

Consultation Paper **CP24/25****

Regulatory fees and levies:
policy proposals for 2025/26

November 2024

How to respond

We are asking for comments on this Consultation Paper (CP) by **24th January 2025**.

You can send them to us using the form on our [website](#).

Or in writing to:

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Financial Conduct Authority
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London E20 1JN

Email:

cp24-25@fca.org.uk.



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- an account of the representations we receive, and
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In your response, please indicate:

- if you consent to the publication of your name. If you are replying from an organisation, we will assume that the respondent is the organisation and will publish that name, unless you indicate that you are responding in an individual capacity (in which case, we will publish your name),
- if you wish your response to be treated as confidential. We will have regard to this indication, but may not be able to maintain confidentiality where we are subject to a legal duty to publish or disclose the information in question.

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Chapter 1

Summary

Why we are consulting

- 1.1** We are funded by fees and levies from the firms we regulate. This CP sets out proposed changes to the way we will raise Financial Conduct Authority (FCA) fees from 2025/26, and the way we will collect levies payable to the Financial Ombudsman Service (Ombudsman Service) and the Financial Services Compensation Scheme (FSCS).
- 1.2** This CP includes the following sections:
- Chapter 2 sets out our proposed changes to the Fees Manual of the FCA Handbook.
 - Chapter 3 summarises fees policy updates.
 - Chapter 4 sets out proposed changes to FEES 5 (regarding the Ombudsman Service) and FEES 6 (regarding the FSCS).

Who this applies to

- 1.3** This consultation applies to all FCA fee-payers, Ombudsman Service and FSCS levy-payers, and to any businesses considering applying for FCA authorisation or registration.
- 1.4** Each proposal deals with a specific policy area and identifies who it affects. Table 1 summarises which sections of this consultation are relevant to which firms.
- 1.5** This consultation is not directly relevant to financial services consumers, although our fees are indirectly paid by users of financial services.

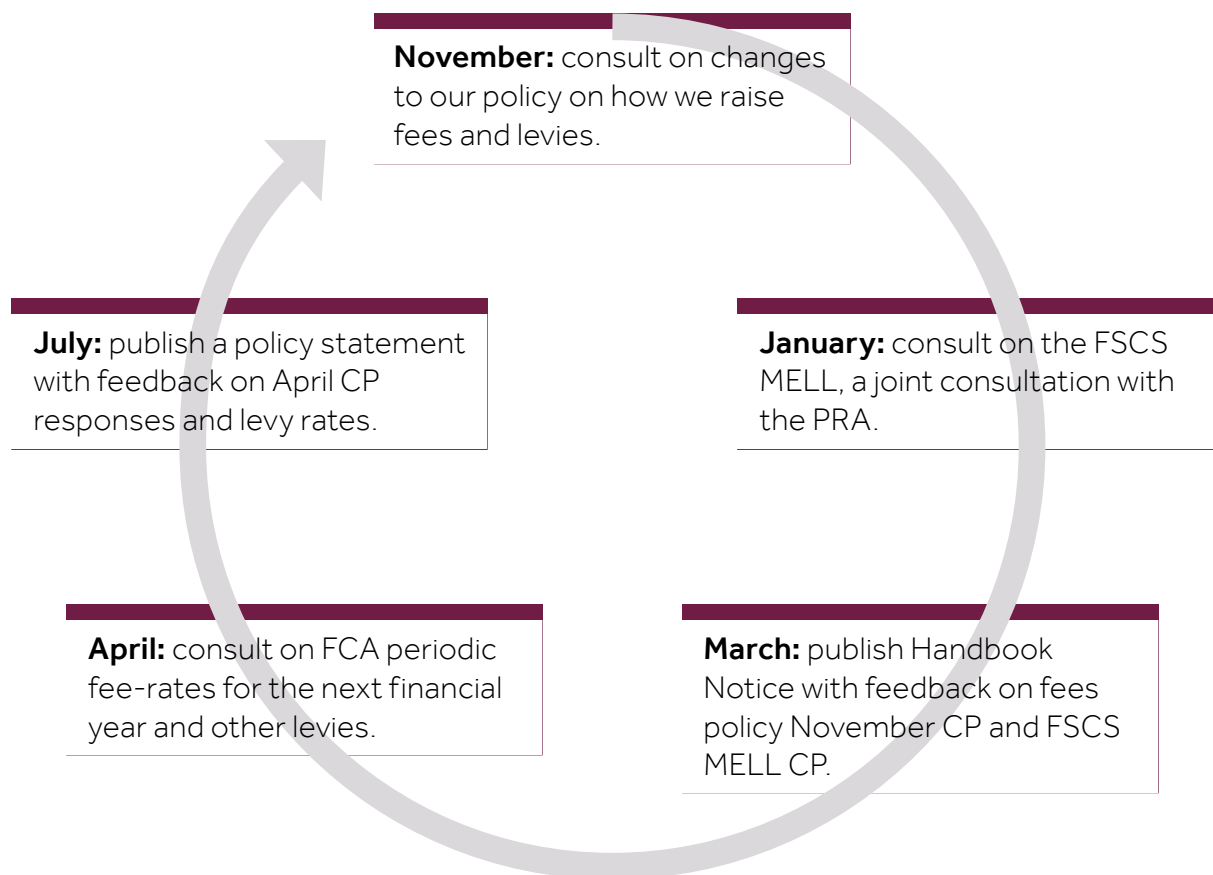
Table 1: Fee-payers affected by each chapter of this CP

Issue	Fee-payers likely to be affected	Chapter
Proposed changes to Fees Manual	All fee-payers	2
Fees policy updates	Firms in fee-block A.10, fee-payers eligible for the Financial Penalty Scheme (FPS) *	3
Changes to FEES 5 and FEES 6	All firms paying levies for the Ombudsman Service and FSCS	4

*we also provide an update on motor finance complaints, which is not specific to particular fee-payers

Our fees policy cycle

- 1.6** We have an annual fees cycle. In November we consult on the development of our fees policy approach, and in April we consult on cost recovery proposals for the subsequent financial year (April to March). Where we propose rule changes in our November consultation for the following financial year, we consider consultation feedback and make any changes to our rules in the following March Handbook Notice. From July to October, we invoice firms. This process is shown below¹.



Measuring success

- 1.7** A successful outcome from our fees rules is the appropriate recovery of the FCA's costs. We set out this recovery in our annual business plan. The rule changes for the levies payable to the Ombudsman Service and the FSCS are also designed to result in an appropriate cover recovery of the costs incurred by those organisations.

¹ Each January, the FCA and the PRA conduct a joint consultation on the Management Expenses Levy Limit (MELL) for the Financial Services Compensation Scheme (FSCS). The MELL covers the FSCS's ongoing operating costs and includes the FSCS's IT, staff and legal and outsourced and internal claims' handling costs. It does not include compensation costs, which are levied separately and decided by the FSCS.

- 1.8** We review and consult on our fees rules annually. We believe the frequency of this consultation process makes sure that we meet our legal obligations under Section 3RA of the Financial Services and Markets Act 2000 (FSMA) to keep our rules under review.

How it links to our objectives

- 1.9** The fees we collect enable us to recover the costs of the wider work of the FCA. This includes everything from our work on our digital sandboxes, our implementation of the outcomes-based Consumer Duty, and our method of supervision. As we approach this work, we must carefully consider how to advance our objectives. As such, although our proposals in this consultation are not intended in themselves to directly advance our operational objectives or secondary objective, they fund our capacity to do so. This includes our ability to:

- act in a manner compatible with our strategic objective of ensuring that the relevant markets function well
- advance our operational objectives of:
 - securing an appropriate degree of protection for consumers
 - protecting and enhancing the integrity of the UK financial system
 - promoting effective competition in the interests of consumers

- 1.10** In advancing these objectives we also, so far as reasonably possible, seek to advance our secondary objective of facilitating the international competitiveness of the UK economy (including in particular the financial services sector) and its growth in the medium to long term.

- 1.11** In addition to our fees and levies funding work which advances our objectives, we take our objectives into account in the development of fees policy, including the proposals set out in this consultation. For more details on how we consider our objectives when applying our fees structure, see our Compatibility Statement (Annex 2).

Environmental, social & governance considerations

- 1.12** In developing this CP, we have considered the environmental, social and governance (ESG) implications of our proposals. We have also considered our duty under s. 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under s. 5 of the Environment Act 2021. Overall, we do not think there is any contribution that the proposals outlined in this CP can make to the Government's net zero and environmental targets. We welcome your feedback on this and will keep it under review during this consultation.

Equality and diversity considerations

- 1.13** We have considered the equality and diversity issues that may arise from the proposals in this CP.
- 1.14** Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other antidiscrimination legislation applies). But we will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules.
- 1.15** In the meantime, we welcome your input to this consultation on equality and diversity considerations.

Next steps

- 1.16** Please consider our proposals and send us your comments by 24 January 2025.
- 1.17** Use the online form https://www.onlinesurveys.fca.org.uk/jfe/form/SV_38fVDnV3HTlogdw, write to us at the address on page 2 or email us at cp24-25@fca.org.uk.
- 1.18** We will consider your comments and publish our feedback on rule changes in chapters 2 and 3 and any rules made by the FCA Board in our Handbook Notice in March 2025.

Chapter 2

Proposed changes to the Fees Manual

(Draft instrument in Appendix 1)

2.1 In this chapter, we set out our proposals for the following:

- registration fee for Small Payment Institutions (SPIs)
- registration fees for Annex 1 financial institutions
- skilled persons review fees
- application fees for validation orders (VOs)
- fees for principal firms of appointed representatives (ARs)
- minor clarifications

Registration fee for SPIs

(FEES 3 Annex 8)

2.2 SPIs are payment service providers that must not have exceeded (or be projected to exceed) €3m of monthly average payment transactions over a 12-month period.

2.3 At present, SPIs pay a category 2 registration fee (£540) to the FCA when they register to become an SPI under the Payment Services Regulations (PSRs). The complexity and time taken to assess SPI registrations has increased since their introduction in 2009 and following additional requirements set out in the PSRs 2017. Except for a £40 inflationary increase in July 2024, the value of this fee has remained unchanged since its introduction in 2009.

2.4 This has meant that, as our costs to process SPI registrations have increased, the value of the fee has eroded over time, passing an increasing share of the processing costs to existing fee-payers.

2.5 We propose to uprate the SPI registration fee to a category 3 fee (£1,090) to make sure cost recovery is shared more equitably between fee-payers. A category 3 fee would represent a 68% contribution towards our average processing costs. We consider this to be reasonable and avoids creating a barrier to entry for firms.

Question 1: Do you agree with our proposal to uprate the SPI registration fee to a category 3 fee (£1,090)?

Registration fee for non-crypto firms registering under the Money Laundering Regulations (Annex 1 financial institutions)

(FEES Appendix 3)

- 2.6** Annex 1 financial institutions, which include some lenders, safe custody providers, money brokers and financial leasing companies, undertake specified activities which mean they must be registered and supervised by the FCA for their compliance with the Money Laundering Regulations (MLRs). They pay annual periodic fees in fee-block G.1.
- 2.7** At present, Annex 1 financial institutions pay a category 1 (£270) fee to register with the FCA. Over time, due to the continued evolving risks and harms linked to money laundering and the subsequent impact on our gateway assessments, the complexity and time to process these registrations has increased.
- 2.8** This means the value of the fee has eroded, passing an increasing share of the processing costs to existing fee-payers.
- 2.9** We propose to uprate the registration fee for Annex 1 financial institutions to a category 2 fee (£540) to ensure cost recovery is shared more equitably between fee-payers. A category 2 fee would represent a 68% contribution towards our average processing costs which we consider reasonable.

Question 2: Do you agree with our proposal to uprate the registration fee for Annex 1 financial institutions registered under the MLRs to a category 2 fee (£540)?

Skilled persons review

(FEES 3.2)

- 2.10** Under FSMA, we have the power to appoint a third party (known as a 'skilled person') to review and submit a report on aspects of a regulated firm's activities where we have concerns about these activities. We can recover the skilled person's costs from the regulated firm (known as an authorised person) concerned.
- 2.11** An authorised person becomes liable to pay for the skilled person's costs when we have notified them that we have appointed a skilled person. However, the current drafting of the Fees Manual (FEES) may be interpreted as requiring the firm to pay fees where we give notice of our 'intention' to appoint a skilled person.
- 2.12** In practice, we communicate with the regulated firm during the appointment process and give notice when we appoint the skilled person.
- 2.13** We are proposing to amend the language in FEES to remove the reference to 'intention' in order to clarify that a firm is liable to pay fees relating to skilled persons only when we have given notice of the appointment.

Question 3: Do you agree with our proposal to amend the Fees manual?

Application fees for Validation Orders (VOs)

(FEES 3 Annex 15, FEES 3 Annex 15A)

- 2.14** If a firm has entered into a regulated credit agreement when it did not hold the appropriate permission or the agreement was made through an unauthorised person, the agreement may not be legally enforceable unless we allow it to be. If the firm wishes to enforce the agreement, it must first get a VO from us.
- 2.15** At present, firms that apply for a VO pay a single application fee that is based on the total value of the agreements to be validated. The current fee structure is set out in table 2 below.

Table 2: current VO fee structure

Value of agreements	Fee category
Up to £500,000	Category 3 (£1,090)
Above £500,000 - £750,000	Category 4 (£2,720)
Above £750,000 - £1,000,000	Category 5 (£5,440)
Above £1,000,000 - £7,500,000	Category 6 (£10,880)
Over £750,000,000	Category 7 (£27,190)

- 2.16** This fee structure does not accurately reflect the time and costs we incur when assessing applications. This is because the fees are based on the value of agreements, which is not a significant factor in determining the time and cost of assessing applications.
- 2.17** Since introducing the existing structure in January 2022, we have found that the main determining factors are (1) the number of agreements to be validated and (2) the number of third parties the applicant has used. Third parties can include credit brokers, Appointed Representatives (ARs) and Introducer ARs. We have also found that, in most cases, our costs to assess VO applications exceed the maximum fee of £27,190. This does not include costs of any litigation brought after our decision to grant or refuse the VO.
- 2.18** In October 2024, we introduced a new 2-stage application process. This is set out on our [VO webpage](#). We propose to update the application fee rules to align them with the new 2-stage process and ensure a reasonable contribution towards our costs from firms applying for a VO. Applicants will continue to pay the current VO application fee until we make (after considering feedback to this consultation) any changes to our fees rules. Any firms that apply for a VO following changes to our fees rules would be required to pay the new stage 1 and stage 2 fee. We expect these rule changes to come into effect in April 2025.

- 2.19** Under the 2-stage model, before paying any fee, we will offer pre-application meetings to firms and advise them on their prospective application and the application process. Once firms are ready to apply, they will be required to pay a stage-1 fee.
- 2.20** At stage 1, we will assess if an applicant needs a VO and if we have jurisdiction to make a decision. We propose to make the stage-1 fee dependent on the number of third parties used by the applicant at the time of entering the unenforceable agreements. The higher the number of third parties used, the more time it will take to assess the application, so the greater our costs. We expect that this stage will take 10–20% of our total assessment time. We have set out the proposed stage-1 fee in table 3 below. Firms will not proceed to stage 2 if we determine that they do not require a VO.

Table 3: stage-1 VO fee

Number of third parties used	Fee
0 ² -1	£1,000
2-3	£2,500
4-10	£5,000
11+	£7,500

- 2.21** At stage 2, firms will be required to conduct a consumer contact exercise to assess actual or potential harm caused by the unenforceable agreements. We will then consider any harm that has occurred or may occur in the future in connection with the relevant agreements. This is the most complex part of our assessment, and we expect this will take 80 – 90% of our total assessment time.
- 2.22** We expect the assessment time and our costs to vary significantly for each application at stage 2. To effectively capture these varying costs, we propose to charge a Validation Order Project Fee (VOPF). The VOPF will capture all time and costs allocated to the stage-2 assessment, up until the FCA issues a notice of determination. This includes any fees and disbursements invoiced to the FCA by external persons to assist with the stage-2 assessment. We will invoice the applicant the total. The hourly rates will be set according to the prevailing rates for the Special Project Fee for Restructuring in [FEES 3 Annex 9](#). This will make sure that the rates are up to date.
- 2.23** At the start of stage 2, we will give firms an estimate of what their final costs may be. We will keep applicants informed of changes to their VOPF costs throughout their stage-2 assessment. If a firm wishes to withdraw their stage-2 application, they can do so at any point. They will only be subject to the costs incurred to the point of withdrawal.

² This includes applications that did not use any third parties, but the applicant was unauthorised themselves.

Question 4: Do you agree with our proposed changes to the VO application fee?

Fees for principal firms of ARs

(FEES 4 Annex 2A)

- 2.24** Since 2021, we have undertaken significant work to reduce harm caused by ARs by improving the oversight of ARs by their principal firms. This work includes, but is not limited to, conducting assertive supervision of high-risk principal firms, enhanced supervision of principal firms, publishing and enforcing new rules for principal firms, and strengthening the scrutiny at the regulatory gateway. Our Annual Report and Accounts 2023/24, published in September 2024, sets out our progress and we have committed to continuing this work.
- 2.25** So far, we have funded this work through a flat-rate periodic fee on principal firms in fee-block A.22. This is based on the number of ARs and introducer ARs (IARs) they are responsible for. A flat-rate fee model sets fixed fees for all firms in a specific fee-block, regardless of their size.
- 2.26** Most other fee-blocks operate using a variable-rate fee model. Under this model, all firms in the fee-block typically pay a minimum fee. Larger firms in the fee-block, whose fees metric takes them above a particular threshold, pay a variable fee on top of their minimum fee. Instead of the fee-rate being fixed, the amount of the variable fee will depend on the costs that need to be recovered from the firms in that fee-block to fund our work planned in the coming year.
- 2.27** When we introduced the flat-rate fee for principal firms in 2021/22, it was set at £250 per AR and £75 per IAR. Since 2023, we have increased flat fees in line with overall increases in our Ongoing Regulatory Activities (ORA) budget, ensuring these fees reflect changes in the FCA's overall operating cost. At present, the flat fee is £289 for a AR and £87 for an IAR.
- 2.28** Under the flat-rate fee model, our revenue depends on the population of ARs/IARs as registered at the start of the financial year. So, it may not reflect the costs we need to recover. This means that we may over or under recover our costs. If we under recover, the costs of work on the AR regime would be spread across all other fee-blocks, rather than being borne solely by firms in fee-block A.22. If we over recover, there is a risk that principal firms would pay more than is required.
- 2.29** We propose to replace the flat-rate fee model in fee-block A.22 with a variable fee model to make sure we recover the revenue we need. This will reduce the risk of over or under recovery. Although a flat-rate fee rate provides greater consistency for firms, if the variable-rate model had been in place this year, the fees paid by individual principal firms would have been the same or close to the fees they actually paid. We do not expect our overall funding requirement for next year to change significantly, but this model will make sure that the fee can be adjusted to recover actual costs incurred.

2.30 We propose to retain ARs/IARs as the tariff base so the variable-rate per AR/IAR will be calculated by dividing the annual funding requirement (AFR) allocated to the A.22 fee-block by the number of ARs/IARs recorded on 1 April each year. The flat rate per IAR is currently 30% of the charge per AR, to reflect the fact that IAR activities are limited and pose a lower risk of harm. We propose to maintain that ratio.

Question 5: Do you agree with our proposal to move from a flat-rate fee model to a variable-rate fee per AR/IAR and the proposed structure for the variable-rate fee model for principal firms? We welcome views from principal firms on alternative options, including any rationale as to why the flat-rate model may be preferable.

Minor clarifications

2.31 We are proposing minor clarifications to the language in FEES 4.2.10R, relating to payment of periodic fees. These clarifications will improve readability. They do not change the meaning, underlying requirements or policy intent of these provisions. We set out these amendments in our draft instrument at Appendix 1 and propose they come into force on 1 April 2025.

Question 6: Do you agree with our proposed changes to FEES 4.2.10R? If not, why?

Chapter 3

Fees policy updates

3.1 This chapter provides updates on 3 areas of fees policy:

- Alternative approaches to calculating the fees of firms dealing as principal, who fall into fee-block A.10.
- Technical changes to the FPS.
- Motor finance complaints.

Firms dealing as principal (fee-block A.10)

3.2 In November 2023, we consulted on revising the definitions of fee-blocks A.10 and A.13 (advisors, arrangers, dealers or brokers) to take account of changes introduced by the Investment Firms Prudential Regime (IFPR). These changes had the effect of moving certain types of fee-payer from A.13 to A.10. Some firms also carry out other activities which fall into A.13, so they will now be both in A.10 and A.13. Others will move out of A.13 altogether. We responded to feedback and made the final rules in April 2024. The changes will take effect from 1 April 2025.

3.3 The fees for firms in fee-block A.10 are based on a headcount of traders. However, as we explained in our November 2023 consultation, we have concerns about the accuracy and consistency of this tariff base (metric for calculating fees). In particular, automation and high-frequency trading mean that the number of traders is increasingly unreliable as a measure of a firm's trading activity.

3.4 As set out in the November 2023 consultation, we believe the size of a firm's trading business or the risk it presents could be more reliable measures of trading activity. We set out some options for using certain risk measures as a basis for calculating fees.

3.5 We are still undertaking work on alternatives to the headcount tariff base and expect to be in a position to consult on any proposals in November 2025.

Technical changes to the Financial Penalty Scheme (FPS)

3.6 Under FSMA, we must pay the financial penalty revenues we receive from firms and individuals to the Treasury. Before doing so, we may retain some of the enforcement costs incurred in the financial year in which the penalties were received and apply these for the benefit of regulated persons. We use these 'retained penalties' to reduce our fees the following year (other than for the fees levied on the penalty payers themselves). FSMA requires us to operate an FPS which details how we use retained penalties for the benefit of firms.

- 3.7** We propose to make minor technical updates to the FPS to reflect our current fee consultation cycle timelines (para 1.6) and include the recently created fee-blocks A.23 (funeral plan providers) and A.24 (access to cash banks and building societies). These updates will not change the scope of the FPS. These changes are in Annex 3.

Question 7: Do you agree with our proposed changes to the FPS?

Motor finance complaints

- 3.8** In July 2024, we consulted on extending the temporary changes to complaint handling rules for complaints relating to our ongoing work investigating motor finance discretionary commission arrangements. We said we would discuss our approach to cost recovery in November 2024. As we are continuing to develop our thinking, we will instead provide an update in our April 2025 fees and levies CP, alongside any other exceptional projects.

Chapter 4

FEES 5 (Financial Ombudsman Service) and FEES 6 (Financial Services and Compensation Scheme)

- 4.1** FEES 5 and 6 govern the levies payable to the Ombudsman Service and the FSCS, respectively.
- 4.2** We are proposing to defer the in force date for the widened definition of 'relevant business' in FEES 5 from 1 April 2025 to 1 April 2026.
- 4.3** We are also proposing minor changes in FEES 5 and 6 to clarify existing rules, without changing their actual meaning or underlying requirements.

FEES 5 – 'relevant business' widened definition implementation date

- 4.4** Relevant business reported by firms is used to calculate the Ombudsman Service's Compulsory Jurisdiction (CJ) levy for some industry blocks in FEES 5 Annex 1R.
- 4.5** The current definition of 'relevant business' only captures business with eligible complainants who are consumers. However, there are other kinds of eligible complainants who are not consumers, such as micro-enterprises, small businesses, small charities, and small trust trustees. While the Ombudsman Service's resources are required to resolve complaints from these eligible complainants, this is not reflected in the calculation of the CJ Levy, because non-consumer business is not covered by the current relevant business definition.
- 4.6** Accordingly, in [Handbook Notice 117](#) we made rules that expanded the Glossary definition of 'relevant business' to include business conducted with all eligible complainants as defined in DISP 2.7.3R (eligible complainants). The new definition is currently due to come into force as of 1 April 2025.
- 4.7** When we consulted on this in [CP23/22](#), we received feedback which said that firms with higher proportions of commercial business (such as managing agents) will be reporting significantly higher amounts of relevant business than they do under the current definition. The respondent noted the relatively small number of complaints to the Ombudsman Service from non-consumer complainants (for example 1,000 out of a total of 210,000 new cases were expected to be from small and medium sized enterprises for 2024/25 in the Ombudsman Service's last Plan and Budget).
- 4.8** If firms had to report the full amount of both their consumer and non-consumer relevant business, firms who do all or most of their businesses with non-consumer eligible complainants would pay higher levies out of proportion to the Ombudsman Service's costs for dealing with complaints from non-consumers.

- 4.9** In Handbook Notice 117 we said that we would consider how to ensure the impact on these firms and any other similarly affected firms is proportionate. We want to make sure that the change to the relevant business definition, once implemented, is fair to all firms in terms of how much they contribute to the Ombudsman Service's funding through their CJ levy contributions.
- 4.10** To complete our analysis of the different options for how firms could report relevant business and consequently how the CJ levy would be calculated under the expanded definition, we propose deferring the in-force date of the expanded definition from 1 April 2025 to 1 April 2026. This will also allow enough time for us to consult on and implement our final proposals. Firms would then start reporting using the new definition from 1 April 2026, with the actual start date dependent on the individual firm's financial year end date. Firms reported data would then be used to calculate the CJ levy amounts payable for the 2027/28 fee year onwards. The current guidance at FEES 5.4.4G will be updated to reflect the deferred date.
- 4.11** Please note that any impacts of these changes on the Ombudsman Service's voluntary jurisdiction are outside the scope of this consultation.

Question 8: Do you agree with our proposal to defer the date when the expanded 'relevant business' definition comes into force from 1 April 2025 to 1 April 2026? If not, why?

Other proposed changes to FEES 5

- 4.12** In addition to the proposed deferral of the date when the expanded 'relevant business' definition goes into force, we propose minor clarifications to provisions throughout FEES 5.7, FEES 5.8 and FEES 5 Annex 1R. These clarifications will remove out of date references and improve readability. They do not change the meaning, underlying requirements or policy intent of the provisions. We set out these amendments in our draft instrument at Appendix 1 and propose they come into force on 1 April 2025.

Question 9: Do you agree with our other proposed changes to FEES 5? If not, why?

Proposed changes to FEES 6

- 4.13** We are proposing minor clarifications to provisions in FEES 6.7 to remove out of date references and improve readability. They do not change the meaning, underlying requirements or policy intent of these provisions. We set out these amendments in our draft instrument at Appendix 1 and propose they come into force on 1 April 2025.

Question 10: Do you agree with our proposed changes to FEES 6? If not, why?

Annex 1

Questions in this paper

- Question 1:** Do you agree with our proposal to uprate the SPI registration fee to a category 3 fee (£1,090)?
- Question 2:** Do you agree with our proposal to uprate the registration fee for Annex 1 financial institutions registered under the MLRs to a category 2 fee (£540)?
- Question 3:** Do you agree with our proposal to amend the Fees Manual?
- Question 4:** Do you agree with our proposed changes to the VO application fee?
- Question 5:** Do you agree with our proposal to move from a flat-rate fee model to a variable-rate fee per AR/IAR and the proposed structure for the variable-rate fee model for principal firms? We welcome views from principal firms on alternative options, including any rationale as to why the flat-rate model is preferable.
- Question 6:** Do you agree with our proposed changes to FEES 4? If not, why?
- Question 7:** Do you agree with our proposed changes to the FPS?
- Question 8:** Do you agree with our proposal to defer the date when the expanded 'relevant business' definition comes into force from 1 April 2025 to 1 April 2026? If not, why?
- Question 9:** Do you agree with our proposed changes to FEES 5? If not, why?
- Question 10:** Do you agree with our proposed changes to FEES 6? If not, why?

Annex 2

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the fees policy proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA). Under section 138I FSMA, the FCA is generally exempt from the requirement to carry out and publish a cost benefit analysis for fees policy proposals.
2. The proposed changes in relation to FEES 6 referenced in chapter 4 and set out in our draft instrument at Appendix 1 are not covered by the exemptions in section 138I FSMA. However, we concluded that, in accordance with section 138L FSMA, any increases in costs would be of minimal significance, as the proposals do not create any new obligations for firms and instead clarify existing rules, without changing their actual meaning or underlying requirements.
3. 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 (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by section 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.
4. 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 (section 1B(4)). This duty applies insofar as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
5. In addition, this Annex explains how we have considered the recommendations made by the Treasury under section 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
6. This Annex includes our assessment of the equality and diversity implications of these proposals.

The FCA's objectives and regulatory principles: Compatibility statement

7. The fees we collect enable us to recover the costs of the work of the FCA. This includes everything from our work on our digital sandboxes, our implementation of the outcomes-based Consumer Duty, and our method of supervision. As we approach this work, we must carefully consider how to advance our objectives. As such, although our proposals in this consultation are not intended in themselves to directly advance our operational objectives or secondary objective, they fund our capacity to do so. This includes our ability to:
- a. act in a manner compatible with our strategic objective of ensuring that the relevant markets function well; and
 - b. advance our operational objectives of:
 - i. securing an appropriate degree of protection for consumers
 - ii. protecting and enhancing the integrity of the UK financial system
 - iii. promoting effective competition in the interests of consumers; and
 - c. In advancing these objectives we are also, so far as reasonably possible, advancing our secondary objective of facilitating the international competitiveness of the UK economy - including in particular the financial services sector - and its growth in the medium to long term.
8. In addition to our fees and levies funding work which advances our objectives, we take our objectives into account in the development of fees policy. Below we set out how we have considered these objectives in relation to certain key elements of our fee structure. These elements are intended to ensure that we appropriately consider where the cost burden should fall and so further our operational objectives and secondary objective.
- a. **Application fees:** We charge firms applying to enter the market. When charging new market entrants, we consider our objectives – in particular, our strategic objective of ensuring that markets function well, our operational objective of promoting effective competition and our secondary objective of international competitiveness and growth – by balancing the cost of policing the perimeter against the need to foster the innovation and competition which new entrants can bring. The need to strike the right balance determines the level at which we set our application fees for any given population. Consequently, applicants typically pay only a portion of our costs in assessing new entrants. The remaining cost is recovered from existing fee-payers. We believe this is proportionate because all participants in the regulated market benefit from effective policing of the perimeter and an innovative and competitive market. Further, by charging only a portion of our costs back to applicants, we can avoid creating unnecessary barriers to entry.
 - b. **Fee-blocks:** Once authorised, we group fee-payers into fee-blocks which align firms with similar permissions. The costs of regulating those permissions can then be broadly aligned with the relevant fee-block. By structuring our fees policy around the general principle that firms should pay for the cost of being regulated, we take into account our strategic objective of ensuring that markets function well,

our operational objective of promoting effective competition and our secondary objective of international competitiveness and growth. This is because targeting cost recovery on more specific firms and markets means that firms are not unduly burdened with the cost of regulating firms working in significantly different sectors and are largely paying for regulatory work which benefits the market within which they are working. Each year, we adjust the cost allocations to reflect any additional work we are undertaking for those types of activity. Likewise, where necessary, we will review whether a given population is in the right fee-block and consult to make adjustments accordingly. This structure also enables us to recover costs from the full population of firms where it would be equitable to do so.

- c. Fee structures:** We determine which fee structure is most appropriate for each fee-block. Our periodic fees may be calculated according to:
- i. Flat-rate fees:** fees are fixed for all firms in a specific fee-block, regardless of their size. The flat rate model is used where firms within a fee-block are broadly the same size, or where the costs to be recovered from firms are unlikely to significantly change year-on-year.
 - ii. Variable fees:** fees are adjusted annually to capture the costs that need to be recovered from the firms in that fee-block to fund our work planned in the coming year. This model facilitates firms principally paying what is required to recover the costs of regulating them.
 - iii. Minimum fees:** most fee-blocks operate using the minimum and variable-rate fee model. Under this model, all firms pay a fixed minimum fee up to a certain threshold. Firms then only pay an additional variable fee on income above that threshold. This ensures that cost recovery is weighted towards the larger fee-payers with the capacity to contribute higher fees on top of their minimum fee. In turn, this protects the smaller fee-payers by ensuring that the greater cost burdens are placed on the fee-payers best able to meet them.

Applying an appropriate fee structure to each fee-block ensures sustainable cost recovery, allowing us to fund our work which supports all our objectives. Further, structuring cost recovery in a way that recognises firms have varying capacities to pay fees acknowledges our strategic objective of ensuring that markets function well, our operational objective of promoting effective competition and our secondary objective of growth and competitiveness. By balancing the cost burden appropriately across firms of varying sizes and business model, we are promoting a fair market which allows firms to compete on a proportionate and even footing.

- d. Collecting on behalf of other agencies:** We are also consulting on some adjustments to the rules affecting the levies for the Ombudsman Service and the FSCS. These levies fund their activities so indirectly enable them to exercise their statutory functions, while their proper functioning enables us to meet our consumer protection objective.

How our proposals align with our fees structure

9. Below we set out how our CP proposals align with our fees structure and how we have considered our objectives more broadly. See Chapter 2 for details on these proposals.

- a. Small Payment Institutions (SPIs) and Annex 1 financial institutions: our proposals to uprate the registration fees for SPIs and Annex 1 financial institutions will support a more equitable distribution of cost recovery between new applicants and existing fee-payers. Although we have proposed increases in application fees, these increases do not seek to recover our costs to process applications in full. Instead, we propose that applicants contribute approximately 68% towards the processing costs of their application to avoid unnecessary barriers to entry.
- b. Validation Orders (VOs): our changes to the VO application structure also seek to create a more equitable distribution of cost recovery between VO applicants and other fee-payers.
- c. Appointed Representatives (ARs): our proposal to shift from a fixed fee to a variable fee for principal firms will ensure that their fees can be adjusted to recover our actual costs incurred. This ensures that AR firms are only paying what is required to recover the costs of regulating them.
- d. Other proposals: our other proposals as part of the CP are minor amendments aimed at creating consistency.

10. In preparing the proposals set out in this consultation, we have had regard to:

- a. the regulatory principles set out in s.3B of FSMA, as set out below;
- b. to the regulatory principles set out in s 3B FSMA, as set out below; and
- c. section 1JA FSMA.

We note that the development of the policy content set out in this CP was started before HMT published on 15 November 2024 a new set of recommendations about aspects of the Government's policy to which the FCA should have regard in a remit letter issued under section 1JA FSMA 2000. The FCA acknowledges the new remit letter, and our initial view is that the intended effects of the proposal are in line with the new recommendations. However, we will consider this matter further and have regard to the new remit letter when finalising and making the rules.

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

11. Our fees policy proposals are developed and proposed in order to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We aim to carry out this work in the most efficient and economical way possible, concentrating on the areas of activity that pose the greatest risk to our objectives.

The principle that a burden or restriction should be proportionate to the benefits

12. Our fees are necessary for us to meet our objectives. As outlined above, we aim to use our resources in the most efficient and economical way, while delivering benefits to UK consumers through our regulatory activities. We consider our proposed changes to be proportionate.

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target)

13. Our fees policy proposals set out in this consultation are not intended in themselves to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target), but the fees we collect fund our capacity to make this contribution.

The general principle that consumers should take responsibility for their decisions

14. The proposals in this consultation do not directly impact the principle that consumers should take responsibility for their decisions, but the fees we collect fund work which interacts with this principle.

The responsibilities of senior management

15. The proposals in this consultation do not directly impact the responsibilities of senior management, but the fees we collect fund work which affects these responsibilities.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

16. The proposals in this consultation recognise the differences in the nature of, and objectives of, businesses carried on by different persons. As set out above, we group fee-payers into fee-blocks which align firms with similar permissions. Fee-blocks facilitate applying fees which recognise the different business models of different fee-payers.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

17. The proposals in this consultation do not relate to the publishing of information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information. However the fees we collect fund work which interacts with this principle.

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

18. Our consultation processes are intended to ensure that we are transparent about the thinking behind our proposals and clearly explain what we expect to achieve.

In formulating these proposals, the FCA has had regard to the importance of 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).

19. We do not expect the proposals in this paper to have any meaningful impact on the extent to which businesses can be used for a purpose connected with financial crime. However the fees we collect enable us to recover the costs of wider FCA work, including work intended to minimise the extent to which businesses can be used for a purpose connected with financial crime.

Expected effect on mutual societies

20. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies compared to the impact on other types of fee-payers.

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

21. These proposals enable us to fund the activities we need to undertake in 2025/26. These activities include meeting our duty to promote effective competition in the interests of consumers.

Equality and diversity

22. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.
23. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. We do not consider that the fees policy proposals in this consultation materially impact any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules.

Legislative and Regulatory Reform Act 2006 (LRRRA)

- 24.** We have had regard to the principles in the LRRRA for the parts of the proposals that consist of general policies, principles, or guidance relating to the Fees Policy proposals. We consider that these parts of the proposals have had regard to the five LRRRA principles – that regulatory activities should be carried out in a way which is transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed.
- 25.** We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance and consider that the new guidance being proposed is intended to support the clarity and interpretation of the proposed rules.

Annex 3

Changes to the FPS

We have amended the timelines in paragraph 9 (see bold underlined) to reflect our current fee consultation cycle. We have also updated Table A below to clarify that fee-blocks A.23 and A.24 (see bold underlined) are in scope of the FPS. These fee-blocks were brought into the FPS's scope when they were created in April 2022 (A.23) and July 2024 (A.24). These do not change the scope of the FPS.

1. Paragraph 21 of Schedule 1ZA of the Financial Services and Markets Act 2000 (FSMA) (as amended by the 2012 Act and the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013) sets out how we should treat the financial penalties we impose on regulated persons (firms).
2. The key requirements are:
 - The financial penalties we receive must be paid to the Treasury net of certain enforcement costs incurred in the financial year in which the penalties were received. These enforcement costs, which are defined in the legislation and subject to a power of direction by the Treasury, represent the 'retained penalties'.
 - For retained penalties, we must prepare and operate a scheme 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.
3. Under our FPS we apply retained penalties, received in any financial year, as a rebate to the periodic fees paid in the following financial year by firms in the fee-blocks set out in Table A.
4. The total retained penalties from any financial year will be applied across these fee-blocks in proportion to the allocation of the enforcement budgeted costs for the following financial year. This will target the benefit from retained penalties to the fee-blocks that are paying for enforcement costs. The allocation of enforcement costs to fee-blocks will be as it was in previous years other than where there has been a material and explainable exception (allocation by exception). Where such an allocation by exception has occurred the retained penalties in the following year will be applied to the revised baseline fee-blocks.
5. If financial penalties do not cover enforcement costs in any year the application of retained penalties to the baseline fee-blocks will not cover the enforcement costs allocated to them.
6. Enforcement costs are not allocated to the A.0 minimum fee fee-block. Therefore, retained penalties are not allocated to this fee-block.
7. The firms on which any penalty was imposed in a financial year will not receive any rebate to their periodic fees paid, for any retained penalties, in the following financial year.

8. Each year we publish a schedule setting out the:
- total retained penalties in the previous financial year
 - amount of retained penalties allocated to each fee-block, and
 - percentage rebate that will be applied in the following financial year to the periodic fees paid by the firms in those fee-blocks
9. A draft of this schedule is published in our annual fee rates CP in April; the final schedule is published in the subsequent policy and feedback statement to that consultation in July.

Table A: Financial Penalty Scheme – relevant fee-blocks

Fee – Block
AP.0 FCA Prudential
A.1 Deposit acceptors
A.2 Home finance providers and administrators
A.3 Insurers – general
A.4 Insurers – life
A.5 Managing agents at Lloyd’s
A.6 The Society of Lloyd’s
A.7 Portfolio managers
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes
A.10 Firms dealing as principal
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)
A.14 Corporate finance advisers
A.18 Home finance providers, advisers and arrangers
A.19 General insurance mediation
A.21 Firms holding client money or assets or both
A.22 Principal firms – appointed representatives
A.23 Funeral plan providers
A.24 Access to cash – designated firms
B Recognised investment exchanges, operators of multilateral trading facilities and recognised auction platforms (only)
CC.1 Consumer credit – limited permission
CC.2 Consumer credit – full permission
E Issuers and sponsors of securities
G.1 persons registered under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
G.2, G.3, G.4, G.5 firms under the Payment Services Regulations 2017

Table A: Financial Penalty Scheme – relevant fee-blocks

G.10, G.11 firms under the Electronic Money Regulations 2011
G.20, G.21 firms under the Mortgage Credit Directive Order 2015
G.25 firms under the Data Reporting Regulations 2017

Annex 4

Abbreviations used in this paper

Abbreviation	Description
Annex 1 financial institutions	Non-Crypto firms registering under the Money Laundering Regulations
AR	Appointed Representative
CP	Consultation Paper
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FEES	Fees Manual
FPS	Financial Penalty Scheme
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
IAR	Introducer Appointed Representative
MLRs	Money Laundering Regulations
Ombudsman Service	Financial Ombudsman Service
ORA	Ongoing Regulatory Activities
PSRs	Payment Services Regulations 2017
SPI	Small Payment Institution
VO	Validation Order
VOFF	Validation Oder Project Fee

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Appendix 1

Draft Handbook text

**APPLICATION AND PERIODIC FEES (2025/2026) AND OTHER FEES
INSTRUMENT 2025**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under the following:
- (1) the Financial Services and Markets Act 2000 (the “Act”):
 - (a) section 137SA (Rules to recover expenses relating to the Money and Pensions Service);
 - (b) section 137SB (Rules to recover debt advice expenses incurred by the devolved authorities);
 - (c) section 137T (General supplementary powers);
 - (d) section 139A (Power of the FCA to give guidance);
 - (e) section 166(9) (Reports by skilled persons);
 - (f) section 166A(9) (Appointment of skilled person to collect and update information);
 - (g) section 213 (The compensation scheme);
 - (h) section 234 (Industry funding);
 - (i) section 333T (Funding of action against illegal money lending); and
 - (j) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority);
 - (2) regulation 118 (Costs of supervision) of the Payment Services Regulations 2017 (SI 2017/752);
 - (3) regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99);
 - (4) paragraph 12K (Power to charge fees) of Part 1A (Continuation of authorisation for limited purposes: Electronic Money Regulation 2011) of Schedule 3 (Transitional Provisions) and paragraph 35 (Power to charge fees) of Part 3 (Continuation of authorisation for limited purposes: Payment Services Regulations 2017) of Schedule 3 to the Electronic Money, Payment Services and Payment Systems (Amendment and Transitional Provisions) (EU Exit) Regulations 2018 (SI 2018/1201);
 - (6) article 25 (Application of provisions of the Act to the FCA in respect of its supervision of consumer buy-to-let mortgage firms) of the Mortgage Credit Directive Order 2015 (SI 2015/910);
 - (7) regulation 21 (Fees and penalties) of the Small and Medium Sized Business (Credit Information) Regulations 2015 (SI 2015/1945);
 - (8) regulation 18 (Fees and penalties) of the Small and Medium Sized Business (Finance Platforms) Regulations 2015 (SI 2015/1946);

- (9) regulation 27 (FCA: penalties, fees and exemption from liability in damages) of the Data Reporting Services Regulations 2024 (SI 2024/107);
 - (10) paragraph 25 (FCA: penalties, fees and exemption from liability in damages) of Part 4 (Application of the Act for the purposes of the Regulations) of Schedule 1 (Administration and enforcement of Parts 3, 4, and 5) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (SI 2017/701);
 - (11) regulation 6 (Qualifying provisions: fees) of the Financial Services and Markets Act 2000 (Qualifying Provisions) Order 2013 (SI 2013/419);
 - (12) regulations 206 (Meaning of “qualifying functions” in this Part) and 208 (Fees: Financial Conduct Authority) of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 (SI 2019/632);
 - (13) regulation 63 (Power to charge fees) of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 (SI 2018/1149);
 - (14) regulation 26 (FCA: penalties, fees and exemption from liability in damages) of the Financial Services and Markets Act 2000 (Benchmarks) Regulations 2018 (SI 2018/135);
 - (15) regulation 46 (Modifications of primary and secondary legislation) of, and paragraph 5 of Part 1 of the Schedule (Modifications to Primary and Secondary Legislation) to the Regulated Covered Bond Regulations 2008 (SI 2008/346);
 - (16) paragraph 6 (Rules relating to fees) of Schedule 1 (Application of the Financial Services and Markets Act 2000 to transferred functions) of the Financial Services Act 2012 (Mutual Societies) Order 2013 (SI 2013/496);
 - (17) regulation 102 (Costs of supervision) of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692); and
 - (18) regulation 9 (Functions of the Authority) of the Recognised Auction Platforms Regulations 2011 (SI 2011/2699).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.
- C. As required by section 137SA(5) of the Act, the Secretary of State has consented to rules made under that section.
- D. As required by section 137SB(5) of the Act, the Treasury has consented to rules made under that section.
- E. As required by section 333T(5) of the Act, the Treasury has consented to rules made under that section.

Commencement

F. This instrument comes into force on *[date]*.

Amendments to the Periodic Fees (2024/2025) and Other Fees Instrument 2024 (FCA 2024/8)

G. The coversheet, Part 2 of Annex A and Part 3 of Annex B of the Periodic Fees (2024/2025) and Other Fees Instrument 2024 (FCA 2024/8) are amended in accordance with Annex A to this instrument.

Amendments to the Handbook

H. The Glossary of definitions is amended in accordance with Annex B to this instrument.

I. The Fees manual (FEES) is amended in accordance with Annex C to this instrument.

Notes

J. In the Annexes to this instrument, the notes (indicated “*Editor’s note:*”) are included for the convenience of the reader but do not form part of the legislative text.

Citation

K. This instrument may be cited as the Application and Periodic Fees (2025/2026) and Other Fees Instrument 2025.

By order of the Board
[date]

Annex A

Amendments to the Periodic Fees (2024/2025) and Other Fees Instrument 2024 (FCA 2024/8)

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

The Handbook instrument “Periodic Fees (2024/2025) and Other Fees Instrument 2024 (FCA 2024/8)” is amended as shown below.

[*Editor’s note:* This Annex comes into force on the making of this instrument.]

Coversheet:

Commencement	
G.	This instrument comes into force on 1 April 2024 except as provided below:
(1)	Part 2 of Annex A (Glossary of definitions) comes into force on 1 April 2025 <u>2026</u> ;
(2)	...
(3)	Part 3 of Annex B (Fees manual) comes into force on 1 April 2025 <u>2026</u>

Part 2 of Annex A:

Part 2: Comes into force on 1 April 2025 <u>2026</u>
...

Part 3 of Annex B:

Part 3: Comes into force on 1 April 2025 <u>2026</u>
...

Annex B**Amendments to the Glossary of definitions**

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

- validation order* (in *FEES* 3) a written notice issued by the *FCA* permitting:
- (a) an agreement to be enforced under section 28A(3)(a) of the *Act*; and/or
 - (b) money paid or property transferred under the agreement to be retained under section 28A(3)(b) of the *Act*.
- VO-related third party* (in *FEES* 3) a third party as that term is used in section 27(1)(d) of the *Act*, as amended from time to time

Annex C

Amendments to the Fees manual (FEES)

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

Part 1: Comes into force on *[date]*

5 Financial Ombudsman Service Funding

...

5.4 Information requirement

...

- 5.4.4 G (1) From 1 April ~~2025~~ 2026, a new definition of *relevant business* is introduced. This new definition applies in relation to business done with all types of *eligible complainant* described in *DISP 2.7.3R*. *Firms* must use this new definition for any *relevant business* conducted from 1 April ~~2025~~ 2026 onwards.
- (2) Where the pre-April ~~2025~~ 2026 *Glossary* definition of *relevant business* applies (ie, to *relevant business* of a *firm* up until 31 March ~~2025~~ 2026):

...

Part 2: Comes into force on *[date]*

3 Application, Notification and Vetting Fees

...

[*Editor's note:* The proposed changes to FEES 3.2 take into account the changes made by the Critical Third Parties Instrument 2024 (FCA 2024/41), which comes into force on 1 January 2025.]

3.2 Obligation to pay fees

...

- 3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1A: Application, notification and vetting fees
--

(1) Fee payer	(2) Fee payable (£) by reference to the pricing category in <i>FEES</i> 3 Annex 1AR.	Due date
...		
<p>(f) Persons making an application referred to in <i>FEES</i> 3 Annex 15R – Transaction fees:</p> <p>...</p> <p>(v) an applicant for FCA permission for:</p> <p>i. an agreement to be enforced under section 28A(3)(a) of the Act; or</p> <p>ii. money paid or property transferred under the agreement to be retained under section 28A(3)(b) of the Act <u>a validation order.</u></p> <p>...</p>	Pricing category applicable to the application or notification set out in <i>FEES</i> 3 Annex 15R.	As specified in <i>FEES</i> 3 Annex 15R
...		
<p>(zp) A <i>person</i> in respect of which the <i>FCA</i> has given notice of its intention to itself appoint <u>the <i>FCA</i>'s appointment of a skilled person</u> to provide it with a report pursuant to section 166(3)(b) of the <i>Act</i> (including as applied by section 312P of the <i>Act</i>) and <i>SUP</i> 5.2 or, as the case may be, <i>CTPS</i> 13.2.</p>	Any amount invoiced to the <i>FCA</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>FCA</i> pursuant to section 166(3)(b) of the <i>Act</i> .	Within 30 <i>days</i> of the date of the invoice.
<p>(zq) A <i>person</i> in respect of which the <i>FCA</i> has given notice of its intention to itself appoint <u>the <i>FCA</i>'s appointment of a skilled person</u> to collect or update information pursuant to section 166A(2)(b) of the</p>	Any amount invoiced to the <i>FCA</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>FCA</i> pursuant to section 166A(2)(b) of the <i>Act</i> .	Within 30 <i>days</i> of the date of the invoice.

Act (including as applied by section 312P of the Act).		
...		

...

3 Annex 8R Fees payable under the Payment Services Regulations, including for authorisation as an authorised payment institution, registration as a small payment institution, notification fees and fees for variation of authorisation and registration

...

Application type for authorisation, registration and notification under Part 2 of the Payment Services Regulations	Applicable pricing category in FEES 3 Annex 1AR or amount payable (£)
(1) <i>small payment institution</i>	Category 2 <u>3</u>
...	

...

3 Annex 15R FCA Transaction Fees

	Application type	Pricing category in FEES 3 Annex 1AR or amount of fee (£)	Due date
1	Any applicant for a certificate under article <u>article</u> 54 of the <i>Regulated Activities Order</i>	<u>Category 4</u>	...
2	A transferor <u>transferor</u> in an <i>insurance business transfer scheme</i> :		
	(a) <i>Insurance business transfer scheme involving long-term insurance business</i>	<u>Category 7</u>	...
	(b) <i>Insurance business transfer scheme not</i>	<u>Category 6</u>	

		involving <i>long-term insurance business</i>		
	...			
4	<i>Regulated Covered Bonds</i>			
	(a)	An issuer applying for registration of a <i>regulated covered bond</i> :		
	(i)	When the assets in the asset pool will consist primarily of UK residential mortgages	<u>Category 7</u>	...
	(ii)	Any other application for registration	<u>Category 8</u>	
	(c)	An issuer who proposes to make a material change to the contractual terms of a regulated covered bond under <i>RCB 3.5.4D</i>	<u>Category 5</u>	...
5	Validation Orders			
	<p>Any applicant for <i>FCA permission for an agreement to be enforced under section 28A(3)(a) and/or money paid or property transferred under an agreement to be retained under and agreement to be retained under section 28A(3)(b) of the Act</i> a <u>validation order</u> is charged according to the total value of the agreements specified in the application <u>an application fee and a validation order project fee</u>. Payment must be made on or before the application is made.</p>			
	Value of agreements			
	Up to £500,000		3	On or before the date the application is made
	Above £500,000 – £750,000		4	

	Above £750,000 – £1,000,000	5	
	Above £1,000,000 – £7,500,000	6	
	Over £7,500,000	7	
<u>Validation order application fee</u>			
	<u>Number of VO-related third parties</u>		
	<u>0 - 1 (i.e. including applications without reference to any VO-related third party but where the applicant was unauthorised themselves)</u>	<u>£1,000</u>	<u>On or before the date the application is made</u>
	<u>2 - 3</u>	<u>£2,500</u>	
	<u>4 - 10</u>	<u>£5,000</u>	
	<u>11 or more</u>	<u>£7,500</u>	
<u>Validation order project fee</u>			
	<p><u>The validation order project fee covers the FCA's regulatory work in assessing the application, and any fees and disbursements invoiced to the FCA by any person in respect of services performed to assist the FCA in performing the regulatory work.</u></p> <p><u>The validation order project fee is determined in line with the provisions of FEES 3 Annex 9(9)R-(11)R, but FEES 3 Annex 9(9)R(a) applies with the modification that the reference to number of hours or part hours relates to the FCA's regulatory work in assessing the validation order application.</u></p> <p><u>Before starting the validation order assessment, the FCA will provide a non-binding estimate of the validation order project fee to the applicant. If an application is withdrawn before conclusion of the matter, the applicant is only liable for the validation order project fee incurred up to the point of withdrawal.</u></p>		<u>Within 30 days of the date of any invoices issued by the FCA</u>
6	Applications other than where the applicant is a <i>credit union</i> , <ul style="list-style-type: none"> • in respect of controlled functions under the Senior 	<u>Category 1</u>	...

<p>Managers and Certification Regime (SMCR); or</p> <ul style="list-style-type: none"> • by <i>principal firms</i> in respect of <i>controlled functions</i> for <i>appointed representatives</i> (CF(AR)), using the <i>Long Form A</i>, <p>provided the application [i.e none of the above] does not form part of an application for <i>authorisation</i>, variation of permission or registration of an <i>appointed representative</i>.</p>		
--	--	--

Insert the following new annex, FEES 3 Annex 15AG, after FEES 3 Annex 15R (FCA Transaction Fees). The text is not underlined.

**3 Annex Guidance on FCA transaction fees
15AG**

	Application type	Guidance
5	Validation orders	<p>For the avoidance of doubt, <i>FEES 3 Annex 9(8)R</i> does not apply to <i>validation order</i> fees, neither to the total fees payable nor to the <i>validation order</i> project fee.</p> <p>The obligation to pay the <i>validation order</i> project fee is ongoing and the <i>FCA</i> may issue interim invoices. Accordingly, there is no limitation on the number of times that the <i>FCA</i> may invoice an applicant for one <i>validation order</i> application.</p>

...

4 Periodic fees

...

4.2 Obligation to pay periodic fees

...

Extension of ~~Time~~ time

4.2.10 R A ~~person need not~~ does not need to pay a periodic fee on the date ~~on which~~ it is due under the relevant provision in *FEES 4.2.1R*, if:

- (1) that date falls during a period ~~during which circumstances of the sort in which the type of circumstances set out in GEN 1.3.2R (Emergencies Emergency) exist exists~~, and that *person* has reasonable grounds to believe that those circumstances impair its ability to pay the fee, in which case ~~he~~ the person must pay it on or before the fifth *business day* after the end of that period; or

...

...

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

...

Part 3

This table indicates the tariff base for each fee-block set out in Part 1.

The tariff base in this Part is the means by which the *FCA* measures the amount of business conducted by a *firm* for the purposes of calculating the annual periodic fees payable to the *FCA* by that *firm*.

Activity group	Tariff base
...	
A.22	<p>Number of appointed representatives appointed by the firm. Note: appointed representatives include introducer appointed representatives.</p> <p><u>MODIFIED NUMBER OF APPOINTED REPRESENTATIVES</u></p> <p><u>Total number of appointed representatives appointed by the firm (including introducer appointed representatives), where:</u></p> <p>(1) <u>the number of appointed representatives (other than introducer appointed representatives) is multiplied by 1.0; and</u></p> <p>(2) <u>the number of introducer appointed representatives is multiplied by 0.3.</u></p>
...	

...

Part 5

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of fees payable to the *FCA* by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.

Activity group	Valuation date
...	
A.22	Number <u>Modified number</u> of <i>appointed representatives</i> included in the <i>Financial Services Register</i> on the first day of a <i>fee year</i> .
...	

4 Annex 2AR FCA Fee rates for the period from 1 April 2024 to 31 March 2025

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*.

...

Activity group	Fee payable	
...		
A.22	Band Width (No. of appointed representatives) <u>Band Width (No. <u>Modified no.</u> of <i>appointed representatives</i>)</u>	Fee (£/ appointed representative <u>modified no. of appointed representatives</u>)
	≥0	289.00 for appointed representatives other than introducer-appointed representatives
	≥0	87.00 for <i>introducer appointed representatives</i>
	[tbc]	[tbc]
...		

...

...

5 Financial Ombudsman Service Funding

...

5.7 Payment

...

5.7.4 R A *firm* liable to pay fees or levies under *FEES* 5.7.1R must do so using one of the methods set out in *FEES* 2.1.12R (unless *FEES* 2.1.13R applies) ~~save that no additional amount or discount is applicable.~~

Extension of time

5.7.5 R A *firm* ~~need not~~ does not need to pay the *general levy* on the date ~~on which~~ it is due under the relevant provision in *FEES* 5.7.1R, if that date falls during a period ~~during which circumstances of the sort in which the type of~~ circumstances set out in *GEN* 1.3.2R (Emergency) exist exists, and that *firm* has reasonable grounds to believe that those circumstances impair its ability to pay the fee levy, in which case it must be paid on or before the fifth *business day* after the end of that period.

5.8 Joining the Financial Ombudsman Service

...

5.8.2 R (1) ~~This rule deals with the calculation of~~ When a *firm* obtains *permission*, or is authorised under the *Payment Services Regulations* or the *Electronic Money Regulations* or has its *permission* and/or *payment services* activities extended ('*permission event*'), this rule governs the calculation of the *firm's general levy* for:

(a) ~~a *firm's general levy* in the 12 months ending on the 31 March in which it obtains *permission*, or was authorised under the *Payment Services Regulations* or the *Electronic Money Regulations* or had its *permission* and/or *payment services* activities extended (relevant permissions) and the following 12 months ending on the 31 March; and the *fee year* in which the permission event takes place ('*year 1*'); and~~

(b) ~~the tariff base for the industry blocks that relate to each of the relevant permissions~~ the following *fee year* ('*year 2*').

(2) ~~Unless this rule says otherwise, the tariff base is calculated using the projected valuation for its first year of the business to which the tariff relates. Notwithstanding paragraphs (3)-(6), if the tariff base is calculated using data from a point in time or period beginning on or after the date of the permission event to which that tariff base relates, the *firm* must use that data.~~

- (3) ~~The rest of this *rule* only applies to a *firm* that becomes authorised, or extends its *permission* and/or *payment services* activities. The tariff base for year 1 is calculated using the projected valuation for the *firm*'s first year of the business to which the tariff base relates.~~
- (a) ~~If the tariff base is calculated using data from a period that begins on or after the date that the *firm* obtains the relevant permission to which that tariff base relates, the *firm* must use that data.~~
- (b) ~~If a *firm* satisfies the following conditions it must calculate its tariff base under (c) for the *FCA* financial year following the *FCA* financial year it obtained a relevant permission:~~
- (i) ~~the *firm* receives a relevant permission between 1 April and 31 December inclusive; and~~
- (ii) ~~the *firm*'s tariff base for that relevant permission is, but for this *rule*, calculated by reference to the *firm*'s financial year ended in the calendar year ending on the 31 December before the start of the *FCA* financial year or the twelve *months* ending 31 December before the start of the *FCA* financial year.~~
- (c) ~~If a *firm* satisfies the conditions in (b) it must calculate its tariff base as follows:~~
- (i) ~~it must use actual data in relation to the business to which the tariff relates rather than projected valuations;~~
- (ii) ~~the tariff is calculated by reference to the period beginning on the date it acquired the relevant permission relating to the tariff and ending on the 31 December before the start of the *FCA* financial year; and~~
- (iii) ~~the figures are annualised by increasing them by the same proportion as the period of 12 *months* bears to the period starting from when the *firm* received any relevant permissions to 31 December.~~
- (d) ~~Where a *firm* is required to use the method in (c) it must notify the *FCA* of its intention to do so by the date specified in *FEES* 5.4 (Information requirement).~~
- (e) ~~Where a *firm* is required to use actual data under this *rule*, *FEES* 4 Annex 1AR Part 5 is modified in relation to the calculation of that *firm*'s valuation date in its second financial year.~~

- (4) There are 2 methods of calculating the tariff base for year 2. These are:
- (a) annualised actual data ('method 1'); or
 - (b) the projected valuation for the first year of business to which the tariff relates ('method 2').
- (5) The appropriate method for year 2 will depend on the date of the permission event. A firm must use method 1 if the permission event took place between 1 April and 31 December of year 1 inclusive, and method 2 in all other cases.
- (6) A firm using method 1 must:
- (a) use actual data in relation to the business to which the tariff relates rather than projected valuations;
 - (b) calculate the tariff by reference to the period beginning on the date of the permission event and ending on the 31 December before the start of year 2;
 - (c) annualise the figures by increasing them by the same proportion as the period of 12 months bears to the period from the permission event to 31 December; and
 - (d) notify the FCA of its use of method 1 by the date specified in FEES 5.4 (Information requirement).

...

5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2024/25

...

Compulsory jurisdiction - general levy

Industry block	Tariff base	General levy payable by firm
...		
11. <i>fee-paying payment service providers (but excluding firms in any other Industry block except</i>	For <i>authorised payment institutions, registered account information service providers, electronic money issuers (except for small electronic money institutions), the Post Office Limited, the Bank of England,</i>	£0.002 per £1,000 of relevant income subject to a minimum levy of £75

<p>Industry block 18) (including <i>firms</i> in <i>industry block 18</i> but excluding <i>firms</i> in any other <i>industry block</i>)</p>	<p>government departments and local authorities, <i>TA EMI firms</i>, <i>TA PI firms</i> and <i>TA RAISP firms</i>, relevant income as described in <i>FEES 4 Annex 11R Part 3</i> that relates to the <i>firm's relevant business</i></p>	
	<p>...</p>	<p>...</p>
<p>...</p>		

...

6 Financial Services Compensation Scheme Funding

...

6.7 Payment of levies

...

Method of payment

6.7.5 R A *participant firm* liable to pay its share of the levy under *FEES 6.7.-1R*, *6.7.1R* and *6.7.3R* must do so using one of the methods set out in *FEES 2.1.12R* (unless *FEES 2.1.13R* applies) ~~save that no additional amount or discount is applicable.~~

...

Extension of time

6.7.9 R A *participant firm* or *person* (as the case may be) ~~need not~~ does not need to pay a share of any levy on the date ~~on which~~ it is due under the relevant provisions in this chapter, if that date falls during a period during in which the type of circumstances ~~of the sort~~ set out in *GEN 1.3.2R* (Emergency) ~~exist~~ exists, and that *participant firm* or *person* has reasonable grounds to believe that those circumstances impair its ability to pay its due share of the levy, in which case it must be paid on or before the fifth *business day* after the end of that period.

...

App 3 Fees payable by persons registered under the Money Laundering Regulations that are not cryptoasset businesses

App 3.1 Fees for persons registered under the Money Laundering Regulations that are not cryptoasset businesses

Application and periodic fees

...

App
3.1.2

(1)	Registration fee:
	Category \pm <u>2</u>
...	

...

Part 3: Comes into force on [date]

5 Financial Ombudsman Service Funding

...

5.4 Information requirement

5.4.1 R ...

(1A) ...

(c) ~~The *firm* may make the 2025 notification by no later than 2 May 2025. This provision overrides FEES 5.4.1R(1A)(b) for the 2025 notification only.~~

...

...

