Consultation Paper

07/19**

Financial Services Authority

Regulatory fees and levies:

Policy proposals for 2008/09

November 2007

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The Financial Services Authority invites comments on the proposals in this Consultation Paper.

We need your comments by 8 January 2008. We would appreciate responses ideally by e-mail to cp07_19@fsa.gov.uk.

Alternatively, please send comments in writing to:

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It is our policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure.

A confidential response may be requested from us 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 Commisioner and the Information Tribunal.

For any general queries regarding fees, please firstly consult our website at www.fsa.gov.uk/Pages/Doing/Regulated/Fees. You can also contact the Fees Helpline by telephone on (0207 066 1888) and e-mail (fsafees@fsa.gov.uk).

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

1 Overview

Two stage consultation

1.1 Each year we consult on:

- proposed policy changes to the fee and levy regimes;
- our Annual Funding Requirement (AFR) and its allocation between fee-blocks;
- our fee rates for the forthcoming financial year;
- the Financial Services Compensation Scheme (FSCS) management expenses levy limit; and
- the Financial Ombudsman Service (FOS) general levy for the forthcoming financial year.

1.2 This annual consultation is relevant to all authorised firms and other bodies that pay fees to us and levies to the FSCS and FOS, as well as to potential applicants for FSA authorisation and listing by the UK Listing Authority. In previous years, we have consulted in one consultation paper (CP) published at the same time as our Business Plan in the January (or early February) before the forthcoming financial year. The consultation period for our proposals for changes to fees and levies policy was one month[1].

1.3 However, the industry has told us that this timeline did not allow enough time for the policy proposals to be properly considered. As a result from now on, wherever possible, we will set out our proposed policy changes to the fees and levies regime in a separate CP and give two-months for responses.

1.4 This CP is only proposing policy changes relating to our fees regime for 2008/09. We will issue a separate CP covering proposed rates for 2008/09, in January (or early February) 2008.

1.5 You can find additional background material to the policy proposals in this paper in our Consolidated Policy Statement on our fee raising arrangements and regulatory fees and levies (PS07/7, July 2007). The FSA Handbook rules and guidance on fees are in the Fees manual (FEES) and Annex 4 to this paper outlines the structure of FEES for ease of reference.

1 One month for policy changes that needed to be implemented from 1 April. Where a proposed policy change was not required to be implemented from 1 April we were able to give up to two months consultation period.

Structure of this Consultation Paper (CP)

1.6 This CP explains fees policy proposals affecting fee payers in general and certain fee-blocks. To identify the proposals most relevant to you, see Table 1 below which identifies who should read this CP.

Table 1: Who should read this Consultation Paper?

Issue	Fee payers likely to be affected	Reference
Solvency II – special project fee for insurers	General insurers and life insurers (larger fee payers)	Chapter 2
Application fees for Part VII transfers of insurance business	General insurers and life insurers involved in the transfer of a portfolio of insurance liabilities from one insurer to another	Chapter 3
Firms acquiring businesses from other firms – clarification of rule application	All firms	Chapter 4
Changes to Modified Eligible Liabilities (MEL)	Banks and Building Societies	Chapter 5
Implementation of customer function 30 (CF30) and our intended approach to collect Approved Persons fee tariff data for 2008/09	Firms in fee-blocks A.12[2], A.13[3] and A.14[4]	Chapter 6
Administrative charge for persistent poor reporting on the Retail Mediation Activities Return (RMAR)	Firms required to complete and submit the RMAR	Chapter 7
Markets in Financial Instruments Directive (MiFID) transaction reporting – targeted recovery of additional IS development costs	Firms reporting securities derivatives under MiFID requirements. Certain (to be confirmed) firms in fee-blocks A.10[5] and B[6]	Chapter 7
Future fees policy consultation set out in Chapter 8		
Firms authorised in other European Economic Area (EEA) states/Treaty firms passporting into the UK on a branch basis Existing regulated firms and currently non-regulated businesses affected by the: • Money Laundering Regulations 2007; • addition to our regulatory scope the sale of travel insurance sold with holiday related travel – 'Bundled Travel Insurance'; • possible addition to our regulatory scope the activity of being a reclaim fund, managing unclaimed bank and building society deposits – 'Unclaimed Assets'; and • addition to our regulatory scope the supervision of payment service provision under the Payments Services Directive.		

2 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)

3 Advisory arrangers, dealers or brokers (not holding of controlling client money or assets, or both)

4 Corporate finance advisers

5 Firms dealing as principal

6 it: (i) is a *recognised body* under section 286 of the Financial Services and Markets Act 2000 (FSMA); or (ii) has been prescribed as an operator of a prescribed market under FSMA (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996); or (iii) is a *service company*.

1.7 There are four Annexes to this paper:

- **Annex 1** contains a statement of compatibility of our proposed changes to fees policy with the principles of good regulation.
- **Annex 2** contains a list of questions to which we are seeking responses.
- **Annex 3** contains the draft Handbook rules and guidance we are consulting on.
- **Annex 4** sets out where fee and levy rules and guidance are found in the FSA Handbook.

Summary of Proposals

Solvency II – special project fees for insurers

1.8 We propose introducing a special project fee totalling approximately £500,000 as partial recovery of our 2008/09 project development costs related to Solvency II internal model approval. We anticipate levying the larger insurers as these are likely to seek to model most, or all, of their business, including using group models.

Application fees for Part VII transfers of insurance business

1.9 These proposals introduce application fees for Part VII transfers where a portfolio of insurance liabilities is transferred from one insurer to another. The numbers of transfers and their costs have been rising and currently these are recovered across the insurance sector as a whole. Firms themselves decide whether they wish to transfer business and often benefit. We are proposing to introduce a scale of application fees to recover some of the costs we incur on a 'users pay' basis. The proposed fees are £18,500 for life insurers and £10,000 for non-life insurers. The distinction reflects that a transfer for a life insurer requires greater actuarial input.

Firms acquiring businesses from other firms

1.10 Here we propose clarifying our fees policy for firms that acquire businesses from other firms. There are no changes to existing policy; however, an extension to our fees rule FEES 4.3.15R clarifies the policy to firms.

Modified Eligible Liabilities

1.11 These proposals set out consequential amendments to the Modified Eligible Liabilities (MEL) definition for banks following recent amendments to the Bank of England form 'BT' (Balance sheet). We also explain a technical amendment to the MEL definition for Banks. In addition we highlight a future change to the building societies MEL calculation which we will consult on in 2009/10 fees CP.

Implementation of customer function 30 (CF30) and approach to Approved Persons fee tariff

1.12 These proposals set out the effects of us introducing the customer function to our fees regime and our intended approach to collecting approved persons fee tariff data for 2008/09.

Administrative charge for persistent poor reporting on the Retail Mediation Activities Return (RMAR)

1.13 We give notice of our intention to consider consulting in 2008 on levying an administrative charge to firms that persistently submit inadequately completed RMARs. Over the coming months we will implement several initiatives aimed at educating and encouraging persistent poor reporting firms to improve the quality of their submissions. If these initiatives do not reduce the number of persistent poor reporters, we will consult on raising an administrative charge on such firms. In this discussion section of this paper we are seeking views from firms on the principle of levying an administrative charge in these circumstances.

MiFID transaction reporting – targeted recovery of additional IS system development costs

1.14 We give notice of our intention to consult on a method to recover the additional development costs for our market surveillance system required in 2008/09 to implement the Markets in Financial Instruments (MiFID). Recent changes to arrangements for reporting of derivative transactions by firms have significantly reduced industry costs but require us to make substantial system changes which we currently estimate as between £5mn to £10mn. We are planning to recover these costs from the specific firms who have benefited from the lower costs of meeting their MiFID reporting obligations and in this discussion section of this paper we are seeking views from firms on the principle of taking this approach. In the January (or early February) 2008 fee and levies rates CP we plan to consult on this recovery method. At that time we will have a more accurate assessment of the project costs and will have established how we will identify the specific firms affected. In the meantime we will also be working with the relevant Trade Associations to help formulate firm proposals.

Consultation period

1.17 The consultation period for the proposals in this CP closes on **8 January 2008**.

Next steps

1.18 Subject to FSA Board approval and in light of responses to this CP, we will include the feedback statement and final revised fees policy rules in the regulatory fees and levies rates CP scheduled to be published in January (or early February) 2008. We expect to publish the final rules and corresponding feedback statement relating to that second CP in the second quarter of 2008. Fee payers will be invoiced from June 2008 on the basis of the 2008/09 fees, levies and policy changes.

2 Special project fee for Solvency II work for insurers

2.1 In this chapter, we set out our proposals for introducing a special project fee to recover part of our 2008/09 project development costs related to Solvency II internal model approval. Firms affected by this proposal will be the larger insurers in fee-blocks A.3 (Insurers – general) and A.4 (Insurers – life).

2.2 The Solvency II Directive is scheduled for implementation by the end of 2012. The new framework is aimed at ensuring that the financial resources held by insurance firms subject to the requirements are more closely aligned with the risks that each firm runs. Under the new EU requirements which we will need to implement in our Handbook and regulatory processes, firms may apply to use internal models (full or partial) for assessing their regulatory capital requirements. Using these models will be subject to our approval. Trade Associations have encouraged us to ensure that we are appropriately resourced to assist firms in preparing for internal model approval, so they will be able to use these models from the outset of the new framework expected to be in 2012. The development of our approvals processes, which will ultimately enable firms to use their internal models, needs to start during 2008/09.

2.3 We have not previously recovered the costs of resources we have applied to the Solvency II policy proposals. However, we are conscious that during 2008/09 a significant level of additional resource will be required to begin work with firms on the internal models approval as well as helping firms prepare for their, earlier than originally scheduled, QIS[7] 4 submissions.

2.4 The increase in our work in these areas has substantial cost implications. For this reason we are proposing to levy a special project fee for Solvency II work for 2008/09.

2.5 In our Consolidated Policy Statement on our fee-raising framework (PS07/7, July 2007)[8], we set out our policy on special project fees. A special project fee is a charge we can apply to recover some of the costs we incur when we undertake regulatory work at the request of a fee-payer (or group of fee-payers), and the benefit of such work accrues primarily to those persons.

7 Quantitative Impact Study.

8 See Chapter 9.

2.6 In character, special project fees are similar to the application fees we charge firms seeking authorisation. The ability to charge special project fees allows us to employ additional resources on a project, with the cost being met by those who will benefit from the work. This means that our existing resources are not diverted from work we have already committed to undertaking.

2.7 At this stage in the development of the new EU requirements for insurance we have yet to prepare rules for our Handbook on which we could provide guidance. Nevertheless, we believe, and we understand that Trade Associations agree that, in order to permit firms to use regulatory capital models from 2012, model approval preparatory work must start ahead of the formal drawing up of our rules, which are dependent upon the directive negotiations timetable. We understand that the relevant EU Level 2 implementing measures, on which the bulk of our rules would be based, are unlikely to be finalised before late 2010. Although initial soundings would indicate that many firms are interested in applying for model approval, it is not clear to us at this stage whether all insurance firms will apply to use an internal model. It would be unfair to those firms who we are not expecting to use internal models under Solvency II to have to contribute towards the cost of this additional resource. We believe that the fairest and most efficient way to finance these additional resources is by levying a special project fee on the following firms.

2.8 The fee will be restricted to the larger fee-payers in fee-blocks A.3 (General insurers) and A.4 (Life Insurers) namely those firms most likely to use internal models for most, if not all of their business. The income raised will be deployed to cover the cost of the additional resources we need to work towards a successful early implementation of the internal models approval process framework. Developing and eventually implementing the Solvency II Directive will continue to have major resource implications both for the industry and ourselves over the coming years.

2.9 The amount we propose to raise by a special project fee in 2008/09 is £500,000. We also expect to raise special project fees in the financial years up to and including 2010/11, depending on how the implementation timetable for Solvency II develops. Any special project fees beyond 2008/09 will be subject to consultation in the normal way at the appropriate point.

2.10 For 2008/09 we are proposing to levy the special project fee on the 10 largest life firms and the 10 largest non-life firms, with roughly a two-thirds share of the £500,000 total falling upon the life population, reflecting our expected allocation of resource. The fee will be allocated between firms in proportion to their annual fee (ie. a percentage) as until later in the Solvency II project when we are further progressed with implementation work, allowing a more specific assessment, we consider this is a reasonable indicator of the size and complexity of a firm's business (and hence, capital model). We expect that the highest special project fee for an individual firm will be up to £50,000.

2.11 In years subsequent to 2008/09, when total special project fees may be higher than the amount proposed for 2008/09, we will review whether it is appropriate to recover our costs from a larger pool of firms, based upon latest information on the numbers of firms likely to be seeking model approval.

> Q1: Do you agree with our proposals to charge a special project fee for Solvency II work in 2008/09?

3 Application fees for Part VII transfers of insurance business

3.1 In this chapter we set out our proposals to introduce an application fee for Part VII transfers of insurance business. Firms affected will be those in fee-blocks A.3 (Insurers – general) and A.4 (Insurers – life) involved in the transfer of a portfolio of insurance liabilities from one insurer to another.

3.2 A Part VII[9] insurance business transfer scheme is a legal process by which a portfolio of insurance liabilities is transferred from one insurer to another. There are various reasons firms wish to carry out 'transfers of business', including group restructuring, facilitation of the sale and purchase of an insurance portfolio, and consolidation of run-off books of business.

3.3 The Financial Services and Markets Act 2000 (FSMA) has always required us to produce documents and carry out other statutory duties to help the Court decide whether to sanction a transfer. These include:

- approving the appointment of the independent expert;
- approving the form of the independent expert's report;
- consulting other EEA regulators and providing the Court with the relevant certificate;
- ensuring the policyholders affected by the transfer have enough information about the transfer to consider its impact on them; and
- providing the Court with a solvency certificate.

3.4 Recently, the Chancellor of the High Court asked us to provide a report for the final Court hearing on what we considered the most significant issues in a Part VII transfer. We must set out, amongst other things, the basis on which we did or did not object to the transfer going ahead. The Chancellor has also requested that we be represented in Court to a greater extent than has happened in the past.

9 Control of Business Transfers – section 104 of the Financial Services and Markets Act 2000 (FSMA). No insurance business transfer scheme or banking business transfer scheme is to have effect unless an order has been made in relation to it under section 111(1).

3.5 The work on 'transfers of business' clearly incurs costs for us, both for the internal resource used to do the work and, if necessary, external costs to cover instructing Counsel to represent us in Court. This cost is increasing for each transfer and the number of transfers undertaken is rising each year: from 5 in 2002 to 34 last year. Currently, these costs are recovered through the Annual Funding Requirement (AFR) and allocated across all firms in fee-blocks A.3 and A.4.

3.6 Firms themselves decide whether they wish to transfer business, and often benefit from doing so – e.g. more efficient use of capital, reduced administration and regulatory costs. In view of the increasing costs and increasing number of Part VII transfers we do not believe that the current cost recovery arrangement is fair. We therefore propose to introduce application fees to recover some of the costs payable by the firms involved in transfer of insurance liability transactions. Essentially this will operate on a 'user pays' basis and is consistent with our policy that firms should pay toward the costs of the transactions they are involved in, rather than spreading the cost across the whole fee-block. The proposed fees are £18,500 for life insurers and £10,000 for non-life insurers. The distinction reflects that a transfer for a life insurer requires greater actuarial input.

3.7 In making this proposal we acknowledge there may be exceptional circumstances where we may waive the fee[10]. Such a waiver would need to meet the 'statutory tests' set out in s148 FSMA[11].

> Q2: Do you agree with the proposed introduction of application fees for Part VII insurance business transfers and do you believe the proposed amounts are reasonable?

3.8 This consultation is in respect of Part VII insurance business transfers only. However, we would also welcome views on whether we should apply application fees to Part VII banking business transfers (also under section 104 of FSMA) where firms choose to do so for reasons similar to those set out above and similarly benefit.

> Q3: Do you agree in principle that we should introduce an application fee for Part VII banking business transfers?

10 Under FEES2.3.1R there are relieving provisions which would allow us to reduce or remit the fee but these are available only in exceptional circumstances and we would not generally consider Part VII applications exceptional.

11 We may not direct a waiver or a modification to a rule unless we are satisfied that:

(a) compliance by the authorised person with the rules, or with the rules as unmodified, would be unduly burdensome or would not achieve the purpose for which the rules were made; and

(b) the direction would not result in undue risk to persons whose interests the rules are intended to protect.

4 Firms acquiring businesses from other firms

(FEES 4.3.15R, draft rules are in Annex 3 of this paper)

4.1 In this chapter we set out the proposals to clarify our fees policy for firms acquiring businesses from other firms ('transfer of business'). There is no change proposed to the existing policy, merely an extension of FEES 4.3.15R in order to clarify the policy for firms. This proposal will affect all firms where they are party to a transfer of business.

4.2 We formulated our policy on transfer of business through consultation in CP156[12], in which we explained that the transfer of business rule would apply where a firm (A) acquires part or all of the business of another firm (B) during the financial year. In this case (A) does not become liable for an additional periodic fee on the business transferred to it, as long as (B) has already paid the periodic fee for the transferred business.

4.3 If the transfer of business completes between 1 January and 31 March in a given year, for example firm (B) transfers all its business to (A) during this period, and (B) ceases trading before 1 April, firm (B) would pay no fees in the next financial year, but firm (A's) fee for that year would be based on its pre-transfer amount of business as at 31 December. Under the basis, the fees payable by the remaining fee payers in the affected fee-block(s) would be based on tariff data that did not take account of the transferred business, which could result in higher fees for firms in that fee-block(s). In such cases we treat the transfer as though it happened immediately before the valuation date of 31 December. Firm (A) therefore pays a fee in the next fee period based on the combined amount of business.

4.4 This relief also applies when an authorised firm chooses to change the legal vehicle through which it conducts authorised business – for example, a sole trader transferring its authorised business to a new corporate entity and cancelling its sole trader permission. Where a firm makes such a transfer, the new entity will not be liable for a periodic fee for that fee period in relation to the transferred business, provided the original entity has already paid its periodic fee.

12 CP156: Miscellaneous amendments to the Handbook (No.5), November 2002

4.5 We are proposing to clarify that, with the exception of the change of legal entity scenario described above, FEES 4.3.15 R is only for firms who are both authorised before the acquisition is completed, i.e. those firms who already both had fee liabilities in the fee period during which the business was acquired. A firm that ceases to be authorised and which is not involved in a transfer of business would not obtain a refund of paid periodic fees. We did not intend to treat firms differently to this, simply because they are involved in a transfer of business.

4.6 Therefore, the transfer of business policy does not apply in scenarios where a firm (B) transfers part or all of its business to another firm (A) during a fee period, and firm (A) becomes authorised by us as part of the transaction. This is the same as the case with all new joiners, as firm (A's) fees would be based on its projected fee tariff data provided upon authorisation regardless of firm (B's) tariff data and fee liability.

4.7 This policy complies with our principle that our fees regime requires all authorised firms to contribute towards the annual funding requirement based on the scale of their business. It also means that firm (B) does not obtain a refund in effect of any periodic fees it has already paid by including such paid fees as part of the consideration for the transfer.

> Q4: Do you agree with our proposed clarification of how we apply our policy on firms acquiring businesses from other firms?

5 Changes to Modified Eligible Liabilities

5.1 In this chapter we consult on consequential amendments to the Modified Eligible Liabilities (MEL) definition for banks following recent amendments to the Bank of England form BT (Balance sheet). We also explain a technical amendment to the MEL definition for Banks. Firms affected will be those in fee-block A.1 (deposit acceptors).

5.2 We are also taking this opportunity to highlight a future change to building societies MEL calculation, which we will formally consult in the 2009/10 fees policy CP.

Bank of England's rolling review of form BT

(FEES 4 Annex 1R Part 2, draft rules are in Annex 3 of this paper)

5.3 In March 2007, the Bank of England (BoE) issued a statistical notice to reporting banks[13]. The notice summarised the results of its latest reviews for several 'core' statistical returns, which concern form BT (balance sheet). The form changes highlighted in the statistical notice have been implemented since October 2007 and we are therefore proposing to make relevant consequential amendments to our MEL definition for banks' periodic fee calculations as follows:

- FSA MEL definition currently refers to items BT7B – BT7J in sterling, euros and foreign currency. Since October 2007, all items under BT7 have merged with BT6. Therefore we are proposing to remove all references to 7B – 7J in our definition;
- FSA MEL definition currently refers to items BT30A, BT30B, BT31A and BT31B in sterling and foreign currency. Since October 2007, all items under BT31 have merged with BT30. Therefore we are proposing to remove all reference to BT31; and
- FSA MEL definition currently allows exclusions of BT32AA in sterling and foreign currency. Since October 2007, BT32AA has been split into separate items (BT32AA1 and BT32AA2), although these present the same outcome. Therefore we propose to replace references to BT32AA with BT32AA1 and BT32AA2.

13 Statistical notice to reporting banks, BSN2007/03, 8 March 2007

5.4 Firms should note that BT46 and BT46A in the BoE's guidance for completing form BT have reflected the above three points. There is no impact on the MELs figure arising from these mergers and splits of items and therefore no effect on periodic fees.

> Q5: Do you have any comments on the proposed consequential amendments to the MEL definition?

Technical amendment

(FEES 4Annex 1R Part 2, draft rules are in Annex 3 of this paper)

5.5 We are presenting a technical amendment to the definition of MEL for A.1 periodic fees under FEES 4 Annex 1R. This is to accurately reflect our intended policy and does not require consultation.

5.6 The MEL definition allows adjustment of the calculation by deducting from the amount specified under Part 1 of the definition, the Non-Resident Office Offset amount, obtained by subtracting item 45D from item 45BA. This offset includes the whole of £45BA and £45D, but only 'one-third of: E45BA plus C45BA less E45D less C45D', although it is not currently stated in the rule. This is consistent with the treatment of other currency items. However, when calculating banks' MEL figures, we have already been taking into account the deductions of one third of these foreign currency items. We have therefore clarified this in our rule to eliminate confusion.

Building Society statistical reporting change from 31 December 2007

5.7 Currently building societies' MEL data is sourced from the MFS 1, which is submitted monthly by all building societies to us. Building societies will start reporting statistical data to the BoE on the same form (form BT) as banks from 31 December 2007. This means from 2008, they will be completing form BT in the same way as banks. This will not affect Building Societies' periodic fee calculation for the 2008/09 fee period. However, for 2009/10 fees, should there be no other policy changes in eligible liabilities, we will propose to base building societies' fees on the same MEL as banks, and we will consult on this in the 2009/10 fees policy CP.

6 Implementation of customer function 30 (CF30) and our intended approach to collect Approved Persons fee tariff data for 2008/09

6.1 In this chapter we:

- summarise the effects of introducing the single customer function (CF30) to our fees regime;
- set out our intended approach to collect approved persons fee tariff data for 2008/09, including new joiners; and
- consult on a consequential amendment to FEES 4.2.7 R to take account of the changes to the Approved Persons regime.

6.2 Firms affected by this chapter will be those in fee-blocks:

- A.12 – advisory arrangers, dealers and brokers holding client money;
- A.13 – advisory arrangers, dealers and brokers not holding client money; and
- A.14 – corporate finance advisers.

6.3 Throughout this chapter, we refer to previous and current controlled functions by their reference number as follows:

- CF30 – Generic customer function (arising from the merger of customer functions CF21 to CF27);
- CF21 – Investment adviser function;
- CF22 – Investment adviser (trainee) function;
- CF23 – Corporate finance adviser function;
- CF24 – Pension transfer specialist function;
- CF25 – Adviser on syndicate participation at Lloyd's function;
- CF26 – Customer trading function; and
- CF27 – Investment management function.

Introduction of CF30 and its implication on fees

6.3 The reform of the Approved Persons regime introduced the generic customer function CF30 (the merger of customer functions CF21 to CF27), which was implemented on 1 November 2007. As we explained in CP06/15[14], the number of Approved Persons with customer functions CF21 – CF26 is the tariff base we use to calculate FSA periodic fees and levies for the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS) in the fee-blocks A.12, A.13, and A.14.

6.4 In CP06/15 and PS07/4[15], we discussed the implications for our fees regime of the changes to customer functions and made amendments to Chapter 4 Annex 1R of the Fees Manual. The amendments retained our existing fees policy in the above three fee-blocks and reflected the introduction of CF30 to replace customer functions CF21 to CF26. It should be noted that CF27 was not included for fees purposes.

6.5 We explained that for A.12 and A.13 fee calculations we would continue excluding those individuals solely carrying out a corporate finance adviser activity (previously CF23). However, such individuals will remain relevant for fees in the A.14 fee-block.

6.6 We also explained that we will want to continue excluding all individuals carrying out only an investment management role (formerly CF27) from fees calculations in the A.12, A.13 and A.14 fee-blocks. An individual carrying out a variety of these functions should be included for fees purposes unless all the individual does is investment management.

6.7 In PS07/4 we considered the practical implication of the changes for fee tariff data reporting in these fee-blocks. We explained that for firms that are authorised as at 31 March 2008, in line with our existing policy, we will base their 2008/09 fees and levies for fee-blocks A.12, A.13 and A.14 on the amended tariff base description (see Table 6 below) as at 31 December 2007.

Table 6: Amended tariff base description as at 31 December 2007

A.12	**APPROVED PERSONS** The number of persons approved to perform the customer functions (CF 30), but excluding those persons solely acting in the capacity of an investment manager or solely advising clients in connection with corporate finance business or performing functions related to these.
A.13	**APPROVED PERSONS** The number of persons approved to perform the customer functions (CF 30), but excluding those persons solely acting in the capacity of an investment manager or solely advising clients in connection with corporate finance business or performing functions related to these.
A.14	**APPROVED PERSONS** The number of persons approved to perform the customer function (CF 30) who advise clients in connection with corporate finance business or perform related functions.

14 CP06/15 (August 2006): Reforming the Approved Persons regime

15 PS07/4 (February 2007): Reforming the Approved Persons regime – Feedback on CP06/15 (Merging the Customer Functions) and final rules, Chapter 2, pp5-8

Intended approach to collect Approved Persons tariff data

6.8 In this section we set out our intended approach to collect tariff data for fee-blocks A.12, A.13, and A.14 in 2008/09. Previously we did not ask firms to report Approved Persons data for FSA fees, as these were captured on the FSA Register. Since 1 November 2007 we can no longer distinguish the relevant Approved Persons for calculating fees. Therefore we believe setting out our intended approach will help firms in preparing their fee tariff data reporting for the next fee year.

6.9 Following on from what we said in PS07/4, in terms of practical arrangements, we will need to contact some firms (including new joiners and existing firms) to verify their fee tariff data, to ensure that it includes only the relevant CF30s required in each fee-block. We intend to do this only for exceptions, and keep any additional tariff data reporting to a minimum.

6.10 We will use Approved Persons data between 31 October 2007 and 31 December 2007, for 2008/09 fee modelling and invoicing.

6.11 If firms had individuals with one or more of CF21 – 27 on 31 October 2007 (who would therefore become CF30 on 1 November 2007) and if the number of CF30 individuals changes between 31 October 2007 and 31 December 2007 we will contact the firm in writing in January 2008 to confirm the number of CF30s as at 31 December 2007. Responses will be requested by 28 February 2008, the deadline for providing fee tariff data.

6.12 If there is no difference in the CF30 count between 1 November and 31 December 2007, we will not contact the firm to verify the data. This is because we will base their fees and levies on the number of Approved Persons (CF21 – 26) captured on our Register as at 31 October 2007 as this will be the same count as 31 December 2007.

6.13 Firms will not be contacted either if they only had CF23s or only had CF27s or only had CF21, 22, 24, 25 or 26s, even if there is a change in number of approved persons. We will base the firms' fees and levies on the number of CF30s captured on our Register as at 31 December 2007 (excluding those individuals which only had CF27) as they are likely to be only carrying out the function associated with the relevant fee-blocks.

6.14 If firms do not hear from us regarding CF30 data by 31 January 2008, but believe they have Approved Persons that will carry out or cease to carry out purely an investment management role and/or a corporate finance role as at 31 December 2007, they will need to provide information to us by 28 February 2008, by completing the approved persons tariff data form which will be available on the fees page on our website at: www.fsa.gov.uk/Pages/Doing/Regulated/Fees/index.shtml.

6.15 This planned exercise is intended to ensure we minimise the risk of fees modelling on inaccurate tariff data for the relevant fee-blocks, which would result in incorrect fee rates and firms being charged inappropriate fees during 2008/09.

New Joiners

6.16 The above exercise will be carried out for firms who are authorised as at 31 December 2007. This will include firms who became newly authorised between 1 November 2007 and 31 December 2007 inclusive. Where there is no change in the Approved Persons count for new joiner firms by 1 January 2008 we will use the number of Approved Persons reported for fees calculation as provided to us by the firm in their application for authorisation.

6.17 Firms authorised from 1 January 2008 will have their A.12, A.13 and/or A.14 fees based on the number of Approved Persons with CF30, as they gave us when they applied.

Consequential rule amendment

(FEES 4.2.7 R (2) (b), draft rules are in Annex 3 of this paper)

6.18 This section seeks views on a proposed consequential amendment to FEES 4.2.7 R (2) (b) to reflect the changes to the Approved Persons regime and updated authorisation application packs.

6.19 FEES 4.2.7 R (2) sets out how fees are calculated for new firms or firms extending their permissions during the course of a financial year. Part (b) of FEES 4.2.7 R (2) states that we apply the relevant fee tariff bases to the projected valuation, for the first year of business; it also refers to calculating relevant fees based on 'the number of Approved Persons immediately after the permission is given'.

6.20 As mentioned in earlier parts of this chapter, since 1 November 2007 we can no longer distinguish from our Register the Approved Persons with CF30 who are able to perform the customer functions relevant for fees calculation in fee-blocks A.12, A.13 and A.14; also our application forms have been updated to take account of the merger of CF21 – CF27 to CF30, and ask applicant firms to provide projected fee tariff data up front. Therefore we propose to delete the reference to 'the number of approved persons immediately after the permission is given' in FEES 4.2.7R (2) (b) as it is no longer relevant.

> Q6: Do you have any comments on the consequential amendment to delete the reference to Approved Persons after permission is given?

7 Proposed policy for discussion

7.1 In this chapter we provide notice of further consultation and are seeking views from firms whether in principle they would agree with:

- introducing an administrative charge for persistent poor reporting on the Retail Mediation Activities Return (RMAR); and
- our targeted approach to recovering additional IS development costs for transaction reporting under the Markets in Financial Instruments Directive (MiFID).

7.2 Any formal consultation with draft rules in each case will take place as indicated below.

Administrative charge for persistent poor reporting on the RMAR

7.3 The RMAR is one of our main supervisory tools for identifying risks at smaller firms who represent the vast majority of nearly 20,000 firms submitting it. Therefore it is important that we receive timely and accurate returns.

7.4 When our analysis of a firm's RMAR submission indicates that there may be an error in the data that has been supplied we contact the firm and in certain circumstances, request that the RMAR is re-submitted. Having spent time working through errors with firms and explaining how the information should be supplied, most do not repeat the same error on their next or subsequent returns. However, a minority of firms persistently repeat the same reporting errors. We consider that we spend a disproportionate amount of resource dealing with these firms. Furthermore, we consider firms that submit accurate and reliable RMARs are, to some extent, subsidising those that do not.

7.5 Over the coming months we will implement a number of initiatives aimed at educating and encouraging persistent poor reporting firms to improve the quality of their submissions. For example, we will remind firms, shortly before their next submission, of errors they have made on previous returns. If these initiatives do not have the desired effect in reducing the number of persistent poor reporting firms, we propose to consult on raising an administrative charge on such firms. This approach has already been successful in increasing the rate of submissions arriving on time. We hope a similar approach will improve the quality of returns, and the additional effort required for poor quality returns becomes self-funding.

7.6 We will monitor the success of the initiatives during 2008 before deciding whether to consult on introducing such an administrative charge. In the meantime we would welcome views from firms on the principle of levying an administrative charge in these circumstances.

7.7 We intend that any administrative charge would recover the average costs of dealing with the persistent poor reporting of the RMAR and it would not represent a financial penalty under our Enforcement procedures. Enforcement action would therefore still be available. We also acknowledge that we would have to be clear on what constitutes a persistent poorly reported RMAR.

> Q7: Do you agree in principle that it is appropriate to levy an administrative charge on firms that are persistent in reporting poorly completed RMARs?

MiFID transaction reporting – targeted recovery of additional IS development costs

7.8 We are currently undertaking a major upgrade of our market surveillance system, the first phase of which has been to implement the MiFID transaction reporting requirements. The Committee of European Securities Regulators (CESR) has recently agreed modified arrangements for reporting of transactions in derivative products. This was in response to the industry's concerns that the original proposals would be prohibitively costly and we were closely involved in helping to devise the new procedures. Transactions in non-securities derivatives can be reported by exchanges on behalf of their members to their home state regulator rather than by the firms themselves. In addition, transactions in securities derivatives can use an Alternative Instrument Identifier (AII) rather than the International Securities Identification Number (ISIN) for the product in which the transaction takes place.

7.9 The above modified arrangements will result in a considerable saving in transaction reporting costs for firms and exchanges trading derivatives as compared to what they would have had to spend under the original proposals. However, the changes mean that we will have to make significant additional changes to our new market surveillance system and these costs – currently estimated between £5m and £10m – cannot be met from within the existing budget for the project.

7.10 We propose to target the recovery of these additional costs from the specific firms who have benefited from the lower costs of meeting their MiFID reporting obligations. Over the next couple of months we will:

- assess the full costs of the additional IS development;
- establish a process whereby we can effectively 'ring-fence' these costs outside the Annual Funding Requirements; and
- identify the specific profile of the firms that should be targeted to recover these costs.

7.11 We believe such a targeted approach is fairer than recovering these costs through the Annual Funding Requirement and either allocating to all fee-payers or allocating them to all the fee-payers in specific fee-blocks even though not all these fee payers will benefit from the reduced costs referred to above. The affected fee-blocks are A.10[16] and B[17].

7.12 We would welcome views on the principle of adopting this approach to recovering these costs. We will also be working with the relevant Trade Associations to help formulate firm proposals. In the light of responses and the outcome of the further work we will undertake we plan to consult on this proposed recovery method in the January (or early February) 2008 fee and levy rates CP.

> Q8: Do you agree in principle that it is appropriate to recover our additional MiFID transaction reporting IS system development costs from the specific firms that will benefit from the modified reporting arrangements and therefore the reduction in their own costs?

16 Firms dealing as principal.

17 it: (i) is a *recognised body* under section 286 of the Financial Services and Markets Act 2000 (FSMA); or (ii) has been prescribed as an operator of a prescribed market under FSMA (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996); or (iii) is a *service company*.

8 Future fees policy consultation

8.1 In this chapter we bring to firms' attention known future fees policy consultations. Firms affected by this chapter are firstly firms authorised in other EEA states passporting into the UK on a branch basis; and secondly, existing regulated firms and currently non-regulated businesses affected by the:

- Money Laundering Regulations 2007;
- addition to our regulatory scope the sale of travel insurance sold with holiday related travel – 'Bundled Travel Insurance';
- possible addition to our regulatory scope the activity of being a reclaim fund, managing unclaimed bank and building society deposits – 'Unclaimed Assets'; and
- addition to our regulatory scope the supervision of payment service provision under the Payment Services Directive.

Review of discounts for EEA/Treaty inward passporting branches

8.2 In PS07/7[18] paragraphs 7.12 to 7.14, we gave a public commitment to review the fees for firms authorised in other EEA states and passporting into the UK both on a services and branch basis.

8.3 In CP07/13[19], chapter 3, we consulted on our review of the discounts given to EEA/Treaty firms that passport into the UK on a services basis only. Our review showed that we generally have minimal responsibilities, as host state, for most incoming firms operating on a service basis. This level of responsibilities and the cost of administering the collection of the relatively low level of fee revenue no longer made our original policy of charging incoming service providers periodic fees proportionate, or an efficient use of our resources. In Handbook Notice number 69 paragraphs 4.2 to 4.6 published September 2007 we removed the requirement for incoming EEA and Treaty service providers to pay periodic fees from the 2007/08 financial year.

18 Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2007/08 – including feedback on CP07/03 and 'made rules' (published May 2007)

19 Quarterly Consultation number 13 (published July 2007)

8.4 Most (over 80%) of EEA/Treaty firms passporting into the UK on a branch basis do so under the Markets in Financial Instruments Directive (MiFID) for investment firms and the Banking Consolidation Directive (BCD) for credit institutions. The majority of the BCD passport notifications also include some MiFID business. Under MiFID the host state regulator where the branch is established has responsibility for conduct of business matters conducted through branches within its own territory, but there has been much discussion on what this scope means in practice. On 22 October 2007 the Committee of European Securities Regulators (CESR) published a Protocol on the supervision of branches under MiFID (CESR/07-672). This Protocol creates a flexible framework for practical organisation of the supervision of branches between home and host state regulators. However, the way in which this is implemented in practice for particular firms will be subject to the bilateral agreement of the respective individual home and host state regulators. The extent of regulatory responsibilities of, and the corresponding fee discounts applied by us are therefore dependent on the subsequent detailed agreements we are able to reach with individual regulators.

8.5 We have therefore decided to defer the remainder of our fees review until we have practical experience of operating cooperation agreements for branch supervision under MiFID. We now plan to consult on any proposed changes during 2009.

Money Laundering Regulations 2007

8.6 The Money Laundering Regulations 2007 implement the requirements of the European Union's Third Money Laundering Directive. From 15 December 2007, we will become responsible for monitoring the anti-money laundering controls of certain businesses, like leasing companies, trade finance houses and safe custody service providers. If businesses wish to continue to carry on the activities, they are required to register by 15 June 2008, and we will accept registration applications from 15 November 2007.

8.7 In September 2007, we set out our approach to registering and supervising these businesses; the approach document is available on our website at: www.fsa.gov.uk/pubs/other/approach.pdf.

8.8 Chapter 4 of the approach document sets out our plans for raising fees from registered businesses. It explains that we intend to recover the costs of the registration process through an up front registration fee, of £100 per registration application. We will recover the costs of setting up the regime and on-going supervisory work through an ongoing flat annual fee, currently estimated to be between £200 and £400. Future proposals to change any policy on these fees, or their levels will be communicated through our annual fees policy CP.

Bundled Travel Insurance

8.9 On 26 June 2007, the Treasury announced its intention to add the sale of travel insurance sold with a holiday or related travel to our scope. We said we will review the proposals following the Treasury's public consultation.

8.10 Widening our regulatory scope to supervise bundled travel insurance business means we need to accommodate affected firms (not all of whom will be authorised firms) within our fee-raising arrangements to recover the funding we need for any additional regulatory responsibilities. Therefore, we will need to assess what fees regime will accompany these new supervisory responsibilities. This would include fees payable for any applications for authorisations to carry on the newly regulated activity and periodic fees.

8.11 Our fees policy aims to group together fee payers offering similar products and services and presenting broadly similar risks to our statutory objectives. We will therefore need to consider whether firms conducting the new activity can 'fit' within any of the existing fee-blocks. Our current thinking is that new joiners carrying out bundled travel insurance business would be best placed within fee-block A.19 (general insurance mediation), together with other insurance intermediaries. We will consider whether it is fair and proportionate to have non-authorised firms in our authorised firm fee-block.

8.12 We will consult with the industry and consumer bodies in December 2007 on our overall regulatory approach, including our detailed thinking on the relevant fees regime.

Unclaimed Assets

8.13 Subject to parliamentary process and further consultation being completed, we expect our regulatory scope to change in the future to include the regulation of the activity of being a reclaim fund and, managing unclaimed bank and building society deposits. In March 2007 the Treasury published a consultation document[20] on proposals to introduce a UK unclaimed assets scheme to allow money in dormant bank and building society accounts to be reinvested in society. To provide that a reclaim fund may be able to fund applications from consumers reclaiming their dormant accounts, the proposals envisaged that a reclaim fund would have to be FSA authorised.

8.14 Widening our regulatory scope to include this new activity means we need to accommodate affected firms or entities within our fee-raising arrangements to recover the funding we need for any additional regulatory responsibilities. Those include fees payable for any applications for authorisation or variation of permission to carry on the new regulated activity; and periodic fees.

8.15 In the Queen's Speech on 6 November 2007, the Queen confirmed that an Unclaimed Assets Bill would be included in the 2007/08 legislative programme, this followed a similar announcement by the Prime Minster in his July, Legislative Programme Statement and the proposals are set out in 'The Governance of Britain: the Government's draft legislative programme[21]. Subject to the introduction and progress of a Bill through Parliament, further consultation by the Treasury to introduce a new FSMA-regulated activity and the development of our own rules and requirements, we envisage being able to accept applications for authorisation as a reclaim fund during 2009.

20 Unclaimed assets distribution mechanism: a consultation, HM Treasury, May 2007.

21 The Governance of Britain – The Government's Draft Legislative Programme, Cabinet Office, July 2007.

8.16 Application and periodic fee arrangements will need to be in place at this stage. We will therefore consult on our approach at the same time as we consult on our wider rules and requirements for reclaim funds.

Payment Services Directive

8.17 On 29 October 2007[22], the Treasury announced that we will be the UK regulator for the supervision of payment service provision under the Payment Services Directive and it plans to publish a consultation document at the end of 2007. We will consult on our approach to fees in 2008, at the same time as we consult on implementing the Payment Services Directive. The Directive must be implemented by 1 November 2009.

22 Press: 2007 – 115, HM Treasury, 29 October 2007.

Compatibility statement and cost benefit analysis

When we issue rules for consultation, we are required by section 155(2)(c) of the Financial Services and Markets Act (FSMA) to explain why we believe our proposals are compatible with our general duties under section 2 of FSMA. This is known as a 'compatibility statement'.

This annex contains the compatibility statement regarding FSA regulatory fees and levies policy proposals. Section 155(9) of FSMA exempts us from having to carry out cost benefit analysis on our fees policy proposals.

Compatibility with our statutory objectives

The fees policy proposals and draft rules we are consulting on here build on our earlier consultations on the policy framework for our funding arrangements and we believe that the current proposals are compatible with our general duties in section 2 of FSMA.

In discharging our duties we are required to act in a way that is compatible with our four statutory objectives (market confidence, public awareness, protection of consumers and reduction of financial crime).

FSA regulatory fees and levies policy proposals

As we have stated in previous consultations on fees, our fee-raising arrangements support each of our statutory objectives because they provide the resources that allow us to meet them. However, apart from our funding activities, we do not intend any of our funding arrangements in themselves to act as a means to achieve our statutory objectives.

Compatibility with the principles of good regulation

We have outlined in previous fees consultations how our general policy framework has been influenced by the 'have regard' factors in section 2(3) of FSMA (also known as the 'principles of good regulation'). Below, we consider how the proposals in this CP take account of these principles.

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

We believe that the proposals in Chapter 4 on clarifying rules for firms acquiring businesses from other firms will improve the efficiency with which we use our resources. The proposals will clarify our original policy intentions and remove any ambiguity that existed in the rules, thereby reducing the resource required to deal with misunderstandings. Further details are set out in Chapter 4 of this CP.

The principle that burden to be imposed should be proportionate to the benefits

To investigate whether the burden of a proposal is proportionate to the benefits that are expected to arise from its imposition, we normally carry out a cost benefit analysis. However, as explained above, rules relating to fees are excluded from this requirement.

The following proposals impose burdens which, we believe, are proportionate to the benefits and are fair because they only affect those firms that stand to benefit directly from the work to which these proposals relate.

The proposals in Chapter 2 regarding special project fees for Solvency II seek to recover the costs of the project development of £500,000 from the larger firms we expect to be affected in this area during 2008/09. Further details are set out in Chapter 2 of this CP.

The proposals in Chapter 7 regarding the recovery of costs resulting from necessary changes to our systems because of MiFID transaction reporting are designed to allow us to operate in the next financial year without being unreasonably constrained, while also not imposing an unreasonable burden on the affected firms. Further details are set out in Chapter 7 of this CP.

The proposals in Chapter 7 which deal with the possible future consultation on administration charges for persistent poor reporting on Retail Mediation Activities Return (RMAR) seek to fairly apportion the costs of the extra resources required to the firms responsible. Further details are set out in Chapter 7 of this CP.

The desirability of facilitating innovation in connection with regulated activities

The international character of financial services and the desirability of maintaining the competitive position of the UK

The need to minimise the adverse effects on competition that may arise from our proposals

The desirability of facilitating competition between those subject to our regulation

The proposals are of no material significance to these principles.

'Most appropriate' method

In discharging our general duties, we are required to act in a way that we consider most appropriate for the purpose of meeting our objectives.

We believe that our fees policy proposals are the most appropriate means of raising the funding requirement to maintain our statutory objectives because they are targeted only at the affected firms and are compatible with the legal framework provided by both FSMA and our Handbook.

List of questions on which we are consulting or seeking in principle views

Consultation questions requiring response	Relevant chapters
Q1: Do you agree with our proposals to charge a special project fee for Solvency II work in 2008/09?	Chapter 2
Q2: Do you agree with the proposed introduction of application fees for Part VII insurance business transfers and do you believe the proposed amounts are reasonable?	Chapter 3
Q4: Do you agree with our proposed clarification of how we apply our policy on firms acquiring businesses from other firms?	Chapter 4
Q5: Do you have any comments on the proposed consequential amendments to the MEL definition?	Chapter 5
Q6: Do you have any comments on the consequential amendment to delete the reference to Approved Persons after permission is given?	Chapter 6
Discussion questions where we are seeking in principle views	
Q3: Do you agree in principle that we should introduce an application fee for Part VII banking business transfers?	Chapter 3
Q7: Do you agree in principle that it is appropriate to levy an administrative charge on firms that are persistent in reporting poorly completed RMARs?	Chapter 7
Q8: Do you agree in principle that it is appropriate to recover our additional MiFID transaction reporting IS system development costs from the specific firms that will benefit from the modified reporting arangements and therefore the reduction in their own costs?	Chapter 7

Draft rules and guidance for consultation

DRAFT **FSA 2008/XX**

FEES PROVISIONS (2008/2009) INSTRUMENT 2008

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the following sections of the Financial Services and Markets Act 2000 ("the Act"):

(1) paragraph 17(1) of Schedule 1 (Fees).

Commencement

B. This instrument comes into force on [1 April 2008].

Amendments to the Handbook

C. The modules of the FSA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Fees manual (FEES)	Annex A

Citation

D. This instrument may be cited as the Fees Provisions (2008/2009) Instrument 2008.

By order of the Board
[ ] 2008

Annex A

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text. Where all text is new, we indicate this and the new text is not underlined.

[Fees for firms becoming authorised during the financial year – FEES 4]

…

4.2.7.R	A *firm* (other than and *ICVC* or *UCITS qualifier*) which becomes authorised, or whose *permission* is extended, during the course of the financial year must pay a fee which is calculated by: … (2) calculating the amount for each of those tariffs which is the higher of: (a) the minimum fee specified for the tariff; and (b) the result of applying the tariff to the projected valuation, for its first year (as provided to the *FSA* in the course of the *firm's* application), of the business to which the tariff relates ~~(or, where relevant, the number of *approved persons* immediately after the *permission* is given)~~; …

[Firms acquiring business from other firms – FEES 4]

….

4.3.15.R	(1) This *rule* applies if<ins>:</ins> <ins>(a)</ins> a *firm* (A) acquires all or a part of the business of another *firm* (B), whether by merger, acquisition of goodwill or otherwise, in relation to which a periodic fee would have been payable by B<ins>, unless no periodic fee was payable by A in the financial year that the business was acquired from B; or</ins> <ins>(b) A became authorised as a result of B's simple change of legal status (as defined in FEES 3 Annex 1R Part 6)</ins>. (2) If, before the date on which A acquires the business, B had paid any periodic fee payable for the period in which the acquisition occurred, FEES 4.2.6 R to FEES 4.2.7 R do not apply to A in relation to the business acquired from B. (3) If the acquisition occurs after the valuation date applicable to the business (as set out in FEES 4 Annex 1 R) which A acquired from B, for the period following that in which the acquisition occurred, FEES 4.2.1 R applies to A, in

	relation to that following period, as if the acquisition had occurred immediately before the relevant valuation date.

[Amendment to the definition of Modified Eligible Liabilities – FEES 4 Annex 1 Part 2]

….

Activity Group	Tariff-base
A1	**MODIFIED ELIGIBLE LIABILITIES** **For *banks*** **Liabilities** In sterling: £2 + £3 + £4 + £5A + £5B + £6B + £6C + £6D + £6E + £6F + £6G + £6H + £6J + ~~£7B + £7C + £7D + £7E + £7F + £7G + £7H + £7J +~~ £8 + £10 + 60% of £11A + £44 plus In foreign currency, one-third of: E2 + E3 + E4 + E5A + E5B + E6B + E6C + E6D + E6E + E6F + E6G + E6H + E6J + ~~E7B + E7C + E7D + E7E + E7F + E7G + E7H + E7J +~~ E8 + E10 + 60% of E11A + E44 + C2 + C3 + C4 + C5A + C5B + C6B + C6C + C6D + C6E + C6F + C6G + C6H + C6J ~~+ C7B + C7C + C7D + C7E + C7F + C7G + C7H + C7J +~~ C8 + C10 + 60% of C11A: less **Assets** In sterling: £21B + 60% of £22A + £23D + £23E + £23F + £30A + £30B + ~~£31A + £31B + £32AA~~ £32AA1 + £32AA2 plus In foreign currency, one-third of: E21B + 60% of E22A + E23D + E23E + E23F + E30A + E30B + ~~E31A + E31B + E32AA~~ E32AA1 + E32AA2 + C21B + 60% of C22A + C23D + C23E + C23F + C30A + C30B + ~~C31A + C31B + C32AA~~ C32AA1 + C32AA2
	Part 2: Non-resident office offset The fee base is adjusted by deducting from the amount calculated in accordance with part 1 above, the Non-Resident Office Offset amount obtained by subtracting item £45D plus one-third of both E45D and C45D from the sum of item £45BA, plus one-third of both E45BA and C45BA in the Form BT. The Non-Resident Office Offset amount, if it would otherwise have been a negative number, is zero. **Notes**: (1) All references in the above formula are to entries on Form BT (that is, the Balance Sheet Form completed to provide information required following the Banking Statistics Review 1997 and returned by *banks* to the Bank of England as required by the Bank of England Act 1998). (2) 'E' refers to assets and liabilities denominated in euro (as referred to in column 2 of Form BT) and 'C' refers to assets and liabilities denominated in currencies other than sterling and euro (as referred to in column 3 of Form BT). In accordance with Form BT, assets and liabilities in

	currencies other than sterling are to be recorded in sterling. (3) The figures reported on the Form BT relate to business conducted out of offices in the *United Kingdom*.

Location of fees and levy rules and guidance in the FSA Handbook

All rules and guidance on regulatory fees and levies are consolidated in the Fees manual (FEES) in our Handbook. The table below shows the organisation of rules and guidance in FEES:

Our powers to make rules for the payment of fees are in FSMA, at paragraph 17 of Part 3 of Schedule 1. Section 99 of FSMA sets out our power to make fee rules for the UK Listing Authority.

Table A4: Location of fees rules in the Fees Sourcebook (FEES)

Chapter and annexes	Summary of fees rules and guidance
FEES 1	**Application and Purpose**
FEES 2	**General Provisions**
FEES 3	**Application, Notification and Vetting fees**
Annex 1R	Authorisation fees payable
Annex 2R	Application and notification fees payable in relation to collective investment schemes
Annex 3R	Application fees payable in connection with Recognised Investment Exchanges and Recognised Clearing Houses
Annex 4R	Application and tranche fees in relation to listing rules
Annex 5R	Document vetting and approval fees in relation to listing and prospectus rules
Annex 6R	Fees payable for a waiver (or concession) or guidance on the availability of either in connection with rules implementing Basel Capital Accord
FEES 4	**Periodic fees**
Annex 1R	Activity groups, tariff bases and valuation dates applicable
Annex 2R	Fee tariff rates, permitted deductions and EEA/Treaty firm modifications
Annex 3R	Transaction reporting fees
Annex 4R	Periodic fees in relation to collective investment schemes
Annex 5R	Periodic fees for designated professional bodies

Chapter and annexes	Summary of fees rules and guidance
Annex 6R	Periodic fees for recognised investment exchanges and recognised clearing houses
Annex 7R	Periodic fees in relation to the Listing Rules
Annex 8R	Periodic fees in relation to the Disclosure Rules
FEES 5	**Financial Ombudsman Service Funding**
Annex 1R	Annual Fees
FEES 6	**Financial Services Compensation Scheme Funding**
Annex 1R	Management Expenses Levy Limit

(Note: Fees for unauthorised mutuals – the 'registrant-only' fee-block – sit outside our Handbook. Details can be accessed on the web at:
www.fsa.gov.uk/Pages/Doing/small_firms/MSR)

PUB REF: 001230

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