Financial Conduct Authority

Consultation Paper CP13/1**

FCA Regulated fees and levies:
Rates proposals 2013/14

April 2013

Contents

The Financial Conduct Authority invites comments on this Consultation Paper. Comments should reach us by 9 June 2013.

Comments may be sent by electronic submission using the form on the FCA's website at: www.fca.org.uk/your-fca/documents/consultation-papers/cp13-01-response-form.

Alternatively, please send comments in writing to:

Peter Cardinali
Finance and Operations – Fees Policy
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone: 020 7066 5596
Fax: 020 7066 5597
Email: fca-cp13-01@fca.org.uk

It is the FCA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise. A standard confidentiality statement in an email message will not be regarded 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.

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

Abbreviations used in this paper

AFR	Annual Funding Requirement
CP	Consultation Paper
EEA	European Economic Area
FCA	Financial Conduct Authority
FSA	Financial Services Authority
FEES	Fees manual
FOS	Financial Ombudsman Service
FPS	Financial Penalty Scheme
2012 Act	Financial Services Act 2012
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
LCO	Legal cutover
LIBOR	London Interbank Offered Rate
MAS	Money Advice Service
MLAR	Mortgage Lending and Administration Form
ORA	Ongoing Regulatory Activities
PPI	Payment Protection Insurance
PRA	Prudential Regulation Authority
PS	Policy Statement

RMAR	Retail Mediation Activities Return
SPF	Special Project Fees
UKLA	United Kingdom Listing Authority

1. Overview

Who should read this Consultation Paper (CP)?

1.1 This CP covers the proposed 2013/14 regulatory fees and levies for the:

- Financial Conduct Authority (FCA);
- Financial Ombudsman Service (FOS) general levy; and
- Money Advice Service.[1]

1.2 Table 1.1 at the end of this chapter sets out the fee-payers affected by each chapter.

1.3 The PRA is publishing a separate 2013/14 fees rates CP.

Summary of proposals

FCA 2013/14 fees

1.4 We published our 2013/14 Business Plan and Risk Outlook on 25 March 2013. The Business Plan sets out our strategic priorities for mitigating the risks to our statutory objectives identified in the Risk Outlook. This paper consults on the fee rates to raise the £432.1m Annual Funding Requirement (AFR) we will need to meet those strategic priorities in 2013/14, the first year we are operating as the FCA following the reform of the regulation of UK financial services put in place by the Financial Services Act 2012 (the 2012 Act).

1.5 Chapter 3 explains the factors determining the combined FCA/PRA AFR for 2013/14, which totals £646.3m, representing a 15% increase over the 2012/13 FSA AFR of £559.8m. Reasons for the above average increases, in the allocation of the combined AFR to FCA/PRA dual- regulated fee-blocks, is also provided. The information on the PRA AFR and allocations to the PRA prudential dual-regulated fee-blocks is only provided in this paper to enable a comparison to be made with the FSA position for 2012/13. This paper only relates to the consultation on the FCA fees rates for 2013/14.

1.6 Chapter 3 further sets out the FCA AFR allocation to solo-regulated fee-blocks, including the separate FCA Prudential fee-block and the basis for allocating the FCA inherited defined pension scheme deficit following consultation in Chapter 2 of FSA CP12/28 (October 2012).

1.7 In Chapter 4 we discuss the periodic fees for authorised firms (the 'A' fee-blocks) including our proposal that the standard FCA minimum fee of £1,000 remains unchanged in 2013/14 and

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

that the lower concession minimum fees for smaller credit unions and friendly societies also remain unchanged. These minimum fees will be split equally between the FCA and PRA for dual-regulated firms.

1.8 Firms small enough to continue to only pay the minimum fee will see no increase in their fees in 2013/14. We are proposing that the proportion of firms that only pay the minimum fee should remain at around 42%, the same proportion as under the FSA in 2012/13.

1.9 Small firms who only pay the minimum fee will see no change in their fees for a fourth year running. Over the same period, the fees paid by medium and larger firms, who breach the size thresholds that trigger the payment of additional variable periodic fees, have seen their fees increase significantly. We intend to review the basis for levying minimum fees as part of the FCA fees review during 2013/14.

1.10 In Chapter 5 we discuss the proposed fees for fee-payers other than authorised firms in the B to G fee-blocks.

1.11 The amount of financial penalties collected by the FSA in 2012/13 is £381.8m. Following changes made by the 2012 Act these financial penalties, net of certain enforcement costs, will be paid to the Exchequer in April 2013. As a result the amount of financial penalties retained (representing the associated costs of enforcement) will be substantially reduced to £40.6m. This means that the 15% increase in the combined FCA and PRA AFR will become a 24% increase in the overall level of combined fees paid by fee-payers in 2013/14 from 2012/13. In Chapter 6 we consult on our Financial Penalty Scheme (FPS), which sets out how we propose the retained penalties from 2012/13 and subsequent years, will be distributed across FCA fee-blocks.

FOS 2013/14 general levy

1.12 In Chapter 8 we consult on allocating the FOS general levy between industry blocks. This year, the FOS has requested that we raise £23m through the general levy. The 30% increase, from the £17.7m raised last year, reflects the fact that the general levy has been frozen for the last four years. As complaint trends (excluding Payment Protection Insurance (PPI)) have remained broadly stable, we propose to allocate the general levy broadly on the same basis that we did last year.

Money Advice Service 2013/14 levies

1.13 The Money Advice Service's total funding requirement for 2013/14 is £78.3m. Two separate levies are being proposed to raise £43.8m for the delivery of money advice (£46.3m in 2012/13) and £34.5m to coordinate and provide debt advice (the same as 2012/13).

1.14 In CP13/2 (January 2013) the FSA consulted on a new method, proposed by the Money Advice Service, for allocating money advice costs to fee-blocks, with view to implementing it for 2013/14. We provide feedback on the responses to this consultation in Chapter 9. Taking into account the responses received and subsequent discussions that the Money Advice Service had with a cross section of trade bodies we consult in Chapter 10 on their proposed revised allocation method for 2013/14. The Money Advice Service will continue to work with industry to develop a longer term allocation method for 2014/15 and beyond, which we will consult on in October 2013.

1.15 We do not propose any change to the way the Money Advice Service allocates debt advice costs for 2013/14. The debt advice allocation method will be reviewed during 2013/14 to take account of the introduction of consumer credit and we will consult in October 2013.

Fee-payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee-payers populations and tariff data, which may change when the final fee rates are calculated in June 2013. This means that final periodic fee rates for 2013/14 – which will be made by our Board at its June 2013 meeting – could vary from the draft periodic fee rates in this CP.

FCA fees methodology 2013/14

1.16 During 2012/13 the FSA consulted on changes to existing regulatory rules and guidance on behalf of the FCA and the PRA. These changes were driven by the Financial Services Bill, which received Royal Assent on 19 December 2012. The resulting 2012 Act came into force on 1 April 2013, a date we refer to as legal cutover (LCO).

1.17 As far as possible the FSA transitioned existing FSA rules and other provisions to the FCA and only made those changes to the existing Handbook that were necessary to implement the 2012 Act, and support the creation of the new regulatory structure. Essentially, this approach has involved:

- 'designating' and badging existing provisions to be carried forward (by the FCA, the PRA, both, or sometimes neither), to create the foundation for the new FCA and PRA Handbooks;
- making 'editorial' and other drafting modifications that do not involve policy changes – for instance, to update references to the FSA; and
- consulting on more 'substantive' changes we need to make to align Handbook rules and guidance with the new legislation and the creation of the FCA and PRA.

1.18 With regard to the FEES Manual, which contains the rules and guidance relating to the method for calculating fees, the FSA consulted on the 'substantive' changes needed to adapt the FSA's fees method for the FCA and the PRA in FSA CP12/28 (Chapter 2)[2] published in October 2012. This consultation closed on the 7 January 2013 and feedback on responses relating to the proposals for the FCA, were published with the final rules Policy Statement, PS13/5.[3]

1.19 In FSA CP12/28 (Chapter 2) the FSA also consulted on proposals for how the current annual contribution of £19.5m to reduce the FSA defined pension deficit could be allocated across fee-blocks under the FCA. We provide feedback on those proposals in Chapter 3 of this CP.

1.20 Table 1.2 at the end of this chapter summarises when feedback on responses received to the proposals in Chapters 4 and 5 of FSA CP12/28 were published with final rules.

FCA fees review 2013/14

1.21 The *Journey to the FCA* document published in October 2012 announced the FCA would undertake a review of its fees methodology during 2013/14 and before consulting on further changes, we would listen to the views of the industry to explore possible alternatives. In FSA

2 CP12/28 *Regulatory fees and levies for 2013/14: policy proposals for 2013/14*

3 FSA PS13/5 *The new FCA Handbook* (March 2013)

CP12/28 (October 2012) we consulted on the FCA fees governing principles and in Chapter 7 of this CP we provide feedback on the responses received and set out our initial thoughts on how we should approach the review and indicative timetable.

Next steps

1.22 The closing date for consultation on all the proposed regulatory fees and levies in this paper is **9 June 2013**.

1.23 In light of consultation responses and subject to FCA Board approval at the end of June 2013, we plan to publish a Policy Statement, including feedback on those responses and final rules, shortly thereafter.

1.24 Certain fee-payers have been invoiced from March 2013 for 'on-account' payments (see Chapter 2) and other firms will be invoiced from July 2013 onwards, on the basis of the new fees and levies.

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

Table 1.1: Fee-payers affected by each chapter in this CP

Issue	Fee-payers affected	Chapters
FCA		
Periodic fee rates	Authorised firms – the 'A' fee-blocks	3 and 4
	All fee-payers except authorised firms – fee-blocks B to G	3 and 5
FCA Financial Penalty Scheme	Fee-payers listed in table 6.1 in chapter 6	6
FCA fees review approach	All fee-payers	7
FOS		
General levy rates	Firms subject to the FOS	8
Money Advice Service		
Feedback on responses to FSA CP13/2 (proposals on allocation of money advice service costs)	Firms subject to Money Advice Service money advice levies: authorised firms, payment institutions and electronic money issuers	9
Money Advice Service levy rates	• Firms subject to money advice levies – as above • Firms subject to debt advice levies – firms in fee-blocks A.1 (Deposit acceptors) and A.2 (Home finance providers and administration)	10

Table 1.2: For FSA CP12/28 chapters 4 and 5 – proposals and when feedback provided and final rules published

Issue	Fee-payers affected	FSA CP12/28 chapter	Rules finalised
UK Listing Authority (UKLA) – revision of certain rules	Fee-payers in the E fee-block – issuers and sponsors of securities	4	February 2013. Feedback published in FSA Handbook Notice Number 127 (February 2013)
Other policy proposals: • Business projections by newly authorised firms; • Wholesale banks fees discount; and • Amendments to on-account payment rule	 Applicants for authorisation and firms recently authorised. Firms who pay variable periodic fees in fee-block A.1 Deposit acceptors. Recognised Investment Exchanges and Designated Professional Bodies	5	

2.
Fees timetable and invoicing arrangements

2.1 This chapter explains our timetable for invoicing and collecting payments during the year. It also highlights the key dates firms should be aware of regarding our funding arrangements, to help them meet their responsibilities for regulatory fees and levies.

2.2 We are responsible for the administrative arrangements for data collection, invoicing, and payment regarding FCA fees, as well as PRA fees, the FSCS levies, the FOS levies (but not case fees) and the Money Advice Service levies.

Fees timetable

2.3 Table 2.1 shows the indicative timetable for the periodic fees and levies payable to us for the FCA and on behalf of the PRA,FSCS, FOS and Money Advice Service.

Table 2.1: Timetable for periodic fees and levies

Date	Event	Description	Action needed by firms	Reference in this chapter
January	Tariff data collection exercise	The FCA contacts all relevant fee-payers with a written request for their tariff data on which their PRA fees will be based.	Complete and return tariff data sheets to the FCA by 28 February. Late returns tariff data attract an administrative fee.	Paragraphs 2.4 and 2.5
28-Feb	Applications to vary or cancel Part 4A permissions	Firms that want to vary or cancel their permission and do not wish to be liable for the full periodic fees in the following PRA fee period.	PRA firms must submit written applications to vary or cancel permissions so that they are received by 28 February. If such applications are approved by the PRA by the 30 June no PRA periodic fees will be payable in the following fee-year.	Paragraph 2.6
31-Mar	Applications to vary or cancel Part 4A permissions	FCA firms that want to vary or cancel their permission and do not wish to be liable for the full periodic fees in the following FCA fee period.	Firms must submit written applications to vary or cancel permissions so that they are received by 31 March. If such applications are approved by the FCA by the 30 June no FCA periodic fees will be payable in the following fee-year.	Paragraph 2.6

Date	Event	Description	Action needed by firms	Reference in this chapter
30-Apr	'On account' fee due from higher fee-payers	Firms that paid either to the FCA only or combined periodic fees to the FCA and PRA, of at least £50,000 in the previous year must pay 50% of the amount paid in that year 'on-account' towards their fees in the following year.	• Pay 'on-account' invoices no later than 30 April. • Late or non-payment attracts an administrative fee and interest. • Firms that apply from 1 April to increase the scope of their permission may be liable for an addition periodic fee in the following year.	Paragraph 2.9
July onwards	Invoicing for all other firms	The FCA issue invoices to all firms who do not make 'on account' payments.	• Pay invoices within 30 days of receiving them. • Late or non-payment attracts an administrative fee and interest.	Paragraph 2.10
August	Balance due from 'on account' fee-payers	The FCA will invoice 'on account' firms for the remainder of their periodic fees.	• Pay invoices by 1 September. • Late or non-payment attracts an administrative fee and interest.	Paragraph 2.9

Tariff data collection

2.4 Each fee-payer's invoice is calculated using the fee tariff data for all the fee-blocks to which the fee-payer belongs, which is determined by the permissions it holds. Some firms submit their tariff data in Section J of the Retail Mediation Activities Return (RMAR) and the Mortgage Lending and Administration Return (MLAR).

2.5 Where we do not have the information we need to charge FCA and PRA fees, and levies for the FOS, the FSCS and the Money Advice Service, we write to firms to request it. The data we collect for FCA periodic fees is used for PRA fees and Money Advice Service levies. Tariff data requests are sent to firms in January and must be completed and returned by 28 February. Where firms do not return their tariff data, we bill them for fees and levies using an estimated figure and we charge a £250 administrative fee.

Variation/cancellation of Part 4A permission

2.6 Firms are allocated to FCA and where applicable PRA fee-blocks, based on the regulated activities they have in their permission. A periodic fee is payable for each fee-block that a firm falls into if the size of the activities concerned breaches the thresholds above which triggers the payment of such fees. The FCA and PRA do not refund periodic fees if a firm applies to reduce the scope of its Part 4A permission, or cancel it altogether, once a new fee period has started. So any firm that wishes to vary its permission to narrow its scope, or cancel it altogether, must submit its written application to us in accordance with the deadlines set out in Table 2.1 - otherwise the firm will be liable for the following year's periodic fees on the basis of its previous scope of permission.

New joiners

2.7 A firm applying for authorisation during the FCA and PRA fee years is liable to pay regulatory fees and levies for the full respective fee years, pro-rated according to the quarter in which authorisation begins. The FCA fee year is 1 April to 31 March and the PRA fee year is 1 March to 28 February, which reflects their respective financial years. Table 2.2 sets out the proportions of FCA and PRA fees payable for the quarters that authorisation takes place.

Table 2.2

Period when authorisation takes place	Proportion of periodic fee payable
Fees payable to the FCA	
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 31 March inclusive	25%
Fees payable to the PRA	
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 28 February inclusive	25%

2.8 A firm seeking to increase the scope of its Part 4A permission generally pays fees for any additional fee-blocks it falls within as a result of the variation of permission. No additional periodic fees are payable where the variation of permission means the firm does not enter any new fee-blocks.

'On account' fee-payers

2.9 Firms that paid periodic fees either to the FCA only or to the FCA and PRA, of at least £50,000 in the previous year must pay 50% of the amount paid in that previous year 'on-account' for their fee in the following year by the 30 April. Their fees for the following year will be finalised in June. By 1 September they must pay the balance of their fees.

Other fee-payers

2.10 The FCA start invoicing firms who do not pay 'on account' fees for the full amount of their fees from July. Firms have 30 days from the date of the invoice in which to pay.

Late payment

2.11 If a firm does not pay its FCA, PRA periodic fee and FSCS/FOS/Money Advice Service levies by the due date, we will levy a £250 surcharge and, from the due date, start to charge interest on any unpaid fee amount at 5% per year above the Bank of England's repo rate. Where we do not receive payment, we (in conjunction with the PRA for dual-regulated firms) are able to take civil and/or regulatory action against the firm to recover the debt. We (in conjunction with the PRA for dual-regulated firms) also take action to cancel the permissions of firms who do not pay their fees and levies and, as a result, they are no longer entitled to undertake regulated activities.

Paying regulatory fees and levies by instalments

2.12 An instalment payment system would be uneconomical for us to administer, as any systems costs and bad debts would, directly or indirectly, have to be met by firms through regulatory fees. In addition, administering credit arrangements is not part of our statutory function, and we consider that providing credit to fee payers was likely to be cheaper when done by an organisation whose core activity is financing. However, in response to industry feedback, the FSA facilitated a market solution for firms so that they could pay regulatory fees and levies in instalments. This facility continues to be available through the FCA.

2.13 In FSA CP12/28 (October 2012) the FSA invited potential credit providers to submit their proposals for financing firms' fees in 2013/14. Following discussion with several potential credit providers, Premium Credit Limited was chosen by the industry as the company that offered a competitive product and one that would be made available to all authorised firms. The industry also chose to negotiate a three-year deal with Premium Credit Limited, as this provided the opportunity to secure enhanced payment terms. The FCA is independent of this arrangement and has no contract in place with Premium Credit Limited.

Online fees calculator

2.14 We provide a facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA, the FOS and MAS consultative rates in Appendix 1 of this CP.

2.15 The fees calculator will also cover PRA (where applicable) and FSCS levies.

2.16 The fees calculator for 2013/14 fees and levies will be available from 9 April 2013 for firms to use.

3.
FCA AFR and allocation to fee-blocks

3.1 In this chapter under:

- **combined FCA and PRA 2013/14 AFR compared with FSA 2013/14 AFR**, we explain the factors determining how the combined FCA/PRA AFR for 2013/14 has been calculated, and explain the main movements from the FSA AFR in 2012/13. The combined AFR is the amount of money that the FCA and PRA need to raise to fund the regulatory activities of both organisations in 2013/14. Reasons for the above average increases in the allocation of the combined AFR to FCA/PRA dual-regulated fee-blocks are also provided. The information on the PRA AFR and allocations to the PRA prudential dual-regulated fee-blocks is only provided here to enable a comparison to be made with the FSA position for 2012/13. This CP only relates to the consultation on the FCA fees rates for 2013/14. The PRA has published a separate CP on its own fee rates for 2013/14.

- **FCA AFR allocation to solo-regulated fee-blocks**, we set out the allocation of the FCA AFR to the FCA solo-regulated fee-blocks, including the separate FCA Prudential fee-block and the basis for allocating the FCA inherited defined pension scheme deficit funding following consultation in Chapter 2 of FSA CP12/28 (October 2012).

3.2 We published our 2013/14 Business Plan and Risk Outlook on the 25 March 2013. The Business Plan sets out our strategic priorities for mitigating the risks to our statutory objectives identified in the Risk Outlook. Our AFR of £432.1m will enable us to meet those strategic priorities. The reasons for the above average increases in allocations of AFR to the FCA conduct dual-regulated fee-blocks and the FCA solo regulated fee-blocks reflect our Business Plan.

Combined FCA and PRA 2013/14 AFR compared with FSA 2012/13 AFR

2013/14 AFR

3.3 Table 3.1 shows the calculation of the total £646.3m combined FCA and PRA AFR for 2013/14, an increase of 15% on the FSA 2012/13 AFR. The underlying 2013/14 annual combined FCA and PRA costs of Ongoing Regulatory Activity (ORA) will increase by £127.8m (24%) from 2012/13, although after adjusting for 11 months of PRA costs from 1 April 2013 to 28 February 2014, the increase reduces to 21%.

Table 3.1: Combined AFR across FCA and PRA

	FCA 2013/14 £m	PRA 2013/14 £m	FCA + PRA 2013/14 £m	FSA 2012/13 £m	Movement £m/%
Ongoing regulatory activity (ORA)					
FSA 12 months to 31 March 2013				535.5	
FCA 12 months to 31 March 2014	445.7		445.7		
PRA 12 months to 28 February 2014		217.6	217.6		
Total ORA	**445.7**	**217.6**	**663.3**	**535.5**	**127.8**
Year on year change in annual ORA					*24%*
PRA adjustment to 11 months		-18.2	-18.2		-18.2
Total ORA adjusted	**445.7**	**199.4**	**645.1**	**535.5**	**109.6**
Year on year change in adjusted ORA					*21%*
Additions:					
Recovery of scope change costs	3.3		3.3	2.4	0.9
FCA regulatory reform implementation	2.6		2.6	32.5	-29.9
Bank of England transition costs		14.8	14.8		14.8
Subtractions:					
Surplus in previous year*	-19.5		-19.5	-10.6	-8.9
AFR	**432.1**	**214.2**	**646.3**	**559.8**	**86.5**
Year on year change in AFR					*15%*
Financial Penalty Rebate	**-40.6**		**-40.6**	**-70.7**	**30.1**
% year on year change in chargeable fees taking account of financial penalties rebate					*24%*

* To be finalised on completion of the statutory audit.

3.4 The £127.8m (24%) increase in the combined FCA and PRA ORA is attributable to a number of factors as set out in Table 3.1A:

Table 3.1A: Increase in combined FCA and PRA ORA

Increase in ORA(ORA)	FCA + PRA 2013/14 £m	FSA 2012/13 £m	Movement £m	Movement %
Front line staff costs	**259.4**	**225.0**	**34.4**	**15%**
Support costs				
IT and depreciation	165.4	121.5	43.9	36%
Central and support services	142.6	115.2	27.4	24%
Accommodation and office services	45.5	36.9	8.6	23%
Other	50.4	36.9	13.5	36%
Total support costs	**403.9**	**310.5**	**93.4**	**30%**
Total increase	**663.3**	**535.5**	**127.8**	**24%**

- **£34.4m increase in front line staff costs:** The increase largely reflects the need to embed the judgement-based, forward-looking and risk-focused supervision approach for both the PRA and the FCA. In particular, the FCA will have to deliver on its new market integrity, consumer protection and competition objectives. This is reflected in a 6% increase in FCA staff numbers in front line delivery which includes the resources needed for dual mechanisms, for example in Authorisations, and accounts for £19.4m of the increase. The PRA will have staff numbers in its areas of prudential supervision that are 6% higher than the FSA equivalent to deliver the new supervision approach. In addition PRA resources include staff reallocated from the Solvency II Programme to front line supervision. The estimated cost increase associated with the latter is £10.0m and is partially offset by a reduction in the 2013/14 Special Project Fee for Solvency II. Underlying pay increases have been limited to 2.5% for both the PRA and the FCA.

- **£43.9m increase in Information Technology (IT) costs and depreciation:** The FSA's IT costs (including associated staff costs) in 2012/13 were £77.2m. The FSA outlined in its 2012/13 business plan significant investment in information systems and capability over a number of years to ensure that core technology platforms remained supported and able to underpin key regulatory systems. The FCA has committed to continuing this investment and expects to incur £85.7m in IT and associated costs in 2013/14. Likewise, the PRA's Business Transformation Programme will complete the transition to the new supervision approach and deliver the associated data strategy and IT changes that support the new approach. The PRA's IT and expensed project costs for 2013/14 are budgeted at £28.7m. In addition, the FCA has inherited the FSA's depreciation costs in respect of these systems. The 2013/14 depreciation costs for the FCA and PRA are £44.0m and £7.0m respectively (FSA 2012/13 depreciation charge was £44.3m).

- **£27.4m increase in central services and support functions:** The FSA's central services and support functions costs were £115.2m in 2012/13 and for the FCA are expected to be £103.9m in 2013/14. The PRA expects to incur £38.7m in central services costs in 2013/14. The FCA expects to make some savings over time as it realigns and rebalances its current infrastructure and capacity to the demands of the new organisation and the dual regulatory model. Immediate savings are not achievable due to the need to support the business while strategic organisational change is implemented, particularly with respect to the changes in consumer credit regulation from 1 April 2014.

- **£8.6m accommodation and office services costs:** As part of the reorganisation, the PRA has moved into new premises at 20 Moorgate, London at a cost of £12.6m per annum. The FCA has reduced its floor space and premises costs by £4.0m from £36.9m in 2012/13 to £32.9m in 2013/14, but must retain sufficient capacity to absorb the additional people required to regulate consumer credit from 1 April 2014.

- **£13.5m increase in other costs:** This is driven mainly by the increase in expected London Interbank Offered Rate (LIBOR) case costs (other than staff costs) in FCA Enforcement. These costs are expected to peak in 2013/14.

3.5 Because the PRA's year end is 28 February 2014, it will need only to recover 11 months of its £217.6m annual ORA in 2013/14, requiring a downwards adjustment of £18.2m. This reduces the overall ORA fee increase to 21%.

3.6 Other factors reducing the combined FCA and PRA AFR increase to 15% include:

- **Regulatory reform:** FSA regulatory reform implementation costs have fallen by £29.9m – the project effectively ending at legal cutover. The Bank of England will recover £14.8m of transition costs in 2013/14.

- **£19.5m surplus:** The FSA is expected to deliver a 2012/13 surplus of £19.5m to be returned to fee payers in 2013/14. This surplus takes into account the FSA's decision to make a one-off contribution of £22.0m to reduce the defined benefit pension scheme deficit that will be inherited by the FCA. The deficit is expected to increase to approximately £200m (last valuation £156m) at the next Scheme Specific Valuation (SSV) on 31 March 2013 and an additional contribution made now will reduce the FSA legacy and mitigate the risks of significantly increased future annual deficit-funding contributions.

Financial penalties

3.7 The amount of financial penalties collected by the FSA in 2012/13 were £381.8m. Following changes made by the 2012 Act these financial penalties, net of certain enforcement costs, will be paid to the Exchequer in April 2013. As a result the amount of financial penalties retained (representing the associated costs of enforcement) will be reduced substantially to £40.6m. This means that the 15% increase in the combined FCA and PRA AFR will become a 24% increase in the overall level of combined fees paid by fee-payers in 2013/14 from 2012/13.

Value for Money

3.8 The PRA does not plan to increase its cost in real terms except in relation to specific new policy initiatives, such as the implementation of the Banking Reform Bill. The PRA's Solvency II Special Project Fees to be recovered from firms for 2013/14 are £0.2m compared to £15.0m for 2012/13, reflecting the new planning horizon to 31 December 2015.

3.9 The PRA will make every effort to reduce its costs and take advantage of sharing support costs with the Bank of England and seeking efficiencies in its operations as part of any Bank-wide Value for Money initiatives. The FCA is fully committed to improving the Value for Money of the services it provides to stakeholders and the FCA's published business plan provides details of its Value for Money framework. Both the PRA and FCA will be subject to Value for Money audits by the National Audit Office.

Changes in AFR allocations to fee-blocks relative to 2012/13

3.10 Minimum fees have been held at the same level with recoveries for dual-regulated firms being split between the organisations. The slight fall in projected recovery from the minimum fee block reflects an expected lower number of firms and not a reduction in the fees paid. Firms dealing as principal, deposit acceptors and general insurers will face above-average increases in fees in 2013/14 (see Table 3.2).

Table 3.2: Allocation of combined AFR across FCA and PRA dual-regulated fee-blocks

Fee blocks	FCA * 2013/14 £m	PRA # 2013/14 £m	FCA +PRA 2013/14 £m	FSA 2012/13 £m	Movement
A.0 Minimum fee	18.0	0.6	18.6	18.8	-1%
A.1 Deposit acceptors	59.9	146.1	206.0	171.2	20%
A.3 General insurers	22.1	24.3	46.4	38.9	20%
A.4 Life insurers	37.3	30.2	67.5	59.2	14%
A.5 Managing agents	0.2	1.3	1.5	1.3	13%
A.6 The Society of Lloyd's	0.3	1.5	1.8	1.6	14%
A.10 Firms dealing as principal	49.6	10.2	59.8	48.1	24%
FCA solo-regulated fee- blocks	244.7	-	244.7	220.7	11%
Total	**432.1**	**214.2**	**646.3**	**559.8**	**15%**

* including a share of the AP00 FCA Prudential fee-block where appropriate
# including a share of the PT01 PRA Transition Costs fee-block where appropriate

A1 Deposit acceptors

3.11 The increase in the PRA's AFR allocation to the A1 fee block largely reflects the fact that all costs of banking sector prudential regulation will be allocated to deposit acceptors in 2013/14. Previously the cost of prudential regulation of other business activities e.g. proprietary trading, mortgage lending, advising and arranging was distributed across the relevant FSA fee-blocks. In addition, part of the increased PRA allocation to the A1 fee block is explained by the resources needed to support the Financial Policy Committee.

3.12 The FCA's increased allocation to deposit acceptors reflects overseeing the review and redress process for the interest rate swaps mis-selling, technological resilience including implementing the lessons learned from the RBS Group systems failure, complaints handling, authorisations and anti-money laundering.

A3 General insurers and A4 Life insurers

3.13 The consolidated FCA/PRA allocation to general insurers and life insurers will rise by 20%. The costs in the PRA are required to embed the new supervisory approach and to work with other regulatory bodies to advance the fulfilment of the PRA's policyholder protection objective. The comparatively larger increase in general insurers is due to additional front line supervision resources in departments that allocate the majority of their of costs to general insurers, such as London Markets and Non-Life & Insurance Companies.

3.14 In addition, the FCA's cost increases impact general insurers as a result of the additional resources focused on the supervision of price comparison web sites which have been responsible for major structural changes in the way the industry manufactures prices and distributes retail insurance products. The FCA plans a market study into general insurance add-ons sold to consumers when they purchase a product of some value.

A10 Firms dealing as principal

3.15 Firms dealing as principal will overall be charged 24% higher fees than in 2012/13. The cost of prudentially regulating the nine dual-regulated firms dealing as principal will rise in 2013/14 as a result of increased focus on the risk assessment of what are systemically important firms.

3.16 The FCA's increased allocation to the A10 fee block in 2013/14 reflects the higher costs of the LIBOR investigation and enforcement action, the regulation of algorithmic trading, high frequency trading and trading platforms as the FCA seeks to increase the standards of market conduct and take action against those guilty of market abuse.

FCA AFR allocations to solo-regulated fee-blocks

3.17 Our AFR that has been allocated to FCA solo-regulated fee-blocks is set out in Table 3.3.

Table 3.3: FCA AFR allocations to FCA solo regulated fee-blocks

Fee-block	FCA* 2013/14 £m	FSA 2012/13 £m	Movement
FCA allocations to dual-regulated fee-block (including A.0 minimum fee) covered in Table 3.2	187.4		
A.2 Home finance providers and administrators	15.7	13.7	14.4%
A.7 Fund managers	41.8	36.1	15.7%
A.9 Operators, Trustees and Depositaries of collective investment schemes etc	11.7	10.7	9.3%
A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	45.3	38.6	17.5%
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	41.9	37.1	13.0%
A.14 Corporate finance advisors	12.8	11.5	11.7%
A.18 Home finance providers, advisers and arrangers	15.6	14.0	11.7%
A.19 General insurance mediation	26.7	23.3	14.6%
B. Recognised Investment Exchanges, operators of Multilateral Trading Facilities, Recognised Auction Platforms and Service Companies(i)	6.7	9.0	-25.8%
C. Collective Investment Schemes	2.2	2.0	11.6%
D. Designated Professional Bodies	0.2	0.2	14.8%
E. Issuers and Sponsors of securities	19.1	16.7	14.7%
F. Unauthorised mutuals	1.6	1.6	-0.2%
G. Firms registered under the Money Laundering Regulations 2007. Firms covered by Regulated Covered Bonds Regulations 2008; Payment Services Regulations 2009; and Electronic Money Regulations 2011.	3.4	3.7	-8.3%
Total	**432.1**		

Notes:
* including a share of the AP.0 FCA Prudential fee-block where appropriate.
(i) The 2012/13 allocation to this fee-block includes costs of supervising clearing and settlement infrastructures which transfers to the Bank of England from 1 April 2013.

3.18 The solo regulated fee-blocks with above average year-on-year increases in allocated AFR and the reasons for those increases are:

- **A.12 Investment intermediaries that hold client money/assets** – Increase of £6.7m to £45.3m (17.5%). Reflects increased supervision of firms holding client money and assets, including more intrusive visits to firms and thematic projects; and

- **B. Recognised Investment Exchanges (RIEs), Multilateral Trading Facilities (MTFs) and the Service Companies** – Increase of £1.9m to £6.7m (39.5%)[*] In the case of RIEs it reflects a refocus of our supervision of market infrastructure targeted on market integrity and consumer protection risks as well as incorporating new FCA powers. From the 1 April 2013 we will implement a new framework for supervising MTFs reflecting that, since the implementation of the Markets in Financial Instruments Directive (MiFID), a significant proportion of secondary trading in equity and non-equity instruments is now located on MTFs, many of whom directly compete with the incumbent RIEs. In an attempt to level the playing field and apply consistent (albeit proportionate) standards to competing platforms, this will include some individual MTFs seeing substantial increases in their fees as detailed in Chapter 5 as our supervisory approach develops to achieve this objective.

*[*after removing the impact of the transfer of the supervision of clearing and settlement infrastructures to the Bank of England]*

FCA prudential fee-block

3.19 In line with the proposals in Chapter 2 of FSA CP12/28 (October 2012) we have allocated the costs of our prudential regulation of our solo-regulated firms to a separate AP.0 FCA Prudential fee-block. Solo-regulated firms are those which we regulate for prudential as well as conduct purposes. Such firms include investment managers, securities dealers, retail investment intermediaries, mortgage intermediaries and general insurance intermediaries. The amount allocated to this fee-block will be recovered from only solo-regulated firms in proportion to the total fees they pay through the 'A' solo-regulated activity fee-blocks. Small solo-regulated firms that only pay a minimum fee will not pay fees under the FCA prudential fee-block. In Appendix 1 we have made some small amendments to the rules to make this treatment clearer.

3.20 The allocation of our AFR in Tables 3.2 and 3.3 has been set out with these FCA prudential costs apportioned across the FCA regulated activity fee-blocks. This is to enable us to show a like for like comparison between FCA 2013/14 regulated fee-blocks and FSA equivalent fee-blocks for 2012/13. Table 3.4 sets out the allocation of our AFR showing the FCA Prudential fee-block allocation separately. This is the AFR allocation breakdown that will be used to compare against the allocations for 2014/15.

Table 3.4: FCA AFR allocations to FCA dual-regulated (DR) and solo regulated fee-blocks

Fee-block		FCA 2013/14 £m	AFR proportion%
A.0 FCA minimum fee	Solo	18.0	4.2%
AP.0 FCA prudential fee(i)	Solo	11.0	2.5%
A.1 Deposit acceptors	DR	60.0	13.9%
A.2 Home finance providers and administrators	Solo	15.5	3.6%
A.3 Insurers – general	DR	22.1	5.1%
A.4 Insurers – life	DR	37.3	8.6%
A.5 Managing Agents at Lloyd's	DR	0.2	0.0%
A.6 The Society of Lloyd's	DR	0.3	0.1%
A.7 Fund managers	Solo	38.8	9.0%
A.9 Operators, Trustees and Depositaries of collective investment schemes etc	Solo	10.8	2.5%
A.10 Firms dealing as principal	Solo & DR(ii)	48.9	11.3%
A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	Solo	44.5	10.3%
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	Solo	39.2	9.1%
A.14 Corporate finance advisors	Solo	12.2	2.8%
A.18 Home finance providers, advisers and arrangers	Solo	15.2	3.5%
A.19 General insurance mediation	Solo	25.1	5.8%
B. Recognised Investment Exchanges, operators of Multilateral Trading Facilities, Recognised Auction Platforms and Service Companies	Solo	6.7	1.5%
C. Collective Investment Schemes	Solo	2.2	0.5%
D. Designated Professional Bodies	Solo	0.2	0.0%
E. Issuers and Sponsors of securities	Solo	19.1	4.4%
F. Unauthorised mutuals	Solo	1.6	0.4%
G. Firms registered under the Money Laundering Regulations 2007. Firms covered by Regulated Covered Bonds Regulations 2008; Payment Services Regulations 2009; and Electronic Money Regulations 2011.	Solo	3.4	0.8%
Total		432.1	100.0%

Notes:
(i) 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.
(ii) 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 the AP.0 FCA prudential fee fee-block. The remaining firms in A.10 are solo regulated by the FCA and therefore pay prudential fees to the FCA in in AP.0

Allocation of inherited defined benefit pensions deficit

3.21 The FSA had plans in place to reduce the deficit on its defined benefit pension scheme (the "scheme") to nil over the ten-year period to 31 March 2021. The scheme was created in 1998 to provide pensions benefits for employees transferring from the previous regulatory bodies to the FSA. This scheme has always been closed to new entrants and the accrual of final salary benefits ceased on 31 March 2010. These liabilities remain with the FCA, which is the same legal entity as the FSA. The FCA is continuing to make an annual contribution, currently £19.5m, to reducing the pensions deficit.

3.22 From 2013/14 the annual contribution to reducing the pensions deficit will be allocated across FCA conduct dual-regulated fee-blocks and FCA solo-regulated fee-block weighted on an historic basis. FCA/PRA dual-regulated and FCA solo-regulated firms will therefore all make the same level of contribution as they would have done under the FSA.

3.23 The FSA consulted in chapter 2 of FSA CP12/28 (October 2012) on whether or not we should weight the allocation on an historic basis. We received 14 responses mostly from trade bodies which represented a reasonable cross section of the firms affected. Overall respondents were evenly split.

3.24 Those trade bodies representing banks, building societies and insurers supported the no weighting option which would have resulted in the firms they represent paying approximately £6m less and the FCA solo-regulated firms paying the £6m instead. Those trade bodies representing investment managers, securities firms and retail investment intermediaries, covering FCA solo-regulated firms, supported the weighting option.

3.25 We have proceeded with the weighting option as it is nearest to being no change in the sharing of the cost burden across fee-payers.

3.26 The £19.5m underspend has also been allocated across FCA regulated fee-blocks on an historic basis. FCA/PRA dual-regulated and FCA solo-regulated firms will therefore all receive the same level of benefit as they would have done under the FSA.

How costs are allocated

3.27 Costs are allocated across fee-blocks in two ways:

- **Direct costs:** These are costs that we are able to allocate to individual fee-blocks, e.g. individual firm supervision and sector-specific policy development. These direct costs include people costs, to which we add their overhead costs, e.g. accommodation, IT and other operational costs needed to support the people in doing their work.

- **Indirect costs:** These are costs that we cannot directly allocate to individual fee-blocks, e.g. thematic supervision, non-sector-specific policy development, or the costs of a director's office in an area. These indirect costs also represent the people costs, to which we add the overhead costs. We allocate indirect costs to fee-blocks in proportion to the direct costs allocated.

4. Periodic fees for authorised firms

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

4.1 This chapter sets out our proposals for the 2013/14 periodic fees for authorised firms (the 'A' fee-blocks) who form the majority of our fee-payers (92% of our total AFR is recovered from these firms).

4.2 Proposals for the fees payable by other bodies are in Chapter 5 of this paper.

Proposed minimum periodic fees 2013/14

4.3 Any firm that is authorised to carry out any of the regulated activities covered by the 'A' fee-blocks is subject to the A.0 minimum fee.[4] The minimum fee is aimed at ensuring 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). In line with the proposals in Chapter 2 of FSA CP12/28 (October 2012) the A.0 minimum fee is no longer linked to recovering the costs of specific regulatory functions.

4.4 We are proposing that the 'A' fee-block FCA minimum fee of £1,000 remains unchanged in 2013/14 and that the lower concession minimum fees for smaller credit unions and friendly societies should also remain unchanged. These minimum fees will be split equally between the FCA and PRA for dual-regulated firms.

4.5 Small firms who continue to only pay the minimum fee will see no change in their fees for a fourth year running. Over the same period, the fees paid by medium and larger firms, who breach the size thresholds that trigger the payment of additional variable periodic fees, have seen their fees increase significantly. We intend to review the basis for levying minimum fees as part of the FCA fees review during 2013/14.

Proportion of firms that only pay the minimum fee

4.6 We are proposing that the proportion of firms that only pay the minimum fee should remain at around 42%, the same proportion as under the FSA in 2012/13. For a firm to only pay a minimum fee it has to be below the size thresholds that trigger variable periodic fees, in each of the fee-blocks that it is in. We expect the size thresholds set for each fee-block in Appendix 1 to implement this proposal. However, as highlighted in Table 4.1 the income tariff data for

4 Except A.6 which has one fee-payer (The Society of Lloyd's) who is invoiced on an individual basis.

fee-blocks A.12, A.13 and A.14, used to set their size thresholds for the first time, may significantly change between now and June 2013. Therefore in order to implement this proposal we may need to adjust the size thresholds for these fee-blocks and others when we finalise them in June 2013.

Proposed variable periodic fees

4.7 Costs allocated to the 'A' fee-blocks are recovered on a 'straight line' basis (i.e. in direct proportion to the size of permitted business firms undertake in these fee-blocks). Therefore the fees firms pay should change broadly in line with the year-on-year allocations of our AFR as set out in Tables 3.2 and 3.3 in Chapter 3. However, the movements in the allocations of our AFR stated in these tables at a fee-block level will, in some cases, differ from the movements in the draft fee rates detailed in Appendix 1. This is due to changes in the number of fee-payers and amount of tariff data[5] from year to year in each fee-block.

4.8 Table 4.1 sets out the number of fee-payers and the total tariff data that has been used to calculate the draft 2013/14 fee rates in Appendix 1 and compares them to the data used to calculate 2012/13 fee rates showing the level of year-on-year movements.

Table 4.1: Data used to estimate 2013/14 periodic fee rates for consultation

		Number of firms in fee-blocks			Tariff data		
Fee-block	Tariff base	2013/14 Estimated	2012/13 Actual	Mov't	2013/14 Estimated	2012/13 Actual	Mov't
A.1	Modified eligible liabilities	920	938	-2.0%	2,896.6bn	£3,021.5bn	-4.1%
A.2	Number of mortgages or other home finance transactions	314	317	-1.0%	£7.1m	£7.6m	6.2%
A.3	Gross premium income	391	411	-4.9%	£58.2bn	£61.2bn	-4.9%
	Gross technical liabilities				£128.0bn	£131.2bn	-2.4%
A.4	Adjusted gross premium income	219	233	-6.0%	£57.2bn	£55.3bn	3.5%
	Mathematical reserves				£876.4bn	£836.4bn	4.8%
A.5	Active capacity	60	59	1.7%	£24.0bn	£24.0bn	0.0%
A.7	Funds under management	2,529	2,491	1.5%	£4,497.6bn	£4,324.6bn	4.0%
A.9	Gross income	773	765	1.0%	£8.5bn	£8.2bn	4.2%
A.10	Traders	434	448	-3.1%	9,716	9,781	-0.7%

5 The AFR allocated to each fee-block is recovered from firms in the fee-block based on the proportion of business they undertake in that fee-block. The amount of business is measured by the tariff base. The tariff base differs between fee-blocks but the most common one is income. Tariff data is the amount of income that a firm receives in relation to the business undertaken in that fee-block.

A.12	Annual income	1,906	1,871	1.9%	£21.2bn	See note (i)	
A.13	Annual income	7,000	7,086	-1.2%	£6.7bn		
A.14	Annual income	778	780	-0.3%	£4.0bn		
A.18	Annual income	5,379	5,473	-1.7%	£1.0bn	£1.1bn	-11.7%
A.19	Annual income	12,734	12,906	-1.3%	£15.1bn	£14,6bn	3.3%

Note (i): 2013/14 is the first year that the tariff data for these fee-blocks will be annual income replacing approved persons. We do not have annual income tariff data for 2012/13 in order to make a comparison with 2013/14. Also, this is the first year firms have provided income tariff data for these fee-blocks and the validation of this data is taking longer than for other fee-blocks. Therefore the data we show in this table which we have used to calculate the size thresholds and draft fee rates in Appendix 1 may be subject to significant change by June 2013 when we calculate the final size thresholds and fee rates.

4.9 The estimated data for 2013/14 in Table 4.1 will also potentially change between now and June, which will be the data used to calculate the final fee rates. This is because we calculate the draft fee rates a few weeks before this CP is published and therefore the population of fee-payers as at 1 April 2013 is estimated. Also, the collection and validation of tariff data is not completed until the end of April.

Fee-payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee-payers populations and tariff data, which may change when the final fee rates are calculated in June 2013. This means that final periodic fee rates for 2013/14 – which will be made by our Board at its June 2013 meeting – could vary from the draft periodic fee rates in this CP.

Moderation framework

4.10 We apply our moderation framework, which allows our straight-line recovery policy to accommodate a targeted recovery of costs within a fee-block, on an exceptions basis, if it can be justified. This moderation can be either side of the straight-line recovery and is achieved by applying a premium or discount to the tariff data that measures the amount of permitted business firms undertake within a moderated fee-block. We consult before applying the moderation framework.

4.11 The A.1 fee-block (Deposit acceptors) is the only current exception from straight-line recovery. Within this fee-block, the firms who fall within the medium-high and high bands of our moderation framework pay a premium fee-rate. This reflects the particular targeting of our overall supervision to the high-impact, systemically important firms in this sector.

4.12 For 2013/14 we are proposing to continue to apply a premium of 25% and 65% to the fee rates for medium-high and high-impact firms respectively in the top two bands of the A.1 fee-block.

Revised fee rate discounts for European Economic Area (EEA) branches

4.13 We are proposing revised FCA fee rate discounts for EEA incoming passported branches to those proposed in CP12/28 (October 2012)[6] as set out in Table 4.2.

6 In chapter 4 of FSA PS13/5 – *The new FCA Handbook* (March 2013), the FSA provided feedback on the proposals in chapter 2 of FSA CP12/28 including that we would be consulting on revised EEA branches fees discounts in this CP.

Table 4.2: FCA proposed revised EEA branches fee rate discounts

Fee-blocks		FCA proposed revised discounts	FCA proposed in CP12/28 discounts	FSA 2012/13 discounts
DR	A.1 Deposit acceptors	5.0%	0%	50%
DR	A.3 Insurers - general	5.0%	0%	90%
DR	A.4 Insurers - life	5.0%	0%	25%
S	A.7 Fund managers	5.0%	0%	5%
S	A.9 Operators, Trustees and Depositaries of collective investment schemes etc.	5.0%	0%	5%
DR	A.10 Firms dealing as principal	5.0%	0%	10%
S	A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	5.0%	0%	10%
S	A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets or both)	5.0%	0%	10%
S	A.19 General insurance mediation	5.0%	0%	10%

Notes:

DR = Dual-regulated activities - by the FCA for conduct and PRA for prudential. In the case of A.10 dual-regulation only relates to the firms designated for prudential regulation by the PRA. FCA allocates conduct costs to these fee-blocks and therefore EEA branches only pay conduct fees in these fee-blocks. Firms, including EEA branches, pay separate prudential fees to the PRA.

S= Solo-regulated activities - by the FCA for both conduct and prudential. FCA allocates conduct costs to these fee-blocks and therefore EEA branches only pay conduct fees in these fee-blocks. FCA prudential costs are allocated to a separate FCA prudential fee-block and EEA branches do not pay fees in that fee-block.

4.14 Fee discounts for EEA branches were introduced by the FSA to take account of the home state being primarily responsible for the prudential regulation of an EEA firm and the host state being primarily responsible for conduct regulation. The FSA was both the prudential and conduct regulator for the regulated activities covered by all the fee-blocks in Table 4.2 and therefore the FSA's discounts aimed to reflect the difference between the combined prudential and conduct resources applied to regulating EEA branches compared to UK-based firms.

4.15 We only recover our conduct regulation costs from EEA branches because if they are undertaking the dual-regulated activities in Table 4.2 they pay prudential fees to the PRA and if they are in the solo-regulated fee-blocks they do not pay fees in our FCA prudential fee-block. Therefore FCA EEA branches discounts are not directly comparable with the discounts under the FSA.

4.16 Our proposed revised EEA branch discounts continue to reflect the differences from the FSA. However, they also aim to reflect that, as host regulator, our supervisory responsibilities for EEA incoming passported branches, in relation to systems and controls and approved persons, are less than for UK-based firms carrying on the same regulated activities.

Systems and controls

4.17 In general, the Home state is responsible for systems and controls. However, this does not mean that we cannot consider the systems and controls of EEA branches for the purposes of carrying out, where appropriate and in cooperation with the Home state regulator, our conduct responsibilities.

4.18 Our current estimate is that a 4% discount should account for the general difference in resources applied to EEA branches compared to UK-based firms arising from carrying out our supervisory responsibilities.

Approved persons

4.19 As host state regulator, for EEA branches we only apply a subset of controlled functions in relation to approved persons, which vary depending on which EU Directive applies. In the main the control functions we apply are CF11 – Money Laundering Reporting Officer (MLOR), CF29 – significant management function and CF30 – customer function. The remaining 10 control functions are not applied.

4.20 Our current estimate is that a 1% discount would account for the general difference in resources applied to EEA branches, compared to UK-based firms in relation to approved persons.

Overall EEA branch fees discount

4.21 We are proposing an overall 5% discount for all fee-blocks in Table 4.2.

4.22 These revised discounts are included in the draft fees rates instrument in Appendix 1. However, EEA branch firms should note that the fees calculator available on our website is set to calculate such fees applying a 0% discount.

Money Advice Service levies – EEA discounts

4.23 Proposed Money Advice Service levies for 2013/14 are set out in Chapter 10 of this CP. These levies are calculated on the same basis as our fees in terms of EEA discounts. Therefore, the same revised discounts in Table 4.2 will be applied to Money Advice Service levies.

Online fees calculator

4.24 We provide a facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA, the FOS and Money Advice Service consultative rates in Appendix 1 of this CP.

4.25 The fees calculator will also cover PRA (where applicable) and FSCS levies.

4.26 The fees calculator for 2013/14 fees and levies will be available from 9 April 2013 for firms to use.

Q1: Do you have any comments on the proposed FCA 2013/14 minimum fees and variable periodic fee rates for authorised firms?

We must receive any responses to Q1 by 9 June 2013

5. FCA periodic fees other bodies

5.1 This chapter sets out the proposed periodic fees for fee-payers in fee block:

- B, Market Infrastructure Providers;
- C, Collective Investment Schemes;
- D, Designated Professional Bodies;
- E, Issuers and sponsors of securities (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.

5.2 The periodic fees for the fee-payers in the A fee-blocks are discussed in Chapter 4.

5.3 The proportion of our AFR allocated to fee-blocks B to G, the year-on-year movements in allocations and our comments on year-on-year increases that are substantially more than the overall 15% increase in the AFR are detailed in Chapter 3. In this chapter, where applicable, we make further comments on such year-on-year increases for sub-sets of fee-payers where not already covered in chapter 3.

> Fee-payers should be aware that the draft fee rates and levies in Appendix 1 are calculated, where applicable, using estimated fee-payers populations and tariff data, which may change when the final fee rates are calculated in June 2013. This means that applicable final periodic fee rates for 2013/14 – which will be made by our Board at its June 2013 meeting – could vary from the draft periodic fee rates in this CP.

Fee-block B: Market infrastructure providers

5.4 We set out in Chapter 3 the reasons for the substantial above average year-on-year increase in the allocation to fee block B.

Recognised Investment Exchanges

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

5.5 The periodic fees for the Recognised Investment Exchanges (RIEs) are set on an individual basis for each body and are based on the amount of regulatory resources required. The proposed fees are detailed in Table 5.1.

Table 5.1: Proposed periodic fees for RIEs

Name of RIE	Proposed 2013/14 fee (£)	Actual 2012/13 fee (£)	Variance
ICAP Securities & Derivatives Exchange Limited (RIE)	300,000	225,500	34.8%
ICE Futures Europe	690,000	615,500	12.1%
LIFFE Administration and Management	995,000	885,500	12.4%
London Metal Exchange	610,000	544,500	12.0%
London Stock Exchange plc	825,000	734,000	12.4%

5.6 If you have any questions regarding these fees please contact your relationship manager.

Recognised Auction Platforms

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

5.7 We propose a flat fee of £50,000 for 2013/14 unchanged from 2012/13.

Recognised Overseas Investment Exchanges (ROIEs)

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

5.8 For 2013/14 we propose a minimum fee for ROIEs of £56,000 an increase of 12% compared to 2012/13 (£50,000).

Multilateral Trading Facilities (MTFs)

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

5.9 The periodic fees for MTFs are set on an individual basis and are based on the amount of regulatory resources required. The proposed fees are detailed in Table 5.2. In paragraph 3.18 of chapter 3 we set out the background to the levels of fees proposed.

Table 5.2: Proposed periodic fees for MTFs

Organisation	Proposed 2013/14 fee (£)	Actual 2012/13 fee (£)	Variance
Barclays Bank Plc	15,000	5,000	200.0%
Baltic Exchange Derivatives Trading Ltd	20,000	23,500	-14.9%
BATS Trading Ltd	150,000	109,000	37.6%
BGC Brokers L.P	50,000	5,000	900.0%
Chi-X Europe Limited	15,000	175,000	-91.4%
Credit Agricole Cherveux International	15,000	5,000	200.00%
EuroMTS Limited	50,000	35,500	40.8%
GFI Brokers Limited	15,000	5,000	200.0%
GFI Securities Limited	50,000	5,000	900.0%
Goldman Sachs International	15,000	5,000	200.0%
ICAP Electronic Broking Limited	50,000	7,800	541.0%

Organisation	Proposed 2013/14 fee (£)	Actual 2012/13 fee (£)	Variance
ICAP Energy Limited	15,000	5,000	200.0%
ICAP Europe Limited	15,000	5,000	200.0%
ICAP Securities Limited	50,000	5,000	900.0%
ICAP Shipping Tanker Derivatives Limited	15,000	5,000	200.0%
ICAP WCLK Limited	15,000	5,000	200.0%
iSWAP Euro Ltd	15,000	5,000	200.0%
Liquidnet Europe Limited	35,000	83,000	-57.8%
J.P.Morgan Cazenove Limited	15,000	5,000	200.0%
My Treasury Limited	15,000	5,000	200.0%
Nomura International Plc	15,000	5,000	200.0%
SmartPool Trading Limited	20,000	26,500	-24.5%
TFS-ICAP Limited	15,000	5,000	200.0%
Tradeweb Europe Limited	50,000	16,000	212.5%
Tradition (UK) Limited	15,000	5,000	200.0%
Tradition Financial Services Limited	15,000	5,000	200.0%
Tullett Prebon (Europe) Limited	15,000	5,000	200.0%
Tullett Prebon (Securities) Limited	50,000	5,000	900.0%
Turquoise Global Holdings Ltd	85,000	165,500	-48.6%
UBS Ltd	15,000	5,000	200.0%

In the case of an EEA firm that:
(a) has not carried on the activity of operating a multilateral trading facility in the UK at any time in the calendar year ending 31 December 2012; and
(b) notifies the FSA of that fact by the end of March 2013;
the fee is zero.
In any other case the final fee is £15,000 an increase of 240.9% compared with 2012/13(£4,400).

Service companies

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

5.10 The proposed fees for service companies are detailed in Table 5.3. The service companies in Table 5.3 are those whose regulated activities are restricted to making arrangements with a view to transactions in investments. They undertake no other regulated activity.

5.11 Seven such service companies in Table 5.3 have previously been incorrectly assigned to the A.1 deposit acceptors fee-block and as a result have only paid the standard 'A' fee-block £1,000 minimum fee. We are correcting this error for 2013/14 which means these services companies will pay flat fee of £45,000 consistent with other service companies. Although these seven service companies will see a substantial increase in their fees in 2013/14 they have also been paying substantially less than other service companies in past years.

Table 5.3: Proposed periodic fees for services companies

Organisation	Proposed 2013/14 fee (£)	Actual 2012/13 fee (£)	Variance
Bloomberg LP	58,000	51,750	12.1%
LIFFE Services Ltd	45,000	40,250	11.8%
OMGEO Ltd	45,000	40,250	11.8.%
Reuters Ltd	58,000	51,750	12.1%
Swapswire Ltd	45,000	40,250	11.8%
Plus Derivative Exchange Ltd	45,000	1,000	See paragraph 5.11.
DTCC Derivatives Repository Limited	45,000	1,000	
Avelo Portal Limited	45,000	1,000	
Calestone Ltd	45,000	1,000	
Xtracter Ltd	45,000	1,000	
Pirum Systems Limited	45,000	1,000	
Fidessa	45,000	1,000	

Fee-block C: Collective Investment Schemes

(FEES 4 Annex 4R – draft rules in Appendix 2)

5.12 The proposed fee rates are detailed in Table 5.4, which have increased from 2012/13 levels by 22% in 2013/14, reflecting an increase in the allocation of our AFR of 11.6% and a significant fall in the number of funds.

5.13 We are proposing to bring the payment period for collective investment schemes into line with our working practice. At present, FEES 4.2.11R sets 30 April as the date fees are payable for authorised and recognised funds in FEES 4 Annex 4R. This would be inconvenient both for ourselves and firms, and so instead we include the charges in the invoices we send firms from July onwards. Changing the rule to 1 August or, if later, 30 days from the date of the invoice, will have no impact on the way firms are invoiced for these funds.

Table 5.4: Proposed periodic fees

Scheme type	Total aggregate number of funds/sub-funds	Proposed l 2013/14 Fees (£)	Actual 2012/13 Fees (£)	Variance
ICVC, AUT, Section 264 of FSMA or Section 270 of FSMA	1-2	710	580	22.4%-
	3-6	1,775	1,450	22.4%-
	7-15	3,550	2,900	22.4%-
	16-50	7,810	6,380	22.4%-
	>50	15,620	12,760	22.4%-
Section 272 of FSMA	1-2	2,890	2,360	22.5%-
	3-6	7,225	5,900	22.5%-
	7-15	14,450	11,800	22.5%-
	16-50	31,790	25,960	22.5%-
	>50	63,580	51,920	22.5%-

Fee-block D: Designated Professional Bodies (DPBs)

(FEES 4 Annex 5R – draft rules in Appendices 1)

5.14 We set individual periodic fees for each DPB, based on an estimated number of exempt professional firms in each body. Every 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 exempt professional firms reported by each DPB. The proposed periodic fees are detailed in Table 5.5.

Table 5.5: Proposed periodic fees

DPB	Proposed 2013/14 fee (£)	Actual 2012/13 fee (£)	Variance
The Law Society of England and Wales	82,290	64,830	26.9%
The Law Society of Scotland	14,410	13,080	10.2%
The Law Society of Northern Ireland	13,300	12,500	6.4%
The Institute of Actuaries	10,120	10,090	0.3%
The Institute of Chartered Accountants in England and Wales	26,330	22,340	17.9%
The Institute of Chartered Accountants of Scotland	11,350	11,030	2.9%
The Institute of Chartered Accountants in Ireland	10,730	10,560	1.6%
The Association of Chartered Certified Accountants	17,860	15,960	11.9%
Council for Licensed Conveyancers	11,440	11,080	3.2%
Royal Institute of Chartered Surveyors	14,370	13,360	7.6%

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

(FEES 4 4.2.11R Table of periodic fees and FEES 4 Annex 7R and 8R – draft rules in Appendix 1)

Issuers

5.15 The proposed annual fee for listed issuers of securitised derivatives is £4,750, an increase of 13.1% compared with 2012/13 (£4,200). The annual fees for issuers of global depositary receipts and all other listed issuers are set out in Table 5.6.

5.16 Because there is a large number of issuers of global depositary receipts, based overseas, who pay a proportion of the fees set for other issuers, we have decided to put them into a separate table to make their charges more transparent. As Table 5.6 indicates, this is Table 1A in the draft instrument.

Table 5.6: Proposed UKLA periodic fees for issuers of global depositary receipts and all other issuers (FEES 4 Annex 7)
A) Issuers of global depositary receipts (Table 1A in FEES 4 Annex 7)

Fee payable	Proposed 2013/14		Actual 2012/13		
£ million of Market capitalisation	Rate	Fee at maximum	Rate	Fee at maximum	Variance
Minimum fee	n.a.	3,800	n.a.	3,360	13.1%
>100 – 250	22.086873	7,113	21.422767	6,573	3.1%
>250 - 1,000	8.834163	13,739	8.568538	13,000	3.1%
>1,000 - 5,000	5.437790	35,490	5.274287	34,097	3.1%
>5,000 - 25,000	0.132644	38,143	0.128656	36,670	3.1%
>25,000	0.042854	-	0.041565	-	3.1%

B) All other issuers (Table 2 in FEES 4 Annex 7)

Fee payable*	Proposed 2013/14		Actual 2012/13		
£ million of Market capitalisation	Rate	Fee at maximum	Rate	Fee at maximum	Variance
Minimum fee	n.a	4,750	n.a.	4,200	13.1%
>100 – 250	27.608591	8,891	26.778459	8,217	3.1%
>250 - 1,000	11.042704	17,173	10.710673	16,250	3.1%
>1,000 - 5,000	6.797238	44,362	6.592859	42,621	3.1%
>5,000 - 25,000	0.165805	47,678	0.160820	45,838	3.1%
>25,000	0.053568	-	0.051957	-	3.1%

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

5.17 The proposed annual fee in relation to the disclosure and transparency rules for all non-listed issuers of securities derivatives is £3,800, an increase of 13.1% compared with 2012/13 (£3,360 and for all non-listed issuers of depositary receipts and global depositary receipts is £3,040 a increase of 13.1% compared with 2012/13 (£2,688). The proposed annual fees for all other non-listed issuers are set out in Table 5.7.

Table 5.7: Proposed UKLA periodic fees for other non-listed issuers (FEES 4 Annex 8)

Fee payable	Proposed 2013/14		Actual 2012/13		
£ million of Market capitalisation	Rate	Fee at maximum	Rate	Fee at maximum	Variance %
Minimum fee	n.a.	3,800	n.a.	3,360	13.1%
>100 – 250	22.086873	7,113	21.422767	6,573	3.1%
>250 - 1,000	8.834163	13,739	8.568538	13,000	3.1%
>1,000 - 5,000	5.437790	35,490	5.274287	34,097	3.1%
>5,000 - 25,000	0.132644	38,143	0.128656	36,670	3.1%
>25,000	0.042854		0.041565	-	3.1%

Sponsors

5.18 We are proposing to increase the 2013/14 annual periodic fee for sponsors to £25,000 from £20,000 in 2012/13, a rise of 25%. This increase is intended to more closely align the cost to us of supervising sponsor firms with the fees charged to the sponsor population.

Reviewing final terms for securities

5.19 We have decided to defer introduction of the fee, on which the FSA consulted in FSA CP12/28 (October 2012), to recover the costs of reviewing final terms for securities until system requirements are in place to enable us to collect the charges efficiently. The fee would have formed a new Category 8 in FEES 3, Annex 4R, Part 2. In Handbook Notice 127 (February 2013), the FSA gave notice that the rule would come into effect from 1 April, but we will not enforce that. We will consult again when the system requirements are implemented.

Fee-block F: Unauthorised mutual

(FEES App1 - draft rules in Appendix 1)

5.20 The proposed fees are detailed in Table 5.8 and reflect a increase in the overall total assets tariff data and firm population compared to 2012/13.

Table 5.8: Proposed periodic fees for unauthorised mutuals

Total assets (£'000)	Proposed 2013/14 fee (£)	Actual 2012/13 fee (£)	Variance
0 - 50	55	55	0.0%
> 50 - 100	110	110	0.0%
> 100 - 250	180	180	0.0%
> 250 - 1,000	235	235	0.0%
> 1,000	425	425	0.0%

Fee-block G

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

5.21 We are proposing that the annual fee for firms registered with us under the money laundering regulations should be maintained at £400 for 2013/14. [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)

5.22 The proposed fee rates are detailed in Tables 5.9 and 510.

Table 5.9: Certain deposit acceptors (includes banks and building societies) [G.2 fee-block]

Minimum fee (£)	400		
£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)		
	Proposed 2013/14	Actual 2012/13	Variance
0.1	0.3050	0.29055	5.0%

Table 5.10: - Large payment institutions and other institutions [G3. And G.5 fee-blocks]

Minimum fee (£)	400		
£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)		
	Proposed 2013/14	Actual 2012/13	Variance
> 100,000	0.2039	0.19415	5.0%

5.23 We propose that the annual fee for small payment institutions be maintained at £400 for 2013/14. [Fee-block G.4]

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

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

5.24 The proposed fee rates for large electronic money institutions (EMIs) under the EMRs are set out in Table 5.11.

Table 5.11: Large electronic money institutions [Fee-block G.10]

	Proposed 2013/14 (£)	Actual 2012/13 (£)	Variance
Minimum Fee	1,500	1,500.00	0.0%
£m or part £m of average outstanding electronic money (AOEM)		Fee (£/£m or part £m of AOEM)	
5.0	200.00	180.00	11.1%

5.25 We propose that the annual fee for small EMIs will be maintained at £1,000 for 2013/14 the same as levied in 2012/13. [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)

5.26 The 2013/14 fees for issuers of Regulated Covered Bonds (RCBs) are set out in Table 5.12.

Table 5.12: Proposed periodic fees

	Proposed 2013/14	Actual 2012/13	Variance
Minimum fee for the first registered programme	£83,590	£83,590	0.0%
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	£10.28	£10.28	0.0%

Q2: Do you have any comments on the proposed FCA 2013/14 minimum fees and periodic fee rates for fee-payers other than authorised firms?

We must receive any responses by 9 June 2013.

6.
FCA financial penalty scheme

6.1 This chapter is relevant to all fee-payers who fall within the fee-blocks set out in Table 6.1.

Financial Penalty Scheme – Draft

6.2 Paragraph 21 of Schedule 1ZA of FSMA (as amended by the 2012 Act) sets out how we should treat financial penalties we impose on regulated persons (firms). The key requirements are:

- financial penalties received by us 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, represents the 'retained penalties'.
- in relation to retained penalties we must prepare and operate a scheme (the Financial Penalty Scheme (FPS)) for ensuring that retained penalties are applied for the benefit of firms.
- firms that have become liable to pay any penalty to us in any financial year do not receive any benefit from any penalty imposed on any firm under the scheme in the following year.

6.3 We are proposing to 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 6.1.

6.4 The total retained penalties from any financial year will be allocated across these fee-blocks in proportion to the allocation across these fee-blocks 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.

6.5 Enforcement costs are not allocated to the A.0 minimum fee fee-block or the AP.0 prudential fee-block. Retained penalties will not therefore be allocated to these fee-blocks.

6.6 The firms on which any penalty was imposed in a financial year will not receive any rebate to their periodic fees paid, in relation to any retained penalties, in the following financial year.

6.7 Each year we will 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.

6.8 A draft of this schedule will be published in our annual fees rates CP and the final schedule will be published in the subsequent policy and feedback statement to that consultation.

> **Q3: Do you have any comments on the proposed FCA financial penalty scheme?**
>
> **We must receive any responses to Q3 by 9 June 2013**

2012/13 retained financial penalties

6.9 Subject to responses received on the proposed FPS, it will be applied to penalties retained under the FSA for 2012/13 and thereafter to retained penalties in each of our subsequent financial years.

6.10 During 2012/13 the FSA received £381.8m in financial penalties from enforcement activity.

6.11 The retained penalties for 2012/13 amounted to £40.6m. Table 6.1 sets out the rebates that would be applied to firms 2013/14 FCA periodic fees if the FPS we consult on in this chapter was implemented.

Table 6.1: Financial Penalties Scheme – Schedule of application of 2012/13 retained penalties in 2013/14

Fee-block	2012/13 Retained penalties to be applied to benenfit of fee-payers	Rebate applied to FCA 2013/14 fees
A.1 Deposit acceptors	5.1	8.4%
A.2 Home finance providers and administrators	0.5	3.5%
A.3 Insurers – general	1.1	4.8%
A.4 Insurers – life	1.9	5.1%
A.5 Managing Agents at Lloyd's	0.0	0.0%
A.6 The Society of Lloyd's	0.0	0.0%
A.7 Fund managers	8.2	21.0%
A.9 Operators, Trustees and Depositaries of collective investment schemes etc	1.3	12.0%
A.10 Firms dealing as principal	4.5	9.1%
A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	7.6	17.1%
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	4.0	10.2%
A.14 Corporate finance advisors	1.4	11.1%
A.18 Home finance providers, advisers and arrangers	2.1	13.6%

Fee-block	2012/13 Retained penalties to be applied to benenfit of fee-payers	Rebate applied to FCA 2013/14 fees
A.19 General insurance mediation	1.9	7.5%
B. Recognised Investment Exchanges and operators of Multilateral Trading Facilities (only)	0.0	0.0%
E. Issuers and Sponsors of securities	1.1	5.7%
G. Firms registered under the Money Laundering Regulations 2007. Firms subject to: – Regulated Covered Bonds Regulations 2008; – Payment Services Regulations 2009; and – Electronic Money Regulations 2011.	0.0	0.0%
Total	**40.6**	

7.
FCA fees review – approach

7.1 In this chapter we:

- provide feedback on the responses to the adoption of the FCA fees governing principles set out in Chapter 3 of FSA CP12/28 (October 2012); and
- outline our approach to carrying out the FCA fees review during 2013/14.

FCA fees governing principles – responses and feedback

7.2 The principles we proposed are set out in Table 7.1 and the question the FSA asked was:

Q4: Do you have any comments on the fees governing principles that we propose the FCA will have regard to when making changes to its method for raising fees?

Table 7.1: FCA fees governing principles

1. Fair	Justify basis for any cross-subsidy.
2. Risk aligned	Risk taken into account where effective to do so.
3. Transparent	Link between cost allocation, application of risk and level of fees is clear.
4. Predictable	Firms can reasonably estimate their fees for the forthcoming year.
5. Flexible	Adaptable to changes in financial markets.
6. Proportionate	Costs of operating should be proportionate and consideration given to the impact on dual-regulated firms.
7. Legal	Allowable within Financial Services and Markets Act 2000 (FSMA) as amended by the Financial Services Act 2012 (2012 Act).

7.3 We received 12 responses – eight trade bodies covering building societies, credit unions, insurers, financial mutuals, and wholesale brokers plus four insurance firms. We highlight here the main comments made and provide our feedback.

Consultation response

Overall general support for the principles themselves, but caveated with concerns about how they will be met. We summarise below the main specific comments raised by respondents listing them against the most relevant fees principles.

Risk aligned: Risk to the financial stability of the firm, its size and complexity, as well as the resources required to supervise it, should be taken into account in setting fees.

Building societies should have a separate fee-block from 'higher risk' banks.

The A.12/A.13 (advisers, dealers and arrangers) fee-blocks should distinguish between retail and wholesale client business rather than whether or not firms hold client money/assets.

Transparent: greater clarity on basis for allocating costs across sectors – currently appears to be approximated. Greater clarity also for major shifts in allocations.

Predictable: moving the fees rates consultation to March reduces the period of notice for increases in fees.

Flexible: A.4 life insurance – measure of size should take account of recent changes in group pensions market.

Proportionate: Important that dual-regulation should not result in undue burden on credit unions sector. General concerns about increasing costs arising from duplication under dual-regulation.

Our feedback

We will consider the comments raised as we undertake the review and discuss further with stakeholders.

FCA fees review – outline of our approach

7.4 We will engage early with stakeholders at the outset and throughout the review as proposals develop. We will do this over the summer of 2013 before issuing any discussion or consultation papers.

7.5 Our early thoughts on how we should approach the review are:

- that we should go 'back to basics' and explore whether or not we should segment the industry.
- at the same time explore alternative ways of segmenting to using fee-blocks (as we do now)
- as we explore different ways of segmenting we think we should also consider the basis for allocating our funding requirement to those segments and how we recover allocated costs from firms that fall with in segments. This we see as including exploring alternatives to the

existing ways we allocate our funding requirement across fee-blocks and recover allocated costs within them, i.e. the measures of size we use and at what point in time the measure is taken i.e. valuation point.

7.6 The exploration map at the end of this chapter seeks to illustrate this approach. It is not intended to be an exhaustive list of alternatives, so we envisage that this will also evolve as we explore further with the industry. We plan to assess the alternatives against a balance of the fees principles.

7.7 We are conscious of the other policy development demands we place on firms and their representatives. However, this coming first year we are operating seems an appropriate time to have an open dialogue with the industry on how we recover our funding from them. Table 7.2 sets out what we envisage to be the indicative high-level timeframe for undertaking the review.

7.8 Before we start the review in May we welcome any thoughts from the industry and other stakeholders on how we should approach the review. Please contact:

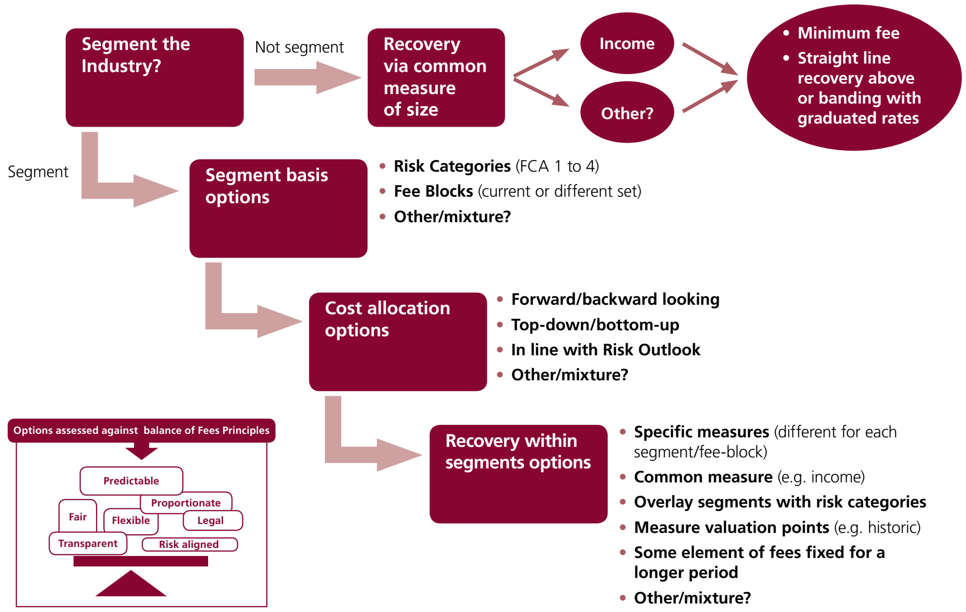
Peter Cardinali
Finance and Operations – Fees Policy
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone: 020 7066 5596
Email: peter.cardinali@fca.org.uk

Table 7.2: Timeframe for the review

May to July 2013	Engage with the industry and other stakeholders using the exploration map as a starting point.	
August/September 2013	Evaluate responses from the industry and firm up on which proposals to develop further.	
October/November 2013	Publish a Discussion Paper on fundamental alternatives; and/or	Earliest implementation 2015/16
	Publish a Consultation Paper on proposed refinements to existing fees methodology.	Earliest implementation 2014/15

Exploration Map



8.
Financial Ombudsman Service general levy 2013/14

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

8.1 In this chapter, we consult on the 2013/14 tariff rates for firms in the compulsory jurisdiction (CJ) of the Financial Ombudsman Service (FOS). In Annex 4 we set out the proposed tariff rates for firms in each industry block.[7] In Appendix 1 we set out the draft rules for FEES 5.

8.2 The FOS's overall budget is subject to its own consultation[8] on its draft budget and corporate plan, which began on 10 January and ended on 18 February 2013.

8.3 Under FSMA, the FOS's 2013/14 budget must be set before the financial year begins on 1 April 2013. In March, the FOS's board presented a final budget to the FSA Board, who approved the FOS's total annual budget, including the amount of the general levy, case fees and the number of free cases.

8.4 The tariff rates for firms in the FOS's CJ will be approved by the FSA Board in June following consultation on the fee rates.

Budget and funding

Funding structure

8.5 The FOS is required to budget separately for the CJ, the consumer credit jurisdiction (CCJ) and the voluntary jurisdiction (VJ).

8.6 Table 8.1 shows how the FOS's 2013/14 budget is distributed across the jurisdictions.

Table 8.1: Division of the FOS's 2013/14 budget across jurisdictions

	£'m	%
Compulsory jurisdiction (CJ)	280.1	98.8
Voluntary jurisdiction (VJ)	1.2	0.4
Consumer credit jurisdiction (CCJ)	2.3	0.8
Total	**283.6**	**100**

7 The FOS's general levy is calculated using 'industry blocks', which are similar (but not identical) to the FSA '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'.

8 The FOS's consultation of its Corporate Plan and draft 2013/14 budget is available at: www.financial-ombudsman.org.uk/publications/pdf/plan-budget-2012-13.pdf.

8.7 Each of these three jurisdictions is funded by a combination of annual fees (levies) and case fees – with the majority coming from case fees (which are currently invoiced and collected once cases have been resolved).[9]

8.8 Case fees are paid by authorised firms (covered by the CJ) and other financial businesses (covered by the CCJ or VJ) that have cases referred to the FOS.

8.9 The FOS has consulted on proposals to change its case fee arrangements. Specifically, it proposes to introduce a new group invoicing arrangement for the largest groups subject to the FOS' jurisdiction, increase the number of free cases from three to 25 free cases annually per firm/business and marginally increase the standard case fee to £550 for the 2013/14 financial year. The FOS also charges a supplementary PPI case fee of £350, in addition to the standard £550 case fee, for complaints involving the mis-sale of PPI.

8.10 The CJ levy (which is raised and collected by the FSA) is payable by all firms authorised or registered by the FSA, including those that have not had any cases referred to the FOS, unless they have notified us that they do not deal with retail customers and are exempt.

Budget

8.11 The FSA has approved the FOS's budget of £283.6m for 2013/14. The FOS proposes meeting the additional funding needed for 2013/14 primarily through the proposed case fee arrangements. It also proposes to increase the general levy slightly from £17.7m to £23m. This adjustment is necessary to bring the general levy back into closer proportion with the broader budget after being frozen for the last four years to take into account inflationary and cost pressures. Details of expenditure were set out in the FOS's plan and budget for 2013/14.[10]

8.12 For the purpose of its 2013/14 budget, the FOS's forecasts approximately 385,000 new cases, of which it estimates approximately 250,000 may be cases about PPI. To deal with this case load, and its stock of existing cases, the FOS proposes to recruit a further 1,000 case handling staff, primarily to deal with the high volume of PPI cases.

8.13 The FOS's budgeted unit cost (total costs, excluding financing, divided by the number of case closures) for 2013/14 is £690. This compares with a forecasted unit cost for 2012/13 of £758. It expects the unit costs of cases to fall because of their scale-up PPI operation and as a result of realising the benefits of their cost reduction programmes.

Case fees and reserves

8.14 The FOS is a demand driven organisation. The volume of its workload is dependent on external factors outside the control of the FOS. The speed at which the FOS is able to progress and close cases is also dependent on external factors; for example, the extent to which firms and consumers cooperate with its investigations or push for final decisions from an ombudsman. Sudden surges (or drops) in complaints about the same product or topic – such as the ombudsman service is currently experiencing with PPI – have a substantial impact on its workload and costs.

8.15 The FOS proposed some changes to its case fee arrangements in its recent consultation. These proposals include the increase in the number of free cases, a marginal increase on the case fee rate and new group invoicing arrangements for the firms who have the largest number of complaints referred to the FOS. The group invoicing arrangements will help manage the potential case load volatility.

9 The FSA's power to raise the general levy from authorised firms arises from section 234 of the Financial Services and Markets Act 2000 (FSMA). The FOS's power to charge case fees is in Schedule 17 paragraph 15 of FSMA. The rules on funding are in Chapters 1, 2 and 5 of the Fees Manual (FEES) in the FSA Handbook.

10 www.financial-ombudsman.org.uk/publications/2013-ourplans.pdf

8.16 Another tool the FOS uses to manage case load volatility is its reserves. It retains sufficient financial reserves to manage a three month run-off. This essentially allows the FOS to accommodate sudden reductions in its income. While the FOS continues to maintain a three-month reserve, no additional funding is required to boost the reserve. This is because the case fee arrangements effectively provide a steady source of income that can be used to bolster the existing reserves.

8.17 The new case fee arrangements came into effect on 1 April 2013.

CJ levy for 2012/13

Apportionment among fee blocks

8.18 The focus of this consultation is the proposed amounts payable towards the 2013/14 CJ levy by firms in the various fee blocks. Table 8.2 shows the proportions in which the CJ levy would be distributed across the fee blocks.

8.19 In line with FEES 5.3.3 G, this is based on the FOS's forecasts for the proportion of resources it expects to devote in 2013/14 to cases from firms in each sector. The total amount to be collected from the industry is then allocated across the respective industry blocks to inform the final tariff rate.[11]

Table 8.2: Distribution of CJ levy based on the 2013/14 forecast of relevant business per industry block

Industry block		Proportion of total CJ levy (%)
I001	Deposit acceptors, home finance lenders and administrators	49.6%
I002	Insurers – general	15.1%
I003	The Society of Lloyds	0.1%
I004	Insurers – life	4.2%
I005	Fund managers	1.0%
I006	Operators, trustees and depositaries of collective investment schemes	0.1%
I007	Dealers as principle	0.1%
I008	Advisory arrangers, dealers or brokers (holding client money)	2.1%
I009	Advisory only firms and arrangers, dealers, or brokers (not holding client money)	2.1%
I010	Corporate finance advisers	0.1%
I013	Cash plan health providers	0.0%
I014	Credit unions	0.1%
I015	Friendly societies	0.0%
I016	Home finance lenders, advisers and arrangers	2.0%
I017	General insurance mediation	23.2%
IA11	Authorised payment institutions	0.1%
IS11	Small payment institutions and small e-money issuers	0.1%
IA18	Authorised electronic money institutions	0.0%
IS18	Small electronic money institutions	0.0%

11 FEES 5.3.3 G. The general levy for the ombudsman service is payable across industry blocks. The amount raised from each industry block is based on the budgeted costs and numbers of ombudsman service staff required to deal with the volume of complaints expected about the firms in respect of their relevant business activity in each of those blocks. (Fees Manual: Fees 5).

8.20 The FOS has asked us to increase the total amount to be recovered by the general levy from £17.7m to £23m. Annually the amounts payable by each block also vary to reflect changes in the proportions of cases from each block.

8.21 For all blocks, the proportions for 2013/14 have only minor differences to those for 2012/13. This reflects the fact that, excluding PPI complaints, complaint volumes have remained broadly stable.

Apportionment of the CJ levy within fee blocks

8.22 Annex 4 sets out the proposed allocation of the CJ levy for 2012/13 within each industry block. The rates for 2011/12 are also included for comparison.

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

8.24 For 2013/14, it is estimated that 89.3% of firms will only pay the minimum levy for their block.

8.25 Individual firms can calculate the impact of the proposed fees and levies using our online fees calculator.[12]

8.26 The general levy tariff rates will be finalised in June 2013 for the 2013/14 fee period.

8.27 Table 8.3 summarises how the proposals for 2013/14 compare with the FOS's funding for 2012/13.

Table 8.3: Comparison of ombudsman service funding in 2012/13 and 2013/14

	Proposals for 2013/14	2012/13 Forecast	2012/13 Budget
Budgeted expenditure	£266.9m	£161.8m	£198.3m
Budgeted income	£283.6m	£144.7m	£191.9m
Addition to/reduction in reserves	£16.7m	(£17.1m)	(£6.4m)
CJ levy	£23m	£18.4m	£17.7m
CCJ and VJ levy	£1.8m	£1.7m	£2m
Case fees[a]	£258.8m	£124.6m	£172.2m
General levy/case fee split	9:91	14: 86	10:90
Case fees	£550 plus £350 supplementary case fee for PPI cases	£500 plus £350 supplementary case fee for PPI cases	£500 plus £350 supplementary case fee for PPI cases
Estimated case closures	385,000	212,000	260,000
Unit cost	£690	£758	£760
Free cases	25	3 plus 25 for PPI supplementary fee	3 plus 25 for PPI supplementary fee

a Including PPI supplementary case fee.

12 www.fsa.gov.uk/pages/Doing/Regulated/Fees/calculator/index.shtml

8.28 As in previous years, it is proposed that the 2013/14 budget should continue to be predominantly made up from case fees. This means that firms generating complaints will pay a significantly greater proportion of the FOS's costs than firms that generate few or no complaints.

> **Q4: 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?**
>
> **We must receive any responses to Q4 by 9 June 2013**

Fee payers should be aware that the final tariff rates for 2013/14 will be finalised by our board at its June 2013 meeting. Therefore the final levy rates could vary from that set out in this paper.

9. Money Advice Service – feedback on FSA CP13/2

9.1 In this chapter we provide feedback on the responses received to FSA CP13/2[13], in which the FSA consulted on a new method, proposed by the Money Advice Service, for allocating money advice costs to fee-blocks, with a view to implementing it for 2013/14 (the 'CP13/2 allocation method').

9.2 The CP13/2 allocation method used the data the Money Advice Service gathers on how consumers use its website, telephone advice line and its face-to-face advice service. The CP13/2 allocation method was intended to replace the current method, which allocates these costs in line with the FSA's 2010/11 allocation of its AFR to fee-blocks (the 'current allocation method'). This was intended to be a temporary method, pending the Money Advice Service proposing an alternative to be consulted on during 2013/14, with a view to implementing it in 2014/15.

9.3 In CP13/2 the FSA set out the impact of the CP13/2 allocation method on the money advice levies paid by firms by applying it to the 2012/13 money advice costs. The main impact was that: mortgage providers would see a significant increase in money advice levies; financial intermediaries (retail investment, mortgage and general insurance) and general insurance providers would see significant decreases; and other firms would pay no money advice levies other than the £10 minimum fee. The impact across all fee-blocks is shown in Table 10.2 in Chapter 10 of this CP.

Consultation responses and our feedback

9.4 The questions the FSA consulted on were:

> ***Q1:*** ***Do you agree that we should use the consumer-usage data that the MAS collects to allocate money advice costs to fee-blocks? If you do not agree, please give your reasons and suggest an alternative.***
>
> ***Q2:*** ***Do you agree with how the consumer-usage data has been mapped to the fee-blocks? If you do not agree please give your reasons and suggest an alternative.***
>
> ***Q3:*** ***What should be the minimum levy paid by a firm that is in at least one of the fee-blocks where costs are allocated (A.1, A.2, A.3, A4, A.7, A.9, A10, A.12, A.13, A.18 and A;19 fee-blocks)?***

13 CP13/2: *Regulatory fees and levies: The Money Advice Service cost allocation method for 2013/14* (published January 2013).

> **Q4:** ***Should firms that are in at least one of the fee-blocks where costs are not allocated (A.5, A.6, A.14 and G fee-blocks) who exceed the size thresholds, pay higher minimum fees?***

9.5 We received 18 responses in total. These included seven trade bodies representing a cross section of the firms mainly affected by the proposals and eight firms covering a similar cross section of firms. We also received a joint response from the Practitioner Panel (PP) and the Smaller Businesses Practitioner Panel (SBPP).

9.6 Most respondents made general comments or focused on questions 1 and 2. We summarise here the main comments made and provide our feedback.

Consultation response

Responses received fall into two key categories reflecting the sectors that would see significant increases in their levies and those who would see significant decreases if the CP13/2 allocation method was implemented unchanged:

- Building society trade bodies were strongly against the proposals, believing the method to be fundamentally flawed, and were heavily critical of the short notice for implementing such significant increases as well as the short consultation period/lack of prior consultation. There was some call to defer any change pending further consideration and dialogue with the industry. Responses from individual building societies reflected similar comments.

- Some financial adviser and insurance trade bodies (and insurance firms) were fully supportive of the proposals and keen for no delay in their implementation. Others, while supportive of a method that was based on consumer usage, questioned the make-up of the usage data and/or the mapping to fee-blocks and called for further consideration to be given to how the data can achieve a fair allocation method that is driven by consumer usage.

There was some agreement between the two categories that all sectors of the financial services industry should contribute something to recovering money advice service costs.

Both the PP and the SBPP expressed concerns about the short notice for increasing levies by such levels and the short period of consultation, calling for more time to be given to considering firms concerns.

A few respondents commented on questions 3 and 4 mainly saying that it was difficult for them to assess what level minimum fees should be or questioning whether the administrative costs of collecting a £10 minimum fee exceeded the revenue collected.

Our feedback

We shared all responses received from trade bodies with the Money Advice Service who then met with a cross section of trade bodies to discuss why they were opposed or supportive. Also, to discuss how the allocation method could operate based on consumer usage.

Following these consultations, the Money Advice Service subsequently proposed to us a money advice cost allocation basis for 2013/14 that uses a mix of the CP13/2 allocation method (25%)

and the current allocation method (75%), and with the £2.5m reduction between their costs for 2012/13 and 2013/14 allocated to the seven fee-blocks where it is less clear whether or on what basis they should contribute to the costs of money advice. The seven fee-blocks include Lloyd's/their managing agents, retail, mortgage, general insurance intermediaries and corporate advisers (fee-blocks A.5, A.6, A.12, A.13, A.14, A.18 and A.19).

This 2013/14 allocation method would be pending Money Advice Service working with the industry to develop a longer-term allocation method for 2014/15 and beyond which we would consult on in October 2013.

We believe that the revised approach addresses the concerns raised by the industry that the pace of change to a consumer usage method was too quick and the transfer of burden too significant for the notice period given. It also allows more time for further consideration to be given by both the Money Advice Service and the industry on how a consumer usage method should operate and the extent to which there are alternatives or a mixture of more than one method.

In Chapter 10 we consult on this revised 2013/14 allocation method.

With regard to the costs of collecting a £10 minimum, the FCA collects its own fees and acts as a collection agent for the PRA, FOS, FSCS as well as the Money Advice Service. One invoice is issued to a firm covering all the regulatory fees and levies it is required to pay. So the cost of administering the collection of a minimum fee as low as £10 minimum does not affect the overall costs of collecting the fees firms pay.

10. Money Advice Service levies 2013/14

10.1 In this chapter, we consult on the levies proposed for the Money Advice Service[14] for 2013/14.

10.2 Two separate levies are proposed for the Money Advice Service in this consultation:

- the delivery of money advice, to raise £43.8m in 2013/14 (£46.3m in 2012/13); and
- the coordination and provision of debt advice, to raise £34.5m in 2013/14 (£34.5m in 2012/13).

10.3 In Chapter 9 we provide feedback on the responses to CP13/2 in which the FSA consulted on a new method, proposed by the Money Advice Service, for allocating money advice costs to fee-blocks with a view to implementing it for 2013/14 (the 'CP13/2 allocation method'). This was intended to replace the current method which allocates these costs in line with the FSA's 2010/11 allocation of its AFR to fee-blocks (the 'current allocation method').

10.4 In this chapter we consult on a revised allocation method for money advice costs to be applied for 2013/14 which the Money Advice Service have proposed taking into account the responses received to CP13/2 and discussions they held with a cross section of trade bodies.

10.5 This revised allocation method for 2013/14 is pending the Money Advice Service working with the industry to develop a longer term allocation method for 2014/15 and beyond, which we will consult on in October 2013.

10.6 We do not propose any change to the way the Money Advice Service allocates debt advice costs for 2013/14. The debt advice allocation method will be reviewed during 2013/14 to take account of the introduction of consumer credit and we will consult in October 2013.

Funding and budget for money advice

10.7 The total budget for money advice in 2012/13 was £46.3m, all of which came from FSMA-authorised firms, payment institutions and electronic money issuers through the levy. This continued to fund the delivery of a multi-channelled advice service, including online, face-to-face and telephone advice, as well as the associated costs for staff, premises, IT investment, marketing and other essential operations.

10.8 Key developments for the Money Advice Service during 2012/13 included:

- the launch of a new online service in July 2012 to drive behaviour change and help millions of people every year take action to managing their money better.

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

- the introduction of 'webchat' in September 2012.
- the launch in September 2012 of a major awareness-raising campaign around key life events and free generic advice.

10.9 The total budget for delivering the money advice function in 2013/14 is £43.8m, which is a reduction of £2.5m over last year's costs.

10.10 Following approval of its 2013/14 draft budget and business plan by the FSA Board in December 2012, the Money Advice Service consulted publicly on its draft plan . The consultation closed on 11 February and over 30 responses were received. Overall the plan was well received and the Money Advice Service incorporated feedback from the consultation when refining its plan.

10.11 The Money Advice Service published its final business plan and budget for 2013/14 in March 2013.[15]

10.12 Over the course of 2013/14 the Money Advice Service plans to:

- refine its target market to prioritise younger adults and lower to middle income families;
- enable at least 480,000 specific money management outcomes, leading to increased savings, management of debt, preparation for retirement, protection of assets or provision for dependents[16];
- ensure everyone is able to access its money advice in a way that meets individual needs by providing 88,000 face-to-face sessions, enable 386,000 customer contacts by phone and webchat, as well as continually improving its digital service; and
- set a new UK baseline for financial capability using up-to-date research, and introduce a new UK strategy for financial capability.

Table 10.1: 2013/14 Breakdown of the Money Advice Service expenditure for money advice

Type of expenditure	Cost £m
Digital	1.2
Finance	0.4
HR	0.9
IT development	2.2
IT systems	1.0
Money needs awareness (radio, press, outdoor and TV)	3.9
Action and behaviour (direct communications, topical campaigns, printed material, etc)	6.4
Supporting activity (social, PR, production, assets such as urls, modelling, audits)	2.2
Office costs	1.4
Partnership	2.3

15 Final 2013/14 business plan www.moneyadviceservice.org.uk/files/the-money-advice-service-business-plan-2013-14-final-v3.pdf

16 'Managing debt well' is an outcome which will be achieved through the Service's money advice work, by helping people to avoid getting into crisis debt, and, through its debt advice partners, by helping those already in crisis debt to become more able to manage their debts well. The Service's plans for debt advice for 2013/14 are described in more detail from 10.16 onwards.

Type of expenditure	Cost £m
Policy	0.2
Proposition development (develop tools and content)	2.8
Service delivery costs (contains provision for UK wide face-to-face, telephone and webchat service)	7.8
Research	1.7
Corporate communications	0.5
Staff costs	9.0
Total	**43.8***

* Figures may not sum due to rounding

Allocation and recovery for money advice funding

10.13 The Money Advice Service's 2013/14 funding for money advice will come from levies raised from FSMA-authorised firms, payment institutions and electronic money issuers. We propose to allocate the money advice budget on a revised basis to that consulted on in CP13/2. The approach comprises three stages:

1. 75% money advice budget allocated on the current method (based on the way the FSA allocated its AFR to fee-blocks in 2010/11); and

2. 25% money advice budget allocated on the CP13/2 allocation method (consumer usage data).

3. the £2.5m year-on-year reduction in the money advice budget to be applied across the seven fee blocks where it is less clear whether or on what basis they should contribute to the costs of money advice. The seven fee-blocks include Lloyd's, their managing agents, retail, mortgage, general insurance intermediaries and corporate advisers (fee-blocks A5, A6, A12, A13, A14, A18 and A19). This would reduce the allocation of each of these blocks by just under 20%.

10.14 Table 10.2 sets out how each of these steps of the revised allocation method is reflected across the fee-blocks. The table shows the year on year percentage movement between the total amounts allocated to each fee-block in 2013/14 compared to 2012/13. We also include the movements that were proposed in CP13/02 which shows the impact had we implemented those proposals in full.

10.15 We are proposing to maintain the minimum fee at £10 for 2013/14.

Table 10.2: Proposed money advice allocation method 2013/14

Fee-block	Amount allocated 2012/13 £m	Revised allocation 2013/14 Stage 1 75% allocated on 2010/11 basis	Stage 2 25% allocated on usage basis	Stage 3 Reduction	Total allocation	Movement	FSA CP13/2 movement
A.0 Minimum fee	0.2	N/A	N/A	N/A	0.2	0.0%	0.0%
A.1 Deposit acceptors	14.7	11.0	3.5	N/A	14.5	-1.7%	-10.9%
A.2 Home finance providers and administrators	1.1	0.8	3.5	N/A	4.3	298.0%	1309.1%
A.3 Insurers - general	3.5	2.7	0.2	N/A	2.8	-19.2%	-82.9%
A.4 Insurers - life	5.5	4.1	1.3	N/A	5.4	-1.4%	-5.5%
A.5 Managing Agents at Lloyd's	0.1	0.1	0.0	0.0	0.1	-58.8%	-100.0%
A.6 The Society of Lloyd's	0.2	0.1	0.0	0.0	0.1	-35.0%	-100.0%
A.7 Fund managers	3.5	2.6	1.1	N/A	3.7	5.7%	31.4%
A.9 Operators, Trustees and Depositaries of collective investment schemes etc	0.7	0.5	0.4	N/A	0.9	34.7%	114.3%
A.10 Firms dealing as principal	3.3	2.5	1.1	N/A	3.6	10.1%	39.4%
A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	3.0	2.3	0.1	-0.5	1.8	-38.9%	-90.0%
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	4.6	3.4	0.1	-0.8	2.7	-42.0%	-93.5%
A.14 Corporate finance advisors	0.9	0.7	0.0	-0.2	0.5	-40.0%	-100.0%
A.18 Home finance providers, advisers and arrangers	1.6	1.2	0.1	-0.3	1.0	-40.4%	-81.3%
A.19 General insurance mediation	3.5	2.6	0.1	-0.6	2.1	-41.1%	-91.4%
G. Firms covered by Payment Services Regulations 2009 (PSRs) and Electronic Money Regulations 2011 (EMRs)	0.1	0.1	0.0	N/A	0.1	-19.9%	-100.0%
Total	**46.3**	**34.7**	**11.4**	**-2.5**	**43.8**	**-5.4%**	

Notes:
(i) Stage 1 and Stage 2 does not apply to the minimum fee A.0 fee-block. Under stage 2 the amount allocated t oA.5, A.6 and A.14 is too small to show in the table.
(ii) Under Stage 2 the contact data used by the Money Advice Service also includes printed literature which is in addition to the contact data used in FSA CP13/2.

Q5: Do you have any comments on the proposed 2013/14 Money Advice Service levy rates for money advice?

We must receive any responses to Q5 by 9 June 2013

Debt advice funding and budget

10.16 The Money Advice Service took on responsibility for the coordination of debt advice from 1 April 2012 and £34.5m was provided for this activity in 2012/13.

10.17 During 2012/13 the Money Advice Service:

- Completed an evaluation[17] of the debt advice services it funded in England and Wales. The review found that as well as increasing the number of people that the organisations helped, overall clients were receiving the right level of support and were able to improve their debt situation as a result.
- Targeted a 50% increase in the number of face-to-face debt advice sessions provided through the partners it funds in England and Wales. Its business plan, published on 27 March 2013, stated that the Service remained on track to achieve this target. The plan noted that the Service was expected to provide over 150,000 debt advice sessions in England and Wales, and almost 175,000 sessions in the UK as a whole.
- Consulted on a quality framework to enable more people to get consistent access to high quality advice.

10.18 The Money Advice Service needs £34.5m to fund debt advice for 2013/14, the same level as 2012/13. Over the course of 2013/14, the Money Advice Service plans to:

- fund the delivery, through partners, of over 150,000 sessions in England and Wales and additional sessions in Scotland and Northern Ireland;
- continue to use its co-ordinating role to improve consistency across the sector; and
- publish the results of its consultation in spring 2013 on the quality framework and begin to embed it across the sector.

10.19 Further details on the Money Advice Service's role in relation to debt advice and a full breakdown of their budget can be found in its 2013/14 business plan.[18]

17 360 degree evaluation of Money Advice Service funded face-to-face debt advice www.moneyadviceservice.org.uk/en/static/publications#research

18 Final 2013/14 business plan www.moneyadviceservice.org.uk/files/the-money-advice-service-business-plan-2013-14-final-v3.pdf

Table 10.3: 2013/14 Breakdown of expenditure for debt advice

Type of expense	Cost £m
Face-to-face grant agreements in England and Wales	26.8
Training, language line and sign language	0.4
Funding for Scotland	2.7
Funding for Northern Ireland	0.8
Service delivery costs sub-total	**30.6**
Coordination costs (includes areas such as evaluation and research, design and implementation, accreditation, staff costs and others)	3.8
Total	**34.5***

* Figures may not sum due to rounding

Allocation of debt advice funding

10.20 We do not propose any change to the way the Money Advice Service allocates debt advice costs, whereby funding is allocated to firms who will benefit from the provision of such advice. As in 2012/13, we propose that 15% is allocated to fee-block A1 (deposit acceptors) and 85% to fee block A2 (home finance providers and administrators). These figures were based on the Bank of England data, which showed household debt as 15% unsecured and 85% secured as at December 2011.

10.21 The latest data from the Bank of England shows that as at December 2012 unsecured debt represented 11% of household debt and secured debt 89%. We are proposing that for 2013/14, the split should remain at the same level as last year, using the 15%/85% split as opposed to the revised 11%/89%. The debt advice allocation method will be reviewed during 2013/14 to take account of the introduction of consumer credit and the FCA will consult in October 2013.

10.22 We are therefore proposing to use this 15% and 85% split as the basis for allocating the 2013/14 £34.5m funding requirement between the following fee-blocks:

- £5.2m (15%) to a separate debt advice A.1 (Deposit acceptors) fee-block as the firms undertaking this regulated activity also provide unsecured lending: and
- £29.3m (85%) to a separate debt advice A.2 (Home finance providers and administrators) fee block as these firms provide secured lending.

10.23 Table 10.4 sets out the 2013/14 allocation of debt advice funding compared to 2012/13. We do not levy a debt advice minimum fee.

Table 10.4: Proposed allocation of 2013/14 debt advice funding to fee blocks for 2013/14 compared to 2012/13

Fee-block		2012/13 allocation £m	2013/14 allocation £m	Movement
A.1	Deposit acceptors	5.2	5.2	0%
A.2	Home Finance providers & administrators	29.3	29.3	0%
Total		**34.5**	**34.5**	**0%**

10.24 Taking into account the combined money advice levies and debt advice levies for the fee-blocks that pay both, the overall year on year movement in Money Advice Service levies for fee-block A.1 is -1.0% and for A.2 +10.5%.

Q6: Do you have any comments on the proposed 2013/14 Money Advice Service levy rates for debt advice?

We must receive any responses to Q6 by 9 June 2013.

Fee-payers should be aware that the draft fee rates and levies in Appendix 1 are calculated using estimated fee-payers populations and tariff data, which may change when the final fee rates are calculated in June 2013. This means that final money advice and debt advice levies for 2013/14 – which will be made by our Board at its June 2013 meeting – could vary from the draft periodic fee rates in this CP.

In the case on of money advice levies fee-payers should also be aware of the change in tariff base (measure of size) from approved person to income which will be implemented in 2013/14 for the first time. This impacts the retail investment intermediary fee-blocks A.12 and A.13 and the corporate advisers fee-block A.14. See the notes to table 4.1 in chapter 4.

Annex 1
Compatibility with the general duties of the FCA

1. This Annex explains the FCA's reasons for concluding that our proposals in this consultation that relate to the FCA, FOS and Money Advice Service regulatory fees and levies for 2013/14 are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA) as amended by the 2012 Act. Under section 138I of FSMA the FCA, FOS and the Money Advice Service are exempt from the requirement to carry out and publish a cost benefit analysis in respect of such proposals.

2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules is compatible with its strategic objective, advances one or more of its operational objectives, and has regard to the regulatory principles in s.3B FSMA. The FCA is also required by s.138K(2) FSMA to state its 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 the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

4. This annex includes our assessment of the equality and diversity implications of these proposals.

The FCA's objectives and regulatory principles

5. The FCA proposals set out in this consultation are not intended in themselves to advance our operational objectives. However, they will enable the FCA to fund the activities it needs to undertake in 2013/14 to meet its responsibilities under FSMA. Therefore these proposals will indirectly advance the FCA's 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 the FCA's strategic objective of ensuring that the relevant markets function well because they will again enable the FCA to fund the activities to meet this strategic objective. For the purposes of the FCA's strategic objective, 'relevant markets' are defined by s.1F FSMA.

7. In the case of FOS the proposals in this consultation to raise the general levy to fund its activities in 2013/14 will indirectly meet is statutory function of providing a scheme for the quick and informal resolution of disputes between financial services firms and its customers.

8. In the case of the Money Advice Service the proposals in this consultation to raise the levies to fund is activities in 2013/14 will indirectly meet its statutory objectives of enhancing the understanding and knowledge of members of the public of financial matters, including the UK financial system, and enhance the ability of members of the public to manage their own financial affairs.

9. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s.3B FSMA as set out below.

The need to use our resources in the most efficient and economic 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 economic way possible, concentrating on the areas of activity that pose the greatest risk to our statutory objectives.
- Our priorities for each financial year are set out in our annual Business Plan, mitigating the risks identified in our Risk Outlook, which was published on the 25 March 2013. Our Business Plan includes our budget for the forthcoming year, which is the basis of our AFR, which we recover through the fees levied on firms.
- The FOS 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

- Only relevant in so far as the fees proposals in this consultation provide the funding that enables us to meet this principle.

The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term

- Only relevant in so far as the fees proposals in this consultation provide the funding that enables us to meet this principle.

The general principle that consumers should take responsibility for their decisions

- Only relevant in so far as the fees proposals in this consultation provide the funding that enables us to meet this principle.

The responsibilities of senior management

- Only relevant in so far as the fees proposals in this consultation provide the funding that enables us to meet this principle.

The desirability of publishing information relating to persons

- Only relevant in so far as the fees proposals in this consultation provide the funding that enables us to meet this principle.

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

- Only relevant in so far as the fees proposals in this consultation provide the funding that enables us to meet this principle.

10. The proposals set out in this consultation enable the FCA to fund the activities it needs to undertake in 2013/14. 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 fees and levy rates proposed for 2013/14 for the FCA, FOS and the Money Advice Service 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 the FCA to fund the activities it needs to undertake in 2013/14. These activities include meeting its duty to promote effective competition in the interests of consumers.

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.

Equality and diversity

13. 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 (EIA) to ensure that the equality and diversity implications of any new policy proposals are considered.

14. The FSA carried out an EIA of our fees policy in 2011; introducing an income measure for intermediary fee-blocks in 2013/14 will complete the implementation of its recommendations. The EIA concluded that no other areas of fees policy were relevant to the equalities agenda or might influence behaviour. This position on fees policy is not being changed by the proposals in this CP. We believe the proposals in this CP do not raise equality or diversity questions.

15. The increase in fees will be applied consistently by us, including maintaining the minimum threshold and minimum fees to not affect smaller more local-based organisations. As a result we do not consider that these proposals will disproportionately affect firms differently or create behaviour that would affect protected groups within the consumer base.

16. However, we would welcome any comments on any equality and diversity issues you believe may arise from our proposals.

Annex 2
List of questions

For response by 9 June 2013

Q1: **Do you have any comments on the proposed FCA 2013/14 minimum fees and variable periodic fee rates for authorised firms?**

Q2: **Do you have any comments on the proposed FCA 2013/14 minimum fees and periodic fee rates for fee-payers other than authorised firms?**

Q3: **Do you have any comments on the proposed FCA financial penalty scheme?**

Q4: **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?**

Q5: **Do you have any comments on the proposed 2013/14 Money Advice Service levy rates for money advice?**

Q6: **Do you have any comments on the proposed 2013/14 Money Advice Service levy rates for debt advice?**

Annex 3
Financial Ombudsman Service general levy – overview and industry blocks 2013/14

Industry Block	Description	Tariff Base	Consultation 2013/14 tariff rate	Actual 2012/13 tariff rate	Consultation 2013/14 minimum levy per firm	Actual 2012/13 minimum levy per firm	Consultation 2013/14 gross total	Actual 2012/13 gross total	Consultation 2013/14 contribution by block	Actual 2012/13 contribution by block
I001	Deposit acceptors, home finance lenders and administrators	Per relevant account	0.041766	0.0331	100	100	£11,405,141	£8,777,000	49.6%	49.6%
I002	Insurers - General	Per £1,000 of relevant annual gross premium income	0.1251	0.1	100	100	£3,469,492	£2,670,000	15.1%	15.1%
I003	The Society of Lloyds		N.A.	N.A.	25,989	20,000	£25,989	£20,000	0.1%	0.1%
I004	Insurers - Life	Per £1,000 of relevant adjusted annual gross premium income	0.01828	0.0146	130	100	£961,582	£740,000	4.2%	4.2%
I005	Fund managers	Flat Fee	N.A.	N.A.	265	200	£233,898	£180,000	1.0%	1.0%
I006	Operators, Trustees and Depositaries of collective investment schemes	Flat Fee	N.A.	N.A.	65	50	£26,638	£20,500	0.1%	0.1%
I007	Dealers as principal	Flat Fee	N.A.	N.A.	75	50	£17,412	£13,400	0.1%	0.1%
I008	Advisory arrangers, dealers or brokers (holding client money)	Per £1,000 of annual income (previously, per relevant approved person)	0.03515	15	45	35	£480,791	£370,000	2.1%	2.1%
I009	Advisory only firms and advisory, arrangers, dealers, or brokers (not holding client money)	Per £1,000 of annual income (previously, per relevant approved person)	0.1283	10	45	35	£480,791	£370,000	2.1%	2.1%
I010	Corporate finance advisors	Flat Fee	N.A.	N.A.	55	50	£18,062	£13,900	0.1%	0.1%

Industry Block	Description	Tariff Base	Consultation 2013/14 tariff rate	Actual 2012/13 tariff rate	Consultation 2013/14 minimum levy per firm	Actual 2012/13 minimum levy per firm	Consultation 2013/14 gross total	Actual 2012/13 gross total	Consultation 2013/14 contribution by block	Actual 2012/13 contribution by block
IA11	Authorised payment service providers	Per £1,000 of relevant Income	0.0075	0.0153	75	75	£32,486	£25,000	0.1%	0.1%
IS11	Small payment institutions and small e-money issuers	Flat Fee	N.A.	N.A.	30	50	£27,288	£21,000	0.1%	0.1%
I013	Cash plan health providers	Flat Fee	N.A.	N.A.	65	50	£780	£600	0.0%	0.0%
I014	Credit unions	Flat Fee	N.A.	N.A.	55	50	£29,887	£23,000	0.1%	0.1%
I015	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	Flat Fee	N.A.	N.A.	65	50	£4,548	£3,500	0.0%	0.0%
I016	Home finance lenders, advisers and arrangers	Flat Fee	N.A.	N.A.	70	50	£452,203	£348,000	2.0%	2.0%
I017	General insurance mediation	Per £1,000 of relevant business annual income	0.4328	0.362	100	85	£5,327,034	£4,099,500	23.2%	23.2%
IA18	Authorised electronic money institutions	Per average outstanding electronic money	0.0063	0.0466	75	75	£2,859	£2,200	0.0%	0.0%
IS18	Small electronic money institutions	Flat Fee	N.A.	N.A.	50	50	£3,119	£2,400	0.0%	0.0%
	Total - all blocks						£23,000,000	£17,700,000	100.0%	100.0%

Annex 4
List of non-confidential respondents

FSA CP12/28 Chapter 2 section (5) FSA defined benefit pension deficit allocation under the FCA

Association of British Credit Unions Limited

Association of British Insurers

Association for Financial Markets in Europe (AFME)

Association of Financial Mutuals

Association of Private Client Investment Managers and Stockbrokers

Association of Professional Financial Advisers

Aviva UK Life

The Building Societies Association

Cambourne Financial Planning Limited

Investment Management Association

International Underwriting Association (IUA)

The Society of Pension Consultants

FSA CP13/2 Money Advice Service – money advice cost allocation 2013/14

Association of British Credit Unions Limited

Association of British Insurers

Association of Private Client Investment Managers and Stockbrokers

Association of Professional Financial Advisers

Bath Building Society

The Building Societies Association

Council of Mortgage Lenders

Darlington Building Society

The Financial Services Practitioner Panel

Ideal Financial Management Ltd

Lloyd’s

Lloyd’s Market Association

Mansfield Building Society

NFU Mutual

Penrith Building Society

Prudential

Smaller Businesses Practitioner Panel

St. James’s Place Wealth Management

Appendix 1

Draft fees and levy rules and guidance

Appendix 1

PERIODIC FEES (2013/2014) AND OTHER FEES INSTRUMENT 2013

Powers exercised by the Financial Conduct Authority

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 73A (Part 6 rules)
(b) section 137A (The FCA's general rules);
(c) section 137T (General supplementary powers);
(d) section 139A (Power of the FCA to give guidance);
(e) section 234 (Industry funding);
(f) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority) of the Act; and
(g) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body);

(2) the following provisions of the Payment Services Regulations 2009 (SI 2009/209):

(a) regulation 82 (Reporting requirements);
(b) regulation 92 (Costs of supervision); and
(c) regulation 93 (Guidance);

(3) the following provisions of the Electronic Money Regulations 2011 (SI 2011/99):

(a) regulation 49 (Reporting requirements);
(b) regulation 59 (Costs of supervision); and
(c) regulation 60 (Guidance); and

(4) the following powers and related provisions in the Regulated Covered Bond Regulations 2008 (SI 2008/346):

(a) regulations 18, 20, 24 and 25 (notification requirements);
(b) regulation 42 (Guidance); and
(c) regulation 46 and paragraph 5 of Schedule 1 (fees).

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

Commencement

C. This instrument comes into force on 1 July 2013.

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 Periodic Fees (2013/2014) and Other Fees Instrument 2013.

By order of the Board of the Financial Conduct Authority
XX June 2013

Annex

Amendments to the Fees manual (FEES)

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

3 Application, Notification and Vetting Fees

…

Method of payment

3.2.3 R …

(3) The sum payable under *FEES* 3.2.1R by a *firm* applying for a variation of its *Part 4A permission* (*FEES* 3.2.7R(p) and, if applicable, *FEES* 3.2.7AR(c)) must be paid by any of the methods described in (1) or by Maestro, Visa Debit or credit card (Visa/Mastercard only). Any payment by a permitted credit card must include an additional 2% of the sum paid.

…

3 Annex 5R Document vetting and approval fees in relation to listing and prospectus rules

…

Part 2

…

…	…	…
~~Category 8~~	~~Final Terms~~	~~25~~

…

…

4 Periodic fees

4.1 Introduction

…

Background

…

4.1.3 G …

~~**[Note:** References to the fee period 1 April 2012 to 31 March 2013 have been updated to 1 April 2013 to 31 March 2014 in respect of the *FCA* and 1April 2013 to 28 February 2014 in respect of the *PRA* to put into effect the rule changes contained in the Legal Cutover (Fees) Instrument 2013 only. The tariff rates set out in the *FEES* 4 Annexes have not yet been updated for the 2013/2014 fee year. The rates for the 2013/2014 fee year will be made by the *FCA* and *PRA* boards in June, following a consultation on a separate fees rates instrument expected to be published in April 2013.]~~

…

4.2 Obligation to pay periodic fees

…

Method of payment

4.2.4 R A periodic fee must be paid using either direct debit, credit transfer, cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard only). Any payment by permitted credit card must include an additional 2% of the sum paid ~~[deleted]~~

…

4.2.11 R Table of periodic fees payable to the *FCA*

<table>
<tr><th>1 Fee payer</th><th>2 Fee payable</th><th>3 Due date</th><th>4 Events occurring during the period leading to modified periodic fee</th></tr>
<tr><td>…</td><td>…</td><td>…</td><td>…</td></tr>
<tr><td>Persons who hold a certificate issued by the FCA under article 54 of the Regulated Activities Order (advice given in newspapers etc.)</td><td>£1,000</td><td rowspan="2">(1) Unless (2) applies, on or before ~~30 April~~ 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 fee year, 30 days after the occurrence of that event</td><td>…</td></tr>
<tr><td>Any manager of an ~~authorised unit trust~~ AUT</td><td>In relation to each unit trust the amount specified in FEES 4 Annex</td><td>…</td></tr>
</table>

	4R		
Any *ACD* of an *ICVC*; and…	In relation to each *ICVC* the amount specified in *FEES* 4 Annex 4R		
Persons who, under the constitution of founding arrangements of a *recognised scheme*, is responsible for the management of the property held for or within the *scheme*	In relation to each *recognised scheme* the amount specified in *FEES* 4 Annex 4R		…
Designated professional body	…	~~1 July or if payment is by instalments, by the due dates set out in *FEES* 4 Annex 5R~~ On or before the relevant dates specified in *FEES* 4.3.6R	…
UK recognised body	…	~~(1) Unless (2) applies, by the due dates set out in *FEES* 4 Annex 6R, part 1 and (in the case of an *RAP*) part 1A~~ (1) On or before the relevant dates specified in *FEES* 4.3.6R (2) If the event in column 4 occurs during the course of a *fee year*, 30 *days* after the occurrence of	…

		that event.	
ROIE	…	~~(1), unless (2) applies, 1 July.~~ (1) On or before the relevant dates specified in *FEES* 4.3.6R (2) If the event in column 4 occurs during the course of a *fee year*, 30 *days* after the occurrence of that event.	…
…			

…

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

…

Part 2 This table sets out the activity groups (fee blocks) in relation to (i) the minimum fee payable to the *FCA* and (ii) the prudential fee payable to the *FCA*.	
…	
AP.0 *FCA* prudential fee	(1) it is ~~in at least one of the fee blocks under Part 1~~ an *FCA authorised person*; and (2) the periodic fee it pays to the *FCA* is not limited to the A.0 *FCA* minimum fee. ~~(2) it is not:~~ ~~(a) a *PRA-authorised person*; and/ or~~ ~~(b) a *firm* whose only periodic fee payable to the *FCA* is the A.0 *FCA* minimum fee.~~

…

Part 4 This table indicates the tariff base for each fee block set out in Part 2.	
…	
AP.0	The total periodic fees payable as a result of fee blocks A.2 and A.7

	to A.19 in Part 1 of *FEES* 4 Annex 2AR excluding any periodic fee for *operating a dormant fund account*.

…

4 Annex 2AR **FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April 2013 to 31 March 2014**

<table>
<tr><td colspan="4">Part 1
This table shows the tariff rates applicable to each of the fee blocks set out in Part 1 of FEES 4 Annex 1AR.</td></tr>
<tr><td>(1)</td><td colspan="3">For each activity group specified in the table below, the fee is the total of the sums payable for each of the tariff bands applicable to the firm's business, calculated by multiplying the value of the firm's tariff base by the rate applicable to each tranche of the tariff base, as indicated.</td></tr>
<tr><td>(2)</td><td colspan="3">A firm may apply the relevant tariff bases and rates to non-UK business, as well as to its UK business, if:</td></tr>
<tr><td></td><td>(a)</td><td colspan="2">it has reasonable grounds for believing that the costs of identifying the firm's UK business separately from its non-UK business in the way described in Part 3 of FEES 4 Annex 1AR are disproportionate to the difference in fees payable; and</td></tr>
<tr><td></td><td>(b)</td><td colspan="2">it notifies the FCA in writing at the same time as it provides the information concerned under FEES 4.4 (Information on which fees are calculated), or, if earlier, at the time it pays the fees concerned.</td></tr>
<tr><td>(3)</td><td colspan="3">For a firm which has not complied with FEES 4.2.2G (Information on which fees are calculated) for this period:</td></tr>
<tr><td></td><td>(a)</td><td colspan="2">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;</td></tr>
<tr><td></td><td>(b)</td><td colspan="2">an additional fee of £250 is payable, unless the firm is a PRA-authorised person in which case an additional fee of £125 is payable instead; and</td></tr>
<tr><td></td><td>(c)</td><td colspan="2">The minimum total fee (including the administrative fee in (b)) is £430, unless the firm is a PRA-authorised person in which case the total minimum total fee (including the administrative fee in (b)) is £215.</td></tr>
<tr><td colspan="2">Activity group</td><td colspan="2">Fee payable</td></tr>
<tr><td colspan="2">A.1</td><td>Band width (<u>£</u>million of Modified Eligible Liabilities (MELs))</td><td>Fee (<u>£</u>/m or part m of MELs)</td></tr>
</table>

		General Periodic fee
	>10 - 140	~~[tbc]~~ 13.76
	>140 - 630	~~[tbc]~~ 13.76
	>630 - 1,580	~~[tbc]~~ 13.76
	>1,580 - 13,400	~~[tbc]~~ 17.20
	>13,400	~~[tbc]~~ 22.70
	…	
A.2	Band width (No. of mortgages and/or home finance transactions)	Fee (£/mortgage)
	>50 ~~- 130~~	~~[tbc]~~ 2.18
	~~>130 - 320~~	~~[tbc]~~
	~~>320 - 4,570~~	~~[tbc]~~
	~~>4,570 - 37,500~~	~~[tbc]~~
	~~>37,500~~	~~[tbc]~~
A.3	Gross premium income (GPI)	Periodic fee
	~~Minimum fee (£)~~	~~Not applicable~~
	Band Width (£million of GPI)	Fee (£/m or part m of GPI)
	>0.5 ~~- 10.5~~	~~[tbc]~~ 342.00
	~~>10.5 - 30~~	~~[tbc]~~
	~~>30 - 245~~	~~[tbc]~~
	~~>245 - 1,900~~	~~[tbc]~~
	~~>1,900~~	~~[tbc]~~
	PLUS	
	Gross technical liabilities (GTL)	General Periodic fee
	Band Width (£million of GTL)	Fee (£/m or part m of GTL)
	>1 ~~- 12.5~~	~~[tbc]~~ 17.30

	~~>12.5 - 70~~	~~[tbc]~~
	~~>70 - 384~~	~~[tbc]~~
	~~>384 - 3,750~~	~~[tbc]~~
	~~>3,750~~	~~[tbc]~~
	…	
A.4	Adjusted annual gross premium income (AGPI)	General Periodic fee
	Band Width (<u>£</u>million of AGPI)	Fee (<u>£</u>/m or part m of AGPI)
	>1 ~~- 5~~	~~[tbc]~~ <u>489.50</u>
	~~>5 - 40~~	~~[tbc]~~
	~~>40 - 260~~	~~[tbc]~~
	~~>260 - 4,000~~	~~[tbc]~~
	~~>4,000~~	~~[tbc]~~
	PLUS	
	Mathematical reserves (MR)	General Periodic fee
	Band Width (<u>£</u>million of MR)	Fee (<u>£</u>/m or part m of MR)
	>1 ~~- 20~~	~~[tbc]~~ <u>10.65</u>
	~~>20 - 270~~	~~[tbc]~~
	~~>270 - 7,000~~	~~[tbc]~~
	~~>7,000 - 45,000~~	~~[tbc]~~
	~~>45,000~~	~~[tbc]~~
A.5	Band Width (<u>£</u>million of Active Capacity (AC))	Fee (<u>£</u>/m or part m of AC)
	>50 ~~- 150~~	~~[tbc]~~ <u>7.67</u>
	~~>150 - 250~~	~~[tbc]~~
	~~>250 – 500~~	~~[tbc]~~
	~~>500 - 1,000~~	~~[tbc]~~

	~~>1,000~~	~~[tbc]~~
A.6	Flat fee (£)	~~[tbc]~~ 297,642
A.7	For class 1(C), (2) and (3) *firms*:	
	Band Width (£million of Funds under Management (FuM))	Fee (£/m or part m of FuM)
	>10 ~~- 150~~	~~[tbc]~~ 8.66
	~~>150 - 2,800~~	~~[tbc]~~
	~~>2,800 - 17,500~~	~~[tbc]~~
	~~>17,500 - 100,000~~	~~[tbc]~~
	~~>100,000~~	~~[tbc]~~
	…	
~~A.8~~	~~This activity group does not apply for this period.~~	
A.9	Band Width (£million of Gross Income (GI))	Fee (£/m or part m of GI)
	>1 ~~- 4.5~~	~~[tbc]~~ 1,313.00
	~~>4.5 - 17~~	~~[tbc]~~
	~~>17 - 145~~	~~[tbc]~~
	~~> 145 - 750~~	~~[tbc]~~
	~~>750~~	~~[tbc]~~
A.10	Band Width (No. of traders)	Fee (£/person)
	~~2 – 3~~ >1	~~[tbc]~~ 5,202.00
	~~4 - 5~~	~~[tbc]~~
	~~6 - 30~~	~~[tbc]~~
	~~31 - 180~~	~~[tbc]~~
	~~>180~~	~~[tbc]~~

	....	
A.12	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	~~[tbc]~~ >100	~~[tbc]~~ 2.11
A.13	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	~~[tbc]~~ >100	~~[tbc]~~ 6.34
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	~~[tbc]~~ >100	~~[tbc]~~ 3.07
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/ thousand or part thousand of AI)
	>100 ~~- 180~~	~~[tbc]~~ 17.46
	~~>180 - 1,000~~	~~[tbc]~~
	~~>1,000 - 12,500~~	~~[tbc]~~
	~~>12,400 – 50,000~~	~~[tbc]~~
	~~>50,000~~	~~[tbc]~~
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/ thousand or part thousand of AI)
	>100 ~~- 325~~	~~[tbc]~~ 1.74
	~~>325 - 10,000~~	~~[tbc]~~

	~~>10,000 - 50,750~~	~~[tbc]~~
	~~>50,750 - 250,000~~	~~[tbc]~~
	~~>250,000~~	~~[tbc]~~
B. Market operators	~~[tbc]~~	£45,000
B. Service companies	Bloomberg LP	~~[tbc]~~ £58,000
	LIFFE Services Ltd	~~[tbc]~~ £45,000
	OMGEO Ltd	~~[tbc]~~ £45,000
	Reuters Ltd	~~[tbc]~~ £58,000
	Swapswire Ltd	~~[tbc]~~ £45,000
	Plus Derivative Exchange Ltd	£45,000
	DTCC Derivatives Repository Limited	£45,000
	Avelo Portal Limited	£45,000
	Calestone Ltd	£45,000
	Xtracter Ltd	£45,000
	Pirum Systems Limited	£45,000
	Fidessa	£45,000
…	…	…

Part 2

This table shows the tariff rates applicable to each of the fee blocks set out in Part 2 of *FEES* 4 Annex 1AR.

A.0	(1)	~~[tbc]~~ £1,000 unless:	
		(a)	It is a credit union that meets the conditions in (2), in which case the minimum fee payable is as set out in (2);
		(b)	it is a non-directive friendly society 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 ~~[tbc]~~ £430; or~~.~~
		(c)	it is a non-directive friendly society 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 ~~[tbc]~~ £430 or
		(d)	it is a *non-directive friendly society* 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 ~~[tbc]~~ £430~~;~~.
		~~(e)~~	~~it is also a *PRA-authorised person*, in which case the minimum fee is 50% of any fee which would otherwise apply under (1)(a) to (1)(d) or (2).~~
	(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 ~~[tbc]~~ £160 is payable; or
		(b)	greater than 0.5millon but less than 20 million, in which case a minimum fee of ~~[tbc]~~ £540 is payable.
	(3)	The conditions referred to in (1) are that:	
		(a)	the *non-directive friendly society* falls into the A.3 activity group and has, for that activity, 0.5 million or less in gross *premium* income and holds gross technical liabilities of 1.0 million or less;
		(b)	the *non-directive friendly society* falls into the A.4 activity group and has, for that activity, written 1.0 million or less in adjusted gross *premium* income and holds mathematical reserves of 1.0 million or less.
		The figures for gross *premium* income, gross technical liabilities, adjusted gross *premium* income and mathematical reserves are the same as used for Part 1 of this Annex.	
	(4)	For *PRA-authorised persons*, the minimum fee is 50% of any fee stated in (1) or (2) above.	
AP.0	Periodic fees payable under fee blocks A.2 and A.7 to A.19 in Part 1 multiplied by rate ~~[tbc]~~ £ 0.084		

Part 3 This table shows the modifications to fee tariffs that apply in respect of the *FCA* to

incoming EEA firms and *incoming Treaty firms* which have established branches in the UK.	
Activity Group	Percentage deducted from the tariff payable under Part 1 applicable to the firm
A.1	~~[tbc]~~ [5%]
A.3	~~[tbc]~~ [5%]
A.4	~~[tbc]~~ [5%]
A.7	~~[tbc]~~ [5%]
A.9	~~[tbc]~~ [5%]
A.10	In relation to each trader that carries on *auction regulation bidding* but not *MiFID business bidding* or *dealing in investments as principal*, 100%. In relation to all other traders, ~~0%~~ [5%]
A.12	~~[tbc]~~ [5%]
A.13	~~[tbc]~~ [5%]
A.19	~~[tbc]~~ [5%]
B. *MTF* operators	Not applicable
AP.0	100%
…	…
Note 2	The *FCA* minimum fee described in Part 2 of *FEES* 4 Annex 2AR applies in full and the modifications in this Part do not apply to it.
…	

…

4 Annex 4R **Periodic fees in relation to collective investment schemes payable for the period 1 April ~~2012~~ 2013 to 31 March ~~2013~~ 2014**

Part 1 – Periodic fees payable				
Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)

ICVC, AUT, Section 264 of the *Act*, Section 270 of the *Act*	~~580~~ 710	1 – 2	1	~~580~~ 710
		3 – 6	2.5	~~1,450~~ 1,775
		7 – 15	5	~~2,900~~ 3,550
		16 – 50	11	~~6,380~~ 7,810
		> 50	22	~~12,760~~ 15,620
Section 272 of the *Act*	~~2,360~~ 2,890	1 – 2	1	~~2,360~~ 2,890
		3 – 6	2.5	~~5,900~~ 7,225
		7 – 15	5	~~11,800~~ 14,450
		16 – 50	11	~~25,960~~ 31,790
		> 50	22	~~51,920~~ 63,580

…

4 Annex 5R **Periodic fees for designated professional bodies payable in relation to the period 1 April ~~2012~~ 2013 to 31 March ~~2013~~ 2014**

Name of Designated Professional Body	Amount payable	~~Due date~~
The Law Society of England & Wales	~~36,595~~	~~30 April 2012~~
	~~28,235~~ £82,290	~~1 September 2012~~
The Law Society of Scotland	~~13,080~~ £14,410	~~1 July 2012~~
The Law Society of Northern Ireland	~~12,500~~ £13,300	~~1 July 2012~~
The Institute of Actuaries	~~10,090~~ £10,120	~~1 July 2012~~
The Institute of Chartered Accountants in England and Wales	~~22,340~~ £26,330	~~1 July 2012~~
The Institute of Chartered Accountants of Scotland	~~11,030~~ £11,350	~~1 July 2012~~
The Institute of Chartered Accountants in Ireland	~~10,560~~ £10,730	~~1 July 2012~~
The Association of Chartered Certified Accountants	~~15,960~~ £17,860	~~1 July 2012~~

The Council for Licensed Conveyancers	~~11,080~~ £11,440	~~1 July 2012~~
Royal Institution of Chartered Surveyors	~~13,360~~ £14,370	~~1 July 2012~~

...

4 Annex 6R **Periodic fees for recognised investment exchanges, ~~recognised clearing houses~~ and recognised auction platforms payable in relation to the period 1 April 2013 to 31 March 2014**

In this Annex		
- the term *recognised body* includes a body which was a recognised investment exchange recognised under the Financial Services Act 1986 and which is a recognised body as a result of Regulation 9 of the Recognition Requirements Regulations.		
- the term recognition order includes a recognition order by the *FSA* under section 37 of the Financial Services Act 1986 or a recognition order made by the Treasury under section 40 of the Financial Services Act 1986 in relation to overseas investment exchanges.		
Part 1 – Periodic fees for UK recognised investment exchanges		
Name of UK recognised body	Amount payable	~~Due date~~
ICE Futures Europe Ltd	~~250,000~~ ~~365,500~~ £690,000	~~30 April 2012~~ ~~1 September 2012~~
LIFFE Administration and Management	~~375,500~~ ~~510,500~~ £995,000	~~30 April 2012~~ ~~1 September 2012~~
~~The~~ London Metal Exchange ~~Limited~~	~~225,000~~ ~~319,500~~ £610,000	~~30 April 2012~~ ~~1 September 2012~~
London Stock Exchange plc	~~307,000~~ ~~427,000~~ £825,000	~~30 April 2012~~ ~~1 September 2012~~
~~PLUS Markets Plc~~ ICAP Securities & Derivatives Exchange Limited (RIE)	~~95,000~~ ~~127,500~~ £300,000	~~30 April 2012~~ ~~1 September 2012~~
Any other UK *recognised investment exchange* recognised as such by a *recognition order* made	~~150,00~~ £300,000	~~30 days after the date on which the recognition order is made~~

in the ~~period~~ *fee year*		

Part 1A – Periodic fees for recognised auction platforms		
Name of recognised auction platform	Amount payable	~~Due date~~
An *RAP* recognised as such by a *recognition order* made in the ~~period~~ *fee year*	£50,000	~~30 *days* after the date on which the *recognition order* is made~~

Part 2 – Periodic fees for overseas recognised ~~bodies~~ investment exchanges		
The Chicago Mercantile Exchange (CME) (ROIE)	~~50,000~~ £56,000	~~1 July 2012~~
Chicago Board of Trade	~~50,000~~ £56,000	~~1 July 2012~~
EUREX (Zurich)	~~50,000~~ £56,000	~~1 July 2012~~
National Association of Securities and Deals Automated Quotations (NASDAQ)	~~50,000~~ £56,000	~~1 July 2012~~
New York Mercantile Exchange Inc.	~~50,000~~ £56,000	~~1 July 2012~~
The Swiss Stock Exchange	~~50,000~~ £56,000	~~1 July 2012~~
Sydney Futures Exchange Limited	~~50,000~~ £56,000	~~1 July 2012~~
ICE Futures US Inc	~~50,000~~ £56,000	~~1 July 2012~~
NYSE Liffe US	~~50,000~~ £56,000	~~1 July 2012~~
~~Green Exchange (ROIE)~~	~~50,000~~	~~1 July 2012~~
Any other *overseas investment exchange* recognised as such by a *recognition order* made in the ~~period~~ *fee year*	~~40,000~~ £56,000	~~30 days after the date on which the recognition order is made~~

…

4 Annex 7R **Periodic fees in relation to the Listing Rules for the period 1 April 2013 to 31 March 2014**

Fee type	Fee amount
Annual fees for the period 1 April ~~2012~~ 2013 to March ~~2013~~ 2014	
Annual Issuer Fees – all *listed issuers* of *shares*, depositary receipts and *securitised derivatives*. The fee represents the total annual fee for a *listed issuer* – no additional annual fee is due under the *disclosure rules* and *transparency rules*.	… (2) For all other *issuers*, fees to be determined according to market capitalisation, as at the last *business day* of the November prior to the ~~*FCA* financial year~~ *fee year* in which the fee is payable, are as set out in Table 1A for *issuers* of global depositary receipts and Table 2 for other *issuers*. … …
…	

Table 1

The annual fee for issuers of *securitised derivatives* is £~~4,200~~ 4,750

Table 1A

Tiered annual fees for issuers of global depositary receipts

Fee payable	
Minimum fee (£)	3,800
£ million of Market Capitalisation as at the last *business day* of the November prior to the *fee year* in which the fee is payable	Fee (£/£m of part £m of Market Capitalisation as at the last *business day* of the November prior to the *fee year* in which the fee is payable)
0 – 100	0
> 100 – 250	22.086873
> 250 – 1,000	8.834163
> 1,000 – 5,000	5.437790

> 5,000 – 25,000	0.132644
> 25,000	0.042854

Table 2

Tiered annual fees for all other issuers

Fee payable	
Minimum Fee (£)	~~4,200~~ 4,750
£ million of Market Capitalisation as at the last *business day* of the November prior to the ~~*FCA* financial year~~ *fee year* in which the fee is payable	Fee (£/£m of part £m of Market Capitalisation as at the last *business day* of the November prior to the ~~*FCA* financial year~~ *fee year* in which the fee is payable)
0 – 100	0
> 100 – 250	~~26.778459~~ 27.608591
> 250 – 1,000	~~10.710673~~ 11.042704
> 1,000 – 5,000	~~6.592859~~ 6.797238
> 5,000 – 25,000	~~0.160820~~ 0.165805
> 25,000	~~0.051957~~ 0.053568

4 Annex 8R **Periodic fees in relation to the disclosure rules and transparency rules for the period 1 April 2013 to 31 March 2014**

Annual fees for the period 1 April ~~2012~~ 2013 to 31 March ~~2013~~ 2014

…

Table 1

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

Issuer	Fee amount
Issuers of *securitised derivatives*	~~3,360~~ £3,800
Issuers of depositary receipts and global depositary receipts	~~2,688~~ £3,040

Table 2

Fee payable	
Minimum Fee (£)	~~3,360~~ 3,800
…	
0 – 100	0
> 100 – 250	~~21.422767~~ 22.086873
> 250 – 1,000	~~8.568538~~ 8.834163
> 1,000 – 5,000	~~5.274287~~ 5.437790
> 5,000 – 25,000	~~0.128656~~ 0.132644
> 25,000	~~0.041565~~ 0.042854

…

Delete the following Annex 9R in its entirety. The deleted text is not shown

4 Annex 9R **Periodic fees in respect of securities derivatives for the period from 1 April 2013 to 31 March 2014**

4 Annex 10R **Periodic fees for MTF operators payable in relation to the period 1 April 2013 to 31 March 2014**

Name of *MTF* operator	Fee payable (£)	Due date ~~1 July 2012~~ 1 August 2013 or, if later, 30 days from the date of the invoice
Barclays Bank Plc	~~5,000~~ 15,000	
Baltic Exchange Derivatives Trading Ltd	~~23,500~~ 20,000	
BATS Trading Ltd	~~109,000~~ 150,000	
BGC Brokers L.P	~~5,000~~ 50,000	

~~Cantor Index Limited~~	~~10,000~~	
Chi-X Europe Limited	~~175,000~~ 15,000	
EuroMTS Limited	~~35,500~~ 50,000	
GFI Brokers Limited	~~5,000~~ 15,000	
GFI Securities Limited	~~5,000~~ 50,000	
ICAP Electronic Broking Limited	~~7,800~~ 50,000	
ICAP Energy Limited	~~5,000~~ 15,000	
ICAP Europe Limited	~~5,000~~ 15,000	
ICAP Shipping Tanker Derivatives Limited	~~5,000~~ 15,000	
ICAP Securities Limited	~~5,000~~ 50,000	
ICAP WCLK Limited	~~5,000~~ 15,000	
J.P.Morgan Cazenove Limited	~~N/A~~ 15,000	
Liquidnet Europe Limited	~~83,000~~ 35,000	
~~MF Global UK Limited~~	~~5,000~~	
My Treasury Limited	~~5,000~~ 15,000	
iSWAP Euro Ltd	~~5,000~~ 15,000	
Nomura International Plc	~~5,000~~ 15,000	
Credit Agricole Cherveux International	~~5,000~~ 15,000	
SmartPool Trading Limited	~~26,500~~ 20,000	
TFS-ICAP Limited	~~5,000~~ 15,000	
Tradeweb Europe Limited	~~16,000~~ 50,000	
Tradition (UK) Limited	~~5,000~~ 15,000	
Tradition Financial Services Limited	~~5,000~~ 15,000	
Tullett Prebon (Europe) Limited	~~5,000~~ 15,000	
Tullett Prebon (Securities) Limited	~~5,000~~ 50,000	

Turquoise Global Holdings Ltd	~~165,500~~ 85,000	
Goldman Sachs International	~~5,000~~ 15,000	
UBS Ltd	~~5,000~~ 15,000	
…	In the case of an *EEA firm* that: (a) has not carried on the activity of *operating a multilateral trading facility* in the *UK* at any time in the calendar year ending 31 December ~~2011~~; 2012 and (b) notifies the *FCA* of that fact by the end of March ~~2012~~ 2013; the fee is zero. ….. In any other case £~~4,400~~ 15,000	… In any other case, 1 ~~July 2012~~ August 2013

…

4 Annex 11R **Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations and electronic money issuance by fee-paying electronic money issuers under the Electronic Money Regulations and issuance of regulated covered bonds by issuers in relation to the period 1 April 2013 to 31 March 2014**

…

Part 5 – Tariff rates		
Activity group	Fee payable in relation to ~~2012/13~~ 2013/14	
G.2	Minimum fee (£)	400
	£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	> 0.1	~~0.29055~~ 0.3050

	~~> 0.25~~	~~0.29055~~
	~~> 1.0~~	~~0.29055~~
	~~> 10.0~~	~~0.29055~~
	~~> 50.0~~	~~0.29055~~
	~~> 500.0~~	~~0.29055~~
G.3	Minimum fee (£)	400
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	> 100	~~0.19415~~ 0.2039
	~~> 250~~	~~0.19415~~
	~~> 1000~~	~~0.19415~~
	~~> 10,000~~	~~0.19415~~
	~~> 50,000~~	~~0.19415~~
	~~> 500,000~~	~~0.19415~~
G.4	Flat fee (£)	400
G.5	As in G.3.	
G.10	Minimum fee (£)	1,500
	£million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	>5.0	~~180.00~~ 200.00
G.11	Flat fee (£)	1,000
G.15	Minimum fee for the first registered *programme* (£)	83,590
	…	…
	>0.00	10.28
	…	

…

5 Financial Ombudsman Service Funding

…

5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2013/14

Introduction: annual budget

1. The *annual budget* for ~~2012/13~~ 2013/14 approved by the *FSA* is ~~£191.1m~~ £283.6m.

2. The total amount expected to be raised through the *general levy* in ~~2012/13~~ 2013/14 will be ~~£17.7m~~ £23m (net of ~~£1.5m~~ £2.3m to be raised from consumer credit firms).

Compulsory jurisdiction – general levy		
Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, *home finance providers, home finance administrators* (excluding *firms* in block 14) and *dormant account fund operators*	…	~~£0.0331~~ £0.041766 per relevant account, subject to a minimum levy of £100
2-Insurers - general (excluding *firms* in blocks 13 & 15)	…	£~~0.10~~ 0.1251 per £1,000 of relevant annual gross premium income, subject to a minimum levy of £100
3-The *Society* (of Lloyd's)	…	£~~20,000~~ 25,989 to be allocated by the *Society*
4-Insurers - life (excluding *firms* in block 15)	…	£~~0.0146~~ 0.01828 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £~~100~~ 130
5-Fund managers (including those holding *client money*/assets and not holding *client*	…	Levy of £~~200~~ 265

money/assets)		
6-*Operators, trustees* and *depositaries* of *collective investment schemes* and *operators* of *personal pension schemes* or *stakeholder pension schemes*	…	Levy of £~~50~~ 65
7-Dealers as principal	…	Levy of £~~50~~ 75
8-Advisors, *arrangers*, dealers or brokers holding and controlling *client money* and/or assets	…	~~[tbc]~~ £0.03515 per £1,000 of annual income subject to a minimum fee of £45
9-Advisors, *arrangers*, dealers or brokers not holding and controlling *client money* and/or assets	…	~~[tbc]~~ £0.1283 per £1,000 of annual income subject to a minimum fee of £45
10-Corporate finance advisers	…	Levy of £~~50~~ 55
11-*fee-paying payment service providers* (but excluding *firms* in any other Industry block except Industry block 18)	…	£~~0.0153~~ 0.0075 per £1,000 of relevant income subject to a minimum levy of £75
	…	Levy of £~~50~~ 30
12-	N/A for ~~2012/13~~ 2013/14	
13-Cash plan health providers	…	Levy of £~~50~~ 65
14-*Credit unions*	…	Levy of £~~50~~ 55
15-*Friendly societies* whose tax-exempt business represents 95% or more of their total relevant business	…	Levy of £~~50~~ 65
16-*Home finance*	…	Levy of £~~60~~ 70

providers, *advisers* and *arrangers* (excluding *firms* in blocks 13, 14 & 15)		
17-General insurance mediation (excluding *firms* in blocks 13, 14 & 15)	...	£~~0.362~~ 0.4328 per £1,000 of *annual income* (as defined in *MIPRU* 4.3) relating to *firm's relevant business* subject to a minimum levy of £~~85~~ 100
18-*fee-paying electronic money issuers*	For all *fee-paying electronic money issuers* except for *small electronic money institutions*, average outstanding *electronic money*, as described in *FEES* 4 Annex 11R Part 3.	~~0.0466~~ £0.0063 per £1,000 of average outstanding electronic money subject to a minimum levy of £75
	For *small electronic money institutions*, a flat fee	Levy of £50

…

7 Annex 1R CFEB levies for the period from 1 April 2013 to 31 March 2014

Part 1

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

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

	> 10 ~~– 140~~	~~5.30~~ 4.91	> 0	~~48.00~~ 48.77
	~~> 140 – 630~~	~~5.30~~		
	~~>630 – 1,580~~	~~5.30~~		
	~~>1,580 – 13,400~~	~~5.30~~		
	~~>13,400~~	~~5.30~~		
	…			
A.2	**Column 1** **General levy**		**Column 2** **Debt advice levy** **(Notes 5 – 6)**	
	Band Width (no. of mortgages and/or *home finance transactions*)	Fixed sum (£/mortgage)	Bandwidth (million of secured debt)	Fixed sum (/m or part m of secured debt)
	>50 ~~– 130~~	~~0.142~~ 0.62	> 0	~~24.37~~ 24.34
	~~>130 – 320~~	~~0.142~~		
	~~>320 – 4,570~~	~~0.142~~		
	~~>4, 570 – 37,500~~	~~0.142~~		
	~~>37,500~~	~~0.142~~		
A.3	**Gross premium income (GPI)**			
	Band Width (£ million of GPI)		Fixed sum (£/£m or part £m of GPI)	
	>0.5 ~~– 10.5~~		~~57.52~~ 42.00	
	~~>10.5 - 30~~		~~57.52~~	
	~~>30 - 245~~		~~57.52~~	
	~~>245 - 1, 900~~		~~57.52~~	
	~~>1,900~~		~~57.52~~	
	PLUS			
	Gross technical liabilities			

	(GTL)	
	Band Width (£ million of GTL)	Fixed sum (£/£m of part £m of GTL)
	>1 ~~– 12.5~~	~~3.07~~ 2.13
	~~>12.5 - 70~~	~~3.07~~
	~~>70 - 384~~	~~3.07~~
	~~>384 - 3,750~~	~~3.07~~
	~~>3,750~~	~~3.07~~
A.4	**Adjusted annual gross premium income (AGPI)**	
	Band Width (£ million of AGPI)	Fixed sum (£/£m or part £m of AGPI)
	>1 ~~– 5~~	~~74.61~~ 70.05
	~~>5 - 40~~	~~74.61~~
	~~>40 - 260~~	~~74.61~~
	~~>260 - 4,000~~	~~74.61~~
	~~>4,000~~	~~74.61~~
	PLUS	
	Mathematical reserves (MR)	
	Band Width (£ million of MR)	Fixed sum (£/£m or part £m of MR)
	>1 ~~– 20~~	~~1.64~~ 1.53
	~~>20 - 270~~	~~1.64~~
	~~>270 - 7,000~~	~~1.64~~
	~~>7,000 - 45,000~~	~~1.64~~
	~~>45,000~~	~~1.64~~
A.5	Band Width (£ million of Active Capacity (AC))	Fixed sum (£/£m or part £m of AC)
	>50 ~~– 150~~	~~5.69~~ 3.65

	~~>150 - 250~~	~~5.69~~
	~~>250 - 500~~	~~5.69~~
	~~>500 - 1,000~~	~~5.69~~
	~~>1,000~~	~~5.69~~
A.6	Flat levy	£~~169,333.29~~ 87,414.00
A.7	For class 1(C), (2) and (3) *firms*:	
	Band Width (£ million of Funds under Management (FuM))	Fixed sum (£/£m of part £m of FuM)
	>10 ~~- 150~~	~~0.84~~ 0.83
	~~>150 - 2,800~~	~~0.84~~
	~~>2,800 - 17,500~~	~~0.84~~
	~~>17,500 - 100,000~~	~~0.84~~
	~~>100,000~~	~~0.84~~
	…	
A.9	Band Width (£ million of Gross Income (GI))	Fixed sum (£/£m of part £m of GI)
	>1 ~~- 4.5~~	~~84.56~~ 106.15
	~~>4.5 - 17~~	~~84.56~~
	~~>17 - 145~~	~~84.56~~
	~~>145 - 750~~	~~84.56~~
	~~>750~~	~~84.56~~
A.10	Band Width (no. of traders)	Fixed sum (£/trader)
	~~2 – 3~~ > 1	~~349.48~~ 394.80
	~~4 - 5~~	~~349.48~~
	~~6 - 30~~	~~349.48~~
	~~31 - 180~~	~~349.48~~
	~~>180~~	~~349.48~~

A.12	Band Width ~~(no. of persons)~~ (£ thousands of annual income (AI))	~~Fixed sum (£/person)~~ Fee (£/£ thousand or part £ thousand of AI)
	~~2 – 5~~ >100	~~45.59~~ 0.09
	~~6 - 35~~	~~45.59~~
	~~36 - 175~~	~~45.59~~
	~~176 - 1,600~~	~~45.59~~
	~~>1,600~~	~~45.59~~
	…	
A.13	For class (2) firms	
	Band Width ~~(no. of persons)~~ (£ thousands of annual income (AI))	~~Fixed sum (£/person)~~ Fee (£/£ thousand or part £ thousand of AI)
	~~2 – 3~~ >100	~~147.11~~ 0.46
	~~4 - 30~~	~~147.11~~
	~~31 - 300~~	~~147.11~~
	~~301 - 2,000~~	~~147.11~~
	~~>2,000~~	~~147.11~~
	…	
A.14	Band Width ~~(no. of persons)~~ (£ thousands of annual income (AI))	~~Fixed sum (£/person)~~ Fee (£/£ thousand or part £ thousand of AI)
	~~2 – 4~~ >100	~~128.22~~ 0.14
	~~5 - 25~~	~~128.22~~
	~~26 - 80~~	~~128.22~~
	~~81 - 199~~	~~128.22~~
	~~>199~~	~~128.22~~
A.18	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)

	>100 ~~- 180~~	~~1.67~~ 1.21
	~~>180 - 1,000~~	~~1.67~~
	~~>1,000 - 12,500~~	~~1.67~~
	~~>12,500 - 50,000~~	~~1.67~~
	~~>50,000~~	~~1.67~~
A.19	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100 ~~- 325~~	~~0.249~~ 0.155
	~~>325 - 10,000~~	~~0.249~~
	~~>10,000 - 50,750~~	~~0.249~~
	~~>50,750 - 250,000~~	~~0.249~~
	~~>250,000~~	~~0.249~~
G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	~~0.04433~~ 0.033
	~~>250~~	~~0.04433~~
	~~>1,000~~	~~0.04433~~
	~~>10,000~~	~~0.04433~~
	~~>50,000~~	~~0.04433~~
	~~>500,000~~	~~0.04433~~
G.4	~~A flat fee of 10~~ 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	~~13.10~~ 10.25
G.11	~~A flat fee of 10~~ Flat fee (£)	10

…

Appendix 1 Unauthorised Mutuals Registration Fees Rules

…

App 1 Annex 1R Periodic fees payable for the period 1 April ~~2012~~ 2013 to 31 March ~~2013~~ 2014

Part 1
Periodic fee payable by Registered Societies (on 30 June ~~2012~~ 2013)
This fee is not payable by a *credit union*.

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

Part 2
Methods of payment of periodic fees

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

Financial Conduct Authority

PUB REF: 002973

25 The North Colonnade Canary Wharf
London E14 5HS
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk