

Financial Services Compensation Scheme Levy Calculation Notes 2022/23 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 2022/23 was consulted on in the joint FCA/PRA consultation paper [CP1/22](#) (January 2022).

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.

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 2022/23, 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 2022/23 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 2022/23 rates.

Contribution Group	Total Regulatory Cost	FSCS Base Costs to be Levied
AP00	18,222,652	542,045
A000	26,859,646	811,283
A001	81,384,636	2,066,265
A002	19,786,631	506,305
A003	28,213,464	689,642
A004	48,270,901	1,239,325
A006	373,767	10,146
A007	49,719,593	1,263,421
A009	13,246,875	335,244
A010	56,414,723	1,417,003
A013	86,837,682	2,194,024
A014	15,867,793	385,975
A018	19,054,741	488,182
A019	31,472,098	799,058
A021	16,011,498	408,523
A022	7,095,094	187,275
CC01	11,767,066	277,013
CC02	41,305,605	1,373,659
PA00	676,100	42,111
PA01	195,817,730	9,479,925
PA03	44,691,287	2,132,689
PA04	54,418,823	2,633,238
PA06	109,270	109,270
PA10	12,805,407	619,696
B002	2,000	-11,319
Total		30,000,000

To calculate the specific costs levy and compensation costs 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 2022/23.

Class – Tariff Base	Tariff Base	FSCS Specific Costs	Retail Pool	FSCS Class Compensation Costs
SA01	1,496,413,929,272	11,690,844	0	2,309,156
SB01 - RNPI	40,942,585,963	6,094,454	0	151,405,546
SB01 - EL	67,789,846,263	2,031,485	0	50,468,515
CLGID-1	11,871,067,666	2,941,110	0	2,351,573
CLGID-2 - RNPI	43,558,585,963	711,559	0	568,929
CLGID-2 - EL	71,942,846,263	237,186	0	189,643
CLII-1	10,086,956,794	19,597,390	0	193,493,519
CLII-2 - RNPI	90,486,915,670	2,143,465	0	21,163,354
CLII-2 - EL	1,221,414,428,485	714,488	0	7,054,451
CLII-3	10,859,506,894	4,082,790	0	40,311,150

CLII-4	1,279,818,501	408,279	0	4,031,115
CLIP	10,805,482,934	5,516,561	0	65,483,439
CLHFI-1	2,034,553,989	-325,456	0	325,456
CLHFI-2	6,883,437	-122,046	0	122,046
CLDM	241,748,333,169	0	0	0
Total		55,722,107	0	539,277,893

Class SA01 - Deposit Takers Risk Based Levy - As set out in 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.

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 2022/23 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
CLDM	Debt Management

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 2021, it had annual income of £580,000 in respect of FCA fee-block A013 and £340,000 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 2022/23 would be £1,197.12.

The FCA regulatory cost for the minimum fee (fee-block A000) for 2022/23 is £1,500.00, and the FCA prudential costs (fee-block AP00) for 2022/23 would be £122.02.

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	$\frac{\text{Firm's A000 FSCS Reg.Cost} \times \text{A000 Base Costs to be raised}}{\text{Total A000 FSA Regulatory Costs}}$	$\frac{1,500 \times 811,283}{26,859,646}$	£45.31
Total A000 FSCS Base Costs Levy			£45.31

A013 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's A013 FSCS Reg.Cost} \times \text{A013 Base Costs to be raised}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{1,197.12 \times 2,194,024}{86,837,682}$	£30.25
Total A013 FSCS Base Costs Levy			£30.25

AP00 Contribution Group			
Base Costs Levy	$\frac{\text{Firm's AP00 FSCS Reg.Cost} \times \text{AP00 Base Costs to be raised}}{\text{Total A013 FSA Regulatory Costs}}$	$\frac{122.02 \times 542,045}{18,222,652}$	£3.63
Total AP00 FSCS Base Costs Levy			£3.63

Compensation and Specific Costs Levy: The Specific and Compensation costs 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	$\frac{\text{Firm's CLII-1 tariff data} \times \text{Total FSCS CLII-1 Specific Cost}}{\text{Total CLII-1 fee tariff base}}$	$\frac{340,000 \times 19,597,390}{10,086,956,794}$	£660.57
Compensation Costs Levy	$\frac{\text{Firm's CLII-1 tariff data} \times \text{Total FSCS CLII-1 Compensation Cost}}{\text{Total CLII-1 fee tariff base}}$	$\frac{340,000 \times 193,493,510}{10,086,956,794}$	£6,522.07
Total CLII-1 FSCS Levy			£7,128.63

Therefore, the FSCS Levy total for Firm X for 2022/23 will be:

FSCS Levy Type	Value
A000 Levy (Base Costs)	£45.31
A013 Levy (Base Costs)	£30.25
AP00 Levy (Base Costs)	£3.63
CLII-1 Levy (Life Distributions & Investment Intermediation)	£7,128.63
Net FSCS Levy Total	£7,261.82