | 3.6 | 16 |
| A.13 | Advisory arrangers, dealers or brokers | 1.9 | 12 | 2.7 | 12 |
| Total | | 16.2 | 100 | 22.5 | 100 |

Q10: Do you have any comments on the proposed 2017/18 pensions guidance levy (PGL) rates?

Fee payers should be aware that the draft PGL rates in Appendix 1 are calculated using estimated fee-payer population and tariff data. This means that final PGL rates for 2017/18 – which will be made by our Board in June 2017 – could vary from those in this CP.

Pensions guidance providers' levy

13.13 The Pension Wise service is provided through designated guidance providers (DGPs) which currently are those listed in Table 13.3. We recover our pensions guidance costs from the DGPs. These costs can include our costs of setting the standards for giving pensions guidance by the DGPs and monitoring their compliance with meeting those standards.

13.14 Our 2017/18 annual funding requirement, discussed in Chapter 2, includes our budgeted pensions guidance costs of £54,000 allocated to the H fee-block. We are proposing an equal allocation of these costs across the DGPs as set out in Table 13.3, the same as for 2016/17.

13.15 The £54,000 total levy represents part of the Department of Work and Pensions' estimated £16.2m funding requirement for providing Pension Wise in Table 13.1.

Table 13.3: 2017/18 allocation of FCA monitoring costs

| Designated guidance providers | 2017/18 £m | 2016/17 £m |
|---|---------------|----------------|
| The Pensions Advisory Service Limited | 13,500 | 77,500 |
| National Association of Citizens Advice Bureaux | 13,500 | 77,500 |
| Scottish Association of Citizens Advice Bureaux | 13,500 | 77,500 |
| Northern Ireland Association of Citizens Advice Bureaux | 13,500 | 77,500 |
| Total | 54,000 | 310,000 |

Q11: Do you have any comments on the proposed 2017/18 pensions guidance providers' (PGPL) levy rates?



14 Illegal money lending levy

- 14.1** In this chapter, we set out our proposed 2017/18 Illegal Money Lending (IML) variable levy rate.
- 14.2** The IML levy is raised to recover the expenses that the Treasury incur in providing funding for the teams tackling illegal money lending. Under S333T³³ of FSMA our responsibility is to calculate the levy rates, collect the levy from firms and pay the revenues collected to the Treasury, after deducting our administration costs.
- 14.3** The Treasury have notified us that their 2017/18 illegal money lending expenses will be £5.0m³⁴. This is an estimate and may be revised when the IML levy rates are finalised in June. The IML levy rates to recover this amount from consumer credit firms are set out in Table 14.1.

Table 14.1: 2017/18 IML levy rates

| Type of firm | Fee |
|-------------------------|---|
| CC1. Limited permission | £5 flat rate |
| CC2. Full permission | Up to £250,000 consumer credit income: £10 minimum levy |
| | Over £250,000 consumer credit income: £10 + £0.192 per £1,000 |

- 14.4** The proposed structure for recovering the Treasury's illegal money lending expenses was consulted on in Chapter 2 of CP16/33 (November 2016)³⁵. We responded to the feedback we received in our Handbook Notice 41³⁶ and made the final rules in legal instrument FCA 2017/6 Fees (Miscellaneous Amendments) (No 9) Instrument 2017, published in February 2017³⁷. This confirmed the 2017/18 CC1 flat levy of £5 and the CC2 minimum levy of £10.
- 14.5** We are therefore now only consulting on the 2017/18 CC2 variable levy rate of £0.192.

Q12: Do you have any comments on the proposed 2017/18 illegal money lending (IML) variable levy rate?

Fee payers should be aware that the draft IML variable levy rate in Appendix 1 is calculated using estimated fee-payer populations and tariff data. This means that final IML variable levy rate 2017/18 – which will be made by our Board in June 2017 – could vary from those in this CP.

33 Introduced to FSMA by the Bank of England and Financial Services Act 2016.
 34 Includes FCA collection costs of £100,000 to set-up and £70,000 to collect.
 35 www.fca.org.uk/publication/consultation/cp16-33.pdf
 36 www.fca.org.uk/publication/handbook/handbook-notice-41.pdf
 37 www.handbook.fca.org.uk/instrument/2017/FCA_2017_6.pdf

Annex 1

List of questions

- Q1:** Do you have any comments on the proposed FCA 2017/18 minimum fees and variable periodic fee rates for authorised firms?
- Q2:** Do you have any comments on the proposed FCA 2017/18 minimum fees and periodic fee rates for fee payers other than authorised firms?
- Q3:** Do you have any comments on the proposed adoption of the allocation by exception approach as our allocation policy from 2018/19 (and for the foreseeable future) and that 2013/14 is the baseline?
- Q4:** Do you have any comments on the proposed 2017/18 ring-fencing implementation fee?
- Q5:** Do you have any comments on our application fees proposals arising out of PSD2?
- Q6:** Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?
- Q7:** Do you have any comments on the proposed Money Advice Service consumer credit levies for 2017/18 set out in table 12.1?
- Q8:** Do you have any comments on the proposed 2017/18 Money Advice Service levy rates for money advice?
- Q9:** Do you have any comments on the proposed 2017/18 Money Advice Service levy rates for debt advice?
- Q10:** Do you have any comments on the proposed 2017/18 pensions guidance levy (PGL) rates?
- Q11:** Do you have any comments on the proposed 2017/18 pensions guidance providers' (PGPL) levy rates?
- Q12:** Do you have any comments on the proposed 2017/18 illegal money lending (IML) variable levy rate?



Annex 2

Compatibility statement

1. This annex explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA). Under section 138I of FSMA, the FCA, the Financial Ombudsman Service and the Money Advice Service (MAS) are exempt from the requirement to carry out and publish a cost benefit analysis regarding such proposals.
2. When consulting on new rules, we are required by section 138I(2)(d) FSMA to explain why we believe making the proposed rules is compatible with our strategic objective, advances one or more of our operational objectives, and has regard to the regulatory principles in s.3B FSMA. We are also required by s.138K(2) FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.
4. This annex further includes our assessment of the equality and diversity implications of these proposals

Our objectives and regulatory principles

5. Our proposals set out in this consultation are not intended in themselves to advance our operational objectives. However, they will enable us to fund the activities we need to undertake in 2017/18 to meet our responsibilities under FSMA. Therefore, these proposals will indirectly advance our operational objectives of:
 - delivering consumer protection – securing an appropriate degree of protection for consumers
 - enhancing market integrity – protecting and enhancing the integrity of the UK financial system
 - building competitive markets – promoting effective competition in the interests of consumers
6. We also consider that these proposals are indirectly compatible with our strategic objective of ensuring that the relevant markets function well because they will again enable us to fund the activities to meet it. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F

FSMA. In the rest of this annex, reference to objectives means both our strategic objective and operational objectives.

7. In the case of the Financial Ombudsman Service, the proposals in this consultation to raise the general levy to fund its activities in 2017/18 will indirectly 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.
8. In the case of the Money Advice Service, the proposals in this consultation to raise the levies to fund its activities in 2017/18 will indirectly meet its statutory objectives of:
 - enhancing the understanding and knowledge of financial matters by members of the public
 - improve people's ability to manage their own financial affairs
 - assist the public with debt management, with a view to improving the availability, quality and consistency of debt advice services across the UK
9. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s.3B FSMA. The most relevant regulatory principles are considered below:

The need to use our resources in the most efficient and economical way

- Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We endeavour to carry out this work in the most efficient and economical way possible, concentrating on the areas of activity that pose the greatest risk to our objectives.
- Our priorities for each financial year are set out in our annual Business Plan, which for 2017/18 was published on 18 April 2017. Our Business Plan includes our budget, which forms the basis of our £526.9m 2017/18 annual funding requirement (AFR). This is an increase of £7.6m (1.5%) over the AFR for 2016/17 and is driven by an inflation aligned £5.1m (1.0%) increase in our ongoing regulatory activities (ORA) budget and an additional £2.5m for EU withdrawal. A breakdown of our 2017/18 AFR is provided in Chapter 2.
- The Financial Ombudsman Service and the Money Advice Service are operationally independent, but accountable to us, which means that our resources are not directly involved in carrying out their activities

The principle that a burden or restriction should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction



FCA

- The underlying rules for how we raise fees from fee-payers have been consulted on previously.
- Our fees are necessary for us to meet our objectives. As outlined above we take steps to use our resources in the most efficient and economic way, whilst delivering benefits to UK consumers, through our regulatory activities.
- In allocating our costs across the various fee-blocks (regulatory activities) we take into account the risks each fee-block poses to our objectives. This also reflects the resources we apply to these activities.
- We have taken an allocation by exception approach to distributing the overall 1.5% increase in our 2017/18 AFR across fee-blocks (the same approach as we have taken for the past three years). The exceptions relate to: changes to our regulatory scope; EU withdrawal costs; Payment Services Directive (PSD) 2 implementation costs; and an adjustment relating to the annual contribution to reducing the FCA pension deficit. We provide details of these exceptions and the impact on allocations across fee-blocks in Chapter 2.
- We are proposing to adopt the allocation by exception approach as our allocation policy from 2018/19 and for the foreseeable future. We are consulting on this separately under Chapter 6.
- Our proposals in Chapter 7 will target the recovery of our costs for meeting our obligations under ring-fencing to only the banks affected. We are recovering these costs outside our AFR.
- In Chapter 8 we consult on revised application, reauthorisation, re-registration and exemption fees to accommodate changes from PSD 2. Overall, we are proposing levels of fees that are in line with existing fees for payment service activities which we believe are proportionate given the resources we will need for considering these applications.

The Financial Ombudsman Service

- Fees collected to fund the Financial Ombudsman Service enable it to carry out its statutory functions, broadly to provide access to an independent, quick and informal scheme for dispute resolution. The proper functioning of the Financial Ombudsman Service helps us to meet our consumer protection objective. The Financial Ombudsman Service's general levy is calculated using 'industry blocks', which are similar (but not identical) to our 'fee-blocks'. Each industry block has a minimum levy and, in most cases, the levy then increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) each firm does. The proportion is called 'tariff rate'. The proportions in which the CJ levy are distributed across the fee-blocks are based on the Financial Ombudsman Service's forecasts for the proportion of resources it expects to devote in 2017/18 to cases from firms in each sector.

Money Advice Service

- Fees collected to fund the Money Advice Service allows it to meet its objectives, providing information and support to consumers to help them play their part in driving effective competition in markets where FCA-regulated firms operate, which should help deliver better market outcomes for everyone.
- The allocation of the money advice levy is based on three equal components: how consumers currently use the Money Advice Service, the service's business strategy and a levy based on our own allocation.
- For debt advice the allocation is based on total lending and write off levels on a 50% basis for each, using Bank of England data and allocated between A1 and A2 fee-blocks.

Pensions guidance levies

- Overall, using the five pensions guidance fee-blocks enables the burden of the levy on 'A' fee-block firms to be more proportionate to the benefit generally expected to result from the pensions reforms/consumers using Pensions Wise. Within the five pensions guidance fee-blocks the amounts allocated will be recovered in proportion to the size of the firms business as a proxy for the benefit that these firms may derive.

Illegal money lending levy

- The illegal money lending levy mirrors our existing fees structure, avoiding the need to impose new data reporting requirements on firms.

The desirability of exercising our functions that recognises differences in the nature of the businesses carried on by different persons we regulate

FCA

- The allocation of our AFR in Chapter 2 recognises the differences in the nature of the businesses carried on by the different persons we regulate:
 - fee-blocks are defined by reference to related types of permitted business fee-payers can undertake
 - the proportion of our funding requirement allocated to each fee-block represents the resources we will apply to mitigate risks to our objectives
 - subject to minimum thresholds of size and minimum fees, fee-payers pay fees in each fee-block in line with the scale of the business they undertake in each fee-block

Pensions guidance levies

- The 18,200 firms in the 'A' fee-block, as a whole, undertake a very wide range of financial services business. We believe that by using the five pensions guidance fee-blocks and not the other 11 we are recognising these differences.

The principle that we should exercise our functions as transparently as possible



- For transparency, the FCA, the Financial Ombudsman Service and the Money Advice Service set out each year an explanation of any changes in fees or levy rates and the key drivers of those changes. We also publish a paper that explains the methodology used to calculate fees and levies, How we raise our fees³⁸, and provide an online facility to help firms calculate their likely periodic fees or levies for the forthcoming year (fees calculator³⁹).

- 10.** The proposals set out in this CP enable us to fund the activities we need to undertake in 2017/18. These activities include taking action intended to minimise the extent to which it is possible for a business carried on: (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s.1B(5)(b) FSMA).

Expected effect on mutual societies

- 11.** We do not expect the proposals in this paper to have a significantly different impact on mutual societies. The impact of the 2017/18 proposals for FCA fees, the Financial Ombudsman Service, the Money Advice Service, the pensions guidance and illegal money lending levies on authorised firms that are mutual societies is not significantly different from the impact on other authorised firms.

Compatibility with the duty to promote effective competition in the interests of consumers

- 12.** The proposals set out in this consultation enable us to fund the activities we need to undertake in 2017/18. These activities include meeting our duty to promote effective competition in the interests of consumers.
- 13.** Additionally, the levels of fees set for different types of firms support our objective of promoting effective competition. For example, the allocation of our AFR to fee blocks on which the fee rates are based takes account of the aggregate riskiness of the sector they represent and the recovery of allocations within the fee blocks is based on the size of business undertaken by the individual firms.

³⁸ www.fca.org.uk/publication/corporate/how-we-raise-our%20fees.pdf

³⁹ www.fca.org.uk/firms/calculate-your-annual-fee/fee-calculator

- 14.** The pensions guidance levy is raised from a subset of our 'A' fee-blocks. This approach has been adopted as we consider that this incorporates the wider range of products and services that consumers could purchase after using the pension guidance (and, therefore, the range of firms that could compete for those consumers' business). We consider that our proposals on allocation of costs across the pensions guidance levy (PGL) fee-blocks is reasonable until data on which financial products and services consumers are using as a result of the pension reforms becomes available. Such data will need to be specific to each PGL fee-block and measurable to enable the potential benefit to firms in one fee-block to be compared to firms in another.

Equality and diversity

- 15.** We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment to ensure that the equality and diversity implications of any new policy proposals are considered.
- 16.** We believe the proposals in this CP do not raise equality or diversity questions.
- 17.** However, we would welcome comments on any equality and diversity issues you believe may arise from our proposals.

Annex 3 Financial Ombudsman Service general levy – overview and industry blocks

| Industry block | Description | Tariff base | Consultation 2017/18 tariff rate (£) | Final 2016/17 tariff rate (£) | Consultation 2017/18 minimum levy per firm (£) | Final 2016/17 minimum levy per firm (£) | Consultation 2017/18 gross total | Final 2016/17 gross total | Consultation 2017/18 contribution by block | Final 2016/17 contribution by block |
|----------------|---|---|--------------------------------------|-------------------------------|--|---|----------------------------------|---------------------------|--|-------------------------------------|
| I001 | Deposit acceptors, home finance lenders and administrators | Per relevant account | 0.04454 | 0.04530 | 100 | 100 | £11,491,480 | £11,551,793 | 46.9% | 47.2% |
| I002 | Insurers - General | Per £1,000 of relevant annual gross premium income | 0.1268 | 0.1276 | 100 | 100 | £3,430,000 | £3,516,776 | 14.0% | 14.4% |
| I003 | The Society of Lloyds | Flat Levy | N.A. | N.A. | 25,989 | 25,959 | 25,989 | 25,989 | 0.1% | 0.1% |
| I004 | Insurers - Life | Per £1,000 of relevant adjusted annual gross premium income | 0.0173 | 0.0173 | 130 | 130 | £978,176 | 378,176 | 4.0% | 4.0% |
| I005 | Fund managers | Flat Levy | N.A. | N.A. | 230 | 275 | £232,899 | £232,899 | 1.0% | 1.0% |
| I006 | Operators, Trustees and Depositories of collective investment schemes | Flat Levy | N.A. | N.A. | 60 | 60 | £23,290 | 23,290 | 0.1% | 0.1% |
| I007 | Dealers as principal | Flat Levy | N.A. | N.A. | 75 | 75 | £23,290 | £23,290 | 0.1% | 0.1% |

| Industry block | Description | Tariff base | Consultation 2017/18 tariff rate (£) | Final 2016/17 tariff rate (£) | Consultation 2017/18 minimum levy per firm (£) | Final 2016/17 minimum levy per firm (£) | Consultation 2017/18 gross total | Final 2016/17 gross total | Consultation 2017/18 contribution by block | Final 2016/17 contribution by block |
|----------------|--|---|--------------------------------------|-------------------------------|--|---|----------------------------------|---------------------------|--|-------------------------------------|
| I008 | Advisory arrangers, dealers or brokers (holding client money) | Per £1,000 of annual income | 0.15 | 0.149 | 45 | 45 | £489,088 | £489,088 | 2.0% | 2.0% |
| I009 | Advisory only firms and advisory arrangers, dealers, or brokers (not holding client money) | Per £1,000 of annual income | 0.0812 | 0.10 | 45 | 45 | £489,088 | £489,088 | 2.0% | 2.0% |
| I010 | Corporate finance advisors | Flat Levy | N.A. | N.A. | 55 | 55 | £23,290 | £23,290 | 0.1% | 0.1% |
| IA11 | Authorised payment service providers | Per £1,000 of relevant income | 0.0007 | 0.0007 | 75 | 75 | £23,290 | £23,290 | 0.1% | 0.1% |
| IS11 | Small payment institutions and smaller-money issuers | Flat Levy | N.A. | N.A. | 35 | 35 | £23,290 | £23,290 | 0.1% | 0.1% |
| I013 | Cash plan health providers | Flat Levy | N.A. | N.A. | 65 | 65 | £780 | £780 | 0.0% | 0.0% |
| I014 | Credit unions | Flat Levy | N.A. | N.A. | 55 | 55 | £23,290 | £23,290 | 0.1% | 0.1% |
| I015 | Friendly societies whose tax exempt business represents 95% or more of their total relevant business | Flat Levy | N.A. | N.A. | 65 | 65 | £3,640 | £3,640 | 0.0% | 0.0% |
| I016 | Home finance lenders, advisers and arrangers | Flat Levy | N.A. | N.A. | 90 | 90 | £465,798 | £465,798 | 1.9% | 1.9% |
| I017 | General insurance mediation | Per £1,000 of relevant business annual income | 0.471 | 0.490 | 100 | 100 | £5,375,300 | £5,403,258 | 21.9% | 22.1% |



| Industry block | Description | Tariff base | Consultation 2017/18 tariff rate (£) | Final 2016/17 tariff rate (£) | Consultation 2017/18 minimum levy per firm (£) | Final 2016/17 minimum levy per firm (£) | Consultation 2017/18 gross total | Final 2016/17 gross total | Consultation 2017/18 contribution by block | Final 2016/17 contribution by block | |
|---------------------------|--|--|--|---|--|---|----------------------------------|---------------------------|--|-------------------------------------|---------------|
| IA18 | Authorised electronic money institutions | Per average outstanding electronic money | 0.0007 | 0.0016 | 75 | 75 | £2,500 | £2,500 | 0.0% | 0.0% | |
| IS18 | Small electronic money institutions | Flat Levy | N.A. | N.A. | 50 | 50 | £475 | £475 | 0.0% | 0.0% | |
| IO19 | Consumer Credit - Limited | Flat Levy | N.A. | N.A. | 35 | 35 | £662,235 | £765,083 | 2.7% | 3.1% | |
| IA19 | Consumer Credit - Limited - Not for Profit | Flat Levy | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | |
| IO20 | Consumer Credit - Full | Per £1,000 of consumer Credit Income | 0.012 (on income over £250,000 plus minimum fee) | 0.02 (on income over £250,000 plus minimum fee) | 35 | 35 | £712,812 | £434,917 | 2.9% | 1.8% | |
| IR21 | Consumer Buy to Let | Flat Levy | N.A. | N.A. | 35 | 35 | N.A. | N.A. | 0.0% | 0.0% | |
| I22 | Designated credit reference agencies (but excluding firms in any other industry block) | Flat Levy | N.A. | N.A. | 75 | N.A. | N.A. | N.A. | 0.0% | N.A. | |
| I23 | Designated finance platforms (but excluding firms in any other industry block) | Flat Levy | N.A. | N.A. | 75 | N.A. | N.A. | N.A. | 0.0% | N.A. | |
| Total (all blocks) | | | | | | | | £24,500,000 | £24,500,000 | 100.0% | 100.0% |

Annex 4

List of non-confidential respondents to CP16/33

The following relate to the responses referred to in chapters 9 and 10 of this CP.

Association of Investment Companies

Bats Europe Limited

Depository and Trustee Association

LME

St. James's Place Wealth Management

Thompson Reuters

Xafinity SIPP Services Ltd

Abbreviations used in this paper

| | |
|--------------|--|
| AFR | Annual funding requirement |
| AIF | Alternative investment fund |
| AIFM | Alternative investment fund managers |
| APIs | Authorised payment institutions |
| BA | Benchmark administrators |
| CASS | Client Money Assets sourcebook |
| CIS | Collective investment schemes |
| CJ | Compulsory jurisdiction |
| CP | Consultation Paper |
| CFEB | Consumer Financial Education Body |
| DGP | Designated guidance providers |
| DPB | Designated professional bodies |
| EEA | European Economic Area |
| EMI | Electronic money institution |
| EMR | Electronic money regulations |
| FEES | Fees manual |
| FPS | Financial Penalty Scheme |
| FSA | Financial Services Authority |
| FSBRA | Financial Services (Banking Reform) Act 2013 |
| FSCS | Financial Services Compensation Scheme |
| FSMA | Financial Services and Markets Act |
| IML | Illegal money lending |



| | |
|------------------|--|
| MCD | Mortgage Credit Directive |
| MiFID II | Markets in Financial Instruments Directive II |
| MiFIR | Markets in Financial Instruments Regulation |
| MTF | 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 |
| PSD2 | Payment Services Directive 2 |
| RAISP | Registered account information service providers |
| RIEs | Recognised investment exchanges |
| RCB | Regulated covered bonds |
| RAO | Regulated Activities Order |
| RFIF | ring-fencing implementation fee |
| SC | Service companies |
| SM&CR | Senior Managers and Certification Regime |



| | |
|--------------|---|
| UCITS | Undertakings for collective investment in transferable securities |
| UKLA | UK Listing Authority |
| VJ | Voluntary jurisdiction |

We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

You can download this Consultation Paper from our website: www.fca.org.uk.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 9644 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS



Appendix 1

Periodic Fees (2017/18) and Other fees Instrument 2017 (draft rules)

PERIODIC FEES (2017/2018) AND OTHER FEES INSTRUMENT 2017

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 213 (The scheme);
 - (e) section 214 (Provisions of the scheme);
 - (f) section 234 (Industry funding);
 - (g) section 333Q (Funding of the FCA’s pensions guidance costs);
 - (h) section 333R (Funding of the Secretary of State’s pensions guidance costs);
 - (i) section 333T (Funding of action against illegal money lending);
 - (j) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
 - (k) paragraph 12 in Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body);
 - (2) regulation 35 (Costs of supervision) of the Money Laundering Regulations 2007(SI 2007/2157);
 - (3) regulation 92 (Costs of supervision) of the Payment Services Regulations 2009 (SI 2009/209);
 - (4) regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99);
 - (5) regulation 46 and paragraph 5 of Schedule 1 (Fees) in the Regulated Covered Bond Regulations 2008 (SI 2008/346); and
 - (6) 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 [*date*].

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 (2017/2018) and Other Fees Instrument 2017.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

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

Amend the following as shown.

| | |
|--|---|
| <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 <u>it has advised the <i>PRA</i> are</u> not intended to be held within <u>by</u> a <i>ring-fenced body</i> or its <i>UK</i> subgroup for <i>ring-fencing</i> purposes on <u>from</u> 1 January 2019. |
| <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> <u>forecasts to the <i>PRA</i> indicating that, from 1 January 2019, it will not meet the <i>core deposit</i> level condition in article 12 of the FSMA (Ring-fenced Bodies and Core Activities) Order 2014</u> and (ii) was <u>has been</u> notified by the <i>FCA</i> on or prior to <u>between</u> 1 May 2016 <u>and</u> 1 May 2017 that a fee relating to <u>the implementation of <i>ring-fencing</i></u> would <u>will</u> be payable by one or more members of its group. |

Delete the following definition. The text is not shown struck through.

| | |
|-----------------------------------|--|
| <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> . |
|-----------------------------------|--|

Annex B

Amendments to the Fees manual (FEES)

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

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 |
|--|---------------------------------|---|--|
| ... | | | |
| <i>Persons who hold a certificate issued by the FCA under article 54 of the Regulated Activities Order (Advice given in newspapers etc.)</i> | £ 1,084 <u>1,095</u> | (1) Unless (2) applies, on or before 1 August or, if later, within 30 days of the date of the invoice (2) If an event in column 4 occurs during the course of a <i>fee year</i> , 30 days after the occurrence of that event | Certificate issued to <i>person</i> by <i>FCA</i> under Article <u>article</u> 54 RAO |
| ... | | | |

4 Annex FCA activity groups, tariff bases and valuation dates

1AR

| |
|--------|
| Part 1 |
| ... |
| ... |

| | |
|----------------------------|---|
| Activity group | Fee payer falls in the activity group if |
| ... | |
| B. Market operators | <p>(1) firms that were prescribed as an operator of a <i>prescribed market</i> under the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996); and</p> <p>(2) firms that are prescribed as a market operator, as defined in article 4(1)(13) of <i>MiFID</i>.</p> |
| ... | |

| | |
|----------------------------|-----------------|
| Part 3 | |
| ... | |
| Activity group | Tariff base |
| ... | |
| B. Market operators | Not applicable. |
| ... | |

| | |
|----------------------------|-----------------|
| Part 5 | |
| ... | |
| Activity group | Valuation date |
| ... | |
| B. Market operators | Not applicable. |
| ... | |

| Part 1 | | |
|----------------|--|---------------------------------|
| ... | | |
| ... | | |
| 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 | 17.49 <u>16.98</u> |
| | >140 - 630 | 17.49 <u>16.98</u> |
| | >630 - 1,580 | 17.49 <u>16.98</u> |
| | >1,580 - 13,400 | 21.86 <u>21.23</u> |
| | >13,400 | 28.86 <u>28.02</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 <u>6,060</u> is payable in respect of these <i>permissions</i> | |
| A.2 | Band width (No. of mortgages and/or home finance transactions) | Fee (£/mortgage) |
| | >50 | 2.55 <u>2.24</u> |
| A.3 | Gross premium income (GPI) | Periodic fee |
| | Band Width (£million of GPI) | Fee (£/m or part m of GPI) |
| | >0.5 | 327.00 <u>344.00</u> |
| | PLUS | |
| | Gross technical liabilities (GTL) | General Periodic fee |
| | Band Width (£million of GTL) | Fee (£/£m or part £m of GTL) |
| | >1 | 17.68 <u>18.55</u> |

| | | |
|------|---|-------------------------------------|
| | For <i>UK ISPVs</i> the tariff rates are not relevant and a flat fee of £466 <u>£471</u> is payable in respect of each <i>FCA</i> financial year (the <i>12 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 | 512.00 <u>526.50</u> |
| | PLUS | |
| | Mathematical reserves (MR) | General Periodic fee |
| | Band Width (£million of MR) | Fee (£/£m or part £m of MR) |
| | >1 | 10.86 <u>11.09</u> |
| A.5 | Band Width (£million of Active Capacity (AC)) | Fee (£/£m or part £m of AC) |
| | >50 | 8.31 <u>7.80</u> |
| A.6 | Flat fee (£) | 327,149 334,939 |
| A.7 | For class 1(C), (2) , (3) and (4) <i>firms</i> : | |
| | Band Width (£million of Funds under Management (FuM)) | Fee (£/£m or part £m of FuM) |
| | >10 | 7.08 <u>6.20</u> |
| | For class 1(B) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 15%. For class 1(A) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 50%. | |
| A.9 | Band Width (£million of Gross Income (GI)) | Fee (£/£m or part £m of GI) |
| | >1 | 982.68 <u>1,005.00</u> |
| A.10 | Band Width (No. of traders) | Fee (£/person) |
| | >1 | 5,033.00 <u>5,468.00</u> |
| | For <i>firms</i> 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 | 2.83 <u>2.725</u> |
| A.14 | Band Width (£ thousands of annual income (AI)) | Fee (£/£ thousand or part £ thousand of AI) |
| | >100 | 1.98 <u>1.805</u> |
| A.18 | Band Width (£ thousands of Annual Income (AI)) | Fee (£/£ thousand or part £ thousand of AI) |
| | >100 | 15.36 <u>12.38</u> |
| A.19 | Band Width (£ thousands of Annual Income (AI)) | Fee (£/£ thousand or part £ thousand of AI) |
| | >100 | 1.85 <u>1.735</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 | 128.20 <u>116.40</u> |
| | an amount equal to or greater than £1 million but less than or equal to £1 billion | 96.15 <u>87.30</u> |
| | more than £1 billion | 64.10 <u>58.20</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 | 0.51 <u>0.45</u> |
| | an amount equal to or greater than £10 million and less than or equal to £100 billion | 0.39 <u>0.34</u> |
| | more than £100 billion | 0.26 <u>0.23</u> |
| B. Market | | 48,216 |

| | | |
|--|---|---|
| operators | | |
| B. Service Companies | Band Width | Fee (£/£m or part £ thousand of income) |
| | Annual income up to and including £100,000 | ttbe <u>1,078.00</u> |
| | Annual income over £100,000 | ttbe <u>1.80</u> |
| B. Principal benchmark administrators | £196,800 | |
| ... | | |
| B. Recognised auction platforms | ttbe <u>53,537.00</u> | |
| B. Recognised overseas investment exchanges | ttbe <u>61,224.00</u> | |
| B. MTF operators | As set out in <i>FEES 4 Annex 10</i> (Periodic fees for MTF operators). | |
| CC1. Credit-related regulated activities with limited permission | Band Width (£ thousands of annual income (AI)) | Fee (£) |
| | 0 - 10 | 100 <u>101</u> |
| | >10 - 50 | 250 <u>253</u> |
| | >50 - 100 | 400 <u>404</u> |
| | >100 | 500 <u>505</u> |
| | 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 <u>303</u> |
| | >50 - 100 | 500 <u>505</u> |
| | >100 | 1,000 <u>1,010</u> |
| | PLUS: | |
| | | Fee (£/£ thousand or part £ thousand of AI) |
| | >250 | 1.30 |

Part 2

...

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

| | | | |
|------|-----|--|---|
| A.0 | (1) | £ 1,084 <u>1,095</u> unless it is a <i>community finance organisation</i> with a tariff base of: | |
| | | (a) | up to and including 3 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £ 166 <u>168</u> is payable; or |
| | | (b) | more than 3 but no more than 10 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £ 562 <u>568</u> is payable; or |
| | | (c) | 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 <u>1,052</u> is payable. |
| | | ... | |
| AP.0 | | Periodic fees payable under fee blocks A.2, A.7 to A.19 and A. 21 in Part 1 multiplied by rate £ 0.118 <u>0.115</u> | |

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

| | | |
|-----|-----|-------------------------------------|
| A.0 | (1) | £ 542 <u>547</u> unless: |
|-----|-----|-------------------------------------|

| | | | |
|--|---|--|--|
| | | (a) | It is a <i>credit union</i> that meets the conditions in (2), in which case the minimum fee payable is as set out in (2); |
| | | (b) | it is a <i>non-directive friendly society</i> that falls into the A.3 activity group but not the A.4 activity group and meets the conditions set out in (3)(a), in which case the minimum fee payable is £233 <u>235</u> ; or |
| | | (c) | it is a <i>non-directive friendly society</i> that falls into the A.4 activity group but not the A.3 activity group and meets the conditions in (3)(b), in which case the minimum fee payable is £233 <u>235</u> ; or |
| | | (d) | it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is £233 <u>235</u> . |
| | (2) | The conditions referred to in (1)(a) are that the credit union has a tariff base (Modified Eligible Liabilities) of: | |
| | | (a) | 0 to 0.5million, in which case a minimum fee of £86 <u>87</u> is payable; or |
| | | (b) | greater than 0.5million but less than 2.0million, in which case a minimum fee of £292 <u>295</u> is payable. |
| | (3) | The conditions referred to in (1) are that: | |
| | | (a) | the <i>non-directive friendly society</i> falls into the A.3 activity group and has, for that activity, 0.5 million or less in gross <i>premium</i> income and holds gross technical liabilities of 1.0 million or less; |
| | | (b) | the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in adjusted gross <i>premium</i> income and holds mathematical reserves of 1.0 million or less. |
| | The figures for gross <i>premium</i> income, gross technical liabilities, adjusted gross <i>premium</i> income and mathematical reserves are the same as used for Part 1 of this Annex. | | |

...

4 Annex 2BR Ring-Fencing Implementation Fee

| | |
|---|--|
| In the <i>fee year</i> starting 1 April 2016 <u>2017</u> and subsequent <i>fee years</i> : | |
| ... | |
| (4) | <p>The proportion was determined by the <i>FCA</i> as at 1 March 2016 <u>for the 2017/18 <i>fee year</i></u> 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) | ... |

4 Annex 3AR Fees relating to the direct reporting of transactions to the FCA under SUP 17 for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

| 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 | 4,444 <u>5,000</u> |
| Testing environment fee | 3,333 <u>3,750</u> |
| Variable transaction-based fee | 4.56 <u>3.91</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 Periodic fees in relation to collective investment schemes, AIFs marketed in

4R **the UK and small registered UK AIFMs payable for the period 1 April 2016
2017 to 31 March 2017 2018**

Part 1 – Periodic fees payable

| Scheme type | Basic fee (£) | Total funds/sub-funds aggregate | Fund factor | Fee |
|---|---------------|---------------------------------|-------------|--------|
| <i>ICVC,</i> <i>AUT,</i> <i>ACS,</i> <i>UK ELTIFs,</i> Section 264 of the Act, <i>schemes other than non-EEA AIFs recognised under section 272 of the Act,</i> | 455 | 1-2 | 1 | 455 |
| | | 3-6 | 2.5 | 1,138 |
| | | 7-15 | 5 | 2,275 |
| | | 16-50 | 11 | 5,005 |
| | | >50 | 22 | 10,010 |
| <i>Non-EEA AIFs recognised under section 272 of the Act</i> | 1,850 | 1-2 | 1 | 1,850 |
| | | 3-6 | 2.5 | 4,625 |
| | | 7-15 | 5 | 9,250 |
| | | 16-50 | 11 | 20,350 |
| | | >50 | 22 | 40,700 |

...

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> | 380 |
| Notification under regulation 58 of the <i>AIFMD UK regulation</i> | 265 |
| Notification under regulation 59 of the <i>AIFMD UK regulation</i> | 380 |

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 ~~2016~~ 2017 to 31 March ~~2017~~ 2018

Table of fees payable by Designated Professional Bodies

| Name of Designated Professional Body | Amount payable (£) |
|---|---------------------------------|
| The Law Society of England & Wales | 63,140 <u>62,320</u> |
| The Law Society of Scotland | 13,560 <u>13,390</u> |
| The Law Society of Northern Ireland | 12,680 <u>12,530</u> |
| The Institute of Actuaries | 10,090 |
| The Institute of Chartered Accountants in England and Wales | 69,270 <u>68,920</u> |
| The Institute of Chartered Accountants of Scotland | 10,980 <u>10,910</u> |
| The Institute of Chartered Accountants in Ireland | 13,140 |
| The Association of Chartered Certified Accountants | 15,850 <u>15,920</u> |
| The Council for Licensed Conveyancers | 11,170 |
| Royal Institution of Chartered Surveyors | 13,380 <u>13,320</u> |

...

4 Annex 10R Periodic fees for MTF operators payable in relation to the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

| General supervisory category of <i>MTF</i> operator (see Note below) | Fee payable (£) | Due date |
|--|-----------------|--|
| | | (i) 1 August 2016; or (ii) 30 days from the date of the invoice in the case |

| | | |
|--|-----------------------------------|--|
| | | of a <i>firm</i> which receives <i>permission</i> to be operating a <i>multilateral trading facility</i> or whose <i>permission</i> is extended to include this activity in the course of the relevant financial year. |
| <i>MTF</i> operator has a named individual fixed portfolio supervisor | 300,000 <u>316,710</u> | |
| All other <i>MTF</i> operators (i.e. those supervised by a team of flexible portfolio supervisors) | 28,290 <u>29,867</u> | |
| [deleted] | | |
| an <i>EEA firm</i> | 0 | |
| ... | | |

4 Annex 11R Periodic fees in respect of payment services, electronic money, and regulated covered bonds

This Annex sets out the 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* and *firms* registered under the Money Laundering Regulations in relation to the period 1 April 2017 to 31 March 2018

| | | |
|--|--|---|
| 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; and |
| | (b) | an additional administrative fee of £250 is payable. |
| | (c) | [deleted] |

...

| Part 5 - Tariff rates | | |
|-----------------------|---|--|
| Activity group | Fee payable in relation to 2017/18 | |
| G.1 | Flat fee (£) | 433 <u>438</u> |
| G.2 | Minimum fee (£) | 433 <u>500</u> |
| | £ million or part £m of Modified Eligible Liabilities (MELS) | Fee (£/£m or part £m of MELS) |
| | > 100 | 0.245 <u>0.7215</u> |
| G.3 | Minimum fee (£) | 433 <u>500</u> |
| | £ thousands or part thousand of Relevant Income | Fee (£/£thousand or part £thousand of Relevant Income) |
| | > 100 | 0.1647 <u>0.4851</u> |
| G.4 | Flat fee (£) | 433 <u>500</u> |
| G.5 | As in G.3 | |
| G.10 | Minimum fee (£) | 1,626 <u>1,643</u> |
| | £million or part m of average outstanding electronic money (AOEM) | Fee (£/£m, or part £m of AOEM) |
| | >5.0 | 120.00 |
| G.11 | Flat fee (£) | 1,084 <u>1,095</u> |
| G.15 | Minimum fee for the first registered <i>programme</i> (£) | 90,071 <u>89,275</u> |
| | Minimum fee for all subsequent registered | 75% of minimum fee for first registered <i>programme</i> |

| | | |
|------|---|--|
| | <i>programmes</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 | 10.79 <u>10.70</u> |
| | ... | |
| G.20 | Flat fee (£) | 400.00 <u>404.00</u> |
| G.21 | Flat fee (£) | 200.00 <u>202.00</u> |

| | | |
|--|--|---|
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |

...

4 Annex 14R UKLA periodic fees for the period from 1 April 2017 to 31 March 2018

| | | | |
|---|--------------|--|----------------------|
| Part 1 Base fee | | | |
| Activity group or invoice code (Note 1) | | Description | Base fee payable (£) |
| E.1 | Discontinued | | |
| | Premium | <i>A listed issuer of equity shares with a</i> | 5,150 |

| | | | |
|-----------|------------------------------|---|------------------------------------|
| E.2 | listed issuer | <i>premium listing</i> (see Note 2) | <u>5,200</u> |
| 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</i> (see Note 2) | 19,500 <u>19,695</u> |
| E.4 | Discontinued | | |
| E.5 | Discontinued | | |
| E.6 | Non-listed issuer (in DTR) | <i>A non-listed issuer</i> (in DTR) | 0 |
| E.7 | Primary information provider | <i>A primary information provider</i> | 16,260 <u>16,425</u> |
| ES.0 1 | Sponsor | <i>A sponsor</i> (see Note 3) | 27,100 <u>27,370</u> |

...

| 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 listed issuer (as described in Part 1) | 0 - 100 | 0 |
| | | > 100 - 250 | 28.616971 <u>28.271725</u> |
| | | > 250 – 1,000 | 11.446028 <u>10.908065</u> |
| | | > 1,000 – 5,000 | 7.045501 <u>6.714362</u> |
| | | > 5,000 – 25,000 | 0.171861 <u>0.163784</u> |
| | | > 25,000 | 0.055524 <u>0.052914</u> |

...

5 Financial Ombudsman Service Funding

...

5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for ~~2016/17~~ 2017/18

Introduction: annual budget

1. The *annual budget* for ~~2016/17~~ 2017/18 approved by the FCA is ~~£265m~~ 263.5m.
2. The total amount expected to be raised through the *general levy* in ~~2016/17~~ 2017/18 will be £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> | Number of accounts relevant to the activities in <i>DISP</i> 2.6.1R as at 31 December In the case of <i>dormant account fund operators</i> , the tariff base is the number of eligible activated accounts (8). | £0.04530 <u>0.04454</u> per relevant account, subject to a minimum levy of £100 |
| 2-Insurers - general (excluding <i>firms</i> in blocks 13 & 15) | Relevant annual gross premium income | £0.1276 <u>0.1268</u> per £1,000 of relevant annual gross premium income, subject to a minimum levy of £100 |
| 3-The <i>Society</i> (of Lloyd's) | Not applicable | £25,989 to be allocated by the <i>Society</i> |
| 4-Insurers - life (excluding <i>firms</i> in block 15) | Relevant adjusted annual gross premium income | £0.01730 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £130 |
| 5. Portfolio | Flat fee | Levy of £275 <u>230</u> |

| | | |
|--|---|--|
| managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i>) | | |
| 6. Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes | Flat fee | Levy of £60 |
| 7-Dealers as principal | Flat fee | Levy of £75 |
| 8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets | Annual income as defined in <i>FEES 4 Annex 11A</i> relating to <i>firm's relevant business</i> . | £0.149 <u>0.150</u> per £1,000 of annual income subject to a minimum fee of £45 |
| 9-Advisors, <i>arrangers</i> , dealers or brokers not holding and controlling <i>client money</i> and/or assets | Annual income as defined in <i>FEES 4 Annex 11A</i> relating to <i>firm's relevant business</i> . | £0.1 <u>0.0812</u> per £1,000 of annual income subject to a minimum fee of £45 |
| 10-Corporate finance advisers | Flat fee | Levy of £55 |
| 11-fee-paying <i>payment service providers</i> (but excluding <i>firms</i> in any other Industry block except Industry block 18) | For <i>authorised payment institutions, electronic money issuers</i> (except for <i>small electronic money institutions</i>), the Post Office Limited, the Bank of England, government departments and local authorities, and <i>EEA authorised payment institutions</i> relevant income as described in <i>FEES 4 Annex 11 Part 3</i> | £0.0007 per £1,000 of relevant income subject to a minimum levy of £75 |
| | For <i>small payment institutions</i> and <i>small electronic money institutions</i> a flat fee | Levy of £35 |
| 12- | N/A for 2016/17 | |
| 13-Cash plan health | Flat fee | Levy of £65 |

| | | |
|---|---|--|
| providers | | |
| 14- <i>Credit unions</i> | Flat fee | Levy of £55 |
| 15- <i>Friendly societies</i> whose tax-exempt business represents 95% or more of their total relevant business | Flat fee | Levy of £65 |
| 16- <i>Home finance providers, advisers and arrangers</i> (excluding <i>firms</i> in blocks 13, 14 & 15) | Flat fee | Levy of £90 |
| 17 - General insurance mediation (excluding <i>firms</i> in blocks 13, 14 & 15) | <i>Annual income</i> (as defined in <i>MIPRU</i> 4.3) relating to <i>firm's relevant business</i> | £0.490 <u>0.471</u> per £1,000 of <i>annual income</i> (as defined in <i>MIPRU</i> 4.3) relating to <i>firm's relevant business</i> subject to a minimum levy of £100 |
| 18 - <i>fee-paying electronic money issuers</i> | For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , average outstanding <i>electronic money</i> , as described in <i>FEES</i> 4 Annex 11 Part 3. | £0.0016 <u>0.0007</u> per £1,000 of average outstanding <i>electronic money</i> subject to a minimum levy of £75 |
| | For <i>small electronic money institutions</i> , a flat fee | Levy of £50 |
| 19 - <i>Credit-related regulated activities with limited permission</i> | For <i>not-for-profit debt advice bodies</i> , a flat fee | Levy of £0 |
| | For all other <i>firms</i> with <i>limited permission</i> , a flat fee | Levy of £35 |
| 20 - <i>Credit-related regulated activities</i> | <i>Annual income</i> as defined in <i>FEES</i> 4 Annex 11BR | Levy of £35 Plus £0.02 <u>0.012</u> per £1,000 of <i>annual income</i> on |

| | | |
|---|----------|--------------------------|
| | | income above £250,000 |
| 21 - <i>CBTL firms</i> that do not have <i>permission</i> to carry out any <i>regulated activities</i> | Flat fee | Levy of £35 |
| 22 - <i>designated credit reference agencies</i> (but excluding <i>firms</i> in any other <i>industry block</i>) | Flat fee | {TBC} <u>Levy of £75</u> |
| 23 – <i>designated finance platforms</i> (but excluding <i>firms</i> in any other <i>industry block</i>) | Flat fee | {TBC} <u>Levy of £75</u> |

...

7 CFEB Levies

...

7 Annex 1R CFEB levies for the period from 1 April 2016 2017 to 31 March 2017 2018

Part 1

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

| Activity Group | CFEB levy payable | | | |
|----------------|--|------------------------------|---|---|
| A.1 | Column 1 | | Column 2 | |
| | Money advice levy | | Debt advice levy | |
| | | | (Notes 3 - 6) | |
| | Band Width (£ million of Modified Eligible Liabilities (MELs)) | Fee (£/£m or part m of MELs) | Bandwidth (£ million of unsecured debt) | Fee (£/£m or part £m of unsecured debt) |

| | | | | |
|-----|---|-----------------------------|---------------------------------------|---------------------------------------|
| | >10 | 2.59 <u>1.88</u> | >0 | 176.50 <u>182.48</u> |
| A.2 | Column 1 | | Column 2 | |
| | General levy | | Debt advice levy | |
| | | | (Notes 5 -6) | |
| | Band Width (no. of mortgages and/or <i>home finance transactions</i>) | Fee (£/mortgage) | Band width (£million of secured debt) | Fee (£/£m or part £m of secured debt) |
| | >50 | 0.63 <u>0.58</u> | >0 | 15.87 <u>16.51</u> |
| A.3 | Gross premium income (GPI) | | | |
| | Band Width (£ million of GPI) | | Fee (£/£m or part £m of GPI) | |
| | >0.5 | | 34.60 <u>29.42</u> | |
| | PLUS | | | |
| | Gross technical liabilities (GTL) | | | |
| | Band Width (£ million of GTL) | | Fee (£/£m of part £m of GTL) | |
| | >1 | | 1.87 <u>1.59</u> | |
| A.4 | Adjusted annual gross premium income (AGPI) | | | |
| | Band Width (£ million of AGPI) | | Fee (£/£m or part £m of AGPI) | |
| | >1 | | 41.64 <u>42.56</u> | |
| | PLUS | | | |
| | Mathematical reserves (MR) | | | |
| | Band Width (£ million of MR) | | Fee (£/£m or part £m of MR) | |
| | >1 | | 0.89 <u>0.90</u> | |
| A.5 | Band Width (£ million of Active Capacity (AC)) | | Fee ((£/£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: | |
| | Band Width (£ million of Funds under Management (FuM)) | Fee (£/£m of part £m of FuM) |
| | >10 | 0.22 <u>0.161</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%. | |
| | Class 1(A), (B) and (C) firms are defined in FEES 4 Annex 1A | |
| A.9 | Band Width (£ million of Gross Income (GI)) | Fee (£/£m of part £m of GI) |
| | >1 | 55.55 <u>94.60</u> |
| A.10 | Band Width (no. of traders) | Fee (£/trader) |
| | >1 | 146.00 <u>148.11</u> |
| A.13 | For class (2) firms | |
| | Band Width (£ thousands of annual income (AI)) | Fee (£/£ thousand or part £ thousand of AI) |
| | >100 | 0.112 <u>0.0996</u> |
| | For a <i>professional firm</i> in A.13 the fee is calculated as above less 10%. | |
| A.14 | Band Width (£ thousands of annual income (AI)) | Fee (£/£ thousand or part £ thousand of AI) |
| | > 100 | 0.041 <u>0.032</u> |
| A.18 | Band Width (£ thousands of Annual Income (AI)) | Fee ((£/£ thousand or part £ thousand of AI) |
| | >100 | 0.32 <u>0.26</u> |
| A.19 | Band Width (£ thousands of Annual Income (AI)) | Fee (£/£ thousand or part £ thousand of AI) |
| | >100 | 0.038 <u>0.043</u> |

| | | |
|------------------------|---|---|
| A.21 | Band Width (£ <i>client money</i>) (CM) held | Fee (£/£ millions or part £ million of CM) |
| | less than £1 million | 2.61 <u>2.24</u> |
| | an amount equal to or greater than £1 million but less than or equal to £1 billion | 1.96 <u>1.68</u> |
| | more than £1 billion | 1.31 <u>1.12</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 | 0.010 <u>0.008</u> |
| | an amount equal to or greater than £10 million and less than or equal to £100 billion | 0.008 <u>0.006</u> |
| more than £100 billion | 0.005 <u>0.004</u> | |
| G.3 | Minimum fee (£) | 10 |
| | £ thousands or part £ thousand of Relevant Income | Fee (£/£thousand or part £ thousand of Relevant Income) |
| | >100 | 0.03825 <u>0.0310</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 | 11.60 <u>9.4</u> |
| G.11 | Flat fee (£) | 10 |
| CC.1 | Minimum fee (£) | 10 |
| | £ thousand of annual income (AI) | Fee (£/£ thousand or part thousand of AI) |
| | >250 | 0.37 |

| | | |
|------|-----------------------------------|---|
| CC.2 | Minimum fee (£) | 10 |
| | £ thousands of annual income (AI) | Fee (£/£ thousand or part £ thousand of AI) |
| | >250 | 0.37 |
| ... | | |

10 Pensions guidance levy

...

10 Pension guidance levy for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

Annex
1R

| Activity Group | Pensions guidance levy payable | |
|----------------|---|---|
| A.1 | Band width (£ million of modified eligible liabilities (MELs)) >10 | Fee (£/£m or part £m of MELS) 1.91 <u>1.38</u> |
| A.4 | Band width (£ million of adjusted annual gross premium income (AGPI)) >1 | Fee (£/£m or part £m of AGPI) 89.96 <u>60.34</u> |
| A.7 | For class 1(B), 1 (C), (2) and (3) firms: Band width (£ million of funds under management (FuM)) >10 | Fee (£/£m or part £m of FuM) 0.88 <u>0.52</u> |
| A.9 | Band width (£ million of gross income (GI)) >1 | Fee (£/£m or part £m of GI) 299.15 <u>210.92</u> |
| A.13 | Band width (£ thousands of annual income (AI)) >100 | Fee (£/£ thousand or part of £ thousand of AI) 0.105 <u>0.071</u> |

11 Pensions guidance providers' levy

...

11 Pensions guidance providers' levy for the period 1 April ~~2016~~ 2017 to 31

**Annex
1R** **March ~~2017~~ 2018**

The table below shows the *pensions' guidance providers levy* applicable to the *designated guidance providers* for the fee year 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018.

| (A) Row | (B) Name of designated guidance provider | (C) Pensions guidance providers' levy payable (£) |
|---------|--|--|
| 1 | The Pensions Advisory Service Limited | 77,500 <u>13,500</u> |
| 2 | The National Association of Citizens Advice Bureaux | 77,500 <u>13,500</u> |
| 3 | The Scottish Association of Citizens Advice Bureaux | 77,500 <u>13,500</u> |
| 4 | The Northern Ireland Association of Citizens Advice Bureaux | 77,500 <u>13,500</u> |
| 5 | Any other person designated as a <i>designated guidance provider</i> between 1 April 2016 <u>2017</u> to 31 March 2017 <u>2018</u> | 77,500 <u>13,500</u> adjusted in accordance with the formula at FEES 11.2.10R |

13 **Illegal money lending levy**

...

13 **Illegal money lending (IML) levy for 2017/18**

**Annex
1R**

| | | |
|--|---|--|
| Limited permission (fee-block CC1): | £5 flat rate | |
| Full authorisation (fee-block CC2): | Up to £250,000 consumer credit income: £10 | £10 |
| | Over £250,000 consumer credit income: | £10 + the <u>0.192</u> per £1,000 |

Appendix 1 Unauthorised Mutuals Registration Fees Rules

...

App 1 Annex 1R Periodic fees payable for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018

Part 1 Periodic fee payable by Registered Societies (on 30 June ~~2016~~ 2017)

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

| Transaction | Total assets (£'000s) | Amount payable (£) |
|--------------|-----------------------|---------------------------|
| Periodic fee | 0 to 50 | 60 <u>65</u> |
| | > 50 to 100 | 120 <u>125</u> |
| | > 100 to 250 | 195 <u>205</u> |
| | > 250 to 1,000 | 255 <u>265</u> |
| | > 1,000 | 460 <u>480</u> |

...



Appendix 2

Fees (Payment Services) Instrument 2017 (draft rules)

[*Editor's note:* The text in this instrument takes into account the changes suggested by CP17/11 'Implementation of the revised Payment Services Directive (PSD2): draft Approach Document and draft Handbook changes' as if they were made.]

FEES (PAYMENT SERVICES) INSTRUMENT 2017

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 213 (The scheme);
 - (f) section 214 (Provisions of the scheme);
 - (g) section 234 (Industry funding);
 - (h) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
 - (i) paragraph 12 in Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body);
 - (2) regulation 35 (Costs of supervision) of the Money Laundering Regulations 2007(SI 2007/2157);
 - (3) regulation 92 (Costs of supervision) of the Payment Services Regulations 2009 (SI 2009/209);
 - (4) regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99); and
 - (5) regulation [118] (Costs of supervision) of the Payment Services Regulations 2017 (SI 2017/[tbc]).
- 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 [13 January 2018] except for FEES TP 16 which will come into force on [*date*].

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 Fees (Payment Services) Instrument 2017.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text.

Amend the existing definition as shown.

- fee-paying payment services provider* any of the following when they provide *payment services*:
- (a) a *payment institution*;
 - (aa) a *registered account information service provider*;
 - (b) a *full credit institution*;
 - (c) an *electronic money issuer* (except where it is an *electronic money issuer* whose only *payment service* activities are those relating to the issuance of *electronic money* by itself or if it is a *credit union*, a municipal bank or the National Savings Bank);
 - (d) the Post Office Limited;
 - (e) the Bank of England, other than when acting in its capacity as a monetary authority or carrying out functions of a public nature;
 - (f) government departments and local authorities, other than when carrying out functions of a public nature.

A full credit institution that is an *EEA firm* is only a *fee-paying payment service provider* if it is exercising an *EEA right* in accordance with Part 2 of Schedule 3 to the *Act* (exercise of passport rights) to provide *payment services* in the *United Kingdom*. An *EEA authorised payment institution* or an *EEA authorised electronic money institution* is only a *fee-paying payment service provider* if it is exercising a right under ~~Article~~ article 25 of the *Payment Services Directive* or ~~Article~~ article 3 of the *Electronic Money Directive* to provide *payment services* in the *United Kingdom*.

Annex B

Amendments to the Fees manual (FEES)

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

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 |
| ... | | |
| (y) An applicant for authorisation as an <i>authorised payment institution</i> under regulation [5] of the <i>Payment Services Regulations</i> . | <p>The highest of the tariffs set out in <i>FEES 3 Annex 8R</i> which apply to that application.</p> <p>Where an application only involves a simple change of legal status as set out in <i>FEES 3 Annex 1 Part 6</i>, the fee payable is 50% of the tariff that would otherwise be payable in <i>FEES 3 Annex 8R</i>.</p> | On or before the date the application is made. |
| (ya) <u>An applicant for registration as an account information service provider under regulation [17] of the <i>Payment Services Regulations</i>.</u> | <p><u><i>FEES 3 Annex 8R</i>, paragraph (2)(i).</u></p> <p><u>Where an application only involves a simple change of legal status as set out in <i>FEES 3 Annex 1 Part 6</i>, the fee payable is 50% of the tariff that would otherwise be payable in <i>FEES 3 Annex 8R</i>.</u></p> | |

| | | |
|--|--|---|
| <p>(z) An application by a <i>small payment institution</i> for authorisation as an <i>authorised payment institution</i> because regulation 45 [16] of the <i>Payment Services Regulations</i> applies</p> | <p>The highest of the tariffs set out in <i>FEES 3 Annex 8R</i> which apply to that application.</p> | <p>On or before the date the application is made.</p> |
| <p>(za) An applicant for registration as a <i>small payment institution</i> under regulation 42 [13] of the <i>Payment Services Regulations</i>.</p> | <p><i>FEES 3 Annex 8R</i>, paragraph (1). Where an application only involves a simple change of legal status as set out in <i>FEES 3 Annex 1R Part 6</i>, the fee payable is 50% of the tariff that would otherwise be payable in <i>FEES 3 Annex 8R</i>.</p> | <p>On or before the date the application is made.</p> |
| <p>(zb) An <i>authorised payment institution</i> applying to vary its authorisation under regulation 8 [5] of the <i>Payment Services Regulations</i>.</p> | <p>(1) If the <i>payment services</i> carried on by the <i>authorised payment institution</i> prior to the variation only fall within [paragraph (f) or, (g) or (h) of Part 1 of Schedule 1] to the <i>Payment Services Regulations</i> and any of the <i>payment services</i> in [paragraphs (a) to (e) of that Schedule] will apply after variation, the fee is 50% of the highest of the tariffs set out in <i>FEES 3 Annex 8R</i> which apply to that application.</p> <p>(2) Where the <i>authorised payment institution</i>:</p> <p>(i) already has authorisation to provide <i>payment services</i> within any one or more of [paragraphs (a) to (e) of Part 1 of Schedule 1] to the <i>Payment Services Regulations</i> and wishes to add one or more other</p> | <p>On or before the date the application is made.</p> |

| | | |
|--|--|---|
| | <p>services in [(a) to (g h)]; or</p> <p>(ii) has authorisation to provide <i>payment services</i> in either [paragraph (f) or (g) or (h) of Part 1 of Schedule 1] to the <i>Payment Services Regulations</i> and wishes to extend its authorisation to include the <u>any other paragraph services in paragraphs [(f) or (g) to (h)]</u>;</p> <p>the fee payable is £250 irrespective of the number of <i>agents</i> it has.</p> <p>(3) In cases where the variation involves only the reduction (and no increases) of the types of <i>payment services</i> to be carried on after the variation, no fee is payable.</p> | |
| <p>(zc) A <i>small payment institution</i> applying to vary its registration under regulation 42 [13] of the <i>Payment Services Regulations</i></p> | <p>(1) If the <i>payment services</i> carried on by the <i>small payment institution</i> prior to the variation only fall within [paragraph (f) or (g) of Part 1 of Schedule 1] to the <i>Payment Services Regulations</i> and any of the <i>payment services</i> in [paragraphs (a) to (e) of that Schedule] will apply after variation, the <u>The</u> fee is 50% of the highest of the tariffs set out in <i>FEES 3 Annex 8R</i>, <u>paragraph (1) which apply to that application.</u></p> <p>(2) Where the <i>small payment institution</i>: (i) is already registered to provide <i>payment services</i></p> | <p>On or before the date the application is made.</p> |

| | | |
|---|--|---|
| | <p>within any one or more of [paragraphs (a) to (e) of Part 1 of Schedule 1] to the <i>Payment Services Regulations</i> and wishes to add one or more other of the services in [(a) to (g)]; or</p> <p>(ii) is registered to provide <i>payment services</i> in either paragraph (f) or (g) of Part 1 of Schedule 1 to the <i>Payment Services Regulations</i> and wishes to extend its registration to include the other paragraph ((f) or (g)); the fee payable is 250 irrespective of the number of <i>agents</i> it has.</p> <p>(32) In cases where the variation involves only the reduction (and no increases) of the types of <i>payment services</i> to be carried on after the variation, no fee is payable.</p> | |
| (zd) A financial institution notifying the FCA in accordance with regulation 121(2)(a) of the <i>Payment Services Regulations</i> . | 50% of the highest of the tariffs set out in FEES 3 Annex 8R, paragraphs (2) to (5) which apply to that application. | On or before the date the application is made. [deleted] |
| ... | | |

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

Authorisation and registration fees payable

| Application type for authorisation, registration and notification under Part 2 of the <i>Payment Services Regulations</i> | Amount payable (£) |
|---|--------------------|
|---|--------------------|

| | |
|--|--------------|
| (1) <i>small payment institution</i> | 500 |
| (2) <i>authorised payment institution</i> - where the applicant is applying for authorisation to provide <i>payment services</i> in [paragraph(s) (f) (money remittance) and/or (g) (consent given by electronic device) <u>(payment initiation services)</u> and/or (h) (account information services) of Part 1 of Schedule 1] to the <i>Payment Services Regulations</i> | 1,500 |
| <u>(2)(i) registered account information service provider</u> - where the applicant is applying for registration to provide <i>payment services</i> in [paragraph (h) (account information services) of Part 1 of Schedule 1] to the <i>Payment Services Regulations</i> only | <u>1,500</u> |
| (3) <i>authorised payment institution</i> - where the applicant is applying for authorisation to provide <i>payment services</i> in any one or more of [paragraph(s): (a) <u>(enabling cash to be placed on payment account and all operations required for operating a payment account)</u> ; (b) <u>(enabling cash withdrawals enabled from a payments account and all operations required for operating a payment account)</u> ; (c) <u>(execution of direct debts, etc payment transactions executed through a payment card or similar device, credit transfers)</u> ; (d) <u>(execution of direct debits, etc where credit line available payment transactions where the funds are covered by a credit line for the payment service user)</u> ; (e) <u>(issuing payments instruments and transactions or acquiring payment transactions)</u> of Part 1 of Schedule 1] to the <i>Payment</i> | 5,000 |

| | |
|--|---|
| <i>Services Regulations.</i> | |
| (4) <i>authorised payment institution</i> - where, at the time the application is made, the applicant intends to use <i>agents</i> | 3 for each agent registered with the <i>FCA</i> at the time of application. This fee is in addition to any fee due under paragraph (2) or (3) of this table. |
| (5) <i>authorised payment institution</i> - where, during the course of the <i>FCA</i> financial year (12 months ending 31 March), the <i>firm</i> notifies the <i>FCA</i> of any changes to the list of <i>agents</i> it has registered since authorisation | 3 for each change notified to the <i>FCA</i> during the <i>FCA</i> financial year. No fee is due under paragraph (5) if the total number of notifications to the <i>FCA</i> during the <i>FCA</i> financial year numbers 100 or less. |
| (6) <u>A person (service provider) - where, during the course of the <i>FCA</i> financial year (12 months ending 31 March that person notifies the <i>FCA</i> under regulation [38] of the <i>Payment Services Regulations</i> of its use of the limited network exclusion</u> | <u>£300</u> <u>If the <i>FCA</i> determines that the claim for exemption is not valid and the business must apply for authorisation or registration, then the latest exemption charge paid by the business will be deducted from the relevant application fee.</u> |
| (7) <u>A person (service provider) – where, during the course of the <i>FCA</i> financial year (12 months ending 31 March), that person notifies the <i>FCA</i> under regulation [39] of the <i>Payment Services Regulations</i> of its use of the electronic communications exclusion</u> | <u>£200</u> <u>If the <i>FCA</i> determines that the claim for exemption is not valid and the business must apply for authorisation or registration, then the latest exemption charge paid by the business will be deducted from the relevant application fee.</u> |
| <u>Note: See <i>FEES</i> TP 16 for transitional provisions relating to fees payable for authorisation as an authorised payment institution or registration as a small payment institution under the <i>Payment Services Regulations</i> 2017 (SI 2017/[tbc])</u> | |

4 Periodic fees

...

4 Annex 11R Periodic fees in respect of payment services, electronic money, and regulated covered bonds

This Annex sets out the 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* and *firms* registered under the *Money Laundering Regulations* in relation to the period 1 April 2017 to 31 March 2018

| Part 1 - Method for calculating the fee for fee-paying payment service providers | |
|--|---|
| (1) | The periodic fee for <i>fee-paying payment service providers</i> is calculated by identifying the relevant activity group under Part 2 and then adding the minimum fee to an additional fee calculated by multiplying the tariff base identified in Part 3 of <i>FEES 4 Annex 11R</i> by the appropriate rates applying to each tranche of the tariff base as indicated in the table at Part 5. For <i>small payment institutions</i> and <i>small electronic money institutions</i> the tariff rates are not relevant and a flat fee is payable. |
| (2) | A <i>fee-paying payment service provider</i> may apply the relevant tariff bases and rates to non-UK business, as well as to its UK business, if: |
| (a) | it has reasonable grounds for believing that the costs of identifying the <i>firm's UK</i> business separately from its non-UK business in the way described in Part 3 of <i>FEES 4 Annex 11R</i> is disproportionate to the difference in fees payable; and |
| (b) | it notifies the <i>FCA</i> in writing at the same time as it provides the information concerned under <i>FEES 4.4</i> (Information on which fees are calculated), or, if earlier, at the time it pays the fees concerned. |
| (3) | For a <i>fee-paying payment service provider</i> which is required to comply with <i>FEES 4.4.9D</i> (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; and |
| (b) | an additional administrative fee of £250 is payable. |
| (c) | [deleted] |

...

| Part 2 - Activity groups relevant to fee-paying payment service providers |
|---|
| This table shows how the <i>payment services</i> performed by <i>fee-paying payment service providers</i> are linked to activity groups (fee-blocks). A <i>fee-paying payment service provider</i> can use the table to identify which fee-blocks it falls into based on its authorisation or registration. |

| Activity group | Fee payer falls into this activity group if: |
|--|---|
| ... | ... |
| G.3 Large payment institutions <u>and registered account information service providers</u> | it is a <i>fee-paying payment service provider</i> that is an <i>authorised payment institution</i> , an <i>EEA authorised payment institution</i> , a <u><i>registered account information service provider</i></u> , an <u><i>EEA registered account information service provider</i></u> , the Post Office Limited or a <i>fee-paying electronic money issuer</i> (except if it is a <i>small electronic money institution</i>) |
| ... | ... |

...

Part 3

This table indicates the tariff base for each fee-block. The tariff base is the means by which the *FCA* measures the amount of business conducted by *fee-paying payment service providers*, *fee-paying electronic money issuers*, *CBTL firms*, *MLR firms* and *issuers of regulated covered bonds*.

| Activity Group | Tariff base |
|----------------|--|
| ... | |
| G.3 | <p>RELEVANT INCOME</p> <p>This is the sum of the following elements of the <i>firm's UK</i> business:</p> <ul style="list-style-type: none"> Interest income Interest expenses Gross commissions and fees received Gross other operating income <p>calculated in the same manner as the relevant indicator referred to in paragraph 180(3) of Schedule 3 to the <i>Payment Services Regulations</i>.</p> <p>For the Post Office Limited only, Relevant Income relates only to its <i>payment services</i> business.</p> |
| ... | ... |

| | |
|---------------------------|-----------------------|
| Part 4 - Valuation period | |
| ... | |
| Activity group | Valuation date |
| ... | |

| | | |
|-----------------------|---|-----|
| Part 5 - Tariff rates | | |
| ... | | |
| Activity group | Fee payable in relation to 2017/18 | |
| ... | | |
| G.3 | Minimum fee (£) | ... |
| | £ thousands or part thousand of Relevant Income | ... |
| | ... | ... |
| ... | | |

Insert the new *FEES* TP 16 after *FEES* TP 15 (Transitional Provisions for the MiFID II Order). The text is not underlined.

TP 16 Transitional provisions relating to fees payable for authorisation as an authorised payment institution or registration as a small payment institution under the Payment Services Regulations 2017

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional Provision | (5) Transitional Provision: dates in force | (6) Handbook provision: coming into force |
|-----------------------|--|-----|---|--|---|
| Interpretation | | | | | |
| 1. | <i>FEES</i> TP 16 | R | In these transitional provisions: | From commencement | [tbc] |
| | | | (1) references to the Payment Services Regulations 2009 | | |

| | | | | | |
|--|-----------------------|---|---|----------------------------------|-----|
| | | | are to the Payment Services Regulations 2009 (SI 2009/209); | | |
| | | | (2) references to the Payment Services Regulations 2017 are to [the Payment Services Regulations 2017 (SI 2017/[tbc])]; and | | |
| | | | (3) references to the Electronic Money Regulations 2011 are to the Electronic Money Regulations 2011 (SI 2011/99) as amended by the Payment Services Regulations 2017. | | |
| Fees for authorisation and registration applications submitted prior to 13 January 2018 | | | | | |
| 2. | <i>FEES 3 Annex 8</i> | R | <p>If, prior to 13 January 2018, an applicant: submits an application for authorisation as an authorised payment institution under regulation [5] of the Payment Services Regulations 2017 the fee for that application will be the highest of the tariffs in (i) and (ii) below which apply to that application.</p> <p>(a) where the applicant is applying to provide the payment services in [paragraph(s) (f) (money remittance) and/or (g) (payment initiation services) and/or (h) (account</p> | From [tbc] until 13 January 2018 | N/A |

| | | | | |
|--|--|--|--|--|
| | | <p>information services) of Part 1 of Schedule 1] to the Payment Services Regulations 2017 the fee is £1,500.</p> <p>(b) where the applicant is applying to provide the payment services in any one or more of [paragraph(s) of Part 1 of Schedule 1 to the Payment Services Regulations 2017:</p> <p>(a) (enabling cash to be placed on payment account and all operations required for operating a payment account);</p> <p>(b) (enabling cash withdrawals from a payments account and all operations required for operating a payment account);</p> <p>(c) (execution of direct debts, payment transactions executed through a payment card or similar device, credit transfers);</p> <p>(d) (execution of payment transactions where the funds are covered by a credit line for the payment service user);</p> <p>(e) (issuing payment instruments or acquiring payment transactions)]</p> <p>the fee is £5,000.</p> <p>This fee is due on or before the date the application is made.</p> | | |
|--|--|--|--|--|

| | | | | | |
|----|--------------------------|---|--|----------------------------------|-----|
| 3. | <i>FEES 3</i> Annex 8 | R | <p>Where an applicant submits an application for authorisation as an authorised payment institution under regulation [5] of the Payment Services Regulations 2017 prior to 13 January 2018 and that applicant intends to use <i>agents</i> there will be a fee of £3 for each agent registered with the <i>FCA</i> at the time of application.</p> <p>This fee is in addition to any fee due under <i>FEES TP 16(2)</i>.</p> | From [tbc] until 13 January 2018 | N/A |
| 4. | <i>FEES 3</i> Annex 8 | R | <p>If, prior to 13 January 2018, an applicant submits an application to be registered as an account information service provider under regulation [17] of the Payment Services Regulations 2017 the fee for this application will be £1,500.</p> <p>This fee is due on or before the date the application is made.</p> | From [tbc] until 13 January 2018 | N/A |
| 5. | <i>FEES 3</i> Annex 8 | R | <p>If, prior to 13 January 2018, an applicant submits an application for registration as a small payment institution under regulation [13] of the Payment Services Regulations 2017 the fee for that application will be £500.</p> <p>This fee is due on or before the date the application is made.</p> | From [tbc] until 13 January 2018 | N/A |

| | | | | | |
|--|-------------------|---|---|----------------------------------|-----|
| 6. | FEES 3 Annex 8 | R | <p>If, prior to 13 January 2018, an applicant submits an application to vary:</p> <p>(i) its authorisation under regulation [5] of the Payment Services Regulations; or</p> <p>(ii) its registration under regulation [13] of the Payment Services Regulations</p> <p>the fee is 50% of the highest of the tariffs set out in FEES TP16 which apply to that application.</p> <p>In cases where the variation involves only the reduction (and no increases) of the types of payment services to be carried on after the variation, no fee is payable.</p> <p>If a fee is payable this fee is due on or before the date the application is made.</p> | From [tbc] until 13 January 2018 | N/A |
| Fees for re-authorisation and re-registration | | | | | |
| 7. | FEES 3 Annex 8 | R | <p>Where a <i>person</i> is treated as having made an application under regulation [150(4)] of the Payment Services Regulations 2017 the fee for this application will be £750.</p> <p>This fee is due on or before the date the application is treated as having been made.</p> | From [tbc] until 13 April 2018 | N/A |
| 8. | FEES 3 Annex 8 | R | <p>Where a <i>person</i> makes an application under</p> | From [tbc] until 13 October 2018 | N/A |

| | | | | | |
|-----|--------------------|---|--|-------------------------------------|-----|
| | | | <p>regulation [151(2)] of the Payment Services Regulations 2017 the fee for this application will be £250.</p> <p>This fee is due on or before the date the application is made.</p> | | |
| 9. | FEES 3 Annex 10 | R | <p>Where a <i>person</i> makes [or is treated as having made] an application for re-authorisation under regulation [tbc] of the Electronic Money Regulations 2011 the fee for this application will be £750.</p> <p>This fee is due on or before the date the application is made [or is treated as having been made].</p> | From [tbc] until 13 April 2018 | N/A |
| 10. | FEES 3 Annex 10 | R | <p>Where a <i>person</i> makes [or is treated as having made] an application for re-registration under regulation [tbc] of the Electronic Money Regulations 2011 the fee for this application will be £250.</p> <p>This fee is due on or before the date the application is made [or is treated as having been made].</p> | From [tbc] until 13 October 2018 | N/A |



Appendix 3 Fees (Miscellaneous Amendments) (No 10) Instrument 2017 (made rules)

FEES (MISCELLANEOUS AMENDMENTS) (No 10) INSTRUMENT 2017

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance); and
 - (d) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority).
- 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 April 2017.

Amendments to the Handbook

- D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Fees (Miscellaneous Amendments) (No 10) Instrument 2017.

By order of the Board
30 March 2017

Annex

Amendments to the Fees manual (FEES)

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

4 Periodic fees

...

4.2 Obligation to pay periodic fees

...

4.2.7K R ...

Table A: calculating tariff data for second and subsequent years of authorisation when full trading figures are not available

| Fee-block | Tariff base | Calculation where trading data are not available |
|---|--|--|
| ... | | |
| B. Service companies | Annual income for the financial year ended in the calendar year ending 31 December | Apply the formula $(A \div B) \times 12$ to arrive at the annualised figure. |
| B. Benchmark administrators | Flat fee <u>Annual income for the financial year ended in the calendar year ending 31 December</u> | Not applicable <u>Apply the formula $(A \div B) \times 12$ to arrive at the annualised figure.</u> |
| B. Recognised investment exchanges | See FEES 4 Annex 6R <u>Annual income for the financial year ended in the calendar year ending 31 December</u> | Not applicable <u>Apply the formula $(A \div B) \times 12$ to arrive at the annualised figure.</u> |
| B. Recognised auction platforms | Flat fee | Not applicable. |
| B. Recognised overseas investment exchanges | Flat fee | Not applicable. |

| | | |
|-----|-----|-----|
| ... | ... | ... |
|-----|-----|-----|

...

4 Annex 1AR FCA activity groups, tariff bases and valuation dates

| | |
|--|--|
| Part 1 | |
| ... | |
| Activity group | Fee payer falls in the activity group if |
| ... | |
| B. MTF operators | its <i>permission</i> includes operating a <i>multilateral trading facility</i> . |
| B. Principal benchmark administrators | It is a <i>benchmark administrator</i> who administers the arrangements for determining one or more <i>specified benchmarks</i>. |
| B. Benchmark administrators | It is a <i>benchmark administrator</i> who does not administer arrangements for determining one or more <i>specified benchmarks</i> it administers one or more <u><i>specified benchmarks</i></u> . |
| B. Recognised investment exchanges | it is a <i>recognised investment exchange</i> . |
| B. Recognised auction platforms | it is a <i>recognised auction platform</i> . |
| B. Recognised overseas investment exchanges | it is a <i>recognised overseas investment exchange</i> . |
| ... | |
| Part 3 | |
| ... | |
| Activity group | Tariff base |
| ... | |
| B. MTF operators | SUPERVISORY CATEGORY The general supervisory category to which the <i>firm</i> was assigned as at the start of the relevant <i>fee year</i> . |

| | |
|---|---|
| B. Benchmark administrators | Not applicable Annual income as defined in <i>FEES</i> 4 Annex 11AR. |
| B. Recognised investment exchanges | Not applicable Annual income as defined in <i>FEES</i> 4 Annex 11AR. |
| B. Recognised auction platforms | Not applicable. |
| B. Recognised overseas investment exchanges | Not applicable. |
| ... | |

Part 5

...

| Activity group | Valuation date |
|---|---|
| ... | |
| A.9 | Annual gross income (GI), valued at the most recent financial year ended before <u>ending</u> 31 December. |
| ... | |
| B. MTF operators | The start of the relevant <i>fee year</i> . |
| B. Benchmark administrators | Not applicable Annual income for the financial year ended in the calendar year ending <u>31 December</u> . |
| B. Recognised investment exchanges | Not applicable Annual income for the financial year ended in the calendar year ending <u>31 December</u> . |
| B. Recognised auction platforms | Not applicable. |
| B. Recognised overseas investment exchanges | Not applicable. |
| ... | |

4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from ~~1 April 2016 to 31 March 2017~~ 1 April 2017 to 31 March 2018

Part 1

| | | |
|--|---|--|
| ... | | |
| Activity group | Fee payable | |
| ... | | |
| B. Market operators | | ... |
| B. Service companies | Band Width | Flat fee (£) <u>Fee (£/£m or part £ thousand of income)</u> |
| | Annual income up to and including £100,000 | 1,067 [tbc] |
| | Annual income up to and including £1,000,000 <u>over £100,000</u> | 10,824 [tbc] |
| | Annual income over £1,000,000 | 48,216 |
| | <i>A service company that fails to provide income data for the relevant fee year is deemed to fall within the highest band width.</i> | |
| ... | | |
| B. <i>Benchmark administrators</i> <u>Benchmark administrators</u> | £49,200 <u>Band width</u> | <u>Fee (£/£m or part £ thousand of income)</u> |
| | <u>Annual income up to and including £3,000,000</u> | <u>100,000</u> |
| | <u>Annual income over £3,000,000</u> | [tbc] |
| <u>B. Recognised investment exchanges</u> | <u>Band width</u> | <u>Fee (£/£m or part £ thousand of income)</u> |
| | <u>Annual income up to and including £10,000,000</u> | <u>100,000</u> |
| | <u>Annual income over £10,000,000</u> | [tbc] |
| <u>B. Recognised auction platforms</u> | [tbc] | |

| | |
|--|-------|
| <u>B. Recognised overseas investment exchanges</u> | [tbc] |
| ... | |

...

FEES 4 Annex 6R (Periodic fees for recognised investment exchanges, and recognised auction platforms payable in relation to the period 1 April 2016 to 31 March 2017) is deleted in its entirety. The deleted text is not shown.

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

[deleted]

Amend the following as shown.

4 Annex 11AR Definition of annual income for the purposes of calculating fees in fee blocks A.13, A.14, A.18, A.19 and B. Service Companies, Recognised Investment Exchanges and Benchmark Administrators

| Annual income definition |
|--|
| <p><u>General definition for all relevant fee-blocks (other than where the firms is an operator of a Recognised Investment Exchange or a Benchmark Administrator)</u></p> <p>“Annual income” for a particular fee block (the “relevant fee block”) is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the <i>firm’s</i> accounts during the reporting year in respect of, or in relation to, the provision in the <i>UK</i> of the <i>regulated activities</i> specified in <i>FEES</i> 4 Annex 1AR Part 1 as belonging to the relevant fee block.</p> <p>...</p> <p>(c) the “fair value” of any goods or services the <i>firm</i> provided to <i>clients</i>. This is the <i>commission equivalent</i> or an estimate of the amount the <i>firm</i> would otherwise have received for any <i>regulated activity</i> under (a) above, but for which it has made a business decision to waive or discount its charges.</p> <p><u>Definition for Recognised Investment Exchanges</u></p> <p><u>“Annual income” for a recognised investment exchange is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the firm’s accounts during the reporting year in respect of, or in relation to activities that comprise a necessary part of an exchange’s business as an investment</u></p> |

exchange.

For the purposes of calculating annual income of the *recognised investment exchange* include amounts received in relation to the operation of its markets; access to those markets; the submission, management and execution of orders; quotes or transactions on those markets; the supply of pre-and post- trade transparency information about those markets; fees for *admission to trading* or listing; membership of connectivity charges; fees for order execution or management; trade reporting; market data and any other relevant revenue streams.

Where the firm is a Benchmark Administrator

“Annual income” for a *benchmark administrator* is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the *firm’s* accounts during the reporting year in respect of, or in relation to activities that comprise a necessary part of its business as a *benchmark administrator*.

Where the sales and marketing of a benchmark are undertaken by a separate legal entity, the *benchmark administrator* is responsible for identifying the relevant income and reporting it to us as its own income. To avoid double counting, the *benchmark administrator* should report only the income from sales and exclude any amount paid to it from that income to pay for its expenses as a *benchmark administrator*.

Where the firm’s regulated activities are carried on by an appointed representative of the firm

...

4 Annex 13G Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3

| | |
|--|---|
| Table 1 | |
| The following table sets out <i>guidance</i> on how a <i>firm</i> should calculate tariffs for fee-blocks A.13, A.14, A.18, A.19 and B. Service Companies, <u>Recognised Investment Exchanges and Benchmark Administrators</u> . | |
| Calculating and apportioning annual income – FEES 4 Annex 11AR | |
| Calculating annual income | |
| Defining relevant income streams | |
| (1) | The <i>firm</i> should refer to the fee-block definitions in FEES 4 Annex 1A <u>1AR</u> , Part 1 to decide which particular income streams should be taken into account when calculating its annual income for the purposes of fee-blocks A.13, A.14, A.18, A.19 and B. Service Companies, <u>Recognised Investment Exchanges and Benchmark Administrators</u> . |
| (2) | For the avoidance of doubt, the only income streams reportable for a relevant fee-block are those income streams which relate to a <i>regulated</i> |

| | |
|-----|---|
| | <p><i>activity</i> listed in that fee-block. Income streams that do not relate to a <i>regulated activity</i> listed in the relevant fee-block should not be reported. <u><i>Service companies, operators of recognised investment exchanges and benchmark administrators should report the income relating to each of these activities, excluding income from any other activities in the B fee-block on which they pay FCA fees.</i></u></p> <p><u>Under FEES 4 Annex 11AR, where the sales and marketing of a benchmark are undertaken by a separate legal entity within the same group, the income generated as a result is also deemed to relate to the regulated activity carried on by the benchmark administrator and so should be reported to the FCA by the benchmark administrator as its own income (for fees setting purposes).</u></p> <p>As such, firms Firms should exclude from the calculation of its their annual income for any particular fee-block all income earned in relation to regulated activities belonging to fee blocks A.13, A.14, A.18, A.19 and B. Service Companies where the income is directly derived from the performance of regulated activities belonging to other fee-blocks, for For example;</p> |
| (a) | <p>interest from loans made in the course of providing or administering home finance (A.2); <u>should be excluded from commission earned from arranging home finance agreements (A.18);</u></p> |
| (b) | <p>premium interest from carrying out or effecting life insurance contracts (A.3), income from managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyds (A.5); <u>should be excluded from commissions for arranging general insurance (A.19);</u></p> |
| (c) | <p>income from managing investments, collective investment schemes or pensions schemes (A.7 or A.9) or income from operating multi-lateral trading facilities (FEES 4 Annex 10R) <u>should be excluded from income derived from investment intermediation (A.13) or operating a recognised investment exchange or administering a specified benchmark.</u></p> |
| (3) | ... |
| | ... |

Insert the new FEES TP 14 after FEES TP 13 (Transitional provisions relating to the calculation of tariff bases for insurers). The text is not underlined.

TP 14 Transitional provisions relating to FEES 4 for benchmark administrators and recognised investment exchanges

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|------|--|-----|--|--|---|
| 14.1 | <i>FEES</i> TP 4.1.2R and <i>FEES</i> 4.4 | R | <i>FEES</i> TP 4.1.2R does not apply to changes to the requirements in <i>FEES</i> on <i>benchmark administrators</i> and <i>recognised investment exchanges</i> made by the Fees (Miscellaneous Amendments) (No 9) Instrument 2017. These amendments will have immediate effect for the supply of information under <i>FEES</i> 4.4 in relation to the <i>fee year</i> beginning 1 April 2017 and ending 31 March 2018. | From 1 April 2017 | 1 April 2017 |
| 14.2 | <i>FEES</i> 4.4.2R | R | For the year ending 31 December 2016, rather than having to provide the <i>FCA</i> with the information required under <i>FEES</i> 4.4.1R within two <i>months</i> of the date specified as the valuation date in Part 5 of <i>FEES</i> 4 Annex 1AR, <i>benchmark administrators</i> and <i>recognised investment exchanges</i> are required to submit this information by 18 June 2017. | From 1 April 2017 | 1 April 2017 |

