Consultation Paper

CP11/21**

Financial Services Authority

Regulatory fees and levies:

Policy Proposals for 2012/13

FSA®
Financial Services Authority

October 2011

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The Financial Services Authority invites comments on this Consultation Paper.

Comments should reach us by 6 January 2012 with the exception of the proposals in chapter 2 where they should reach us by 6 February 2012.

Comments may be sent by electronic submission using the form on the FSA's website at: www.fsa.gov.uk/Pages/Library/Policy/CP/2011/cp11_21_response.shtml.

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

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 Commissioner and the Information Tribunal.

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.

Abbreviations used in this paper

AFR	Annual funding requirement
FSCS	Financial Services Compensation Scheme
the ombudsman service	Financial Ombudsman Service
UKLA	UK Listing Authority
FEES	Fees manual
CFEB	Consumer Financial Education Body
CP	Consultation Paper
AP	Approved Persons
fte	Full-time equivalent
FSMA	Financial Services and Markets Act 2000
GDRs	Global Depositary Receipts
RCBs	Regulated covered bonds
EIA	Equality impact assessment
MiFID	Markets in Financial Instruments Directive
RDR	Retail Distribution Review
2EMD	Electronic Money Directive
EMRs	Electronic Money Regulations 2011
EMIs	Electronic money institutions

DETI	Department of Enterprise Trade and Investment
MELs	Modified Eligible Liabilities
DEPP	Decision Procedure and Penalties manual
DISP	Dispute Resolution: Complaints sourcebook
SUP	Supervision sourcebook

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Overview

1.1 Each year we consult on:

1) proposed policy changes to the fee and levy regimes;

2) our Annual Funding Requirement (AFR) and its allocation between fee-blocks;

3) our fee rates for the forthcoming financial year;

4) the Financial Services Compensation Scheme (FSCS) management expenses levy limit for the forthcoming financial year;

5) the Financial Ombudsman Service (the ombudsman service) general levy for the forthcoming financial year; and

6) the Money Advice Service[1] levies for the forthcoming financial year.

1.2 The annual consultation is relevant to all authorised firms and other bodies that pay fees to us and levies to the FSCS, the ombudsman service and Money Advice Service, as well as to potential applicants for FSA authorisation and listing by the UK Listing Authority (UKLA). We split the annual consultation into two phases. In October we consult on any proposed changes to the underlying policy for the FSA, the FSCS, the ombudsman service and Money Advice Service fees or levies – (1) above. In the following January we consult on the proposed changes to (2) to (6) above. The January consultation includes an FSA summary business plan for the next financial year and coincides with the publication of the FSCS, the ombudsman service and Money Advice Service budgets for the next financial year.

1.3 Additional background material to proposals in either this Consultation Paper or the paper to be published in January 2012 can be found in our consolidated fees Policy Statement on our fee-raising arrangements and regulatory fees and levies – PS11/7 published in May 2011. The FSA Handbook rules and guidance on fees are in the Fees manual (FEES) and Annex 3 to this paper outlines the structure of FEES for ease of reference.

1 The Money Advice Service changed its name in April 2011 from the Consumer Education Financial Body (CFEB) which is the function it undertakes under the Financial Services and Markets Act 2000. FEES 7 in the FEES Manual continues to refer to CFEB levies.

Structure of this Consultation Paper (CP)

1.4 This CP explains the fee and levy policy proposals for consultation and clarification of policy. To identify the chapters most relevant to you, see Table 1.1 at the end of this chapter. This also sets out the closing date for consultation responses and when the rules and/or guidance will be finalised and feedback on consultation responses will be published.

1.5 There are three annexes and three appendices 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 the questions in this CP.
- **Annex 3** sets out where fee and levy rules and guidance are found in our Handbook.
- **Appendix 1** contains draft FEES and DISP rules and guidance for consultation response by 6 January 2012 and scheduled to be made at the January 2012 FSA Board.
- **Appendix 2** contains draft FEES rules and guidance for consultation responses by both the 6 January 2012 and 6 February 2012 which are scheduled to be made at the March 2012 FSA Board.
- **Appendix 3** contains draft FEES rules and guidance for consultation response by 6 January 2012 and scheduled to be made at the May 2012 FSA Board.

Summary of proposals

1.6 The proposals covered in this CP are summarised below.

Chapter 2 – Modification of tariff base for proprietary traders and certain intermediaries

1.7 We are proposing to change the tariff base for the following fee-blocks.

- A.10: Firms dealing as principal.
- A.12: Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both).
- A.13: Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both).
- A.14: Corporate finance advisers.

1.8 This affects fees for the FSA, the ombudsman service and the Money Advice Service.

1.9 The present tariff base is a headcount of traders in fee-block A.10 and a headcount of Approved Persons (APs) in the other fee-blocks. We plan to allow firms to report full-time equivalent (fte) posts rather than individuals in A.10 from 2012/13 and replace the headcount of APs with an income measure for fee-blocks A.12, A.13 and A.14 from 2013/14. We have sought to keep the income definitions as straightforward as possible, with a single set of high-level guidance covering all three fee-blocks.

Chapter 3 – Financial penalty scheme

1.10 We propose to amend our financial penalty scheme under the Financial Services and Markets Act 2000 (FSMA). This will affect all firms authorised under FSMA in the 'A' fee-blocks and operators of multi-lateral trading facilities in fee-block B.

1.11 Under the current scheme, money received through penalties (often referred to as 'fines') is first allocated to the fee-block/s paying the enforcement costs of the cases, to meet the costs of the specific enforcement action in full. Any balance is then distributed across all FSMA fee-blocks in proportion to their respective contributions to our annual funding requirement (AFR).

1.12 An internal review has concluded that it would be fairer to distribute the balance in proportion to our estimates of enforcement activities for the coming year rather than the AFR. This would mitigate the costs to firms that are not themselves subject to any enforcement investigation, but that happen to be in a fee-block whose AFR includes a high allocation for anticipated enforcement work.

Chapter 4 – UK Listing Authority – revision of certain fees

1.13 We are proposing some changes to the fees charged by the UK Listing Authority (UKLA):

- **Sponsor – change of legal status:** When a sponsor changes its legal status, it has to re-apply for approval, paying the appropriate application fee, and then pay a periodic fee again as a new entity, even if it is only a simple change of legal status and not a substantive change. We propose to reduce the application fee under these circumstances from £15,000 to £5,000 and make no further charge for the present year's periodic fees (currently a fixed fee of £20,000) if they have already been paid by the previous entity.
- **Document vetting fees:** We have decided to revise some of our vetting fees for documents to give a better reflection of the effort we put into processing them. We propose raising the fee for vetting a non-equity securities note and summary document (Category 6) from £660 to £825, and removing the discount on the fee for vetting a drawdown or base prospectus (Category 8). This category would now be included under Category 4 and charged the full fee of £2,750 rather than £660.

- **Valuation of shares in issue:** UKLA fees for issuers of securities are partly based on the market capitalisation (i.e. market value) of the shares in issue. Where an issuer has more than one type of share in issue, we propose to base the fee in future on the total market valuation rather than, as now, the share type that has the highest valuation, and we will bring the fees for Global Depositary Receipts (GDRs) into line with other share issues by basing them on the market capitalisation instead of a flat fee.

Chapter 5 – Regulated Covered Bonds Regulations 2008 – revised fees regime

1.14 We set out our proposals for a revised fees regime for issuers of regulated covered bonds (RCBs) under the Regulated Covered Bonds Regulations 2008. The proposals cover:

- Application fees for an issuer applying for registration of a RCB – we are introducing a two category approach to target the recovery of our costs to those applications that require more of our resources to process;
- Periodic fees – introducing a new separate fee-block (G.15) to which a proportion of our annual funding requirement (AFR) will be allocated reflecting our full ongoing RCB regulatory costs. The costs allocated to the G.15 fee-block will only be recovered from issuers of RCBs and will be a combination of a minimum fee and a variable periodic fee, compared to a single flat fee currently; and
- A material change fee (new) – where an issuer proposes to make a material change to the contractual terms of a RCB.

1.15 These proposals follow a review of the RCB fees regime in the light of our experience since 2008 and the subsequent approaches we have taken for recovering our costs under the Payment Services Regulations 2009 and the Electronic Money Regulations 2011.

1.16 The firms affected by these proposals are existing issuers of RCBs[2] (12 issuers) together with potential new applicants. Issuers of RCBs must be a UK authorised credit institution and currently the full costs of regulating this regime are allocated to the A.1 fee-block (Deposit acceptors). Therefore, all other firms in the A.1 fee-block are also affected. Firms in the A.1 fee-block include banks, building societies and credit unions, the majority of which are not issuers of RCBs.

Chapter 6 – Modified tariff base for electronic money issuers

1.17 Following discussions with the industry, we are proposing a slight modification to the data authorised electronic money institutions and credit institutions that issue electronic money

2 The current list of registered issuers of RCBs can be found on our website at: www.fsa.gov.uk/pages/Register/rcb_register/index.shtml

in fee-block G.10 report to us. This is the metric from which we calculate their periodic fees. At present, they report an average of six months up to 31 December. Our proposal is that they should take an average of 12 months to even out the distortions caused by seasonal fluctuations in trade for some products, such as the Christmas shopping period.

Chapter 7 – Fees for insurance business transfers

1.18 We propose guidance in relation to the fees for insurance business transfers where the application fee and a restructuring special project fee could both be levied.

Chapter 8 – Policy clarifications

1.19 We are setting out two policy clarifications, for information only.

- **Northern Ireland credit unions:** We are confirming that Northern Ireland credit unions will be charged fees on the same basis as Great Britain credit unions when responsibility for their regulation passes to us from 31 March 2012.
- **New suspension powers:** When calculating a firm's fees, we will not seek to adjust them to take into account the effect of any restriction or suspension imposed under the powers given to us by the Financial Services Act 2010 to suspend or restrict the permissions an authorised person under section 206A of FSMA, or the performance by an approved person of one or more controlled functions, under section 66 of FSMA. This affects all authorised firms.

Chapter 9 – Complaints Reporting – administration fee

1.20 We propose to introduce an administrative fee for late or non-submission of the complaints reports required in our complaints handling rules. The proposed administrative fee is consistent with the administrative fee that already exists for late or non-submission of other regulatory returns.

Consultation period

1.21 The closing date for consultation on the proposals in this paper is 6 January 2012, with the exception of Chapter 2, where the closing date is 6 February 2012.

Next steps

1.22 Subject to FSA Board approval and in light of responses to this CP, we expect to publish our feedback and finalise the rules in accordance with the timetable set out in Table 1.1 at the end of this chapter.

1.23 We expect to publish the final rules and appropriate feedback statements in our annual consolidated Policy Statement in May 2012, which will reflect the finalised policy and rules from this consultation and the January 2012 fees and levy rates consultation. Fee payers will be invoiced from June 2012 on the basis of the 2012/13 periodic fees, levies and policy changes.

CONSUMERS

This CP contains no material of direct relevance to retail financial services consumers or consumer groups – although, indirectly, part of our fees are met by financial services consumers.

Table 1.1

Issue	Fee-payers likely to be affected*	Chapter	Deadline for responses to consultation	Rules to be finalised
Modification of tariff base for proprietary traders and certain intermediaries	Fee-payers in the following fee-blocks: A.10 Firms dealing as principal; A.12 Advisory arrangers, dealers or brokers (holding client money/assets); A.13 Advisory arrangers, dealers or brokers (not holding client money/assets); and A.14 Corporate finance advisers.	2	6 February 2012	March 2012 and feedback published. *Note: proposals relating to A.10 are scheduled to come into effect for 2012/13 and for A.12, A.13 and A.14 to come into effect for 2013/14.*
Financial penalty scheme	All firms authorised under FSMA in the 'A' fee-blocks and operators of multi-lateral trading facilities in fee-block B.	3	6 January 2012	Revised financial penalty policy (no rules) and feedback published in the January 2012 CP.
UK Listing Authority – revision of certain fees	Fee-payers under the E fee-block: an issuer of securities who as been admitted to the *official list* (as defined in section 74 of FSMA); or a sponsor (as defined in section 88 of FSMA).	4	6 January 2012	Feedback to be included in the January 2012 CP and rules for revised application and vetting fees to be finalised in March 2012 and the revised periodic fee tariff base to be finalised in May 2012.
Regulated Covered Bonds Regulations 2008 – revised fees regime	Existing and potential new entrants to the G.15 fee-block (proposed) which represents every *issuer* of a *regulated covered bond*. Fee-payers under fee-block A.1 – Deposit acceptors.	5	6 January 2012	Feedback to be included in the January 2012 CP and rules for revised application fees and new material change fee to be finalised in March 2012 and the revised periodic fee structure rules to be finalised in May 2012.
Modified tariff base for electronic money issues	Electronic money issuers	6	6 January 2012	Feedback included in the January 2012 CP and rules finalised March 2012.
Fees for insurance business transfers	Fee-payers under fee-blocks: A.3 Insurers – general; and A.4 Insurers – life.	7	6 January 2012	January 2012 and feedback published.

Issue	Fee-payers likely to be affected*	Chapter	Deadline for responses to consultation	Rules to be finalised
Policy clarifications: Northern Ireland credit unions Fees and the FSA's suspension powers	 Primarily Northern Ireland credit unions All authorised firms	8	Not applicable	Not applicable
Complaints Reporting – administration fee	All firms authorised under FSMA, except credit unions, authorised professional firms (in certain circumstances) and firms that have been granted an exemption under DISP 1.1.12R"	9	6 January 2012	January 2012 and feedback published

*The method for calculating FSCS and ombudsman service levies is, in part, impacted by the way FSA fees are claculated. The Money Advice Service levy calculation method mirrors fully that of the FSA's. We highlight in the relevant chapters where the proposed changes to FSA fees methodology affect the calculation of levies for these other organisations.

2

Modification of tariff base for proprietary traders and certain intermediaries

(FEES 4, Annex 1, Part 2, Part 3, Annex 13R & FEES 5, Annex 1 – Draft rules in Appendix 2)

2.1 This chapter puts forward proposals for changing the tariff base for the following fee-blocks:

- A.10: Firms dealing as principal;
- A.12: Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both);
- A.13: Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both); and
- A.14: Corporate finance advisers.

Our proposal affects fees for the FSA, the ombudsman service and the Money Advice Service. The draft rules are in Appendix 2.

2.2 We are making these changes partly in response to an equality impact assessment (EIA) we have carried out of our fees policy, and partly to resolve longstanding administrative difficulties in validating the data for fee-blocks A.12, A.13 and A.14. The fees for all of these fee-blocks are based on a headcount of employees. We propose to allow firms in fee-block A.10 to report full-time equivalent (fte) posts from 2012/13 and to replace the headcount with an income measure for the other fee-blocks from 2013/14.

2.3 The chapter is in three sections:

- equality impact assessment of fees policy;

- fee-block A.10; and
- fee-blocks A.12, A.13, A.14.

Equality impact assessment of fees policy

2.4 We are required under the Equality Act 2010 to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out our functions. As part of the process of testing our compliance with the Equality Act, we have conducted an equality impact assessment (EIA) of our fees policy.

2.5 The impact of our fees policy on firms ought to be neutral in terms of equalities. As we explain in our compatibility statement in Annex 1, the policy supports each of our statutory objectives by ensuring delivery of the resources required to meet them, but is not intended in itself to promote our objectives or influence firms' behaviour. Fees do not directly affect the wider public, although firms eventually recover the costs from their clients, including retail customers. Overall, the EIA confirmed the neutrality of fees policy. Fees are, in general, based on objective measures of firms' size and/or impact. They do not create barriers to equality of opportunity or influence behaviour.

2.6 However, the EIA did raise potential concerns about fee-blocks A.10, A.12, A.13 and A.14, because their fees are based on a headcount of individuals. The headcount makes no allowance for part-time working, so might be interpreted as a barrier in the way of the recruitment or career development of people wishing to work part-time or job-share.

2.7 We have no reason to believe that the headcount has in practice influenced employers. However, as a responsible public body, we may not maintain a policy once we have taken a view that it might constitute a barrier to good practice in equalities. We have therefore decided the headcount as presently constituted is incompatible with our duties under the Equality Act.

2.8 The simplest solution would be to allow firms to report their headcount in fractions, as fte posts, proportionate to the contracts of the staff involved. If an employee was working a three-day week, then the firm would declare a headcount of 0.6. This would level the playing field between full-time employees and those working part-time or job-sharing. Firms should have no difficulty providing ftes, as that is how they normally record their staff totals. This is the solution we are proposing for fee-block A.10 in paragraphs 2.11 – 2.14 below.

2.9 However, this solution is not appropriate for fee-blocks A.12, A.13 and A.14 because their headcount is not conducted on the same basis as in A.10 and is generating operational difficulties both for us and firms. We instead propose an income measure which will simplify the administration while at the same time removing any theoretical risk of adversely having an impact on good practice in equalities. We discuss the issues in paragraphs 2.10 to 2.12 below.

Fee-block A.10 – firms dealing as principal

2.10 Firms in fee-block A.10 report a count of the number of staff whose functions include the trading activities defined in FEES 4 Annex 1. This may not be the ideal measure. When we carried out our original consultation on fees in 2000 (CP79 – December 2000), we proposed three alternatives for the A.10 tariff base, none of which proved satisfactory:

- *Gross assets relating to the activity* (sum of trading book stocks and investments, commodity stocks and investments, and trade debtors): This was rejected because it would not capture charges associated with positions that did not qualify for inclusion in the balance sheet, and because firms reported only net positions not gross positions.
- *Trading book capital charges* (sum of the counter-party risk requirement – CRR, position risk requirement – PRR, foreign exchange requirement and large exposures requirement – LER): This was rejected because it could contain elements that were not relevant to trading as principal such as debtor exposures not directly related to proprietary trading.
- *Position risk requirement* (average over 12 months ending 31 December to iron out volatility): This was rejected because it would provide incomplete coverage since the information was not provided by EEA branches.

2.11 The headcount of traders was retained as the tariff base on pragmatic grounds because firms were familiar with it and could readily provide it. These are strong reasons and they still apply. We do not believe we should discard a measure which works well. Instead, we have decided to modify the definition to bring it into line with good practice on equalities by allowing firms to report their traders as fte posts.

2.12 The fte figure reported by firms should reflect the formal terms of individuals' employment contracts, not the number of hours they actually work. They should not attempt to estimate the proportion of individuals' time taken up in practice with proprietary trading. Under the present definition, firms report on anyone they have authorised to trade as principal, however small a part it may be of a person's day-to-day function. The same will apply under the new definition. The results should be reported to one decimal place, and rounded down.

> **Q1:** Do you agree with our proposal to allow firms in fee-block A.10 to report their traders as fractions of full-time equivalent posts, not as a headcount of individuals?

Fee-blocks A.12, A.13, A.14

2.13 The fees for firms in fee-blocks A.12, A.13 and A.14 are based on the number of Approved Persons (APs) registered under the CF30 customer function. Firms are not required to report the numbers to us because we already have the information. Since each AP has to be authorised by us, our administrative systems hold the definitive count of the number of

CF30s. We inherited from our predecessor bodies the headcount of 'registered individuals' (as APs were then known) and the simplicity of the system was the main reason for retaining it. In 2004, we proposed replacing it with an income measure but, following a survey of 1,500 firms, decided the headcount remained the more straightforward tariff base.

2.14 At that time, the headcount was easy to administer and sensitive to the activities undertaken by firms. APs were authorised by us under seven different customer functions. Since they had to be authorised each year, this provided an objective measure generated by our own systems. It required no validation, nor did firms need to supply us with any additional information as we already had the data in our database. Table 2.1 shows how the customer functions automatically determined which fee-blocks APs should be allocated to.

Table 2.1: Distribution of former customer functions between fee-blocks until 2007

Customer function		Fee-block
21	Investment adviser	A.12/A.13
22	Investment adviser (trainee)	A.12/A.13
23	Corporate finance adviser	A.14
24	Pension transfer specialist	A.12/A.13
25	Adviser on syndicate participation at Lloyd's	A.12/A.13
26	Customer trading	A.12/A.13
27	Investment management	Excluded

2.15 In October 2007, the Markets in Financial Instruments Directive (MiFID) merged the former customer functions CF21-CF27 into a single CF30 function. This meant it was no longer possible to allocate APs to fee-blocks automatically on the basis of their authorisations. Instead, each year we have to agree with firms which of their CF30 APs might have obtained authorisation under the old customer functions if these still existed. This is a time-consuming and difficult exercise and it becomes more detached from reality as staff move on and familiarity with the old CF21 – CF27 structure fades. Working with an obsolete tariff-base is inefficient and generates more work for us and firms. We need to establish a fair and more efficient way of calculating the fees for these fee-blocks.

2.16 In 2008, we decided to replace the headcount with an income measure for the Financial Services Compensation Scheme (FSCS) levy. This was implemented from 2010/11. In 2009 (CP09/26), we suggested a similar approach for FSA fees, but when we discussed our ideas with the industry, some firms expressed concern about the level of detail they would have to provide to distinguish regulated from other income. Our definitions might not reflect the way they monitor staff time, present invoices or maintain accounts. The following are examples of the comments we received:

- Wholesale firms whose primary focus is investment management might have difficulty setting the dividing line between advice and management, and identifying investment income from activities that had actually been conducted in the UK rather than merely reported in the UK.
- Professional firms, such as accountants and solicitors who provide holistic services, might find it difficult to put a figure on the proportion of time directly attributable to financial or investment advice in discussions relating to any one case.
- Solicitors might find it difficult to distinguish mainstream from non-mainstream activities.
- Regulated investment advice may form a relatively small, and not readily identifiable, proportion of the activity of some professional corporate finance advisers, so focusing on the regulated elements of specific cases might require systems to report in excessive detail and there might be inconsistency over interpretation.

2.17 These are valid concerns but we believe our track record demonstrates that we are fair and pragmatic when validating tariff data submitted by firms. Where it is not feasible or cost effective to set up systems to account separately for every strand of income or change the presentation of individual invoices, firms should instead estimate the proportion of their annual income that is derived from the relevant permissions and apply that figure to the total as a multiplier. If challenged, we would expect them to be in a position to present robust evidence demonstrating the validity of their assumptions and to confirm that the methodology had been approved at an appropriate level within the firm. The draft rules in appendix 1 present explicit guidance on maintaining a proportionate and evidence-based approach to estimating the apportionment of income.

Defining regulated income

2.18 The rules and guidance in appendix 1 set out in detail our definition of relevant annual income for FSA fees and the ombudsman service levy. It draws on the guidance developed for fee-blocks A.18 and A.19 and the FSCS, and takes into account the rules on charging we are introducing for certain products and advisers under the Retail Distribution Review (RDR).[3] We want firms to report the net amount of income from advisory and consultancy charges, brokerages, fees, commissions and related income arising out of the regulated activities prescribed for fee-blocks A.12, A.13 and A.14. The total should include any interest from income related to their regulated activities. Business expenses and administration charges should not be deducted or included. Rebates to customers should be excluded and also fees or commission passed to other authorised firms since this might result in double-counting. The income subject to ombudsman service jurisdiction should coincide with our 'regulated' income.

3 See *Distribution of retail investments: Delivering the RDR – feedback to CP09/18 and final rules* (PS10/6), *Delivering the Retail Distribution Review: Corporate pensions – feedback to CP09/31 and final rules* (PS10/10).

Timing

2.19 Firms report their income data for fee-blocks A.18 and A.19 on the basis of their financial years ending in the calendar year before the fee-year. That is to say, their 2012/13 fees will be based on the data from their financial year ending during 2011. We would follow this precedent for fee-blocks A.12, A.13 and A.14. That means the earliest we can implement the new tariff-base is 2013/14, whose data will be based on firms' financial years ending during 2012.

2.20 We are amending our Gabriel reporting system to enable firms to report their information, where appropriate, through Section J of their RMAR regulatory return. The changes may not be complete until the end of the first quarter of 2012, and so some firms may have to update their data later. We will write separately to firms that do not report their fees tariff data through the RMAR. We will provide indicative fee-rates in our Consultation Paper on proposed FSA fees for 2013/2014, which will be published in January or February 2013.

Impact of Retail Distribution Review

2.21 Since our fees proposals will be introduced from 2013/14, they will take effect after adviser charging and consultancy charging on certain products and for certain advisers have been introduced as part of the RDR. Consequently, the first year's reported income for many advisory firms will be based on their current charging structures, including commissions which they will have to discontinue for new advice once the RDR has come into force. Similarly, the reported income for some firms will for several years continue to include ongoing commissions from previous business. The income definitions therefore seek to take account both of current practice and future practice.

Commission equivalent weightings

2.22 Some vertically-integrated firms make a business decision not to charge for advice when selling through their own advisers. This will become obsolete as commissions are replaced by adviser charging, but in the meantime it could reduce their reported income and so limit their liability for fees on regulated activities that other firms are paying for. To avoid the risk of cross-subsidy, we introduced weightings into fee-blocks A.18 and A.19 to estimate the value of foregone commission. For example, the commission-equivalent weighting for home finance providers in A.18 is 0.004, multiplied by the value of all mortgage advances and other home finance transactions, and for general insurers in fee-block A.19, it is 0.07 against the value of the premiums.

2.23 Waiving charges for advice is common practice in selling mortgages and insurance but we do not believe it is widespread (if practised at all) in fee-blocks A.12, A.13 or A.14, since their permissions exclude mortgage and insurance business. Nevertheless, there may be some exceptions we are not aware of, so we propose in such cases to apply the same commission-equivalent weighting we prescribe for mortgage providers – i.e. 0.004 against

the total value of new investment contracts. We would welcome comments on whether this precaution is in fact necessary and, if so, what the appropriate weighting might be.

2.24 We wish our definitions to be straightforward and unambiguous, without undue complexity, and would welcome views from the industry. Rather than introducing detailed rules for each fee-block, we have prepared a new Annex 11AR which sets out a high level definition of income applicable to all the fee-blocks, with guidance on the apportionment of different income streams.

> **Q2:** Do you have any views on the definitions and guidance we have prepared on the income measures we propose to introduce for fee-blocks A.12, A.13 and A.14 from 2013/14?

3 Financial penalty scheme

3.1 In this chapter, we consult on a change to our financial penalty scheme under the Financial Services and Markets Act 2000 (FSMA). The proposal will affect all firms authorised under FSMA in the 'A' fee-blocks and operators of multi-lateral trading facilities in fee-block B.

Introduction

3.2 We are required under FSMA to operate and publish a scheme to ensure that the amounts we receive from financial penalties imposed under FSMA (often referred to as 'fines') are applied for the benefit of authorised persons. The details of the current scheme are set out in Annex 4 of the consolidated Policy Statement on our fee-raising arrangements, which we published in May 2011.[4]

3.3 Although the financial penalty scheme does not form part of the fees manual, we are required to consult on changes to it. Amounts we receive from financial penalties are not applied to the FOS, FSCS or Money Advice Service levies.

Proposal

3.4 Our proposal is to change the way we distribute the amounts we receive from financial penalties across fee-blocks.

3.5 Since we last consulted on applying amounts we receive from financial penalties in CP07/3 (February 2007), we have distributed such amounts in the following order:

- firstly, they are allocated to the fee-block/s paying the enforcement costs of the cases; and
- secondly, we distribute any remaining amounts across all FSMA fee-blocks in proportion to their respective contributions to our annual funding requirement (AFR).

4 *Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2011/12* (PS11/7, May 2011).

3.6 The allocated AFR costs of enforcement for a fee-block are dependent on the enforcement activity expected to be undertaken for that fee-block. An internal review found that distributing any remaining amounts from penalties across all fee-blocks in proportion to their contributions to our AFR is potentially unfair, as it means that firms who are not the subject of any enforcement investigation, but who are in a fee-block that pays higher enforcement costs, do not benefit as much as firms in fee-blocks with lower enforcement costs. To resolve this, we propose to set the money we receive from penalties against wider estimates of enforcement resources by distributing any remaining amounts in proportion to our allocations of enforcement costs.

3.7 Table 3.1 shows that, if our proposal had been applied in the current financial year, it would have raised the financial penalty distribution in several fee-blocks where high estimates of enforcement activity had pushed up the AFR. For example, it would have helped to mitigate the broader impact of increased enforcement activity on corporate finance advisers in fee-block A.14, advisory arrangers, dealers and brokers in A.12 and operators of collective investment schemes etc in A.9. By contrast, the financial penalty distribution would have been lower in fee-blocks where there was less enforcement activity, such as insurance providers in A.3 and A.4. We believe this confirms that our proposed approach is fairer.

Table 3.1: Impact on fee-blocks of setting penalties against aggregate enforcement costs, 2011/12

Fee block	Discount (%)		Actual increase / decrease in AFR from 2010/11 – 2011/12(%)
	Actual	Using proposed approach	
A.0 – Minimum fee	16.8	0.1	-7
A.1 – Deposit acceptors	17.0	8.8	8
A.2 – Home finance providers and administrators	20.8	34.9	36
A.3 – Insurers – general	16.9	5.0	-4
A.4 – Insurers – life	16.9	5.1	-8
A.5 – Managing agents at Lloyd's	16.8	0.0	7
A.6 – The Society of Lloyd's	16.8	0.1	-5
A.7 – Fund managers	18.1	12.8	-9
A.9 – Operators, Trustees and Depositaries of collective investment schemes and Operators of personal pension schemes or stakeholder pension schemes	16.8	33.3	75
A.10 – Firms dealing as principal	18.6	10.6	19
A.12 – Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	21.7	46.9	88
A.13 – Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	17.7	23.5	-2
A.14 – Corporate finance advisers	20.4	52.9	136
A.18 – Home finance providers, advisers and arrangers	18.2	45.6	5
A.19 – General insurance mediation	17.3	10.0	-19
B – MTF operators	16.7	1.8	-3
E – Issuers and sponsors of securities	4.7	18.8	17
G – Firms registered under the Money-Laundering Regulations 2007, covered by Payment Services Regulations 2009, subject to Electronic Money Regulations 2011	0.10	0.10	78

Q3: Do you agree that, after paying the enforcement costs of cases, we should distribute the balance received from financial penalties according to the aggregate levels of enforcement activity estimated for each fee-block, to reduce the impact on firms in the same fee-block which are not generating enforcement work?

4

UK Listing Authority – revision of certain fees

4.1 We are proposing a number of changes to the fees charged by the UK Listing Authority (UKLA).

Sponsor – change of legal status

FEES 3, Annex 1, Annex 4, FEES 4.2.11R – Draft rules in Appendix 2

4.2 We propose to modify our charges for sponsors who change their legal status. Sponsors are required to be appointed, or their guidance sought, at key times during the life of a company with a premium listing, such as during initial listing or for significant transactions. The UKLA maintains a list of sponsors and a firm wishing to become one must apply to the UKLA for approval. We charge a fee of £15,000 for an application to become a sponsor and those on the list of approved sponsors also pay an annual periodic fee of £20,000. If an existing sponsor changes its legal status, it is required to re-apply for approval, paying the appropriate application fee, and then pay a periodic fee again as a new entity. Often this is a simple change of legal status and not a substantive change. Under these circumstances, and provided the sponsor continues to meet the eligibility criteria, assessing the re-application is not as resource-intensive as a fresh application, and so we are able to set a lower fee. Similarly, we consider there to be no need for the successor body to pay a second periodic fee.

4.3 We accordingly propose to reduce the application fee to £5,000 for simple changes of legal status and make no further charge for the current year's periodic fees if they have already been paid by the previous entity. We would achieve this through the following actions.

- Adding a new Part 7 to FEES 3, Annex 1. This would define a simple change of legal status for sponsors, modelled on the existing definition for authorised firms as a whole in Part 6.

- Introducing into FEES 3, Annex 4, Part 2 a new category of application for approval as a sponsor following a simple change of legal status as defined in FEES 3, Annex 1, Part 7, with a fee of £5,000.
- Amending FEES 4.2.11R to allow us to charge no fee if, following a simple change of legal status as defined, the full fee has already been paid by the previous legal entity, or the balance if the fee was only part-paid.

Document vetting fees

FEES 3, Annex 5, Part 2 – Draft rules in Appendix 2

4.4 We propose to align our vetting fees for documents to reflect better the effort we put into processing them. We levy vetting fees for each prospectus, which is the document that describes a financial security for potential investors and varies depending on the category of the securities the prospectus covers. The changes we propose are:

- raise the fee for vetting a non-equity securities note and summary document (Category 6) from £660 to £825; and
- remove the discount on the fee for vetting a drawdown or base prospectus (Category 8) – the current discount could be criticised as encouraging issuers to avoid publishing a supplementary prospectus, this category would now be included under Category 4 and charged the full fee of £2,750 rather than £660.

Tariff base – valuation of shares in issue

FEES 4, Annex 7 – Draft rules in Appendix 3

4.5 We propose two changes to our methodology for valuing shares in issue when calculating periodic fees for fee-block E (issuers of securities). These are in part based on the market capitalisation (i.e. market value) of the shares in issue – the higher the market capitalisation of the shares in issue, the greater the fee.

- When an issuer has more than one type of share in issue, we currently use the share type that has the highest market capitalisation. For example, if Company A had two types of share in issue with a market capitalisation of £5bn and £2.5bn respectively and Company B had only one security, with a market capitalisation of £7.5bn, Company B would pay higher periodic fees than Company A, even though A's total market capitalisation of both its share types is also £7.5bn. We therefore propose to base these periodic fees on the total market capitalisations of all types of share an issuer has in issue.

- We also propose to bring the fees for Global Depositary Receipts (GDRs) into line with those of all other share issues by basing them on the market capitalisation (calculated on the number of shares in issuance) rather than a flat fee as now.

Q4: Do you have any comments on the changes to fees for the UKLA that we have proposed in chapter 4?

5

Regulated Covered Bonds Regulations 2008 – revised fees regime

(FEES 3 and FEES 4 – Draft rules in Appendix 2 and 3)

5.1 In this chapter we set out our proposals for a revised fees regime for issuers of regulated covered bonds (RCBs) under the Regulated Covered Bonds Regulations 2008. The proposals cover the following.

- Application fees for an issuer applying for registration of an RCB – we are introducing a two category approach to target the recovery of our costs to those applications that require more of our resources to process.
- Periodic fees – introducing a new separate fee-block (G.15) to which a proportion of our annual funding requirement (AFR) will be allocated, reflecting our full ongoing RCB regulatory costs. The costs allocated to the G.15 fee-block will only be recovered from issuers of RCBs and will be a combination of a minimum fee and a variable periodic fee, compared to a single flat fee currently.
- A material change fee (new) – where an issuer proposes to make a material change to the contractual terms of an RCB.

5.2 These proposals follow a review of the RCB fees regime in light of our experience since 2008 and the subsequent approaches we have taken for recovering our costs under the Payment Services Regulations 2009 and the Electronic Money Regulations 2011.

5.3 The firms affected by these proposals are existing issuers of RCBs[5] (12 issuers) together with potential new applicants. Issuers of RCBs must be a UK authorised credit institution and currently the full costs of regulating this regime are allocated to the A.1 fee-block

5 The current list of registered issuers of RCBs can be found on our website at: www.fsa.gov.uk/pages/Register/rcb_register/index.shtml

(Deposit acceptors). Therefore, all other firms in the A.1 fee-block are also affected. Firms in the A.1 fee-block include banks, building societies and credit unions, the majority of which are not issuers of RCBs.

5.4 The current fees rules for RCBs are contained in Chapter 5 of the RCB specialist sourcebook. We propose that the revised fee rules will be included in our FEES Manual.

Application fees

5.5 Application fees are levied primarily for new entrants to regulation and where an existing regulated firm undertakes an additional activity that needs our approval. Our overall policy for firms undertaking an additional activity that needs approval is that the application fee should target the reasonable cost of processing the application to the firms applying rather than the costs being recovered from all the firms in a particular fee-block – 'user pays'.

5.6 We meet this policy by only recovering from applicants the incremental direct costs of processing their applications. Overheads and indirect costs are not included as these are recovered through periodic fees. Application fees are treated as Sundry Income and effectively reduce the annual funding requirement allocated to the relevant fee-blocks, which is the amount recovered through periodic fees.

Proposed revised application fee

5.7 The current application fee for an issuer applying for registration is £25,000 regardless of the underlying collateral in the proposed programme. All applications to date have been based on a pool of UK residential mortgages as collateral. We have reviewed the average direct costs of processing these applications and we do not propose to change the fee for this category of application.

5.8 However, for any applications based on programmes collateralised by a different class of assets, considerable additional work would need to be undertaken. This could include additional testing and review of documentation, legal review and creating a modified version of the existing model. We estimate that the direct costs of this additional work would be significantly more, so we are proposing to introduce a separate category of application fee at £45,000.

5.9 Overall, we are proposing that the application fees for an issuer applying for registration of a RCB are:

- in the case of a covered bond or programme, where the assets in the asset pool will consist primarily of UK residential mortgages – £25,000; or
- in any other case – £45,000.

5.10 We recognise that the second category of fee is based on estimates of the costs of anticipated additional work. We will therefore review this fee when we have had some actual experience of such applications.

> **Q5:** Do you agree with our proposed revised application fees for an issuer applying for registration of a RCB?

Periodic fees

5.11 Currently an issuer pays a periodic fee of £20,000 for each financial year (1 April to 31 March) in which the issuer is on the register of issuers as at the 31 March of the previous financial year. This is a flat periodic fee and was set at the outset of our regulation of RCBs in 2008, based on our estimates of the direct costs of the resources needed to meet the annual costs of the ongoing regulation of this regime. As there are 12 issuers registered, the current fee would raise £240,000.

Allocation of costs

5.12 Our review of the RCB fees regime concluded that the current level of fees significantly under recovers our direct costs. Our review also considered what would be the full costs if we included indirect costs and overheads. This is how we operate the allocation of costs to fee-blocks that cover specific regulated activities under FSMA (the 'A' fee-blocks) and where we have responsibilities assigned to us through various regulations, such as the Payment Services Regulations 2009 (the 'G' fee-blocks).

5.13 Costs are allocated across fee-blocks in two ways.

- **Direct costs:** These are costs that we are able to allocate to individual fee-blocks, eg individual firm supervision and sector-specific policy development. These direct costs include the people costs, to which we add their overhead costs, e.g. accommodation, IT and other operational costs needed to support the people in doing their work.
- **Indirect costs:** These are costs that we cannot directly allocate to individual fee-blocks, e.g. thematic supervision, non-sector specific policy development, the costs of a director's office in an area. These indirect costs also include the people costs, to which we add their overhead costs. We allocate indirect costs to fee-blocks in proportion to the direct costs allocated.

5.14 Taking into account the significantly higher direct costs and adding an average level of indirect costs and overheads (based on 2011/12 figures) we estimate that the annual costs of the ongoing regulation of the RCB regime on this basis would be in the region of £1.4m.

5.15 Issuers of RCBs must be a UK-authorised credit institution and currently the full costs are allocated to the A.1 fee-block (Deposit acceptors), which include banks, building societies and credit unions. The current flat RCB fee is treated as Sundry Income and reduces the total AFR for this fee-block. The remainder is effectively recovered from the firms in the A.1 fee-block, including the firms that are issuers of RCBs. However, the majority of these fee-payers are not issuers of RCBs and are effectively subsidising those firms in the A.1 fee-block that are.

5.16 We do not believe we can justify this cross-subsidy and we are proposing that the full costs of regulating the RCB regime are allocated to a separate fee-block 'G.15 – Regulated Covered Bonds Regulations 2008' (G.15) as part of the annual allocation of our AFR to fee-blocks carried out each year. We propose that this will be done for 2012/13.

Recovery of costs allocated to the G.15 fee-block

5.17 Costs allocated to the current 'G' fee-blocks are recovered through either a flat fee or a combination of a minimum fee and a variable fee, based on the size of business undertaken measured by a metric (tariff base). Our review of the RCB fees regime concluded that recovery of costs allocated to the new G.15 should be through a combination of the following.

- **Minimum fee**: A fixed amount intended to recover the regulatory costs incurred in cross-firm oversight of the regime and other work undertaken regardless of the volume of issuance (e.g. annual reviews, RCB methodology). We envisage that the minimum fee will recover 75% of the G.15 costs and will be calculated by dividing those allocated costs by the number of registered issuers as at 31 December[6], before the following fee year, starting 31 December 2011 for the fee year 2012/13.
- **Variable fee**: Set to recover the remaining costs allocated to G.15 using 'regulated covered bond's in issue' as the tariff base. Such costs increase as the volume of issuance increases (e.g. stress testing). The valuation date for this tariff data will be as at 31 December, before the following fee year, starting 31 December 2011 for the fee year 2012/13. We will use the issuances data already supplied by issuers through RCB 3.4.1 D, which requires issuers to inform us of bond issuances from an RCB on or before the date of issuance. The valuation date for fees tariff base purposes will only take account of issuances in issue as at 31 December. This means that the revised fees approach will not result in any additional reporting requirement on issuers.

5.18 The proposed periodic fees methodology will also incorporate most of the attributes of other fee-blocks, including the following.

6 If an issue is registered after 31 December it will also pay fees.

- **On account payment:** Where firms whose periodic fees in the previous financial year amount to at least £50,000 they will pay 50% of their previous year's fee by 30 April in the next financial year.
- **The arrangements for newly authorised firms:** An issuer of an RCB that becomes registered at various times during a fee year will pay a reduced fee as set out in Table 5.1.

Table 5.1

Period in which issuer is registered	Proportion of periodic fee payable
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 31 March inclusive	25%

Q6: Do you agree with our proposed revised methodology for calculating periodic fees for issuers of RCBs?

5.19 We would emphasise that these costs are estimates based on 2011/12 figures. In the January 2012 fees rates CP, the draft G.15 fee rates consulted on at that time will be based on the actual allocation of our AFR for 2012/13.

RCB financial penalty scheme

5.20 Paragraph 16, Schedule 1 of FSMA applies to the RCB regime in the same way as it applies to authorised firms. We are therefore required to prepare and consult on a RCB financial penalty scheme.

5.21 We propose that the RCB financial penalty scheme mirrors that already in place for authorised firms. We are proposing to amend this – see Chapter 3.

5.22 The only difference between the amended scheme for authorised firms and the RCB scheme is that any surplus financial penalty (after paying for the cost of the RCB-related enforcement case) could only be applied to the benefit of issuers of RCBs. This is because, although the Regulated Covered Bonds Regulations 2008 use the FSMA provisions for financial penalties (and general fee raising), the effect is that financial penalties arising from the regulations can only be applied to the benefit of firms subject to them.

Q7: Do you agree with our proposed basis for the RCB financial penalty scheme?

Material change fee

5.23 Fee-block based periodic fees are the primary way we recover our ongoing regulatory costs. However, in some circumstances, specific transactions undertaken by firms result in the need for us to use additional resources. Where it is proportionate for us to do so we levy a separate fee to target the recovery these additional direct costs to the firm that benefits ('user pays').

5.24 Issuers can make a material change to the contractual terms of an RCB under RCB3.5.4D. Such changes may affect the ability of the issuer or owner of the asset pool to comply with the regulations and therefore we can use additional resources to assess the impact of the change as a result. Taking into account our experience in this area, our review of the RCB fees regime concluded that we should seek to recover these costs from the issuer making the change rather than all issuers. This benefits the issuer that makes no material changes or makes them less frequently than other issuers.

5.25 We therefore propose to introduce a material change fee of £6,500 for each material change made under RCB3.5.4D.

> **Q8:** Do you agree with our proposal to introduce a material change fee of £6,500?

6 Modified tariff base for electronic money issuers

(FEES 4 Annex 11; FEES 5 Annex 1; FEES 7 Annex 1 – Draft rules in Appendix 2)

6.1 In this chapter, we consult on the tariff base for electronic money institutions and credit institutions that issue electronic money. This also affects the Financial Ombudsman Service levy and the Money Advice Service levy. The Financial Services Compensation Scheme (FSCS) does not apply to electronic money issuers.

6.2 The second Electronic Money Directive (2EMD) was implemented in the UK on 30 April 2011 by the Electronic Money Regulations 2011 (the EMRs). We consulted on our fees proposals in CP10/24 (October 2010) and provided feedback on application fees in PS11/2 (February 2011) and on annual periodic fees in CP11/2 (February 2011). We set out the final framework in our consolidated policy statement on fees in May 2011 (PS11/7).

Periodic fees

6.3 Electronic money issuers are charged annual periodic fees to recover our continuing costs of supervision and the set-up costs of establishing the processes to support the new regime. They fall into fee-blocks G.11 or G.10.

- Small electronic money institutions (EMIs) fall into fee-block G.11 where they are charged a flat fee of £1,000. These businesses are not allowed by the EMRs to have more than an average of €5m of outstanding electronic money. For 2011/12, the small EMIs that were certified to issue electronic money before 30 April 2011 will be exempt from the £1,000 fee, but will instead pay the fee they would have paid as a small electronic money issuer in fee block G.4 (£400). This is because the EMRs give them

a year (until 30 April 2012) to transition to the new regime and we want to avoid creating a disincentive to early application.

- Authorised EMIs and credit institutions that issue electronic money are placed in fee-block G.10, where they pay variable annual fees.

6.4 This consultation relates to the tariff base for fee-block G.10.

Tariff base

6.5 We base our variable fees on a common metric, known as a tariff base, which best represents the size of the business a firm undertakes in a particular fee-block. We use size as a guide to the impact on our statutory objectives should that business fail. The tariff base for fee-block G.10 is average outstanding electronic money, as defined in regulation 2(1) of the EMRs, over the six months preceding 31 December. We chose this because we were confident electronic money issuers would have the data to hand, especially since it forms part of most electronic money issuers' regulatory reporting requirements.

6.6 We were, however, aware that there were different opinions on its suitability as a long-term measure of impact risk. We said we would use it for 2011/12 and consult on its continued use for the future. The tariff base has no impact on the aggregate amount of money we recover from electronic money issuers over the year, but it does affect the proportion each fee-payer has to contribute and that is why it must be as fair and consistent as we can make it.

6.7 We received one response through the formal consultation, and we have discussed the issues with our electronic money Stakeholder Liaison Group.[7] We received the comments below.

- An average over six months might be distorted by seasonal trading patterns, such as higher demand for some products over Christmas.
- Average outstanding electronic money might include dormant accounts that do not generate any business activity, which could distort the impact risk. We received two suggestions to avoid this distortion:
  - exclude accounts that have not been used for more than 12 months, as in practice these have normally been abandoned; or
  - because electronic money issuers are not always able to distinguish between dormant and active accounts, use the volume of electronic money redeemed as it would by definition capture active accounts only.
- A combination of average outstanding electronic money and the volumes of money redeeemed would provide a balance between longer term products and those with faster volumes, such as money transfer while resolving the distortion of dormant

7 See www.fsa.gov.uk/electronicmoney for the terms of reference and minutes for this group.

accounts. The total volume of electronic money that has been redeemed should be easily available to electronic money issuers from their systems.

- Our suggestion in CP10/24 to use the number of electronic money accounts received no support as it would not give a good picture of volume of business.

6.8 Our views on these comments are as follows.

- We recognise the force of the argument about seasonal variations and propose to extend the calculation to an average over 12 months.
- The EMRs give customers the right to reclaim their balances up to six years after their contract has ended. Electronic money in dormant accounts has to be safeguarded as customer assets and it is a liability on the balance sheet, presenting both financial and regulatory risks. So from a regulatory perspective there is no distinction between a live and a dormant account.
- An analysis of outstanding electronic money and the volume of electronic money that has been redeemed would give a balanced picture of the volume of business, but our fees model relies on calculations in each fee-block that are derived from a single unambiguous figure. Trying to achieve a single measure by weighting the two figures would be arbitrary and invalid since they represent distinct and unrelated values.
- Additionally, we understand that there is no common definition across the industry for the total volume of electronic money redeemed and it does not form part of the regulatory information we require electronic money issuers to supply us. We would, in effect, be imposing an industry-wide definition, which might not match the internal reporting conventions of all businesses merely for the purposes of calculating fees.
- We agree that the total number of electronic money accounts would not give a true picture of the volume of business. An electronic money issuer with many small accounts might pay higher fees than one with relatively few large accounts.

6.9 Having considered the options, we have decided on our original proposal of average outstanding electronic money. This is because the basic definition is prescribed by the EMRs and most electronic money issuers are required to report it to us, so they maintain the information consistently as a matter of routine. However, we propose to modify it by requiring firms to report the average over the full year to smooth out any seasonal distortions.

6.10 We believe this offers a fairer tariff base. We recognise that it would mean asking electronic money issuers for an additional figure but, since the definition is common and the data are calculated on a daily basis, we believe they should be able to provide it without difficulty.

6.11 The same definition would apply to the Financial Ombudsman Service levy for industry block 18 in FEES 5. The Money Advice Service levy in FEES 7 follows the FSA fees structure so would adjust automatically.

Q9: Do you agree that the calculation of outstanding electronic money, as the basis for periodic fees for electronic money issuers in fee-block G.10 and industry block 18, should be based on an average over twelve months instead of six?

7

Fees for insurance business transfers

(FEES 3 Annex 11G – Draft guidance in Appendix 1)

7.1 In this chapter we set out our proposed guidance in relation to the fees for insurance business transfers. Firms affected will be those in fee-blocks A.3 (Insurers – general) and A.4 (Insurers – life).

Insurance business transfer fee

7.2 In June 2008 we introduced an insurance business transfer (IBT) scheme[8] fee into FEES 3.2.7R(s). This required the transferor in an insurance business transfer to pay a fee, currently £18,500 for life transfers and £10,000 for non-life. These fees were designed to represent an average figure for our internal costs and other external expenses (such as Counsel's fees) incurred by us in processing IBTs.

Special project fee – restructuring

7.3 In June 2009 we introduced the special project fee for restructuring (SPF) into FEES 3 Annex 9R. This provides that a fee is payable where a firm engages or prepares to engage in a significant restructuring. This SPF recovers both internal and any external costs. The internal costs are calculated by working out the number of hours our staff have worked on the relevant transaction and then multiplying the hours worked by an hourly rate. The

8 Insurance business transfer scheme:

(a) a scheme, defined in section 105 of the Act, which is in summary: a scheme to transfer the whole or part of the business of an insurer (other than a friendly society) to another body;

(b) a similar scheme to transfer the whole or part of the business carried on by one or more members of the Society or former underwriting members that meets the conditions of article 4 of the Financial Services and Markets Act 2000 (Control of Transfers of Business Done at Lloyd's) Order 2001 (SI 2001/3626).

hourly rate is based on the costs we use for funding our projects internally. The external costs include disbursements such as Counsel's fees. However, if the combined internal and external costs amount to less than £50,000, no fee is payable. This is to ensure that only the restructuring transactions that take up a significant amount of our resource are covered. Further details on the operational arrangements for SPFs is set out in our annual fees consolidated Policy Statement (Chapter 7, PS11/7 published May 2011).

7.4 The general wording of the restructuring SPF rule means that many insurance transfers are likely to fall within its scope. This is because insurance transfers are frequently used as a means of effecting mergers, group restructurings and reattributions.

Issue

7.5 In the case of insurance business transfers the purpose of the SPF and the IBT fee is in essence the same – to ensure that, where it is proportionate to do so, it is the firm that requires the greater amount of our involvement that pays rather than these amounts being recovered through periodic fees from all firms in the A.3 and A.4 fee-blocks.

7.6 However, we recognise the unfairness inherent in seeking to charge both the IBT fee and an SPF for the same insurance transfer transaction. Historically, in the few instances where this may have occurrred, we have only sought to charge the IBT fee and have not looked further into whether all the conditions for payment of an SPF might be present. To date, this means that for an insurance transfer a firm might only pay an IBT fee of £18,500 or £10,000 but the transfer may have given rise to costs of £50,000 or more.

Our proposals

7.7 We now consider that the better approach is to mitigate the potential unfairness of charging two fees for the same insurance transfer transaction by using the power reserved at FEES 2.3.1R. This rule allows us to remit all or part of any fee if, in the exceptional circumstances of a particular case, charging a fee would be inequitable.

7.8 We believe this approach better applies existing fees rules to deal with any issues of unfairness and so is a more transparent and operationally robust method of resolving any potential unfairness. It means that the decision to reduce or remit all or part of a fee is made through the same process as any other decision on remitting or refunding regulatory fees.

7.9 We envisage this approach working as follows:

- an insurer notifies us that it intends to enter into an IBT;
- we will consider whether the transactions falls within the SPF and if it does we will make this clear to the firm and start recording time spent on the transaction, plus external disbursements;

- an IBT fee of either £18,500 or £10,000 (depending on the type of transfer) will be due on or before any application is made to us for the appointment of a person as an independent expert;
- if the SPF £50,000 threshold is reached for the combined internal and any external costs, the firm will be notified that we will consider whether the relieving provisions in FEES 2.3 ought to be applied; and
- we will then decide whether paying both the SPF and the IBT fee would be inequitable in the particular circumstances of the case and will notify the firm of our decision.

7.10 We envisage that the likely outcome of such consideration will be that the IBT fee is refunded and the firm is only liable to pay the SPF. In such cases, we further envisage that it may be more practical to off-set the IBT fee already paid against the SPF. However, we stress that any decision on which fee to apply will be made taking into account the specific circumstances of each case.

7.11 To give firms notice and have the opportunity to feed into this intended change of approach, we propose to introduce guidance in the FEES manual section of the Handbook to explain this. Any change of approach will only be implemented once any such guidance is made.

Q10: Do you have any comments on the proposed guidance in Appendix 1?

8

Policy clarifications

8.1 In this chapter, we clarify our fees policy in two areas:

- extending FSA regulation to Northern Ireland credit unions from 2012/13 – this will be primarily of interest to Northern Ireland credit unions; and
- fees and the FSA's suspension powers – which relates to all authorised firms.

8.2 These are discussed for information only. There are no rule changes or questions for consultation.

Extending FSA regulation to Northern Ireland credit unions

8.3 The responsibility for regulating Northern Ireland credit unions will be passed to us from the Northern Ireland Department of Enterprise, Trade and Investment (DETI) from 31 March 2012. As authorised firms, Northern Ireland credit unions will be required to pay FSA fees, FSCS fees and levies, ombudsman service fees and a levy for the Money Advice Service on the same terms as the credit unions we already regulate in Great Britain. No changes will be required to the fees manual since the Northern Ireland credit unions will automatically be brought into our fees regime when the glossary definition of credit unions is expanded to include them. There is accordingly no issue for us to consult on and so in this chapter we simply summarise the fee-paying arrangements to help Northern Ireland credit unions prepare for the transition. Much of this information has already appeared in Chapter 6 of the Consultation Paper on the regulation of Northern Ireland credit unions that we published in August 2011.[9] Chapter 5 of the Consultation Paper also discussed the FSCS levy and ombudsman service fees.

8.4 DETI will remain the registrar for Northern Ireland credit unions, but this will not affect our regulatory engagement with the credit unions and so will have no consequential impact on their fees.

9 FSA regulation of credit unions in Northern Ireland (CP11/17, August 2011).

FSA fees

8.5 Since we do not receive subsidies from the government, we are entirely funded by the firms we regulate. We charge application fees, which are one-off payments towards our costs in processing applications for authorisation or changes to permission, and annual 'periodic' fees to recover the ongoing cost of regulating firms. In October/November each year, we publish proposals for any changes in policy on regulatory fees and levies. This is followed in January/February with a consultation on the levels of regulatory fees and levies that we will charge for the following financial year, and in May we issue a Policy Statement that sets out the finalised rates. We invoice fee payers from June onwards for their current year's periodic fees. Where a regulatory fee and/or levy remains unpaid by the due date, we levy a £250 administrative charge, plus interest on any unpaid amounts from the due date, at 5% above the Bank of England's base rate. Where payment is not settled in full, we may take civil and/or regulatory action against the fee payer to recover the debt.

8.6 Our powers to charge fees are contained in the Financial Services and Markets Act 2000 (FSMA) and associated legislation, and are reflected in the Fees Manual (FEES) in our Handbook. The latest version of the Handbook is on our website.[10]

8.7 We summarise below our fees policy regime and further details can be found in our annual fees consolidated Policy Statement (PS11/7 published May 2011) on our website.[11]

Application fees

8.8 Existing Northern Ireland credit unions will automatically be 'grandfathered' into our regulatory regime, so will not be charged application fees.

8.9 Applicants setting up new credit unions in Northern Ireland will pay the same fees as applicants from Great Britain, which this year are:

- Version 1 credit unions[12]: £500
- Version 2 credit unions: £2,000

8.10 DETI will remain the Registrar for Northern Ireland credit unions, despite the responsibility for regulation passing to the FSA on 31 March 2012. Therefore, Northern Ireland credit unions should continue to contact DETI for registration matters, including changes to Rules, common bonds and Terms of Engagements. DETI has power to levy transactional charges for considering matters of registration, so Northern Ireland credit unions would be subject to these transactional charges in addition to the fees levied by us.

10 www.fsa.gov.uk/Pages/handbook/index.shtml
11 www.fsa.gov.uk/pages/Library/Policy/Policy/2011/11_07.shtml
12 A Version 1 credit union may not lend more than £15,000 above a member's total shareholding.

Annual periodic fees

8.11 We calculate our fees by allocating our total Annual Funding Requirement (AFR) across a series of fee-blocks, which represent groups of related regulated business activities that firms and other bodies are permitted to undertake. The way we recover allocated costs from firms within the fee-blocks differs depending on the fee-block. For firms in the 'A' fee-blocks, we levy a variable periodic fee that depends on the size of permitted business they undertake if it reaches a level above that covered by the minimum fee. There are 14 individual 'A' fee-blocks. Credit unions are in fee-block A.1, as deposit acceptors, along with banks and building societies.

8.12 For the variable periodic fee, we measure the size of permitted business by using a metric known as the tariff base. The more permitted business a firm undertakes, the more fees it will pay – this is our straight-line recovery policy. The tariff base for the A.1 fee-block is a value of deposits, known as Modified Eligible Liabilities (MELs). The MELs for credit unions are calculated from the following formula (UK business only): deposits with the credit union (share capital) minus the credit union's bank deposits (investments + cash at bank).

8.13 The minimum periodic fee is aimed at ensuring that all firms (including small firms) contribute to the costs of regulation and that the level of the minimum periodic fee strikes the right balance between being too high, which would unnecessarily impede competition, and being too low, which would prejudice existing fee-payers. The costs recovered through the minimum fee include those of our customer contact centre, regulatory reporting and policing the perimeter. The current minimum fee is £1,000. Exceptions are allowed if they can be justified. Current exceptions include smaller credit unions whose minimum fee is lower to reflect that they support people with limited financial resources to improve their economic status. As a result, the minimum fees paid by credit unions are:

- credit unions with MELs up to £0.5m – £160;
- credit unions with MELs under £2m – £540; and
- credit unions with MELs of £2m+ – £1,000.

8.14 The unrecovered minimum regulatory costs from maintaining the exceptions at £160 and £540 are recovered from the other firms in the A.1 fee-block.

8.15 Firms only pay one minimum regardless of the fact that they may undertake permitted business that would place them in more than one fee-block.

8.16 Credit unions with MELs above £10m paid periodic fees on top of the £1,000 minimum fee, at £33.44 per £m or part-£m in 2011/12. If a credit union undertakes permitted business which places it in other fee-blocks, and the amount of permitted business undertaken exceeds the relevant threshold, it will pay the variable periodic fee that relates to those fee-blocks.

8.17 In addition, all authorised firms pay an additional minimum levy of £10 for the Money Advice Service plus a variable levy again, based on size of permitted business.

8.18 Since Northern Ireland credit unions are coming into our regulatory regime from 31 March 2012, they will start paying periodic fees from 2012/13. In this chapter, we have quoted the rates that apply in the current financial year. We will be consulting on the fee-rates for 2012/13 in January 2012. Northern Ireland credit unions should check our website for the relevant fees Consultation Paper so that they are aware of our proposals and have an opportunity to comment on them.

Fees and the FSA's suspension powers

8.19 When calculating a firm's fees, we will not seek to adjust them to take into account the effect of any restriction or suspension imposed under our new suspension and restriction powers. This reflects our interpretation of the rules as they stand now, so amendments to the fees manual are not necessary. It applies to the FOS, FSCS and Money Advice Service levies, as well as FSA fees.

8.20 The Financial Services Act 2010 gave us the power to suspend or restrict the permissions an authorised person has to carry on regulated activities, under section 206A of FSMA, or the performance by an approved person of one or more controlled functions, under section 66 of FSMA. This must be for a fixed period, with a limit of one year for authorised persons or two years for approved persons. At the end of the period of suspension[13], the permissions of the authorised person or the controlled functions of the approved person will automatically be reinstated. Our policy for the suspension power is set out in Chapter 6A of the Decision Procedure and Penalties manual (DEPP), which forms part of the FSA Handbook.

8.21 We believe there is no case for taking a firm's suspension into account when calculating its fees. Fees are based on authorised activities, and a firm continues to be authorised to perform regulated activities even if some or all of its permissions have been suspended. Attempting to moderate the fees to take this into account would unnecessarily complicate our administration and the drafting of the rules, and might even appear to reward misbehaviour.

8.22 Consequently, a firm whose permissions have been completely or partly suspended will continue to pay its full fee for the year in which the suspension was introduced, because its liability will have been calculated from the previous year's data. This is in line with our policy when a firm's authorisation is withdrawn – it pays for the full year. The following year, there might be a dip in the fees, proportionate to the reduction in the volume of trade during the suspension. This fees profile would roughly reflect the pattern of our own supervisory and enforcement work. We would expect a concentration of resources leading up to the suspension, and then a tailing off once the suspension had been imposed.

13 For the purposes of this CP we will use the term 'suspension/suspend' to cover both the power to suspend and the power to impose restrictions.

9 Complaints reporting – administration fee

(DISP – Draft rules in Appendix 1)

9.1 This chapter affects all firms authorised under FSMA, except those which have been granted an exemption from the Dispute Resolution: Complaints (DISP) sourcebook.

9.2 Pursuing firms that fail to comply with our regulatory reporting requirements incurs extra regulatory costs and places an unfair burden on the majority of firms that submit their returns on time.

9.3 Currently there exists an administrative fee of £250 for firms that do not submit on time those reports covered in the Supervision (SUP) sourcebook.

9.4 This administrative fee recovers our cost per case of pursuing firms for their outstanding returns, which we do not believe should be met by the majority of firms that comply with our reporting requirements.

9.5 Consistent with this approach we propose to charge an administrative fee of £250 for late or non-submission of the complaints reports required in the Dispute Resolution: Complaints (DISP) sourcebook.

9.6 We believe collecting an administrative fee is a more proportionate and efficient approach than taking enforcement action and levying a fine, although we are still able to take enforcement action if absolutely necessary.

9.7 The administrative fee will not apply if the firm notifies the FSA, in accordance with DISP 1.10.6R, of a system failure that means it is unable to submit a complaints report.

9.8 The administrative fee will be administered alongside the current administrative fee that already exists for late or non-submission of other regulatory reports.

9.9 The proposed administrative fee applies only for late or non-submission of the complaints reports required by DISP.

Q11: Do you have any comments on the proposed administrative fee for pursuing non or late regulatory reporting?

Annex 1

Compatibility statement and cost benefit analysis

1. 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 and our statutory objectives, which are set out in Sections 3 to 6 of FSMA. This is known as a 'compatibility statement'.

2. Section 155(9) of FSMA exempts us from having to carry out a cost benefit analysis on our policy proposals for fees and levies for the ombudsman service and the Money Advice Service.

Compatibility with our statutory objectives

3. The fees policy proposals and draft rules we are consulting on 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.

4. In carrying out our duties, we are required to act in a way that is compatible with our statutory objectives (market confidence and market stability, protection of consumers, and reduction of financial crime), and the Money Advice Service objective of enhancing public understanding of financial matters.

FSA fees policy proposals

5. 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. They are not intended in themselves to act as vehicles to achieve our statutory objectives.

Compatibility with the principles of good regulation

6. 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'). In this annex 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

7. The current process for calculating the tariff base for the intermediary fee-blocks A.12, A.13 and A.14 has become increasingly time-consuming since the former seven customer functions, on which Approved Persons (APs) are based, were merged into one (CF30) in 2007. We are no longer able to allocate APs to firms in the respective fee-blocks on the basis of the functions their APs were approved to undertake (information we previously held) and therefore have to agree with firms each year which of their CF30 APs might have obtained approval under the pre-merged functions if they still existed. This is generating more work for both us and firms. Our proposals to move to an income tariff base for these fee-blocks will obviate the need for this resource intensive process, making the calculation of the tariff base for these fee-blocks more efficient.

The burden to be imposed should be proportionate to the benefits

8. 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. As explained above, rules relating to fees are excluded from this requirement. However, we believe we have taken care in framing our proposals to impose burdens that are proportionate.

9. We believe the following proposals take account of this principle.

- **Modification of tariff base for proprietary traders and certain intermediaries**: Our proposals to allow firms under fee-block A.10 to report full-time equivalent posts rather than individuals and replace headcount of APs with an income measure for fee-blocks A.12, A.13 and A.14 is a proportionate response to meeting our obligations under the Equality Act 2010.

- **UK Listing Authority (UKLA) – revision of certain fees**: In the case of the revised fees for approving a change of legal status for sponsors and the revised document vetting fees, the proposed fees strike a better balance between targeting the reasonable cost of processing them to the firms applying and the extent these costs are recovered from the other firms in the fee-block. Our changes to the tariff base for periodic fees recovers the costs allocated to this fee-block (fee-block E) more evenly across the relevant firms within it ('user pays').

- **Regulated Covered Bonds Regulations 2008 – revised fees regime:** In the case of the proposed revised application fees for registration by an issuer of regulated covered bonds (RCBs) the proposed fees again strike a better balance between targeting the reasonable

cost of processing them to the firms applying and the extent these costs are recovered from the other firms in the fee-block ('user pays'). The proposed new material change fee enables us to target the recovery of our costs expended on this specific type of regulatory work to the firm that benefits. The proposals for the calculation of periodic fees for sponsors of RCBs, enables us to reduce the extent that these firms are cross-subsidised by the other firms in the A.1 (Deposit acceptors) fee-block.

- **Fees for insurance business transfers**: The current fees rules allow, in some circumstances, for two fees to be levied for insurance business transfers. Our proposed guidance will mitigate this disproportionate levying of fees for such transfers.
- **Modified tariff base for electronic money issuers**: Requiring electronic money issuers to report their average outstanding electronic money over 12 months instead of six makes the tariff base more proportionate by removing the distortions caused by seasonal fluctuations in business, such as Christmas.
- **Administrative fee for complaints reporting**: The administrative fee we are introducing for late or non-submission of the complaints reports required by DISP is consistent with the administrative fee that already exists for late or non-submission of other regulatory returns (for example those in SUP).

Most appropriate method

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

11. We believe that our fees policy proposals are the most appropriate means of raising the funding required to maintain our statutory objectives because they are:
    - consistent and build on existing fee-raising arrangements, which have operated since N2 (1 December 2001 – when we gained our powers);
    - targeted towards the most appropriate firms;
    - influenced by our risk-based approach to achieving our statutory objectives; and
    - compatible with the legal framework provided by both FSMA and our Handbook.

12. We do not consider that the changes we are consulting on will have any significant effect on the other principles.

Annex 2

List of questions on which we are consulting

Chapter 2

Q1: Do you agree with our proposal to allow firms in fee-block A.10 to report their traders as fractions of full-time equivalent posts, not as a headcount of individuals?

Q2: Do you have any views on the definitions and guidance we have prepared on the income measures we propose to introduce for fee-blocks A.12, A.13 and A.14 from 2013/14?

Chapter 3

Q3: Do you agree that, after paying the enforcement costs of cases, we should distribute the balance received from financial penalties according to the aggregate levels of enforcement activity estimated for each fee-block, to reduce the impact on firms in the same fee-block which are not generating enforcement work?

Chapter 4

Q4: Do you have any comments on the changes to fees for the UKLA that we have proposed in Chapter 4?

Chapter 5

Q5: Do you agree with our proposed revised application fees for an issuer applying for registration of a RCB?

Q6: Do you agree with our proposed revised methodology for calculating periodic fees for issuers of RCBs?

Q7: Do you agree with our proposal basis for the RCB financial penalty scheme?

Q8: Do you agree with our proposal to introduce a material change fee of £6,500?

Chapter 6

Q9: Do you agree that the calculation of outstanding e-money, as the basis for periodic fees for electronic money issuers in fee-block G.10 and industry block 18, should be based on an average over twelve months instead of six?

Chapter 7

Q10: Do you have any comments on the proposed guidance in Appendix 1?

Chapter 9

Q11: Do you have any comments on the proposed administrative fee for pursuing non or late regulatory reporting?

Annex 3

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

1. All rules and guidance on regulatory fees and levies are consolidated in the Fees manual (FEES) in our Handbook. Table A4 shows the organisation of rules and guidance in FEES.

2. Our powers to make rules for paying 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 and guidance in FEES

Chapter	Fees rules and guidance, and fee annexes
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 administration 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 permission or guidance on its availability in connection with the Basel Capital Accord
Annex 7R	Fees where changes are made to firms' transaction reporting systems and the FSA is asked to check that these systems remain compatible with FSA systems

Chapter	Fees rules and guidance, and fee annexes
Annex 8R	Fees payable for authorisation as an authorised payment institution or registration as a small payment institution in accordance with the Payment Services Regulations
Annex 9R	Special Project Fee for restructuring
Annex 10R	Fees payable for authorisation as an authorised electronic money institution or registration as a small electronic money institution or variation thereof in accordance with the Electronic Money Regulations
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 for the period from 1 April 2011 to 31 March 2012
Annex 3R	Transaction reporting fees
Annex 4R	Periodic fees in relation to collective investment schemes payable for the period 1 April 2011 to 31 March 2012
Annex 5R	Periodic fees for designated professional bodies payable in relation to the period 1 April 2011 to 31 March 2012
Annex 6R	Periodic fees for recognised investment exchanges and recognised clearing houses payable in relation to the period 1 April 2011 to 31 March 2012
Annex 7R	Periodic fees in relation to the Listing Rules for the period 1 April 2011 to 31 March 2012
Annex 8R	Periodic fees in relation to the disclosure rules and transparency rules for the period 1 April 2011 to 31 March 2012
Annex 9R	Periodic fees in relation to securities derivatives for the period from 1 April 2011 to 31 March 2012
Annex 10R	Periodic fees for MTF operators payable in relation to the period 1 April 2011 to 31 March 2012
Annex 11R	Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations and electronic money issuers under the Electronic Money Regulations in relation to the period 1 April 2011 to 31 March 2012
Annex 12G	Guidance on the calculation of tariffs set out in FEES 4 Annex 1R Part 2
FEES 5	**Financial Ombudsman Service Funding**
Annex 1R	Annual Fees Payable in Relation to 2011/12
FEES 6	**Financial Services Compensation Scheme Funding**
Annex 1	Management Expenses Levy Limit
Annex 2	Annual levy limits
Annex 3	Classes and sub-classes
Annex 4	Guidance on the calculation of tariff bases
FEES 7	**CFEB levies (Money Advice Service)**

Chapter	Fees rules and guidance, and fee annexes
Annex 1R	CFEB levies for the period from 1 April 2011 to 31 March 2012

Notes:

Fees for unauthorised mutuals – the 'registrant-only' fee-block – are in rules outside the FSA Handbook. They are available at: www.fsa.gov.uk/Pages/Doing/small_firms/MSR.

Appendix 1

FEES (Miscellaneous Amendments 2012/13) Instrument 2012

Consultation response by 6 January 2012 and scheduled to be made at the January 2012 FSA Board

FEES (MISCELLANEOUS AMENDMENTS 2012/13) INSTRUMENT 2012

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

(a) section 156 (General supplementary powers);
(b) section 157(1) (Guidance);
(c) paragraph 17(1) (Fees) of Schedule 1 (The Financial Services Authority); and

B. The rule-making powers listed above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force as follows:

(1) Annex A comes into force on 1 February 2012; and
(2) Annex B comes into force on 1 March 2012.

Amendments to the Handbook

D. The Fees manual (FEES) is amended in accordance with the Annex A to this instrument.

E. The Dispute Resolution: Complaints sourcebook (DISP) is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Fees (Miscellaneous Amendments 2012/13) Instrument 2012.

By order of the Board
[*date*]

Annex A

Amendments to the Fees manual (FEES)

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

FEES 3 Annex 10R ...

FEES 3 Annex 11G **Guidance on fees due under FEES 3.2.1R**

The following table sets out guidance on how a *firm* liable to pay a fee under both *FEES* 3.2.7R(s) and *FEES* 3.2.7R(ze) for the same transaction should expect to be treated

Firms liable under both FEES 3.2.7R(s) and FEES 3.2.7R(ze)

(1)	The transferor in *insurance business transfer schemes* is liable to pay the fee set out in *FEES* 3.2.7R(s). However, they may also be liable to pay the Special Project Fee for restructuring set out in *FEES* 3.2.7R(ze), calculated in accordance with *FEES* 3 Annex 9. It is possible then for a *firm* to have to pay two types of fees in respect of the same *insurance business transfer scheme*.
(2)	Where the situation described in (1) arises, *the FSA* will consider whether to reduce or remit a fee under *FEES* 2.3 (Relieving Provisions).

…

Annex B

Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

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

1.10.6 R …

1.10.6A R (1) If a *firm* does not submit a complete report by the date on which it is due, in accordance with *DISP* 1.10.5R, the *firm* must pay an administrative fee of £250.

(2) The administrative fee in (1) does not apply if the *firm* has notified the *FSA* of a systems failure in accordance with *DISP* 1.10.6R.

…

DISP TP 1.1 Transitional Provisions table

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
…					
28	…				
28A	*DISP* 1.10.6AR	R	(1) A *firm* is not liable to pay the administrative fee in *DISP* 1.10.6AR in respect of a failure to submit a report in accordance with *DISP* 1.10.5R for a relevant reporting period ending before 1 March 2012. (2) Relevant reporting period in (1) has the meaning in *DISP* 1.10.4R.	From 1 March 2012	1 March 2012

Appendix 2

FEES (Miscellaneous Amendments 2012/13) (No 2) Instrument 2012

Consultation responses by 6 January 2012 and 6 February 2012 which are scheduled to be made at the March 2012 FSA Board

FEES (MISCELLANEOUS AMENDMENTS 2012/13) (NO 2) INSTRUMENT 2012

A. The Financial Services Authority makes this instrument in the exercise of:

(1) the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(a) section 99 (Fees);
(b) section 101 (Part 6 rules: general provisions);
(c) section 156 (General supplementary powers);
(d) section 157(1) (Guidance);
(e) section 234 (Industry Funding);
(f) paragraph 17(1) (Fees) of Schedule 1 (The Financial Services Authority); and
(g) paragraphs 1 (General), 4 (Rules), and 7 (Fees) of Schedule 7 (The Authority as Competent Authority for Part VI);

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

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

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

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

B. The rule-making powers listed above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force as follows:

(1) Annex A, Part 1 of Annex B and Annex C come into force on 1 April 2012; and

(2) Part 2 of Annex B comes into force on 1 April 2013.

Amendments to the Handbook

D. 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)

Glossary of definitions	Annex A
Fees Manual (FEES)	Annex B
Regulated Covered Bonds sourcebook (RCB)	Annex C

Citation

E. This instrument may be cited as the Fees (Miscellaneous Amendments 2012/13) (No 2) Instrument 2012.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

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

issuer …

(5) (in *RCB* and *FEES* 3, where applicable) (as defined in Regulation 1(2) of the *RCB Regulations*) a person which issues a *covered bond*.

…

Annex B

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 1April 2012

3.2.7 R Table of application, notification and vetting fees

(1) Fee payer	(2) Fee payable	Due date
…		
(zl) An applicant for recognition as an *accredited body*	…	
(zm) an *issuer* applying for registration of a *regulated covered bond*.	(1) Unless (2) applies, £45,000. (2) In the case of a proposed *covered bond* or *programme* where the *assets* in the *asset pool* will consist primarily of UK residential mortgages, £25,000.	On or before the date the application is made.
(zn) An *issuer* who proposes to make a material change to the contractual terms of a *regulated covered bond* under *RCB* 3.5.4D.	£6,500.	On or before the date the notification under *RCB* 3.5.4D is made.

FEES 3 Annex 1R Authorisation fees payable

…

Part 6 – Change of legal status

…

Part 7 – Change of legal status – sponsors fees

<table>
<tr><td colspan="2">An application involving only a simple change of legal status for the purposes of FEES 3.2.7(j) is from an applicant:</td></tr>
<tr><td colspan="2">(1) which is a new legal entity intending to carry on the business of an existing sponsor (as defined in the listing rules) in respect of which the FSA does not currently require, and is not proposing to require, remedial action relating to any aspect of its provision of sponsor services); and</td></tr>
<tr><td colspan="2">(2) which (subject to any changes required only as a result of the change in legal status) is to:</td></tr>
<tr><td></td><td>(a) assume all of the rights and obligations in connection with any of the sponsor activities of the existing sponsor under the listing rules;</td></tr>
<tr><td></td><td>(b) make no changes to the systems and controls of the existing sponsor which ensure that the existing sponsor can carry out its role as sponsor in accordance with LR 8 (Sponsors: Premium listing);</td></tr>
<tr><td></td><td>(c) have the individuals within the existing sponsor that are engaged in the provision of sponsor services engaged in the same role for the applicant; and</td></tr>
<tr><td></td><td>(d) otherwise continue to comply in all respects with the criteria for approval as a sponsor set out in LR 8.6.5R.</td></tr>
</table>

...

FEES 3 Annex 4R **Application and administration fees in relation to listing rules**

…

Part 2

Sponsor Application Fees	
Fee type	Fee amount
Application for approval as *sponsor*	£15,000
Application for approval as *sponsor* following change of legal status in accordance with *FEES* 3 Annex 1, Part 7	£5,000

…

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

...

Part 2

These fees relate to approval or vetting of the documents referred to in the second column of this table arising in relation to specific events or transactions that an *issuer*, *offeror* or *person* requesting admission might be involved in during the year.

…		
Category 4	Non-equity *prospectus* or *base prospectus* ~~(excluding drawdown *prospectus* or *base prospectus*)~~ Equivalent document referred to in *PR* 1.2.2R(2) or (3) or *PR* 1.2.3R(3) or (4)	…
…		
Category 6	Non-equity *securities note* and *summary* Summary document referred to in *PR* 1.2.3R(8)	~~£660~~ £825
…		
~~Category 8~~	~~Drawdown *prospectus* or *base prospectus*~~	~~£660~~

…

4.2 Obligation to pay periodic fees

…

4.2.11 R Table of periodic fees

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
…			
Sponsors	…	…	(1) Approval of *sponsor* unless (2) applies (2) In the case of approval of a *sponsor* following a change of legal status in accordance with *FEES* 3 Annex 1, Part 7, the balance of the fee otherwise due from the original *sponsor* Where a payment is made in accordance with (2) the original *sponsor's* obligation to pay that fee

			ceases.
…			

FEES 4 Annex 1R **Activity groups, tariff bases and valuation dates applicable**

…

Part 2	….

Activity group	Tariff base
…	
A.10	**NUMBER OF TRADERS** Any *employee* or agent, who: • ordinarily acts within the *United Kingdom* on behalf of an *authorised person* liable to pay fees to the *FSA* in its fee-block A.10 (firms dealing as principal); and who, • as part of their duties in relation to those activities of the *authorised person*, commits the *firm* in market dealings or in transactions in *securities* or in other *specified investments* in the course of *regulated activities*. But not any *employees* or agents who work solely in the *firm's MTF* operation. *A firm* may, as an option, report *employees* or agents as full-time equivalents (FTE), taking account of any part-time staff. In calculating the FTE, *firms* must take into account the total hours *employees* or agents have contracted to work for the *firm* and not the time *employees* or agents devote to the function of dealing as principal. Any figures using the FTE calculation to be recorded to one decimal place, rounded down to the nearest decimal place.
…	

FEES 4 Annex 11R ...

…

Part 3	…
Activity	Tariff base

Group	
...	
G.10	Average outstanding electronic money as defined under regulation 2(1) of the *Electronic Money Regulations*. This is the average total amount of financial liabilities related to *electronic money* in issue at the end of each calendar day over the preceding ~~six~~ twelve calendar months (which is the period ending on the date set out under Part 4), calculated on the first calendar day of each calendar month and applied for that calendar month (£million).
…	

…

FEES 5 Annex 1 Annual General Levy Payable in Relation to the Compulsory Jurisdiction for ~~2011/12~~ 2012/13

…

Compulsory jurisdiction – general levy

Industry block	Tariff base	General levy payable by firm
…		
18 – *fee-paying electronic money issuers*	For all *fee-paying electronic money issuers* except for *small electronic money institutions*, ~~a flat fee~~ average outstanding electronic money as described in *FEES* 4 Annex 11R Part 3	~~£180~~ [tbc]
	…	…

…

Part 2 Comes into force on 1 April 2013

Fees 4 Annex 1R Activity groups, tariff bases and valuation dates applicable

Part 2

This table indicates the tariff base for each fee-block. The tariff base is the means by which we measure the 'amount of business' conducted by a *firm*. Note that where the tariff base is the number of *approved persons* it may be that a particular *firm* has *permission* for relevant activities as described in Part 1 but the type of activity that the *firm* undertakes is not one requiring a *person* to be approved to undertake a relevant *customer function* (for example *firms* only giving *basic advice on stakeholder products*). In these circumstances, the *firm* will be required to pay a minimum fee only (see *FEES* 4 Annex 2R Part 1).

Activity group	Tariff base
…	
A.12	~~**APPROVED PERSONS**~~ ~~The number of *persons* approved to perform the *customer function* (CF 30), but excluding those *persons* who work solely in the *firm's MTF* operation or 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.~~ **ANNUAL INCOME** Annual income as defined in *FEES* 4 Annex 11AR.
A.13	~~**APPROVED PERSONS**~~ ~~The number of *persons* approved to perform the *customer function* (CF 30), but excluding those *persons* who work solely in the *firm's MTF* operation or 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.~~ **ANNUAL INCOME** Annual income as defined in *FEES* 4 Annex 11AR.
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.~~ **ANNUAL INCOME** Annual income as defined in *FEES* 4 Annex 11AR.

…

Part 3	This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data by applying the tariff bases set out in Part 2 with

	reference to the valuation dates shown in this table.
Activity Group	Valuation date
…	
A.12	~~Relevant *approved persons* as at 31 December.~~ Annual income for the financial year ended in the calendar year ending 31 December.
A.13	Rel~~evant *approved persons* as at 31 December.~~ Annual income for the financial year ended in the calendar year ending 31 December.
A.14	~~Relevant *approved persons* as at 31 December.~~ Annual income for the financial year ended in the calendar year ending 31 December.
…	

…

FEES 4 Annex 2R Fee tariff rates, permitted deductions and EEA/Treaty firm modifications for the period from 1 April ~~2011~~ 2013 to 31 March ~~2012~~ 2014

Part 1

This table shows the tariff rates applicable to each fee block

…		
Activity group	Fee payable	
…		
A.12	Band ~~Width (No. of persons)~~ (£ thousands of annual income (AI))	Fee ~~(£/person)~~ (£/£ thousand or part £ thousand of AI)
	~~2 – 5~~ [tbc]	~~757.17~~ [tbc]
	~~6 – 35~~	~~757.17~~
	~~36 – 175~~	~~757.17~~
	~~176 - 1,600~~	~~757.17~~
	~~>1,600~~	~~757.17~~
	…	
A.13	For class (2) *firms*:	
	Band Width ~~(No. of persons)~~ (£ thousands of annual income (AI))	Fee ~~(£/person)~~ (£/£ thousand or part £ thousand of AI)

	~~2 – 3~~ [tbc]	~~1,290.54~~ [tbc]
	~~4 – 30~~	~~1,290.54~~
	~~31 – 300~~	~~1,290.54~~
	~~301 – 2,000~~	~~1,290.54~~
	~~>2,000~~	~~1,290.54~~
	…	
A.14	Band Width ~~(No. of persons)~~ (£ thousands of annual income (AI))	Fee ~~(£/person)~~ (£/£ thousand or part £ thousand of AI)
	~~2 – 4~~ [tbc]	~~2,809.83~~ [tbc]
	~~5 – 25~~	~~2,809.83~~
	~~26 – 80~~	~~2,809.83~~
	~~81 – 199~~	~~2,809.83~~
	~~>199~~	~~2,809.83~~
…		

…

FEES 4 Annex 11AR **Definition of annual income for the purposes of calculating fees in fee blocks A.12, A.13 and A.14**

Annual Income

Annual income is equal to the net amount retained by the *firm* of all income due from the regulated activities relating to the appropriate fee-block and conducted in the *UK*.

The 'net amount retained' means:

(a) all adviser and consultancy charges, commissions, fees, brokerages and other related income (eg administration charges, overriders, profit shares etc) due to the *firm* in respect of or in relation to relevant business (ie all activities specified in the fee-block) and which the *firm* has not rebated to customers or passed on to other authorised firms (eg where there is a commission chain).

Plus:

(b) any ongoing commission from previous business received by the *firm* during the reporting year.

Plus:

(c) all other income received from product providers including the 'commission-equivalent' of any relevant business generated through the *firm's* own advisers. The 'commission equivalent' is a weighting which takes account of advice which would otherwise have generated income under (a) above, but for which the *firm* has made a business decision not to charge clients or other businesses. It is the value of the relevant investment contracts multiplied by 0.004.

FEES 4 Annex 12G **Guidance on the calculation of tariffs set out in *FEES* 4 Annex 1R Part 2**

The following ~~table~~ ~~sets~~ tables set out guidance on how a *firm* should calculate relevant tariffs.

Table 1: Fee block A.4

…

Table 2: Fee blocks A.12, A.13 and A.14

Calculating and apportioning annual income – FEES 4 Annex 11AR
Calculating income
(1) Income should include all adviser and consultancy charges arising out of the regulated activities specified in the fee-block, including regular charges and instalments due during the reporting year. (2) The *firm* should include earnings from those who will become its appointed representatives immediately after authorisation. (3) If any fee payable by the *firm* to another party for arranging a transaction with a client exceeds the amount payable by the end client, the *firm* may not take that excess into account in calculating the net amount retained but must instead net the sum payable by the end client to zero. (4) The total should include administration charges and any interest from income related to the regulated activities. (5) Items such as general business expenses (eg employees' salaries and overheads) should not be deducted. (6) Rebates to customers should be excluded and also fees or commission passed to other authorised firms. (7) *Authorised professional firms* should include income only from regulated activity.

Apportioning income
Where a *firm* cannot separate its income on the basis of activities, it may apportion the income on the basis of the proportionate split of business that the *firm* otherwise undertakes. For instance: (1) If a firm receives *annual income* from a platform-based business it may report this in line with a wider breakdown of its activities. (2) A *firm* providing corporate finance advice which does not maintain records of the split between regulated and non-regulated activities for individual cases may calculate that regulated business accounts for a certain proportion of its business overall and apply that as a multiplier across its income. (3) A *firm* may allocate ongoing commission from previous business on the basis of the type of *firm* it receives the commission from. This avoids tracking back legacy business which may no longer match the provider's current business model. (4) An authorised professional *firm* may estimate the proportion of its business that is derived from regulated activity and split its income for individual invoices accordingly. (5) If a *firm* has invested income from regulated activities, then any interest received should be reported as income, in proportion to the volume of regulated business it undertakes to avoid tracking back old payments. (6) *Firms'* systems ought to be able to distinguish *UK* from non-*UK* business to establish which conduct of business regime it was conducted under. If however they do not relate the figures back to income streams for the specific regulated activities in a particular fee-block then the *firm* may make a proportionate split as described above, calculating its regulated *UK* income on the basis of the overall split between *UK* and overseas income. (7) It is for individual *firms* to determine how they should calculate the appropriate split of income. The *FSA* is not prescriptive about the methodology. It requires only that: (a) the approach should be proportionate – the *FSA* is looking for *firms* to make their best efforts to estimate the split; (b) the *firm* must be able on request to provide a sound and clearly expressed rationale for its approach – for example, if all invoices were analysed over a particular period, the *firm* should be able to justify the period as representative of its business across the year; (c) the methodology should be objective – for example, based on random sampling of invoices or random stratified sampling; (d) the *firm* must on request be able to provide an audit trail which demonstrates that the choice of methodology was properly considered at an appropriate level or in the appropriate forums within the *firm*, and the decision periodically reviewed at the same level or in an equivalent forum.

…

FEES 5 Annex 1 Annual General Levy Payable in Relation to the Compulsory Jurisdiction for ~~2011/12~~ 2013/14

…

Compulsory jurisdiction – general levy

Industry block	Tariff base	General levy payable by firm
…		
8- Advisory *arrangers*, dealers or brokers holding and controlling *client money* and/or assets	~~Number of relevant *persons* approved to perform the *customer function* (CF30), 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 relating to these.~~ Annual income as defined in *FEES* 4 Annex 11AR.	~~£36.98 per relevant *approved person* subject to a minimum levy of £35~~ [tbc]
9-Advisory *arrangers*, dealers or brokers not holding and controlling *client money* and/or assets	~~Number of relevant *persons* approved to perform the *customer function* (CF30), 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 relating to these.~~ Annual income as defined in *FEES* 4 Annex 11AR.	~~£30.02 per relevant *approved person* subject to a minimum levy of £35~~ [tbc]
…		

Annex C

Amendments to the Regulated Covered Bonds sourcebook (RCB)

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

Delete all of RCB 5. The deleted text is not shown.

…

RCB Sch 3R	**Fees and other requirement payments**
	The provisions relating to fees are set out in ~~*RCB* Chapter 5~~ *FEES* 3.2.7R(zm) (application fee), *FEES* 3.2.7R(zn) (material change fee) and in *RCB* 3.6.1R (administrative fee).

Appendix 3

FEES (Miscellaneous Amendments 2012/13) (No 3) Instrument 2012

Consultation responses by 6 January 2012 and scheduled to be made at the May 2012 FSA Board

FEES (MISCELLANEOUS AMENDMENTS 2012/13) (NO 3) INSTRUMENT 2012

A. The Financial Services Authority makes this instrument in the exercise of:

(1) the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(a) section 99 (Fees);
(b) section 101 (Part 6 rules: general provisions);
(c) section 156 (General supplementary powers);
(d) section 157(1) (Guidance);
(e) paragraph 17(1) (Fees) of Schedule 1 (The Financial Services Authority); and
(f) paragraphs 1 (General), 4 (Rules), and 7 (Fees) of Schedule 7 (The Authority as Competent Authority for Part VI);

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

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

B. The rule-making powers listed above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 1 June 2012.

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

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

Citation

F. This instrument may be cited as the Fees (Miscellaneous Amendments 2012/13) (No 3) Instrument 2012.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

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

issuer	…	
	(5)	(in *RCB* and *FEES* ~~3~~ 1 to 4, where applicable) (as defined in Regulation 1(2) of the *RCB Regulations*) a person which issues a *covered bond*.

Annex B

Amendments to the Fees manual (FEES)

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

1.1.2 R This manual applies in the following way:

(1) …

(2) *FEES* 1, 2 and 4 apply to:

…

(k) every *fee-paying electronic money issuer*;

(l) every *issuer* of a *regulated covered bond*.

…

…

4.1.4 G …

(3) The periodic fees for *fee-paying payment service providers*, ~~and~~ *fee-paying electronic money issuers* and *issuers* of *regulated covered bonds* are set out in *FEES* 4 Annex 11R. This annex sets out the activity groups, tariff base, valuation dates and, where applicable, the flat fees due for these *firms*.

…

4.2.7C R …

4.2.7D R If an *issuer* of a *regulated covered bond* becomes registered after 31 December its valuation date will be calculated in the manner described in *FEES* 4 Annex 11 Part 4.

…

4.2.11 R Table of periodic fees

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
…			
All *firms* reporting transactions in *securities derivatives* to	…	…	...

the *FSA* in accordance with *SUP* 17, and *market operators* who provide facilities for trading in *securities derivatives*.			
Any *issuer* of a *regulated covered bond*	*FEES* 4 Annex 11R	(1) Unless (2) applies, on or before the relevant dates specified in *FEES* 4.3.6R. (2) If an event specified in column 4 occurs during the course of a financial year, 30 *days* after the occurrence of that event or, if later, the dates specified in *FEES* 4.3.6R.	A *person* becomes registered as an *issuer* of a *regulated covered bond*

…

Time of payment

4.3.6 R (1) If the *firm's* or *regulated covered bond issuer's* periodic fee for the previous financial year was at least £50,000, ~~the *firm*~~ it must pay:

…

(2) If the *firm's* or *regulated covered bond issuer's* periodic fee for the previous financial year was less than £50,000, ~~the *firm*~~ it must pay the periodic fee due in full by 1 July in the financial year to which that sum relates.

…

…

FEES 4 Annex 7R Periodic fees in relation to the Listing Rules for the period 1 April ~~2011~~ 2012 to 31 March ~~2012~~ 2013

Fee type	Fee amount

Annual fees for the period 1 April ~~2011~~ <u>2012</u> to 31 March ~~2012~~ <u>2013</u>	
…	(1) For all *issuers* of *securitised derivatives*, ~~depositary receipts and global depositary receipts~~ the fees payable are set out in Table 1. (2) For all other *issuers*, fees to be determined according to market capitalisation, as at the last *business day* of the November prior to the *FSA* financial year in which the fee is payable, are as set out in Table 2. The fee is calculated as follows: (a) the relevant minimum fee; plus (b) the cumulative total of the sums payable for each of the bands calculated by multiplying each ~~relevant~~ tranche of the *firm's* market capitalisation by the rate indicated for that tranche. ~~Where *issuers* have more than one type of *share* in issue, the highest market capitalisation of all of its securities in issue is used.~~ (3) …
…	
<u>No fee is due under this annex in relation to *regulated covered bonds. FEES* 4 Annex 11R sets out the fees due in relation to *regulated covered bonds*.</u>	

Table 1

<u>The</u> ~~Annual fees~~ <u>annual fee</u> for issuers of *securitised derivatives* <u>is £3,700</u> ~~, depositary receipts and global depositary receipts~~

~~Issuer~~	~~Fee amount~~
~~*Issuers* of *securitised derivatives*~~	~~£3,700~~
~~Issuers of depositary receipts and global depositary receipts~~	~~£4,440~~

…

FEES 4 Annex 11R **Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations<u>,</u> ~~and~~ electronic money issuance by fee-paying electronic money issuers under the Electronic Money Regulations <u>and issuance of regulated covered bonds by issuers</u> in relation to the period 1 April ~~2011~~ <u>2012</u> to 31 March ~~2012~~ <u>2013</u>**

…

Part 1B – Method for calculating the periodic fee where the firm is both a fee-paying payment service provider and a fee-paying electronic money issuer
…

Part 1C – Method for calculating the fee for an issuer of a regulated covered bond
The issuance of *regulated covered bonds* by *issuers* is linked to activity group G.15 in this annex. The periodic fees for *issuers* of *regulated covered bonds* is calculated by multiplying the tariff base relevant to G.15 in Part 3 of *FEES* 4 Annex 11R by the appropriate rates applying to each tranche of the tariff base as indicated in the table at Part 5.

…

Part 3 This table indicates the tariff base for each fee-block. The tariff base is the means by which the *FSA* measures the 'amount of business' conducted by *fee-paying payment service providers*, ~~and~~ *fee-paying electronic money issuers* and *issuers* of *regulated covered bonds*.	
Activity Group	Tariff base
…	
G.11	…
G.15	*Regulated covered bonds* in issue.

Part 4 - Valuation period This table indicates the valuation date for each fee-block. A *fee-paying payment service provider*, ~~and~~ a *fee-paying electronic money issuer* and a *regulated covered bond issuer* can calculate tariff data by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.	
Activity group	Valuation date
...	
G.11	…
G.15	31 December unless the *issuer* become registered as an *issuer* after 31

	December in which case its valuation date will be 31 March.

Part 5 – Tariff rates		
Activity group	Fee payable in relation to ~~2011/12~~ 2012/13	
…		
G.11	…	
G.15	Minimum fee (£)	[tbc]
	£million or part £m of *regulated covered bonds* in issue	Fee (£/£m or part £m of *regulated covered bonds* in issue)
	>0.00	[tba]

Part 6 – Permitted deductions for financial penalties pursuant to regulation 85 of the *Payment Services Regulations*, ~~and~~ regulation 51 of the *Electronic Money Regulations*~~,~~ and regulation 34 of the *RCB Regulations* as applicable. *Fee-paying payment service providers*, ~~and~~ *fee-paying electronic money issuers* and *issuers* of *regulated covered bonds* may make deductions as provided in this Part.		
Activity group	Nature of deduction	Amount of deduction
…		
G.11	…	
G15	Financial penalties received	[tbc]

…

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