

Financial Services Compensation Scheme Levy Calculation Notes 2021/22 Final Rates

HOW IS THE FSCS LEVY CALCULATED?

A. Overview

The FSCS levy is made up of two elements:

- Management expenses; and
- Compensation costs.

Management expenses levy – covers the costs of running the compensation scheme. The management expenses levy is made up of **base costs** (operating costs not directly related to the payment of compensation) and **specific costs** (operating costs that are directly related to the payment of compensation arising from valid claims).

The management expenses levy limit for 2021/22 was consulted on in the joint FCA/PRA consultation paper [PS5/21|CP4/21](#) (January 2021).

Compensation costs levy – provides the funds to make valid compensation payments.

All participant firms are required to contribute to **base costs**. **Specific costs** and **compensation costs** are not payable by FSCS exempt firms or newly authorised firms in their first authorised year.

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

For further details of the FSCS levy for 2021/22, please refer to the [FSCS website](#).

B. Exemptions

Firms that have submitted valid exemptions (under *FEES 6.2.1R*), are excluded from specific and compensation costs, but are still liable for their share of base cost levies.

C. FSCS Levy - calculation

To calculate the FSCS Base Costs levy we need to know the Total Base Costs the FSCS require to raise in 2021/22 and the total Regulatory Costs of the FSCS participants for each contribution group within both FCA and PRA. The table below lists the information used for the 2021/22 rates.

Contribution Group	Total Regulatory Cost	FSCS Base Costs to be Levied
AP00	17,961,243	391,149
A000	21,296,394	441,987
A001	79,035,707	1,726,579
A002	18,809,953	411,842
A003	28,128,826	630,834
A004	47,736,979	1,028,001
A006	373,767	8,629
A007	49,017,459	1,076,746
A009	12,545,223	276,847
A010	57,001,719	1,231,085
A013	82,507,551	1,737,901
A014	15,108,247	329,959
A018	18,428,349	402,347
A019	30,428,648	674,873
A021	0	335,659
CC01	8,510,884	180,571
CC02	47,160,366	901,957
PA00	685,300	6,080
PA01	180,234,796	7,722,059
PA03	41,148,041	1,741,553
PA04	50,030,877	2,153,600
PA06	2,149,489	93,560
PA10	11,741,099	504,791
B002	0	5,000
Total		24,013,607

To calculate the specific costs levy, compensation costs levy and Retail Pool levy we also need to know the total FSCS tariff data for each class and the amounts FSCS are to raise for each class. The table below details these figures for 2021/22.

Class – Tariff Base	Tariff Base	FSCS Specific Costs	FSCS Class Compensation Costs
SA01	1,404,446,138,903	13,531,246	10,468,754
SB01 - RNPI	40,297,509,079	5,456,142	119,043,858
SB01 - EL	66,254,785,007	1,818,714	39,681,286
CLGID-1	10,929,307,375	7,249,080	5,604,579
CLGID-2 - RNPI	42,913,509,079	0	3,109,756
CLGID-2 - EL	70,407,785,007	0	1,036,585
CLII-1	9,210,879,187	28,500,890	211,499,110
CLII-2 - RNPI	90,774,058,984	0	26,250,000
CLII-2 - EL	1,185,348,241,268	0	8,750,000

CLII-4	1,528,364,785	0	5,000,000
CLIP	9,970,321,455	8,140,132	191,859,868
CLHFI-1	1,747,657,148	2,169,339	1,467,024
CLHFI-2	6,671,352	0	1,363,636
CLDM	246,914,574,878	-5,599	505,599
Total		66,859,944	625,640,056

Class SA01 - Deposit Takers Risk Based Levy - Following the publication in September 2016 of the PRA's policy statement [PS25/16](#) 'Implementing risk-based levies for the Financial Services Compensation Scheme deposits class', FSCS compensation costs levies are adjusted for the degree of risk incurred by deposit takers.

Compensation costs levies for this class were previously based solely on the proportion of protected deposits held by a firm. As required by the recast Deposit Guarantee Schemes Directive, these levies are now also adjusted for the degree of risk the firm incurs.

A firm's risk adjustment is calculated using several quantitative indicators such as: capital; leverage; liquidity; and asset quality.

A firm's aggregate risk weighting will be included on its FCA Regulatory Fees and Levies invoice. More information on the risk adjustment can be found on the [PRA Website](#) or in the PRA's [Statement of Policy](#) 'Calculating risk-based levies for the Financial Services Compensation Scheme deposits class' – paragraph 4.

Review of the funding of the FSCS

Following the FCA's review of the funding of the FSCS (see the publications on this [here](#)), from 2019/20 the changes proposed to the pooling of the FSCS's compensation costs came into effect. This means that insurance and investment providers are now required to contribute to the costs of advice failures and life, pensions and investment advisers are grouped together.

Product providers will now be required to contribute approximately 25% of the levies falling to the FCA intermediation classes (General Insurance Distribution, Investment Intermediation and Home Finance Intermediation).

The FSCS Classes for 2021/22 are as follows:

SA01	Deposit acceptors
SB01	General insurance provision
SC01	Life & pensions provision
CLGID-1	General insurance distribution
CLGID-2	General insurance provision
CLII-1	Life distribution and investment intermediation
CLII-2	Life insurance provision
CLII-3	Investment provision
CLII-4	Structured deposits provision
CLIP	Investment provision claims

CLHFI-1 Home finance intermediation
CLHFI-2 Home finance provision

Example calculation

Firm X is solo regulated by the FCA and is allocated to the A013 contribution group and in FSCS class CLII-1 (Life distribution and investment intermediation).

At the valuation date of 31 December 2020, it had annual income of £580,000 in respect of FCA fee-block A013 and £338,000 of eligible annual income in respect of FSCS class CLII-1.

Based on the annual income of £580,000 the A013 FCA regulatory cost (the FCA charge after discounts but before deductions) for 2020/21 would be £1,172.64

The FCA regulatory cost for the minimum fee (fee-block A000) for 2021/22 is £1,151, and the FCA prudential costs (fee-block AP00) for 2021/22 would be £123.71

Base Costs Levy: Base costs are calculated by reference to the share of a firm's regulatory cost as a proportion of the total regulatory costs (in each contribution group). The calculation is shown below.

A000 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's A000 FSCS Reg.Cost} \times \text{A000 Base Costs to be raised}}{\text{Total A000 FSA Regulatory Costs}}$	$\frac{1,151 \times 441,987}{21,296,394}$	£23.89
Total A000 FSCS Base Costs Levy			£23.89

A013 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's A013 FSCS Reg.Cost} \times \text{A013 Base Costs to be raised}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{1,172.64 \times 1,737,901}{82,507,551}$	£24.70
Total A013 FSCS Base Costs Levy			£24.70

AP00 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's AP00 FSCS Reg.Cost} \times \text{AP00 Base Costs to be raised}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{123.71 \times 391,149}{17,961,243}$	£2.69
Total AP00 FSCS Base Costs Levy			£2.69

Compensation and Specific levies: The Compensation and Specific levies are calculated by reference to the share of the firm's tariff data as a proportion of the total FSCS tariff data (in each FSCS class). These calculations are shown below.

CLII-1 Class: Life Distributions & Investment Intermediation			
Specific Costs Levy	$\frac{\text{Firm's CLII-1 tariff data} \times \text{Total FSCS CLII-1 Specific Cost}}{\text{Total CLII-1 fee tariff base}}$	$\frac{338,000 \times 28,500,890}{9,210,879,187}$	£1,045.86
Compensation Costs Levy	$\frac{\text{Firm's CLII-1 tariff data} \times \text{Total FSCS CLII-1 Compensation Cost}}{\text{Total CLII-1 fee tariff base}}$	$\frac{338,000 \times 211,499,110}{9,210,879,187}$	£7,761.12
Total CLII-1 FSCS Levy			£8,806.98

Therefore, the FSCS Levy total for Firm X for 2021/22 will be:

FSCS Levy Type	Value
A000 Levy (Base Costs)	£23.89
A013 Levy (Base Costs)	£24.70
AP00 Levy (Base Costs)	£2.69
CLII-1 Levy (Life Distributions & Investment Intermediation)	£8,806.98
Net FSCS Levy Total	£8,858.26