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Via E-mail

Our Ref: FOI3785

### **Freedom of Information : Right to know request**

Thank you for your request under the Freedom of Information Act 2000 (the Act), for information relating to the A12 and A13 Fee Blocks. The full request is set out in Annex A.

Your request has now been considered and I confirm that we hold information that falls within the scope of your request.

Before turning to your request, I would like to make you aware that CP10/24 did not raise the issue of the allocation of costs between A12 and A13. As the query acknowledges, the paper recognised that a new fee-block would improve the targeting of cost recovery for our Client Asset Sourcebook (CASS) regime. The paper did explain that the two fee-blocks would be merged, with A12 discontinued and A13 re-scoped to exclude Client Money & Asset (CM&A) costs, but this was a high-level review of the principle of establishing a new CM&A fee-block and the implications of merging the fee-blocks were not considered.

With regard to your request, I will endeavour to answer each point in turn.

- 1. Details and copies of the impact assessments (and/or any other analysis of the possible financial impact on firms in A12 and A13) carried out since this issue was identified, as set out in the 2010 consultation paper CP10/24;*

Our impact assessment was carried out in 2013 when we prepared our proposals for consultation, using data on CM&A holdings and the costs of the CASS team, which had not been available when the earlier discussion chapter was published in 2010. The results, which I understand you may have already seen, were published in CP13/14, Page 21 - link attached below. As stated above, CP10/24 did not consider the implications for firms in A12 and A13.

CP13/14

<http://www.fca.org.uk/static/documents/consultation-papers/cp13-14.pdf>

2. *Details and copies of any further impact assessments (and/or any other analysis of the possible financial impact on firms in A12 and A13) carried out before, during or after the consultation on the change in 2013 set out in consultation paper CP13/14;*

As stated above – the impact analysis published in CP13/14 was the only analysis undertaken of the possible financial impact on firms in A12 and A13.

3. *Minutes or notes of any FSA/FCA meetings where this issue was discussed during the period, including (but not limited to) any meeting(s) at which it was decided that a consultation on, or implementation of, the changes to the fee blocks should be delayed beyond the original timescale i.e. 2012/13.*

We attach an extract from a paper put to the Executive Operations Committee (EOC) on 10 August 2011 where this issue was discussed. We have redacted the name of a member of staff that appears on this paper because his status is below Manager level, and therefore to disclose it would comprise this individual's personal data. For a detailed explanation of why the exemption in Section 40 of the Act applies in this instance, please refer to Annex B.

Also, shown below is a minute from that same EOC meeting, which we consider falls within the scope of this question:

*“Recovery of Client and assets costs*

*EOC discussed the proposed consultation on the recovery of client money and assets costs, as the proposal for a new CASS fee-block has been rejected. The paper was provided for information and general discussion – no actions or decisions were recorded.”*

This is the meeting which agreed that the original aspiration (which was not a firm timescale) of introducing the new fee-block from 2012/13 was no longer feasible since there was no funding available to cover the operational costs. The EOC paper states that the earliest date for introduction would be 2014/15. It refers to adverse reactions from the industry to higher fees in A12 but does not mention A13.

At the end of your request, you explain that the purpose of your request is to understand more fully the financial impact the changes would have had on the A12 and A13 fee-blocks if they had been introduced earlier. We do not have further information on this. As you will see from the above, we did not consider the impact on these two fee-blocks until we decided to proceed with the impact assessment in 2013, of which the results were published in CP13/14.

If you have any queries on the above, please contact me.

Yours sincerely

**Information Access Team**

**Annex A**

*"In last year's consultation paper on regulatory fees and levies for 2014/15 (CP13/14), the FCA admitted that there was an 'anomaly' that meant that the fee rate for the A13 fee block was significantly higher than that for the A12 fee block, despite A12 firms requiring more supervision as they hold client money/assets. This anomaly has been corrected with the merger of the A12 and A13 fee blocks and the introduction of a new A21 fee block.*

*Having looked at past FSA/FCA consultation papers, it appears that the issue of the correct allocation of costs between A12 and A13 was first raised in the FSA's October 2010 consultation paper CP10/24: Regulatory fees and levies. In that paper it was recognised that a new fee block would better target the allocation and recovery of the funding of the enhanced CM&A regime and would be a fairer approach as it would minimise cross subsidy. At that time it was expected that the new fee blocks would be introduced in 2012/13.*

*We would therefore like to make a Freedom of Information request for the following information:*

- 1. details and copies of the impact assessments (and/or any other analysis of the possible financial impact on firms in A12 and A13) carried out since this issue was identified, as set out in the 2010 consultation paper CP10/24;*
- 2. details and copies of any further impact assessments (and/or any other analysis of the possible financial impact on firms in A12 and A13) carried out before, during or after the consultation on the change in 2013 set out in consultation paper CP13/14;*
- 3. minutes or notes of any FSA/FCA meetings where this issue was discussed during the period, including (but not limited to) any meeting(s) at which it was decided that a consultation on, or implementation of, the changes to the fee blocks should be delayed beyond the original timescale i.e. 2012/13.*

*The purpose of our request is to understand more fully what financial impact the changes would have had on the A12/13 fee blocks if they had been introduced earlier, and why the change was not introduced within the original timescale (i.e. 2012/13). We should be grateful for any further information held which would assist in answering this question."*

- **Section 40 (Personal information)**

To the extent that the information that we hold contains personal data about an individual, section 40(2) of the Act provides that "Any information to which a request for information relates is also exempt information if- (a) it constitutes personal data (of which the applicant is not the data subject) and (b) either the first or second condition (set out at sections 40(3) and (4) of the Act) is satisfied".

We have applied this exemption because the first condition (as stated in section 40(3) of the Act) is satisfied in this case as the information requested comprises the personal data of individuals other than yourself which, if disclosed, would breach the Principles in the Data Protection Act 1998 ("DPA"). It would be a breach of Principle 1 to disclose such information, as it would not be "fair and lawful processing of the personal data" of the individual concerned. The data relates to a member of staff whose status is below Manager level, and they have a reasonable expectation that their personal information is protected. The individual concerned has not given consent for their personal data to be made public and the release of such information may be detrimental to the individual himself.

This is an "absolute" exemption, and so it is not necessary to balance the public interest for or against disclosing the information.