

CP12/28**

Financial Services Authority

Regulatory fees and levies:

policy proposals for 2013/14

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The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 7 January 2013.

Comments may be sent by electronic submission using the form on the FSA's website at: www.fsa.gov.uk/Pages/Library/Policy/CP/2012/cp12-28-response.shtml

Alternatively, please send comments in writing to:

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

Telephone: 020 7066 5596
Fax: 020 7066 5597
Email: cp12_28@fsa.gov.uk

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.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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

Abbreviations used in this paper

CP	Consultation Paper
DPBs	Designated professional bodies
EEA firms	European Economic Area firms
EU	European Union
FCA	Financial Conduct Authority
FEES	Fees Manual
FOS	Financial Ombudsman Service
FPS	Financial Penalty Scheme
FSA	Financial Services Authority
FSCS	Financial Services Compensation scheme
FSMA	Financial Services and Markets Act 2000
MAS	Money Advice Service
MoU	Memorandum of Understanding
PRA	Prudential Regulation Authority
PS	Policy Statement
RCHs	Recognised Clearing Houses
RIEs	Recognised Investment Exchanges
The Bill	Financial Services Bill
UKLA	UK Listing Authority

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Overview

1.1 Each year we consult on:

- 1) proposed policy changes to the fee and levy regimes;
- 2) the fee rates for the fee-blocks that recover our Annual Funding Requirement (AFR), allocated to them, for the forthcoming financial year;
- 3) the Financial Ombudsman Service (FOS) general levy for the forthcoming financial year;
- 4) the Money Advice Service¹ levies for the forthcoming financial year; and
- 5) the Financial Services Compensation Scheme (FSCS) management expenses levy limit (MELL) 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, FOS 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, FOS and Money Advice Service fees or levies – (1) above. In the following March we consult on the proposed changes to (2) to (4) above. The March consultation is published alongside our Business Plan and, for the FOS and Money Advice Service, it is based on the plan and budget for those organisations. A separate consultation is published in January to cover the FSCS MELL, (5) above, which is based on its plan and budget.

1.3 In this annual fees policy Consultation Paper (CP) we are also consulting on the changes to the FSA's fees methodology to enable it to be adapted for the new Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to fund their first period of operation – 2013/14. We expect therefore that for 2013/14 the annual fees rates consultation will be carried out by the PRA and FCA and their CPs will be published in April 2013, together with their Business Plans. We also expect that the FCA CP will include the FOS and Money Advice Service levies consultation.

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.

- 1.4 You can find additional background material on the proposals in either this CP or the papers to be published in 2013 in our consolidated fees Policy Statement on our fee-raising arrangements and regulatory fees and levies – PS12/11 published in May 2012. The FSA Handbook rules and guidance on fees are in the Fees Manual and Annex 3 to this paper outlines the structure of the Fees Manual for ease of reference.

Structure of this Consultation Paper (CP)

- 1.5 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. Table 1.1 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.
- 1.6 There are four annexes and three appendices to this paper:
- 1) **Annex 1** contains a statement of compatibility of our proposed changes covered in Chapter 2 with the draft duties and objectives of the FCA and PRA as set out in the Financial Services Bill.
 - 2) **Annex 2** contains a statement of compatibility of our proposed changes covered in Chapters 4 and 5 with the principles of good regulation under current FSMA.
 - 3) **Annex 3** contains a list of the questions in this CP.
 - 4) **Annex 4** sets out where fee and levy rules and guidance are found in our Handbook.
 - 5) **Appendix 1** contains the draft Fees Manual rules and guidance to cover the Chapter 2 regulatory reform proposals to adapt the FSA's fees methodology for the PRA and FCA.
 - 6) **Appendix 2** contains draft Fees Manual rules and guidance for other changes which are not connected to regulatory reform and cover the proposals in Chapter 4 and Chapter 5.
 - 7) **Appendix 3** contains the Designation of Handbook Provisions for the Fees Manual relating to Appendix 1 and 2.

Summary of proposals

- 1.7 The proposals covered in this CP are summarised below.

Regulatory reform – fees rules transition to PRA and FCA (Chapter 2)

- 1.8 The Financial Services Bill (the Bill) remains under consideration by Parliament, and is likely to become law over the coming months. The Bill (and the necessary secondary

legislation that will support it) provides for the creation of the new UK regulatory architecture. This includes the new PRA, a subsidiary of the Bank of England, which will prudentially supervise deposit takers, insurers and a small number of significant investment firms. The FCA will regulate conduct in retail and wholesale markets; supervise the trading infrastructure that supports those markets; and, prudentially regulate firms not regulated by the PRA.² The Bill proposes changes to the Financial Services and Market Act 2000 (FSMA), which is the main legislation under which the FSA currently levies fees.

- 1.9** The FSA is undertaking work to enable the PRA and FCA to create their new rulebooks, which will come into effect when the new regulators acquire their legal powers (which we refer to as ‘legal cutover’). This is expected to be 1 April 2013, which would be at the start of the PRA and FCA fee-years. The overall approach to amending the rulebook ready for legal cutover is based on making only those changes that are required to implement properly the Bill and to support the creation of the new regulatory structure. This approach has been applied to the proposed changes to the Fees Manual, which is part of the FSA’s Handbook of rules.
- 1.10** A key element of this approach is that when the PRA and FCA acquire their powers, provisions in the existing FSA sections of the Fees Manual will be adopted, or ‘designated’, by the PRA, by the FCA or by both regulators, to form new PRA and FCA Fees Manual rulebooks. As a result, most of the provisions in the existing FSA Fees Manual will be carried forward to the new regulators in their respective Fees Manuals. More information can be found in a ‘One Minute Guide’ to designation, which was published in June 2012.³
- 1.11** In addition to designation, however, some substantive changes to the existing FSA Fees Manual are required to enable it to be fully adapted for the PRA and FCA to fund their first period of operation – 2013/14. It is these proposed substantive changes that Chapter 2 consults on. They have been prepared by the FSA in consultation with the Bank of England for those that relate to the PRA.
- 1.12** The proposed substantive rule changes cover the:
- introduction of separate PRA fee-blocks;
 - basis for PRA/FCA minimum fees;
 - introduction of a FCA Prudential fee-block;
 - revised fees discounts for European Economic Area (EEA) firms that undertake regulated activities through a branch passported into the UK; and
 - basis for the PRA and FCA levying restructuring special project fees.

² Further detail on the proposed new UK regulatory framework has been set out in a number of papers published by the government and by the FSA and the Bank of England. Please see the FSA’s webpages on regulatory reform at www.fsa.gov.uk/about/what/reg_reform

³ www.fsa.gov.uk/smallfirms/resources/one_minute_guides/about_fsa/handbook-pra-fca.shtml

- 1.13 We are also consulting on the way the FCA should allocate the cost of funding the inherited FSA-defined benefit pension deficit and bringing fee-payers attention to the government's proposed amendments to the way financial penalties resulting from enforcement action are to be treated.
- 1.14 Table 1.2 at the end of this chapter sets out which fee-payers will be affected by the above.

FCA fees governing principles and fees review 2013/14 (Chapter 3)

- 1.15 In this chapter we set out the fees governing principles that we propose the FCA will have regard to when making changes to its methodology for raising fees. We are seeking views from the industry and other stakeholders on these principles. We also give notice that during 2013/14 a review of the current fees methodology, as adapted by the FCA, will be undertaken.

UK Listing Authority (UKLA) – revision of certain fees (Chapter 4)

- 1.16 We are proposing a number of amendments and clarifications to fees charged under the listing rules:
- recovering costs of reviewing of final terms for securities;
 - introducing separate fees for premium and standard listing;
 - vetting fees for convertible securities and asset-backed securities;
 - rectifying anomalies in some references to listing charges; and
 - policy clarifications: multiple issuers or transactions.

Other policy proposals for consultation (Chapter 5)

Business projections by newly authorised firms

- 1.17 We propose to make it clear that newly authorised firms may project the data from which their fees are calculated if they have not been trading for a full year during the relevant reporting period. The present rule does not say how the data should be presented beyond the second year after a firm has been authorised.

Wholesale bank fees discount

- 1.18 We propose to remove the current 30% fees discount for firms in the A.1 fee-block (Deposit acceptors) that only accept deposits from wholesale depositors.

Amendments to on-account payment rule

- 1.19 We are proposing to amend the on-account payment rule to incorporate Recognised Investment Exchanges, Recognised Clearing Houses and Designated Professional Bodies to bring the basis under which they pay fees, through two instalments, in line with other fee-payers.

Introduction of income as tariff base for some intermediary fee-blocks – impact analysis (Chapter 6)

- 1.20 We present the results of an impact analysis we have undertaken in preparation for the introduction of income as the tariff base from 2013/14 for the following fee-blocks:
- 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).
- 1.21 It also presents the anticipated threshold for minimum fees and indicative fee-rates, which firms in these fee-blocks should find helpful in business planning for the coming financial year. At present, their fees are based on a headcount of approved persons (APs).

Timetable and next steps

- 1.22 The closing date for consultation on all the proposals in this paper is 7 January 2013.

Regulatory reform – fees rules transition to PRA and FCA (Chapter 2)

- 1.23 Subject to the responses received to the proposals in Chapter 2, we expect that the final rules instrument will be made by the respective boards of the new regulators as part of the legal cutover process for the PRA and the FCA acquiring their legal powers. We expect legal cutover to be 1 April 2013. These fees rules, detailed in the draft legal cutover instrument under Appendix 1, are therefore scheduled to come into effect for the 2013/14 fee-year. On this basis, we expect that the feedback on the responses received to the proposals in Chapter 2 will be published in the PRA and FCA 2013/14 fees rates CPs in April 2013. These fees rates CPs, which will include the annual funding requirement and allocations to fee-blocks for each organisation, are scheduled to be published at the same time as the PRA and FCA Business Plans for 2013/14.
- 1.24 As the Bill is still going through the parliamentary process, final rules and guidance may be subject to changes to the Bill (or associated secondary legislation). If any changes have a significant policy effect on proposed PRA and FCA Fees Manual rules on which we have already consulted, it is possible that we may need to re-consult.

- 1.25 We intend to publish a draft designation of the existing Fees Manual before legal cutover, to indicate the way in which the Fees Manual contents are being transitioned to the PRA and FCA.
- 1.26 We expect the fees rules to change independently of the draft legal cutover instrument (Appendix 1) between now and legal cutover, particularly given the amendments covered in this CP under Chapters 4 to 6 that are not related to regulatory reform. The final legal instrument cutover instrument will take into account any such changes made to the rules before legal cutover.

FCA fees governing principles and fees review 2013/14 (Chapter 3)

- 1.27 We are not consulting on rules or guidance under this chapter but we will provide feedback on responses we receive in the April 2013 FCA fees rates CP.

UKLA (Chapter 4) and other policy proposals (Chapter 5)

- 1.28 Subject to the responses received to the proposals in these chapters, we expect that the final rules will be made by the FSA Board in February 2013 and published together with our feedback in the February 2013 Handbook Notice. These fees rules are scheduled to come into effect for the 2013/14 fee-year.

Online fee calculator

- 1.29 We provide this facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft consultative rates we publish in our annual fees rates CP. We expect to publish the PRA and FCA fees rates CPs in April 2013 covering draft rates for 2013/14. It is our intention that the fees calculator will enable firms to calculate their expected fees for PRA as well as FCA as applicable. The fees calculator will continue to cover FSCS, FOS and the Money Advice Service levies as applicable.

Fees invoices

- 1.30 Firms that paid £50,000 or more in FSA fees in 2012/13 must, by 30 April 2013, pay 50% of their total 2012/13 FSA/Money Advice Service fees/levies and 100% of their 2012/13 FOS levies. This payment is treated as an 'on-account' payment against their 2013/14 fees. Firms will continue to receive invoices from the FSA to enable them to make this first payment. On the expectation that legal cutover will be 1 April 2013 these on-account payments will be applied against firms' PRA (as applicable) and FCA fees which will be finalised in June 2013. By 1 September 2013 they must pay the balance of their 2013/14 PRA (if applicable), FCA, Money Advice Service fees/levies and FOS levies and 100% of their FSCS levy. We expect the FCA to issue invoices to enable firms to make these payments. The FCA will be acting as collection agent for the PRA as well as for the FOS, Money Advice Service and the FSCS.

- 1.31 We expect that the FCA will start in July 2013 to invoice firms, that were not required to make on-account payments, for their full 2013/14 fees and levies. These invoices will again include PRA fees where applicable.

Equality and diversity

- 1.32 We carried out an equality impact assessment (EIA) of fees policy in 2011. The introduction of an income measure for intermediary fee blocks (Chapter 6) will complete our implementation of its recommendations. The EIA concluded that no other areas of fees policy were relevant to the equalities agenda or might influence behaviour. We believe that the remaining proposals in this CP fall into this category and do not raise equality or diversity questions. We would, however, welcome any comments respondents may have on any equality and diversity issues they believe arise from our proposals.

Who should read this Consultation Paper?

Fee-payers

- 1.33 Fee-payers should refer to Table 1.1 at the end of this chapter to identify the chapters most relevant to them.

Payment of regulatory fees and levies by instalments

- 1.34 In response to industry feedback, we facilitated a market solution for firms so they could pay regulatory fees and levies in instalments. We explained that an instalment payment system would be uneconomical for us to administer as any systems costs and bad debts would, directly or indirectly, have to be met by firms through regulatory fees. In addition, administering credit arrangements is not part of our statutory function and we considered that providing credit to fee payers was likely to be cheaper when done by an organisation whose core activity is financing rather than by us.
- 1.35 Following discussion with several potential credit providers, Premium Credit Limited was chosen by the industry as the company that offered a competitive product and one that would be made available to all authorised firms. The industry also chose to negotiate a three-year deal with Premium Credit Limited as this provided the opportunity to secure enhanced payment terms.
- 1.36 We are independent of this arrangement and have no contract in place with Premium Credit Limited. The current three-year deal has now ended and following the positive feedback of the arrangements, we are keen to ensure that firms will again have the

opportunity to pay through an instalment option if they wish. Premium Credit Limited has indicated it is interested in providing this facility to firms; however, we are inviting any other credit providers who are interested in this market to come forward with their proposals by 30 November 2012. We will then facilitate a working group, with representatives from the trade associations and the Smaller Businesses Practitioner Panel, to review any proposals. Credit providers will be invited to present their proposals and we will feed back the industry's views in early January 2013.

- 1.37** Credit providers should be aware that any scheme must allow us to receive the full amount of a firm's invoice within our terms of payment. Furthermore, the credit provided should be structured in such a way that it does not adversely affect a firm's capital adequacy calculations.

INVITATION TO POTENTIAL CREDIT PROVIDERS

We invite potential credit providers who may wish to finance firms' 2013/14 regulatory fees to forward their proposals by 30 November 2012. Proposals should be made in writing and addressed to: The Manager, Revenue Operations, 25 The North Colonnade, Canary Wharf, London, E14 5HS

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	Consultation response deadline	Rules to be finalised
Regulatory reform – fees transition to PRA and FCA	See Table 1.2 below which sets out what sections of this chapter are relevant to specific fee-payers	Chapter 2	7 January 2013	Appendix 1 rules will be finalised by the PRA and FCA Boards for legal cutover expected to be 1 April 2013. Feedback will be provided in their April 2013 fees rates CPs.
FCA governing fees principles and fees review 2013/14	All fee-payers	Chapter 3	7 January 2013	No rules apply. Feedback will be provided in the FCA April 2013 fees rates CP.
UK Listing Authority (UKLA) – revision of certain fees	Fee-payers in the E. fee-block – issuers and sponsors of securities	Chapter 4	7 January 2013	Appendix 2 rules relating to the proposals in Chapter 4 and Chapter 5 will be finalised in February 2013 by the FSA Board and feedback will be provided in the February 2013 Handbook Notice.
Other policy proposals: <ul style="list-style-type: none"> business projections by newly authorised firms; wholesale banks fees discount; and amendments to on-account payment rule 	<ul style="list-style-type: none"> Applicants for authorisation and firms recently authorised. Firms who pay variable periodic fees in fee-block A.1 Deposit acceptors Recognised Investment Exchanges, Recognised Clearing Houses and Designated Professional Bodies 	Chapter 5	7 January 2013	
Introduction of income as tariff base for some intermediary fee-blocks – impact analysis	<ul style="list-style-type: none"> Fee-payers in the following fee-blocks: <ul style="list-style-type: none"> 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 advisers 	Chapter 6	Not applicable	The rules consulted on through CP11/21 (published October 2011) will be finalised by the FSA Board in December 2012 and published in the December 2012 Handbook Notice. Feedback on CP11/21 was provided in Handbook Notice 18 published March 2012.

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

Table 1.2

Chapter 2 section	Fee-payers
Section (1) – PRA and FCA overall periodic fees structure: PRA fee-blocks	<p>Fee-payers in the following fee-blocks:</p> <ul style="list-style-type: none"> • A.1 Deposit acceptors • A.3 Insurers – general • A.4 Insurers – life • A.5 Managing Agents at Lloyd's • A.6 The Society of Lloyd's • A.10 Firms dealing as principal – only in relation to investment firms designated for prudential regulation by the PRA
PRA/FCA minimum fees	<p>Fee-payers in the A.0 fee-block for minimum fees (currently £1,000 or less for smaller credit unions and friendly societies)</p>
FCA Prudential fee-block	<p>Fee-payers that currently pay fees in the following fee-blocks:</p> <ul style="list-style-type: none"> • A.2 Home finance providers and administrators • A.7 Fund managers • A.9 Operators, Trustees and Depositories of collective investment schemes • 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 advisors • A.18 Home finance providers, advisers and arrangers • A.19 General insurance mediation
Section – (2) EEA branches discounts	Incoming EEA firms and incoming Treaty firms that have established branches in the UK.
Section (3) – Restructuring special project fees (SPFs)	Large firms when they undertake, for example, mergers/acquisitions or significant refinancing.
Section (4) – Financial penalties – fees discounts	<p>All the above fee-payers plus the fee-payers in the following fee-blocks:</p> <ul style="list-style-type: none"> • B (Multilateral Trading Facility operators only) • E Issuers and sponsors of securities • G Fee-payers under the: <ul style="list-style-type: none"> ◦ Money Laundering Regulations 2007 ◦ Regulated Covered Bonds Regulations 2008 ◦ Payment Services Regulations 2009 ◦ Electronic Money Regulations 2011
Section (5) FSA defined benefit pension deficit allocation under the FCA	<p>All the above fee-payers plus the fee-payers in the following fee-blocks:</p> <ul style="list-style-type: none"> • B Recognised Investment Exchanges, Operators of prescribed markets and service providers • C Collective Investment Schemes • D Designated Professional Bodies • F Unauthorised mutuals

2

Regulatory reform – fees transition to PRA and FCA

(FEES 3 Annex 9, FEES 4.1, 4.2, 4.3, 4.4, FEES 4 Annex 1, Annex 2 and FEES 7 –draft rules in Appendix 1)

- 2.1 Details of the regulatory reform process and the designation of the FSA sections of the Fees Manual rules are set out in Chapter 1 (paragraphs 1.8 to 1.11).
- 2.2 This chapter consults on the substantive proposed changes to the existing FSA Fees Manual required to enable it to be fully adapted for the PRA and FCA to fund their first period of operation – 2013/14. These proposed substantive changes have been prepared by the FSA, in consultation with the Bank of England for those that relate to the PRA.
- 2.3 The proposed substantive rule amendments are detailed in this chapter under the following sections:
- 1) PRA and FCA overall periodic fees structure. This section covers the:
 - introduction of separate PRA fee-blocks;
 - basis for PRA/FCA minimum fees; and
 - introduction of a FCA Prudential fee-block.
 - 2) Revised fees discounts for European Economic Area (EEA) branches.
 - 3) Basis for the PRA and FCA levying restructuring special project fees.
- 2.4 Under section (4) we bring fee-payers' attention to the government's proposed amendments to the way financial penalties resulting from enforcement action should be treated.
- 2.5 Under section (5) we are consulting on the way the FCA should allocate the cost of funding the FSA legacy defined pension deficit.

2.6 Fee-payers should refer to Table 1.2 at the end of Chapter 1 to establish which sections in this chapter are most relevant to them.

(1) PRA and FCA overall periodic fees structure

2.7 These proposed rule amendments only relate to the ‘A’ fee-blocks through which currently approximately 94% of the FSA’s annual funding requirement is raised. The amendments in themselves will not increase the amount of fees firms pay. The level of fees for next year will depend on the funding requirements of the PRA and FCA for 2013/14, the allocation to individual fee-blocks and the resulting fee rates. This will be covered in the April 2013 PRA and FCA fees rates CPs, which will be published alongside their Business Plans.

2.8 In Table 2.1, at the end of this chapter (on page 24), we set out the PRA and FCA fee-blocks, which we refer to in the remainder of this section. Firms should view this table and this chapter taking into account that, in relation to fees:

- Fees are levied on a legal entity basis and within that legal entity fees are levied where the firm undertakes the regulated activity represented by the various fee-blocks. Therefore a firm can be in more than one fee-block.
- Reference to ‘dual-regulated’ means a firm that, as a result of the regulated activities it is permitted to carry out, is regulated by the PRA for prudential purposes and the FCA for conduct purposes for those same regulated activities. Such firms would pay fees to the PRA for prudential purposes and fees to the FCA for conduct purposes.
- Reference to ‘solo-regulated’ means a firm that, as a result of the regulated activities it is permitted to carry out, is only regulated by the FCA for prudential and conduct purposes for those regulated activities. Such firms would pay both prudential and conduct fees to the FCA.
- A dual-regulated firm can also carry out the solo-regulated activities that fall to the FCA. Such firms, in addition to the fees they pay to the PRA and FCA for the dual-regulated activities they undertake, would also pay conduct fees to the FCA in relation to any solo-regulated activities they undertake.

2.9 Table 2.2, also at the end of this chapter (on page 25), illustrates where different types of firms will pay fees to the PRA and/or the FCA based on examples of combinations of regulated activities. There are many other combinations reflecting the individual activity profile of individual firms.

PRA fee-blocks

2.10 The purpose to introduce separate PRA fee-blocks that cover the regulated activities that fall within its scope – accepting deposits and effecting contracts of insurance (general and

life). Through these fee-blocks the PRA will be able to recover its annual funding requirement (AFR) for the prudential regulation of the firms that undertake these activities which are banks, building societies, credit unions, life and general insurers, including friendly societies and the Society of Lloyd's and its managing agents.

- 2.11 The FCA will recover a proportion of its AFR for the conduct regulation of these firms through its own set of conduct fee-blocks related to the same regulated activities.
- 2.12 These two sets of fee-blocks will therefore apply to all dual-regulated firms. The amount of PRA and FCA AFR allocated to these fee-blocks will be recovered across firms that are in these fee-blocks in the same way as currently – in accordance with the tariff base for each fee-block. The tariff base is the measure of size of business undertaken by the firm in the regulated activity covered by the respective fee-block.
- 2.13 To accommodate the small number of investment firms under fee-block A.10 (Firms dealing as principal), which the PRA designates to be regulated by it for prudential purposes, we are also introducing a separate PRA fee-block for this regulated activity.
- 2.14 In addition, we are introducing a PRA Transition costs fee-block through which the accumulated regulatory reform costs of the Bank of England can be recovered over a number of years. The amount allocated to this fee-block will be recovered from dual-regulated firms in proportion to the total fees they pay through the PRA-regulated activity fee-blocks.
- 2.15 The fees relating to these regulatory reform transition costs will be shown as a separate line on firms' fee invoices so they will be clearly distinguished from the fees relating to the on-going costs of the PRA.
- 2.16 Small firms that only pay the PRA minimum fee (see paragraph 2.17 below) will not pay fees under the PRA Transition costs fee-block. This is consistent with the approach taken by the FSA in recovering its regulatory reform costs for 2011/12 and 2012/13 where minimum fees did not include those costs.

PRA/FCA minimum fees

- 2.17 We are proposing that the FSA's minimum fee, currently £1,000 (less for small credit unions/friendly societies), is split 50:50 between the PRA and FCA for dual-regulated firms to give each organisation a common baseline minimum fee level at their commencement.
- 2.18 We are also proposing that the minimum fee for FCA solo-regulated firms at commencement represents a baseline level. This means that the minimum fee will no longer reflect the costs of specific functions (contact centre, regulatory reporting, unrecovered authorisation costs and policing the perimeter costs).
- 2.19 Each regulator may in the future consult on a different minimum fee from these baseline levels.

- 2.20 Overall, we expect that generally small firms that currently only pay minimum fees under the FSA A.0 fee-block will continue to do so for 2013/14.⁴ On the same basis we also anticipate that taking dual-regulated firms and FCA solo-regulated firms together, around 42% of the total firms in the 'A' fee-blocks will continue to only pay minimum fees in 2013/14.

FCA Prudential fee-block

- 2.21 We are introducing this separate fee-block to enable the FCA to target the recovery of FCA prudential regulation costs to its solo-regulated firms. A solo-regulated firm is one where the FCA regulates it for prudential as well as conduct purposes. Such firms include investment managers, securities dealers, retail investment intermediaries, mortgage intermediaries and general insurance intermediaries.
- 2.22 The amount of FCA AFR allocated to this fee-block will be recovered from only FCA solo-regulated firms in proportion to the total fees they pay through the FCA solo-regulated activity fee-blocks.
- 2.23 Small FCA solo-regulated firms that only pay the FCA minimum fee (see paragraph 2.18) will not pay fees under the FCA Prudential fee-block. This is consistent with the approach taken by the FSA for minimum fees that are only related to the costs of four functions (contact centre, regulatory reporting, unrecovered authorisation costs and policing the perimeter costs), which do not take into account prudential costs.

Q1: Do you have any comments on the proposed amendments to the FSA's periodic fees rules to enable them to be adapted for the PRA and FCA?

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

- 2.24 EEA firms that undertake regulated activities through a passported branch in the UK pay discounted fees to reflect that the home state (EEA country) is primarily responsible for prudential regulation and the host state (the UK) is primarily responsible for conduct regulation. We are proposing amendments to these discounts for the PRA and FCA to reflect the difference between the levels of prudential and conduct resources applied to regulating incoming passported EEA branches compared to UK-based firms.
- 2.25 The proposed revised discounts for dual-regulated fee-blocks are set out in Table 2.3.

⁴ This assumes that these firms continue to be small enough not to trigger variable fees.

Table 2.3

Fee-blocks	Current FSA discounts	PRA proposed discounts	FCA proposed discounts
A.1 Deposit acceptors	50%	50%	0%
A.3 Insurers – general	90%	90%	0%
A.4 Insurers – life	25%	90%	0%

2.26 The proposed revised discounts reflect that:

- the FCA, as the host regulator, will be primarily responsible for the conduct regulation of EEA branches and therefore we are proposing a zero discount;
- prudential regulation of EEA branches is primarily the responsibility of the home regulator. However, the PRA will have supervisory responsibilities for EEA branches;
- the proposed 90% discount for insurers reflects that these responsibilities relate to liaising with the home state supervisors on prudential supervision and other matters where there is a Directive requirement for cooperation, coordination and joint decision making; and
- the proposed 50% discount for deposit acceptors reflects that, in addition, these responsibilities extend to branch liquidity and consideration of global liquidity concessions. In particular, the amount of work being undertaken through supervisory colleges resulting from new EU processes and the focus on recovery and resolution.

2.27 The introduction of a separate FCA Prudential fee-block to target the recovery of FCA prudential regulation costs to only its solo-regulated firms means that the costs allocated to other ‘A’ fee-blocks will only relate to conduct regulation. As the FCA will be primarily responsible for the conduct regulation of EEA branches for the related regulated activities, we are proposing to reduce the other current discounts to zero, as set out in Table 2.4.

Table 2.4

Fee-blocks	Current FSA discount	FCA proposed discount
A.7 Fund managers	5%	0%
A.9 Operators, Trustees and Depositories of collective investment schemes etc	5%	0%
A.10 Firms dealing as principal	10%	0%
A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	10%	0%
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	10%	0%
A.19 General insurance mediation	10%	0%

- Q2:** Do you have any comments on the proposed revised amendments to the FSA's fees discount rules for passported in EEA firms to enable them to be adapted for the PRA and FCA?

Money Advice Service – EEA discounts

- 2.28** The FSA makes the levy rules⁵ for funding the Money Advice Service and they mirror the FSA's fees structure.⁶ This includes the FSA's fees discounts for EEA branches. The FCA will continue to have the function of making levy rules for the Money Advice Service and those levy rules will mirror the FCA's.
- 2.29** We are proposing that the zero FCA discounts set out in Tables 2.3 and 2.4 are applied to Money Advice Service levies.

- Q3:** Do you have any comments on the proposed revised amendments to the Money Advice Service fees discount rules for passported in EEA firms to enable them to be adapted for the FCA?

(3) Restructuring Special Project Fees (SPFs)

- 2.30** Restructuring SPFs are currently levied where regulatory costs exceed £50,000 when firms undertake certain transactions for example, mergers and acquisitions, significant restructuring of the firm or group to which it belongs, and refinancing. The rationale for levying these SPFs is that, in the right circumstances, firms should pay for the regulatory work that is performed exclusively for their benefit, rather than the work being paid for by other fee-payers in the same fee-block. The threshold was set at £50,000 to ensure that smaller firms would not be subject to them.
- 2.31** We are proposing that both the PRA and FCA can separately levy these SPFs if their respective conduct or prudential costs for the same transaction exceed £50,000. This approach will continue to ensure that small firms are generally not subject to such fees.
- 2.32** A consequence of this proposal is that there will potentially be fewer SPFs levied and therefore less targeting of the recovery of these transaction costs to the firms that benefit from the regulatory effort. For example, a transaction where the prudential costs of £35,000 and conduct costs of £20,000 would together exceed the £50,000 threshold and therefore would trigger an SPF under the FSA, the same transaction would not trigger a separate PRA or a separate FCA SPF as neither costs individually exceeded £50,000. To put

⁵ FEES7 in the Fees Manual continues to refer to CFEB levies – Consumer Financial Education Body.

⁶ Full details of the extent of this 'mirroring' is set out in Chapter 10 of PS12/11, published May 2012.

this into perspective over the 12 months to May 2012, three restructuring SPFs were levied by the FSA, two of which exceeded £100,000.

- 2.33 We believe that the proposed approach is preferable to splitting the threshold £25,000 for the PRA and £25,000 for the FCA, which would result in much smaller firms being subject to this SPF.

Q4: Do you have any comments on the proposed revised amendments to the FSA's restructuring SPF rules to enable them to be adapted for the PRA and FCA?

(4) Financial penalties – fees discounts

- 2.34 Where enforcement action results in a financial penalty being imposed, we are currently required under FSMA to apply those financial penalties to the benefit of authorised persons or issuers of securities admitted to the Official List and issuers who have requested or approved the admission of financial instruments to trading on a regulated market. Various other financial services regulations place a similar requirement on us.
- 2.35 The way we met these requirements for 2012/13 was set out in our Financial Penalty Scheme (FPS), published in our *Consolidated Fees Policy Statement (PS12/11⁷)* in May 2012 – Annexes 4 and 5. The level of discounts applied to fees paid by fee-payers was set out in Chapter 13. The level of discounts ranged between 1.3% and 30.5%.
- 2.36 On 8 October 2012⁸, HM Treasury announced that the government is changing these requirements so that financial penalties received by financial services regulators, net of enforcement case costs for the year, will go to the Exchequer. This change will apply to financial penalties received from 1 April 2012.
- 2.37 These changes will be made through government amendments to the Financial Services Bill.
- 2.38 We expect this to mean that from 2013/14 the benefit to fee-payers from financial penalties received by the FSA or the PRA/FCA will be limited to the amount available to cover enforcement case costs.
- 2.39 We are bringing this to the attention of fee-payers so that they can take it into account in their own budget planning for next year.

⁷ www.fsa.gov.uk/library/policy/policy/2012/12-11.shtml

⁸ www.hm-treasury.gov.uk/press_90_12.htm

(5) FSA defined benefit pension deficit allocation under the FCA

- 2.40 The FSA has plans in place to reduce the deficit on its inherited defined benefit pension scheme to nil over the ten-year period to 31 March 2021. We contributed £19.5m to the reduction of this deficit for 2012/13 and this cost was allocated across all fee-blocks in proportion to the amount of overall Ongoing Regulatory Activities (ORA) costs allocated to each fee-block. After legal cutover, these liabilities will remain with the FCA and therefore the cost will only be allocated across FCA fee-blocks.
- 2.41 We believe the FCA has two options for the way they allocate these pension deficit costs:
- **Option 1** – Allocate the pension deficit costs across FCA fee-blocks in the same proportion as the FCA's overall ORA is allocated. Dual-regulated firms will contribute to the recovery of these costs through the fees levied by the FCA for the conduct-related part of the dual-regulated activities they undertake. To illustrate the impact of this, assuming FCA 2013/14 pension deficit costs of £19.5m (same as this year for the FSA), we estimate that dual-regulated banks, building societies and insurers will contribute £2.9m (15%) to the recovery of these costs compared to £9.5m (48.6%) they would have contributed under the FSA. The difference of £6.6m will fall to the FCA solo-regulated firms.
 - **Option 2** – Weight the allocation of the pension deficit costs for 2013/14 so that, overall, the same proportion is recovered from banks, building societies and insurers as was the case under the FSA in 2012/13. The FCA could then continue to apply the same level of weighting in the following years.
- 2.42 We are proposing Option 1 because:
- the pension deficit costs fall to the FCA as a consequence of regulatory reform and Option 1 aligns the recovery of those FCA costs to the firms that undertake the regulated activities that are within the FCA's regulatory scope;
 - weighting the allocation under Option 2 shifts part of the recovery of these FCA costs to dual-regulated firms, although as the weighted distribution is effectively frozen at the 2012/13 level it does not actually replicate the on-going basis of distribution that would have applied if the FSA had continued in its present form; and
 - the difference of £6.6m, as estimated above, is likely to represent only a small proportion of the FCA's total ORA and have only a marginal impact on the overall fees paid by its solo-regulated firms.

Q5: Do you have any comments on the proposed Option 1 for allocating the FSA defined pension deficit costs under the FCA?

Draft instrument – regulatory reform fees rules changes

- 2.43** The draft instrument at Appendix 1 to this CP details the substantive changes to fees rules and guidance relating to the proposals covered in this chapter. In doing so we have also included, in so far as they relate to the substantive changes, minor amendments covering restructuring of some specific provisions to make the text carried forward from the existing FSA Fees Manual work in the PRA's and FCA's new Fees Manuals (but where no change to the policy behind the provision has been made).
- 2.44** In both cases we have also applied editorial changes such as (but not limited to):
- references to the 'FSA' being replaced (with references to the appropriate regulator as relevant);
 - references to the FSA's website, address, departments, teams or contact details being updated to provide the website, address or contact details of the PRA or FCA, as appropriate; and
 - cross-references to other parts of the PRA's and FCA's Handbook, to FSMA or to other legislation, being updated, where changes to numbering or headings have occurred.
- 2.45** We intend to publish a draft designation of the existing Fees Manual before legal cutover, to indicate the way in which the Fees Manual contents are being transitioned to the PRA and FCA.

Table 2.1: PRA and FCA fee-blocks

PRA prudential dual-regulated fee-blocks	FCA conduct dual-regulated fee-blocks
PA.0 Minimum fee – £500 or less currently for smaller credit unions/friendly societies	A.0 Minimum fee – £500 or less currently for smaller credit unions/friendly societies
Variable fees fee-blocks (i):	Variable fees fee-blocks (i):
A.1 Deposit acceptors	A.1 Deposit acceptors
A.3 Insurers – general	A.3 Insurers – general
A.4 Insurers – life	A.4 Insurers – life
A.5 Managing Agents at Lloyd’s	A.5 Managing Agents at Lloyd’s
A.6 The Society of Lloyd’s	A.6 The Society of Lloyd’s
A.10 Firms dealing as principal [Small number firms designated for PRA prudential regulation]	
PT.1 PRA Transition costs fee-block	

(i) Firms only pay fees in these fee-blocks if they carry out any of the regulated activities covered by them and the amount they carry out (tariff base) is above the minimum size thresholds. If they are not large enough to trigger variable fees these dual-regulated firms will only pay a PRA and FCA minimum fee which in total will be the same as currently (£1,000 or less). They will also not pay fees under the PRA Transition costs fee-block (PT.1).

FCA solo-regulated fee-blocks
A.0 Minimum fee – £1,000 currently
Variable fees fee-block (ii):
A.2 Home finance providers and administrators
A.7 Fund managers
A.9 Operators, Trustees etc of collective investment schemes
A.10 Firms dealing as principal
A.12 Advisory arrangers, dealers or brokers (hold client money/assets)
A.13 Advisory arrangers, dealers or brokers (not hold client money/assets)
A.14 Corporate finance advisors
A.18 Home finance, advisers and arrangers
A.19 General insurance mediation
AP.0 FCA Prudential costs fee-block – only applies to firms regulated for prudential purposes by the FCA.

(ii) Firms only pay fees in these fee-blocks if they carry out any of the regulated activities covered by them and the amount they carry out (tariff base) is above the minimum size thresholds. If they are not large enough to trigger variable fees these solo regulated firms will only pay a FCA minimum fee of £1,000. They will also not pay fees under the FCA Prudential costs fee-block (AP.0).

The small number of firms under A.10 fee-block which are designated by the PRA for prudential regulation will not pay fees under the FCA Prudential costs fee-block.

A dual-regulated firm that carries out the FCA solo-regulated activities will only pay conduct fees to the FCA if the amount they carry out (tariff base) is above the minimum size thresholds.

Table 2.2: Examples of where certain types of firms will pay fees to the PRA and/or the FCA

	PRA fees	FCA fees
Bank only		
PA.0 Minimum fee	√	√
PT.1 PRA Transition costs	√	
A.1 Deposit acceptors	√	√
Bank & other financial services		
PA.0 Minimum fee	√	√
PT.1 PRA Transition costs	√	
A.1 Deposit acceptors	√	√
A.2 Home finance providers and administrators		√
A.12 Advisory arrangers, dealers or brokers (hold client money/assets)		√
A.18 Home finance, advisers and arrangers		√
A.19 General insurance mediation		√
General insurer and adviser		
PA.0 Minimum fee	√	√
PT.1 PRA Transition costs	√	
A.3 Insurers - general	√	√
A.19 General insurance mediation		√
Fund manager		
A.0 Minimum fee		√
AP.0 FCA Prudential costs		√
A.7 Fund managers		√
A.12 Advisory, dealers (hold client money/assets)		√
Financial advisor		
A.0 Minimum fee		√
AP.0 FCA Prudential costs		√
A.13 Advisory, dealers (not hold client money/assets)		√
A.18 Home finance mediation		√
A.19 General insurance mediation		√

The above shows where firms will pay fees to the PRA and/or the FCA given examples of combinations of regulated activities. There are many other combinations reflecting the regulated activity profile of individual firms. The examples assumes that the amount of business undertaken in the variable fees fee-blocks is higher than the minimum size thresholds that trigger them.

Correction: On the 30 October 2012 the above table replaced the original incorrect table published on the 29 October 2012. The replacement was made because the some of the ticks for FCA fees in the original table were under the wrong column.

3

FCA fees governing principles and fees review 2013/14

- 3.1** In this chapter we set out the fees governing principles that we propose the FCA will have regard to when making changes to its methodology for raising fees. We are seeking views from the industry and other stakeholders on these principles. This chapter is relevant to all fee-payers.
- 3.2** We also give notice that, during 2013/14, a review of the current fees methodology, as adapted by the FCA, will be undertaken.

FCA fees governing principles

- 3.3** The principles we are proposing the FCA will have regard to when making changes to its methodology for raising fees are listed in Table 3.1.

Table 3.1: Proposed FCA fees governing principles

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

3.4 These principles were established through consultation with the industry in 2009 and were used to inform a strategic review of the FSA's fees regime at that time. These were published in CP09/26 (November 2009) when we consulted on proposed changes to the methodology for raising fees. We are proposing that these principles are adopted by the FCA with one amendment to principle 6 to reflect that the FCA will also need to consider the impact on dual-regulated firms.

Q6: Do you have any comments on the fees governing principles that we propose the FCA will have regard to when making changes to its methodology for raising fees?

FCA review of fees raising methodology – 2013/14

- 3.5 Taking into account comments received on the proposed FCA fees governing principles, we plan to use them to assess the extent that the FCA's fees methodology, as it has been adapted from the current FSA's methodology for 2013/14, is 'fit for purpose', given the implementation of the FCA's new operational model. In carrying out this assessment and before consulting on any proposed changes, we will engage with stakeholders including the Practitioner Panel, the Smaller Businesses Practitioner Panel and trade associations.
- 3.6 Our aim will be to engage objectively with stakeholders, remaining open to proposals for change or alternatives to the existing fees methodology.
- 3.7 In the expected April 2013 FCA fees rates CP, we intend to provide feedback on the responses received on this chapter and provide further information on the proposed review.

4

UK Listing Authority (UKLA) – revision of certain fees

(FEES 3.2.7R, FEES 3 Annex 5R – draft rules in Appendix 2)

4.1 We are proposing a number of amendments and clarifications to fees charged under the listing rules to come into force from 1 April 2013:

- recovering costs of reviewing of final terms for securities;
- introducing separate fees for eligibility for premium and standard listing;
- vetting fees for convertible securities and asset backed securities;
- rectifying anomalies in some references to listing charges; and
- policy clarifications: multiple issuers or transactions.

Recovering costs of reviewing final terms for securities

4.2 We are introducing a fee to recover the costs of reviewing final terms for securities submitted for either a public offer or for the admission of securities to the Official List or Regulated Markets. This is a new process we are setting up to ensure that final terms comply with the new requirements of the Prospectus Directive Regulations which came into force on 1 July 2012. It recently came to our attention that we were one of the few competent authorities that did not undertake a regular review of final terms after the final terms had been issued. Introducing a review of final terms after the final terms have been issued will bring us into line with most other competent authorities in the European Union. We are proposing a fee of £25, to be charged for each security included within the final terms. This will form a new Category 8 in Chapter FEES 3, Annex 5R, Part 2.

Introducing separate fees for eligibility for premium and standard listing

4.3 We propose to change the fees charged for assessing eligibility for listing in FEES 3 Annex 5 Part 1 to ensure that they are applied consistently and better reflect the work we carry out:

- The coverage and complexity of the rules for reviewing the eligibility of new applicants for premium listings are significantly greater than those for standard listings, and the amount of work undertaken is proportionately greater, but we charge the same fee (£1,430) for a premium or standard listing. To take better account of the work we undertake, we propose to split the eligibility charge into two categories – a premium listing eligibility fee of £2,450 and a standard listing eligibility fee of £1,100.
- We will make an exception where a new application for premium listing simply results from the addition of a new holding company onto a company's existing corporate structure. The work involved and the rules applicable in such cases are similar to those involved in assessing eligibility for admission to standard listing and so the premium eligibility fee would not be appropriate. We will therefore charge the standard eligibility fee unless the addition of a new holding company is accompanied by a transaction, when the full premium eligibility fee would be appropriate.
- We do not currently charge certain issuers seeking standard listings for the work we do on assessing the eligibility of their securities for listing and so the work is effectively subsidised by the other firms in the fee-block. For example, we charge a fee for assessing eligibility for a standard listing of shares but not for a standard listing of depositary receipts even though the work we undertake is effectively the same. We therefore propose to amend FEES 3 Annex 5 Part 1 to specify that the standard listing eligibility fee will apply to all standard listings including depositary receipts and to new issuers of debt securities as well as shares.

Vetting fees for convertible securities and asset backed securities

4.4 We are proposing to increase our vetting fee for the review and approval of prospectuses for convertible securities and asset backed securities, to bring it into line with the fee charged for the review and approval of prospectuses for equity securities.

4.5 At present, vetting a prospectus for convertible securities or asset backed securities falls under Category 4 of FEES 3, Annex 5, Part 2 as a 'non-equity prospectus or base prospectus'. The current fee is £2,750. We propose instead to identify it as a separate task and transfer it to Category 1, so that it attracts the same charge as vetting an equity prospectus – currently £6,270.

4.6 Convertible securities are linked to underlying equity securities and so the review of the prospectus is similar to the review of an equity prospectus since we need to ensure that there is sufficient information on the underlying shares and on the issuer. An asset backed

security is a complex debt security that takes longer to review than a standard debt security, and increasing the fee reflects this.

Rectifying anomalies in some references to listing charges

- 4.7 We propose to rectify some anomalies in the references to listing particulars in FEES 3.2.7.
- FEES 3.2.7(q) and (v) do not make it clear that our charges for super and significant transactions apply when issuers of depositary receipts submit any listing particulars for vetting, not only prospectuses. The rules should refer to both ‘... a prospectus **or listing particulars** in relation to a Depositary Receipt ...’
 - FEES 3.2.7(q)(ii) specifies that a super fee applies when we vet an equity prospectus ‘or equivalent document,’ but the reference to an ‘equivalent document’ is omitted from the otherwise identical definition of a significant fee in FEES 3.2.7(v)(i).
 - FEES 3 Annex 5 Part 1 Category 2 should include Depositary Receipts, and Part 2 Category 1 should, for the sake of clarity, include references to ‘listing particulars’.

Policy clarifications

Multiple issuers or transactions

- 4.8 It has been drawn to our attention that our general rule in FEES 3.2.1R on the obligation to pay fees could be interpreted as requiring us to impose additional charges under the listing rules in certain circumstances. We have decided to clarify the circumstances in which we do not make these charges where we consider that to be reasonable. FEES 3.2.1R states that: ‘A person in column (1) of the table in FEES 3.2.7 R as the relevant fee payer for a particular activity must pay to the FSA a fee for each application or request for vetting ... as set out or calculated in accordance with the provisions referred to in column (2) of that table.’
- 4.9 The areas of concern are set out below:

Vetting fees charged in relation to multiple issuers included on one vetting document

- 4.10 We normally charge only one vetting fee for each document we vet, no matter how many issuers are covered by it. However, FEES 3.2.1R could be interpreted as requiring us to charge every named issuer regardless of the work involved and so we are clarifying our approach to charging when multiple issuers are included in a single document.
- 4.11 While there is some additional disclosure to check for each issuer, we only assess the risk, allocate, approve and publish the document once. Similarly, we will not be checking

securities note disclosure nor releasing separate comments for each issuer. Consequently, the work we carry out on any individual document is not significantly affected by the number of issuers named in it – two named issuers, for instance, do not equate to double the work. In these cases, the issuers named in each document may be separate legal entities but they are not unrelated issuers that have decided for convenience, or to avoid charges, to issue securities under the same prospectus. In practice, they are part of the same group of companies or are subsidiaries of the firms submitting the documents. We do not believe it would be reasonable to charge as if each firm had submitted a separate document. Similarly, we do not charge additional fees where a document involves a guarantor.

- 4.12 This does not affect mineral expert reports which, as FEES 3.2.7(x)(2) makes clear, are charged in addition to any other vetting fees.

Debt programmes with multiple issuers on one application

- 4.13 FEES 3.2.1R requires us to charge an admission fee from each issuer. When we process debt programmes where there are multiple issuers (ordinarily subsidiaries of the listed parent entity), the number of issuers does not affect the amount of work we carry out and so it would not be reasonable to charge all of them. Instead, our practice has been to charge a single admission fee on the basis that the application is in relation to the programme itself and not the issuers.

Related vetting documents under one transaction where super/significant fee triggered

- 4.14 FEES 3.2.7R(q) and FEES 3.2.7R(v) set enhanced vetting fees for issuers that require documents to be vetted for certain types of transaction, or which are involved in reverse or hostile takeovers or other significant restructurings. They are charged a super transaction fee of £50,000 where market capitalisation is over £1.5 billion and they are new applicants for premium listing or involved in a takeover or restructuring; or where market capitalisation is over £5 billion and they are involved in class 1 transactions or transactions requiring vetting of equity prospectuses or prospectuses relating to depositary receipts. They are charged a significant transaction fee of £20,000 where they are involved in similar circumstances but market capitalisation is over £500 million.
- 4.15 Our practice is to apply only one super or significant fee to a single transaction and then charge any subsequent documents relating to the same transaction at the standard rate set out in FEES 3 Annex 5. For example, an issuer with a market capitalisation in excess of £5 billion, carrying out a class 1 transaction with an issue of consideration shares in relation to the same transaction, would produce a class 1 circular and a separate prospectus. We would charge a super transaction fee of £50,000 for the first document received by the UKLA and £6,270 for the second. However, FEES 3.2.1R could be interpreted as implying that we should charge the super transaction fee on both documents. We believe this would not be reasonable and so we are clarifying our position.

Consultation question

4.16 If you have any comments on our proposals, please respond to our consultation. Our consultation question is:

Q7: Do you agree with the amendments and clarifications we are proposing for fees under the listing rules, as set out in Chapter 4 of this CP?

5

Other policy proposals for consultation

(FEES 4.2.7BR, FEES 4 Annex 2 Part 1 and FEES 4.3.6R – draft rules in Appendix 2)

- 5.1 The proposals covered by this chapter and the firms affected are:
- business projections by newly authorised firms – affect applicants for authorisation and recently authorised firms;
 - wholesale banks fees discount – affect firms in fee-block the A.1 Deposit acceptors; and
 - amendments to on-account payment rule – affect Recognised Investment Exchanges, Recognised Clearing Houses and Designated Professional Bodies.

Business projections by newly authorised firms

- 5.2 We propose to allow newly authorised firms to annualise the data from which fees relating to the relevant regulated activities are calculated if they have not been able to complete a full data period in relation to their third or subsequent FSA financial year.
- 5.3 At present, FEES 4.2.7BR allows us to accept estimated data for the second year after a firm has been authorised but does not specify what they should do after this. Particularly for firms whose data periods are either the calendar year before the relevant FSA financial year or the financial year ending in the calendar year before the relevant FSA financial year, experience shows us that this does not cover the full range of practical scenarios. It may take as long as four years for a firm to have a full year's trading data to report. The problem is best explained through an illustration. Table 5.1 sets out the position of a firm which was authorised on 21 December 2009, and did not have a full set of data to report until the current fee-year.

Table 5.1: Example of a firm which did not have a full year's trading data until Year 4:

<p>Authorised: 21 December 2009</p> <p>Financial year end (ie annual reporting date – ARD): 31 August</p> <p>Tariff base: data for the firm's financial year ending during the previous calendar year ending 31 December</p> <p>Data required for fees calculation</p> <ul style="list-style-type: none"> • Year 1 (2009/10, ARD 31 August 2008): based on projections because the firm had no data to report for year ending 31 August 2008 since it did not exist. • Year 2 (2010/11, ARD 31 August 2009): figures annualised from the 10 days during which it had been authorised during the reporting year 2009 (21-31 Dec 2009). • Year 3 (2011/12, ARD 31 August 2010): also based on annualised data because it did not have full 12-months trading data to report (21 Dec 2009-31 Aug 2010). • Year 4 (2012/13, ARD 31 August 2011): first full year of trading data (1 Sept 2010-31 Aug 2011).

- 5.4 The present rule does not indicate what should happen after Year 2, although in this case the firm did not have a full set of data until Year 4, the 2012/13 fee-year. In practice, we allowed the firm to submit annualised data for the third year, but it would be helpful both for ourselves and firms if the rule explicitly clarified the process to be followed beyond the second year.
- 5.5 Although we cannot anticipate circumstances in which projections would be appropriate beyond four years, we have drafted the rule to leave the period open, to avoid being unnecessarily prescriptive.
- 5.6 Our consultation question is:
- Q8:** Do you agree with our proposed amendment to FEES 4.2.7BR, which will allow newly authorised firms to use projected tariff data until they have been trading for a full year during the relevant reporting period?

Wholesale banks fees discount

- 5.7 Firms in fee-block A.1 Deposits acceptors, whose regulatory activity permissions are limited to only accepting deposits from wholesale depositors ('wholesale banks') are given a 30% discount to their fees. Wholesale depositors include credit institutions, a large company (one that does not qualify as a small company under the Companies Acts), large mutual associations, central/local government bodies and a company in the same group as the person with whom the deposit is made. In 2012/13 this discount was applied to 18 firms out of the 330 that pay variable periodic fees in this fee-block.
- 5.8 The 30% discount was first introduced for the fee-year 2003/04 on the basis that firms with this limitation required reduced supervisory attention from us. Following a review of

the level of supervisory attention these firms require compared to the other firms in this fee-block, we have concluded they no longer require reduced supervisory attention and so the discount now represents a charge on other firms. We are therefore proposing that the 30% discount to fees paid by wholesale banks is no longer applied, starting from 2013/14.

Q9: Do you agree with our proposal to remove the 30% fees discount for wholesale banks?

Money Advice Service – wholesale banks discount

- 5.9** The FSA makes the levy rules⁹ for funding the Money Advice Service and they mirror the FSA's fees structure.¹⁰ This includes the FSA's fees discount for wholesale banks. When a change is made to the basis for calculating FSA's fees a mirror change is made to MAS levy rules but we have committed to consulting on such changes before implementing.
- 5.10** We are therefore proposing that the removal of the 30% discount for wholesale banks is applied to Money Advice Service levies.

Q10: Do you have any comments on the proposal to remove the 30% discount for wholesale banks in relation to Money Advice Service levies?

Amendments to on-account payment rule

- 5.11** Recognised Investment Exchanges (RIEs), Recognised Clearing Houses (RCHs) and Designated Professional Bodies (DPBs) pay their annual periodic fees in two instalments – on 30 April and 1 September if their fees are more than £50,000. The first instalment is based on 50% of the previous year's fees and the second instalment represents the amount of fees due for the current year less the amount paid under the first instalment.
- 5.12** The way in which this instalment method is set out in the current Fees Manual requires the rule to levy the 30 April instalment to be made in March each year. This has been possible in the past as the first instalment fee was consulted on in the annual fees rates CP published in February and the final rule made and published in March. For 2013/14 we are aligning the publication of the fees rates CP with the 2013/14 Business Plan scheduled for publication in March 2013 with all final fee rates rules being made and feedback on the responses received published in the consolidated fees policy statement in June 2013.

⁹ EES7 in the Fees Manual continues to refer to CFEB levies – Consumer Education Financial Body.

¹⁰ Full details of the extent of this 'mirroring' is set out in Chapter 10 of PS12/11, published May 2012.

- 5.13** This means that to accommodate the payment of the first instalment for the above fee-payers we would have to publish a separate fees rates CP in February 2013 and make the rules separately in March 2013. This would result in splitting the annual fees rates consultation, which would mean part of the consultation would be before the publication of the Business Plan and incur additional administrative costs of conducting two consultations.
- 5.14** We are therefore proposing an amendment to the existing on-account payment rule, FEES 4.3.6R, to the effect that RIEs, RCHs and DPBs pay their fees in instalments in the same way as other fee-payers covered by this rule. Under this rule fee-payers that paid £50,000 or more fees in a given fee-year pay 50% of those fees on account for the following year by the 30 April with the balance of the following year's fees payable by 1 September.

Q11: Do you have any comments on our proposed amendment to the EES 4.3.6R on account rule to incorporate RIEs, RCHs and DPBs?

6

Introduction of income as tariff base for some intermediary fee-blocks – impact analysis

- 6.1** This chapter sets out the results of our analysis of the income data firms have submitted to us in preparation for the introduction of income as the tariff base (measure of regulated business activity) from 2013/13 for the following fee-blocks:
- 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).
- 6.2** It also presents the anticipated threshold for minimum fees and indicative fee-rates, which firms in these fee-blocks should find helpful in business planning for the coming financial year. At present, fees in these fee-blocks are based on a headcount of approved persons (APs).

Background

- 6.3** In our October 2011 Fees Consultation Paper (CP11/21), we consulted on proposals to replace the headcount of APs with income as the tariff base for these fee-blocks. We said we would implement the change from 2013/14. This followed an equality impact assessment of fees policy that identified the headcount as a potential barrier to good practice in equalities since it made no allowance for part-time working or job-sharing. In addition, the allocation

of firms to fee-blocks on the basis of APs was becoming increasingly time-consuming and administratively difficult, both for ourselves and firms, for reasons that we discussed in detail in CP11/21. Finally, we believe that income is a fairer measure of firms' size and impact, which is why it replaced the headcount of APs as the basis for the Financial Services Compensation Scheme (FSCS) levy from 2010/11 for these fee-blocks.

- 6.4 In our February 2012 CP (CP12/03), we consulted on changes to the Retail Mediation Activities Return (RMAR), to enable firms that complete it to report income to us through our on-line data reporting system.
- 6.5 We provided feedback on the two sets of consultation proposals in our March Handbook Notice (HN118), and published a revised version of the definitions and guidance, modified in the light of the comments we had received through consultation. We added the revised definitions and guidance into the rules relating to the RMAR in our supervision handbook (SUP16).
- 6.6 We said in HN118 that we would use the data from the RMAR, along with additional income data from firms that do not complete the return, to carry out a further impact assessment of the proposed changes and report the results in the October fees CP, along with indicative fee rates.
- 6.7 In HN118 we indicated that we may make further changes to the definition of 'annual income' as a result of the impact assessment. We said that we would seek views on any revised proposals resulting from it. The impact assessment has in fact demonstrated that no substantive changes to the definition of annual income are required. Accordingly, there is no need to reconsult on this definition.
- 6.8 In light of 6.6 above, we will implement the annual income tariff base on the basis of the definition of annual income, which was consulted on in CP 11/21, as published with some technical amendments in HN118 following consultation. We will also make any administrative consequential amendments to the FEES rules which, as a result of the change to the annual income measure, have become redundant. This includes deleting the text relating to approved persons in the introduction to Part 2 of FEES 4 Annex 1.
- 6.9 Our December Board is scheduled to make the rules so that they can come into force in good time for the 2013/14 fee-year and before we write to firms that do not complete the RMAR and have not already responded to our income survey. We will report the decision in our December Handbook notice.

Methodology

- 6.10 We have modelled the fees payable under the income measure using data relating to firms' 2011/12 financial years. This is the period we will use for calculating the 2013/14 fees, since the draft rule prescribes data from the financial year ending during the previous

calendar year – that is, the 2013/14 fees will be based on the financial year ending during 2012. Our main source was the RMAR, supplemented by income data provided by a sample of firms that do not complete the RMAR, or had not completed their return at the time we undertook the analysis. Few if any firms in fee-block A.14 submit the RMAR, but since it is a relatively small and extremely diverse fee-block, we wrote to all the firms in it and received a high response rate of nearly two-thirds. Altogether, we had data for about one-third of the firms in the other two fee-blocks – see Table 6.1.

Table 6.1: Proportion of firms supplying 2011/12 income data

Fee-block	Total no. of firms	Response rate
A.12	1,871	32%
A.13	7,086	35%
A.14	780	60%

- 6.11** We derived income figures for non-respondents by calculating average incomes per approved person for different sizes of firms within the respective fee-blocks, after removing a number of outliers where the incomes seemed disproportionately high or low. We then applied the total income figures to the total annual funding requirements (AFRs) for 2012/13 to model the fees that would have applied if the income measure had been in force this year. This enabled us to make a comparison with the current fees. Subject to caveats about data quality and coverage, it should be a fair match, since the APs were counted as at 31 December 2011. Dividing the total AFR by the total income gives a fee-rate per £1,000, which is our standard methodology for modelling fees.

Key findings

- 6.12** The key findings of our impact analysis are set out below.

Threshold for minimum fee

- 6.13** Our analysis indicates that for all three fee-blocks, the appropriate threshold for the minimum fee should be £100,000. This is the income above which periodic fees become payable. Mortgage and general insurance intermediaries in fee-blocks A.18 and A.19, whose fees are already based on income, have the same threshold.
- 6.14** Under the current system, firms pay only the minimum fee if they have one or no APs. Table 6.2 compares the proportion of firms paying only minimum fees under the current and proposed tariff bases. With the present minimum fee threshold of less than two APs, the proportion is 35% – 43%. A £100,000 income threshold would leave a similar proportion of firms of firms under the threshold – in fact, a slightly greater proportion at 38% – 46%. Most – over two-thirds – would be the same firms, but there would inevitably be some movement up and down as well. Column 1 shows the proportion of firms now

under the minimum fee threshold. Column 2 shows the proportion of firms that our analysis indicates would fall below the threshold with an income measure. Column 3 shows the proportion of firms that are now under the threshold and would have remained under it if the income measure had been applied this year.

Table 6.2: Proportions of firms under the minimum fee threshold for the current and proposed regimes (2012/13 fees)

Fee-block	Proportion of firms under the minimum fee threshold		
	(1) Current regime	(2) Proposed regime	(3) Remain under threshold
A.12	35%	38%	65%
A.13	43%	46%	70%
A.14	35%	45%	77%

- 6.15** The firms moving above the threshold include a number in fee-block A.14 that are paying only minimum fees now because they have fewer than two APs, but reported high incomes for our survey. There was a wide range of income per AP in this fee-block.

Fee-rates

- 6.16** Table 6.3 sets out ranges illustrating our estimates of the fee-rates that might have applied if an income measure had been in force for 2012/13. Next year, the total amounts to be recovered from each fee-block will be different, and we will have complete, fully validated data, so the actual rates may be higher or lower. Nevertheless, firms may find these indicative figures helpful for their business planning.

Table 6.3: Indicative fee-rates (ranges) under an income measure for 2012/13

Fee block	Range per £1,000
A.12	£1.00 – £1.25
A.13	£5.90 – £7.25
A.14	£2.50 – £3.35

- 6.17** Fee-rates are traditionally higher in fee-block A.13 because the costs are recovered from a larger number of smaller firms. Most have fewer APs under the current tariff and reported lower incomes in our survey. Although the rate per unit is relatively high, in practice most individual firms pay less on average than in the other two fee-blocks.
- 6.18** Our analysis indicates that the fees for the majority of firms would either remain the same or decrease. As we explained above (Table 6.2), we expect around two-thirds of the firms currently under the minimum fee threshold to remain there. Table 6.4 presents some illustrations of the impact on those firms above the current AP-based minimum fee threshold whose fees would change by more than £1,000 (broadly equivalent to our current charge for one AP – the rate per AP is £591.98 in fee-block A.12, £1,191.47 in

A.13 and £1742.49 in A.14). The fees for almost all would change but most (73%-87%) would see a decrease.

Table 6.4: Estimate of firms whose fees under an income measure might increase or decrease by more than £200 compared to current 2012/13 fees

Fee-block	Proportion of firms whose fees might increase or decrease by more than £1,000		
	Total affected	Of which, proportion whose fees might:	
		Increase	Decrease
A.12	79%	27%	73%
A.13	72%	16%	84%
A.14	94%	13%	87%

- 6.19** This estimate is restricted to firms that submitted income data to us, excluding those for which we calculated derived incomes.
- 6.20** Firms with lower than average incomes per AP are more likely to see their fees decrease, while firms whose incomes per AP are higher than average would see increases. Incomes per AP may be affected by a range of factors, including the segment of the market in which the firm targets its business, the size of the transactions its APs deal with and, of course, the relative efficiency of individual firms and APs. For some APs, the activities on which we are charging fees may represent only a small part of their jobs. This applies especially to the tied advisors of high street banks and to professional firms offering corporate finance advice, which may be an incidental and even infrequent aspect of their day-to-day business.
- 6.21** Table 6.5 compares the actual and prospective fees for the firms which showed the greatest changes up or down (based only on those which submitted actual income data). It indicates that the increases for those firms whose fees go up are likely to be greater than the decreases for firms whose fees go down. This is because the present system allows a number of firms with high incomes to pay fees which are considerably lower than firms whose incomes are lower.

Table 6.5: Illustrative examples of the largest estimated increases and decreases in fees (2012/13 data)

Firm identifier	Income (£ millions)		Fees 2012/13 (£ thousands)		
	Total reported	Per approved person	Actual (on headcount)	Estimated (on income)	Difference
Fee-block A.12					
A	3,865	1.68	1,358	4,344	2,985
B	1,656	1.18	828	1,861	1,033
C	398	2.22	105	447	341
D	186	0.09	1,224	209	(1,015)
E	321	0.01	1,561	361	(1,200)
F	238	0.07	1,948	267	(1,681)
Fee-block A.13					
G	167	2.69	72	1,097	1,024

Firm identifier	Income (£ millions)		Fees 2012/13 (£ thousands)		
	Total reported	Per approved person	Actual (on headcount)	Estimated (on income)	Difference
H	181	1.26	169	1,190	1,021
I	176	0.72	291	1,162	870
J	36	0.08	512	240	(273)
K	27	0.04	705	177	(528)
L	57	0.06	1,102	374	(728)
Fee-block A.14					
M	267	9.21	48	734	685
N	205	2.28	148	563	415
O	171	2.80	104	469	364
P	2	0.03	117	6	(111)
Q	27	0.20	239	74	(165)
R	2	0.01	233	5	(229)

6.22 We do not underestimate the concern that large and sudden increases in fees may cause firms, but we believe that the amounts are in absolute terms affordable in relation to their incomes, and that the income measure provides a more equitable distribution of the costs of regulation.

Conclusion and next steps

6.23 The impact analysis has reinforced our belief that income provides a fairer basis for the costs of regulation than the headcount. Setting the minimum fee threshold at £100,000 preserves the overall proportion of firms paying minimum fees only and keeps most of the existing firms under the threshold. Some firms will undoubtedly see some sharp increases in fees but, while no doubt unwelcome, they should be affordable in relation to the income generated by the activity.

6.24 We are therefore proceeding with the definitions we have already published in HN 118 following consultation responses. The next steps are:

- The rules are scheduled to be made by our Board in December and the decision notified through our December Handbook Notice. This will give firms certainty about the basis of their fees from 2013/14. The rules will not include fee-rates, but the ranges published in this CP should assist firms with their planning.
- We will consult on the proposed fee-rates in our April CP and finalise them in our June 2013 Policy Statement.

Annex 1

Compatibility statement and cost benefit analysis – covering Chapter 2 proposals

1. We expect the proposals set out in Chapter 2 of this CP will be made by the Boards of the new regulators, the FCA and PRA, rather than by the FSA. As a result, the relevant cost benefit analysis (CBA) requirements are those set out in sections 138I and 138J of the revised version of FSMA, which states that the FCA and PRA will not be required to carry out and publish a CBA when proposing draft rules in relation to fees. This is the same position as was the case under section 155 of the original version of FSMA.

Compatibility statement

2. We are commenting on the compatibility of our proposals in Chapter 2 with the draft duties and objectives of the FCA and PRA as set out in the Financial Services Bill.

FCA general duties and principle of good regulation

3. Section 138I(2)(d) of FSMA (as proposed by the Bill) requires that a consultation undertaken by the FCA includes an explanation of the FCA's reasons for believing that making the proposed rules is compatible with its duties. We comment on these below.
4. The proposals in Chapter 2 put in place a fees methodology that will enable the FCA to raise fees to fund the activities it needs to undertake in 2013/14 to meet its responsibilities

under FSMA (as amended by the Financial Services Bill). We therefore believe that these proposals are indirectly compatible with the FCA's following duties:

- a) In carrying out its general functions the FCA must, so far as is reasonably possible, act in a way which: (a) is compatible with its strategic objective; and (b) advances one or more of its operational objectives (section 1B(1) FSMA, as proposed to be amended by the Financial Services Bill).
5. In carrying out its general functions the FCA must also have regard to the regulatory principles set out in the Act (section 1B(5)(a) FSMA (as proposed to be amended by the Financial Services Bill). Generally, the proposals in Chapter 2 do not directly have regard to these regulatory principles. However, the proposals will enable the FCA to fund its activities and by doing so enable it to have regard to these regulatory principles in carrying out those activities.
 6. The proposals represent only the necessary changes to our fees methodology to enable it to be adapted for the FCA and therefore minimises the change in the way firms will pay their fees and minimises the costs to the FCA in collecting those fees. To this extent we believe the proposals have direct regard specifically to the regulatory principle that requires each regulator to use their resources in the most efficient and economic way.

PRA general duties and principle of good regulation

7. Section 138J(2)(d) of FSMA (as proposed to be amended by the Financial Services Bill) states that the consultation undertaken by the PRA must include an explanation of the PRA's reasons for believing that making the proposed rules is compatible with its duties.
8. The proposals in Chapter 2 put in place a fees methodology that will enable the PRA to raise fees to fund the activities it needs to undertake in 2013/14 to meet its responsibilities under FSMA (as amended by the Financial Services Bill). We therefore believe that these proposals are indirectly compatible with the PRA's following duties:
 - a) In carrying out its general functions the PRA must, so far as is reasonably possible, act in a way that advances its general objective – i.e. promoting the safety and soundness of PRA authorised persons (section 2B(1) and (1) FSMA as proposed to be amended by the Financial Services Bill).
 - b) In carrying out its general functions so far as relating to a PRA-regulated activity relating to the effecting or carrying out of contracts of insurance, or PRA-authorized persons carrying on that activity, the PRA must, so far as is reasonably possible, act in a way which: (a) is compatible with its general objective and its insurance objective; and (b) the PRA considers most appropriate for the purpose of advancing those objectives (section 2C(1) and 2B(2) FSMA, as proposed to be amended by the Financial Services Bill).

9. In carrying out its general functions, the PRA must also have regard to the regulatory principles (sections 2G and 3B FSMA as proposed to be amended by the Financial Services Bill). Generally, the proposals in Chapter 2 do not directly have regard to these regulatory principles. However, the proposals will enable the PRA to fund its activities and by doing so enable it to have regard to these regulatory principles in carrying out those activities.
10. The proposals represent only the necessary changes to the FSA's fees methodology to enable it to be adapted for the PRA and therefore minimises the change in the way firms will pay their fees and minimises the costs to the PRA of the collection of those fees through the FCA, which will act as collection agent for the PRA. To this extent we believe the proposals have direct regard specifically to the regulatory principle that requires each regulator to use their resources in the most efficient and economic way.

Consultation: mutual societies

11. Section 138I(2)(c) for the FCA and section 138J(2)(c) for the PRA of FSMA (as proposed to be amended by the Financial Services Bill) states that the consultation undertaken by either regulator must include a statement prepared under section 138K(2). Section 138K(2) (as proposed to be amended by the Financial Services Bill) applies to where a regulator proposes to make a rule which impacts on both: (a) authorised persons which are mutual societies; and (b) other authorised persons. Where this applies the regulator must make a statement setting out whether or not the impact of the proposed rule on persons under (a) will be significantly different from its impact on persons under (b), and if so, detail the difference.
12. Chapter 2 includes proposals that apply to persons under both (a) and (b). We believe that the impact of these proposals on persons under (a) are not significantly different from their impact on persons under (b).

Annex 2

Compatibility statement and cost benefit analysis – covering Chapters 4 and 5 proposals

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

Compatibility with our statutory objectives

2. 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. 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).

FSA fees policy proposals

3. 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

4. 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

5. The introduction of quarterly charging in arrears for the UKLA’s application and vetting fees takes advantage of improvements we have made to our systems, and will simplify invoicing arrangements both for ourselves and firms. Our other modifications to the UKLA’s fee structure are intended to target our charges more closely to the specific activities we are undertaking. Similarly, removing the 30% discount on wholesale banks will focus cost recovery more effectively on the firms that require our regulatory attention. The circumstances that led us to introduce the discount in 2003/4 no longer apply, and so the discount now represents a charge on other firms.

The burden to be imposed should be proportionate to the benefits

6. 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. 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.
7. Our policy clarifications on the fees for dealing with documents received from multiple issuers and multiple transactions under the listing rules confirm our commitment to avoiding unnecessary charges. We are explaining our current practice because firms were not always aware of the circumstances in which we would decide how to charge them.
8. In Chapter 5, we propose to allow businesses to submit annualised data for fees calculations if they do not have a full year’s trading figures to report after becoming authorised. This plugs a gap in the manual, ensuring that our rules support our existing, pragmatic practice. We are also bringing consistency to the way we treat firms that make two instalments of fees when their previous year’s fees were over £50,000. Their first instalment in April is based on half of their previous year’s fee, with the balance of the current year’s fee payable in September. This is a general rule for most firms, but we used to consult separately in March on recognised investment exchanges, recognised clearing

houses and designated professional bodies. Instead, we will include these bodies in the main fees consultation from 2013/14 onwards. This will not affect the amount they pay each April, but it will avoid an unnecessary stage of consultation.

Most appropriate method

9. 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.
10. 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 built on existing fee-raising arrangements, which have operated since 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.
11. We do not consider that the changes we are consulting on will have any significant effect on the other principles.

Annex 3

List of consultation questions

Chapter 2

- Q1:** Do you have any comments on the proposed amendments to the FSA's periodic fees rules to enable them to be adapted for the PRA and FCA?

- Q2:** Do you have any comments on the proposed revised amendments to the FSA's fees discount rules for passported in EEA firms to enable them to be adapted for the PRA and FCA?

- Q3:** Do you have any comments on the proposed revised amendments to the Money Advice Service fees discount rules for passported in EEA firms to enable them to be adapted for the FCA?

- Q4:** Do you have any comments on the proposed revised amendments to the FSA's restructuring SPF rules to enable them to be adapted for the PRA and FCA?

- Q5:** Do you have any comments on the proposed Option 1 for allocating the FSA defined pension deficit costs under the FCA?

Chapter 3

- Q6:** Do you have any comments on the fees governing principles that we propose the FCA will have regard to when making changes to its methodology for raising fees?

Chapter 4

- Q7:** Do you agree with the amendments and clarifications we are proposing for fees under the listing rules, as set out in Chapter 4 of this CP?

Chapter 5

- Q8:** Do you agree with our proposed amendment to FEES 4.2.7BR, which will allow newly authorised firms to use projected tariff data until they have been trading for a full year during the relevant reporting period?
- Q9:** Do you agree with our proposal to remove the 30% fees discount for wholesale banks?
- Q10:** Do you have any comments on the proposal to remove the 30% discount for wholesale banks in relation to Money Advice Service levies?
- Q11:** Do you have any comments on our proposed amendment to the FEES 4.3.6R on account rule to incorporate RIEs, RCHs and DPBs?

Annex 4

Location of fees and levy rules and guidance in our Handbook

Legal powers

1. The Financial Services and Markets Act 2000 (FSMA) contains two main sets of similar provisions concerning our fee-raising powers and financial penalties. One set of provisions relates to the FSA's general functions under FSMA; and the other to the UK Listing Authority (UKLA) function. The Table A.1 sets out where the provisions can be found in FSMA:

Table A.1: Location of main fees material in FSMA

	Fees	Financial penalties
General functions (excluding UKLA)	Paragraphs 17 – 18 of part III of schedule 1	Paragraph 16 of part III of schedule 1
UKLA function	Section 99	Section 100

2. In addition, certain pieces of secondary legislation convey powers on us to raise fees – for example, section 5 of The Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (SI 1999/2979).

Handbook of rules and guidance

3. Table A.2 shows the organisation of rules and guidance in the Fees manual (FEES) in the FSA Handbook.
4. You can access our Handbook on our website at: www.fsa.gov.uk/handbook.

Table A.2: Location of fees rules and guidance in the Fees Manual

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 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
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 and electronic money issuers under the Electronic Money 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
Annex 11G	Guidance on fees due under FEES 3.2.7R
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 2012 to 31 March 2013
Annex 3R	Transaction reporting fees
Annex 4R	Periodic fees in relation to collective investment schemes payable for the period 1 April 2012 to 31 March 2013
Annex 5R	Periodic fees for designated professional bodies payable in relation to the period 1 April 2012 to 31 March 2013
Annex 6R	Periodic fees for recognised investment exchanges and recognised clearing houses payable in relation to the period 1 April 2012 to 31 March 2013
Annex 7R	Periodic fees in relation to the Listing Rules for the period 1 April 2012 to 31 March 2013
Annex 8R	Periodic fees in relation to the discolour rules and transparency rules for the period 1 April 2012 to 31 March 2013
Annex 9R	Periodic fees in respect of securities derivatives for the period from 1 April 2012 to 31 March 2013
Annex 10R	Periodic fees for MTF operators payable in relation to the period 1 April 2012 to 31 March 2013
Annex 11R	Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations, electronic money issuers under the Electronic Money Regulations and issuers of regulated covered bonds in relation to the period 1 April 2012 to 31 March 2013
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 2012/13
Annex 2R	Annual Levy Payable in Relation to the Voluntary Jurisdiction for 2012/13
Annex 3R	Case Fees Payable for 2012/13
FEES 6	Financial Services Compensation Scheme Funding
Annex 1R	Management Expenses Levy Limit
Annex 2	Financial Services Compensation Scheme – annual levy limits

Annex 3	Financial Services Compensation Scheme – classes and sub-classes
Annex 4	Guidance on the calculation of tariff bases
FEES 7	Money Advice Service
Annex 1R	Money Advice Service levies for the period from 1 April 2012 to 31 March 2013
FEES App 1	Unauthorised Mutuals Registration Fees Rules
Annex 1R	Periodic Fees payable for the period 1 April 2012 to 31 March 2013
Annex 2G	Further information on fees
Annex 3R	Emergencies
Annex 4R	Glossary of definitions

Appendix 1

Draft instrument – regulatory reform fees rules changes for Chapter 2

FEES LEGAL CUTOVER INSTRUMENT 2013¹

Powers exercised by the Financial Conduct Authority

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137R (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance);
 - (d) paragraph 20 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority) of the Act; and
 - (e) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body);
 - (2) the following provisions of the Payment Services Regulations 2009 (SI 2009/209):
 - (a) regulation 82 (Reporting requirements);
 - (b) regulation 92 (Costs of supervision); and
 - (c) regulation 93 (Guidance);
 - (3) the following provisions of the Electronic Money Regulations 2011 (SI 2011/99):
 - (a) regulation 49 (Reporting requirements);
 - (b) regulation 59 (Costs of supervision); and
 - (c) regulation 60 (Guidance); and
 - (4) the following powers and related provisions in the Regulated Covered Bond Regulations 2008 (SI 2008/346):
 - (a) regulations 18, 20, 24 and 25 (notification requirements);
 - (b) regulation 42 (Guidance); and
 - (c) regulation 46 and paragraph 5 of Schedule 1 (fees).
- B. The rule making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Powers exercised by the Prudential Regulation Authority

¹ This draft instrument is based on the rules which are in force on 29 October 2012. Please note that the final version of the instrument will be based on the rules which are in force at the time the instrument is made by the FCA and PRA boards. As such, the final version of the instrument will also take into account any changes to FEES made following this consultation but prior to the date on which the final version of this instrument is made. Please also note that where amendments made by the final version of this instrument require the updating of cross references in other parts of the Handbook, these updates will be taken into account in the final version of the instrument

- C. The Prudential Regulation Authority makes this instrument in the exercise of the following powers and related provisions in the Act:
- (1) section 137E (The PRA's general rules);
 - (2) section 137R (General supplementary powers); and
 - (3) paragraph 28 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.
- D. The rule making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- E. This instrument comes into force on *[date]*.

Amendments to the Handbook

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

Citation

- G. This instrument may be cited as the Fees Legal Cutover Instrument 2013.

By order of the Board of the Financial Conduct Authority
[date]

By order of the Board of the Prudential Regulation Authority
[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.²

CREDS 3.2G Schedule 3

3 Obligation to pay fees

...

Method of payment

...

3.2.7
[FCA/P
RA]

R Table of application, notification and vetting fees		
(1) Fee payer	(2) Fee payable	Due date
...		
(p) A <i>firm</i> applying for a variation of its Part IV <u>Part 4A permission</u>	<p>(1) Unless (2) or (3) applies, if the proposed new business of the <i>firm</i> would fall within one or more activity groups specific in Part 1 <u>or Part 4</u> of FEES 4 Annex 1 R not applicable before the application, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 3 1 R which apply to that application</p> <p>(2) If the only change is that the A.12 activity group tariff applied to the <i>firm's</i> business before the variation and the A.13 activity group will apply after variation, no fee is</p>	On or before the date the application is made

² Note: the terms “appropriate regulator”, “FCA”, “PRA”, “PRA-regulated activity”, “PRA-authorised person” and “FCA-authorised person” have been defined in the instrument contained in Appendix 19 to CP 12/24 Regulatory Reform: PRA and FCA regimes relating to aspects of authorisation and supervision.

	<p>payable</p> <p>(3) If the <i>firm</i> is in the A.1 fee block at the date of the application and the variation involves adding any of the <i>regulated activities of meeting of repayment claims or managing dormant account funds (including the investment of such funds)</i> the fee is 50% of the fee in <i>FEES 3 Annex 1 R</i> that applies to that application</p> <p>(4) in all other cases, other than applications by <i>credit unions</i>, the fee payable is 250, unless the variation involves only the reduction (and no other increases) in the scope of a <i>Part IV Part 4A permission</i> in which case no fee is payable.</p>	
...		

...

3 Annex Special Project Fee for restructuring 9R

[FCA/
RA]

- (1)R The Special Project Fee for restructuring (the SPFR) is only payable by a *person* in one of the following categories:
- (a) if it is in any of the A fee-blocks (as defined in Part 1 and Part 4 of *FEES 4 Annex 1 R*), ~~except if it is in fee block A.16 only~~; or
 - (b) ...
 - (d) ~~if it is a *recognised clearing house*~~; or ~~[deleted]~~
 - (e) ...

...

- (8)R No SPFR is payable to an appropriate regulator:
- (a) if the amount calculated in accordance with (9) in relation to the regulatory work conducted by that appropriate regulator totals less than £50,000; or
 - (b) ...

- (9)R The SPFR for each appropriate regulator is calculated as follows:
- (a) ...

...

- (11)R Table of FCA hourly rates:

<u>FSA FCA</u> pay grade	Hourly rate (£)
...	
Any other person employed by the <u>FSA FCA</u>	160

- (11)AR Table of PRA hourly rates:

<u>PRA</u> pay grade	<u>Hourly rate (£)</u>
<u>Administrator</u>	<u>30</u>
<u>Associate</u>	<u>55</u>
<u>Technical Specialist</u>	<u>100</u>
<u>Manager</u>	<u>110</u>
<u>Any other person employed by the PRA</u>	<u>160</u>

...

Periodic fees

4.1 Introduction

...

Background

...

4.1.3A³ G Note: References to the fee period 1 April 2012 to 31 March 2013 have been updated to 1 April 2013 to 31 March 2014 to put into effect the rule changes contained in the FEES LEGAL CUTOVER INSTRUMENT 2013 only . The tariff rates set out in the FEES 4 Annexes have not yet been updated for the 2013/2014 fee year. The rates for the 2013/2014 fee year will be made by the FCA and PRA boards in June, following a consultation on a separate fees rates instrument expected to be published in April 2013.

...

4.2 Obligation to pay periodic fees

...

Modifications for persons becoming subject to periodic fees during the course of a financial year

...

4.2.7 R A *firm* (other than an *ICVC* or *UCITS qualifier*) which becomes authorised or registered, or whose *permission* and/or *payment service* activities are extended, during the course of the ~~financial~~ fee year must pay a fee which is calculated by:

[FCA/P
RA]

(1) identifying each of the tariffs set out in Part 1 and Part 6 of FEES 4 Annex 2R and/or Part 1 of FEES 4 Annex 11R, as appropriate, for the relevant ~~financial~~ fee year that apply to the *firm* only after the *permission* is received or extended or *payment service* activities are authorised or registered or extended or *electronic money* issuance activities are authorised or registered under the *Electronic Money regulations*, but ignoring:

...

(2) calculating the amount for each of ~~those~~ the applicable tariffs which is the higher of:

(a) ~~the any applicable~~ minimum fee specified in relation a particular tariff in FEES 4 Annex 2R (but note, for the avoidance of doubt, that these are not the A.0 or PA.0 minimum fee fees set out under Part 1A Part 1B or Part 7 of FEES 4 Annex 2R specified for the tariff (where this applies); and

...

(3) adding together the amounts calculated under (2) in relation to fees

³ This guidance will be deleted in the FEES rates instrument which will be published for consultation in April and made by the FCA and PRA June boards.

payable to the FCA and, if applicable, separately adding together the amounts calculated under (2) in relation to the fees payable to the PRA;

- (4) working out whether ~~a~~ an A.0 or PA.0 minimum fee is payable under ~~Part 1A~~ Part 1B or Part 7 of FEES 4 Annex 2R (except that that minimum fee is not payable again by a *firm* whose *permission* is extended if the fee was already payable before the extension);
- (4A) If an A.0 FCA minimum fee is not payable, working out whether fee block an AP.0 FCA prudential fee is payable under Part 1B of FEES 4 Annex 2R and if so how much;
- (4B) If a PA.0 PRA minimum fee is not payable, working out whether a PT.1 PRA transitional fee is payable under Part 7 of FEES 4 Annex 2R and if so how much;
- (5) adding together the amounts calculated under (3), ~~and (4), 4(A) and (4B)~~ that relate to fees payable to the FCA and then adding this sum to any applicable flat rate fee, and, if applicable, separately adding together the amounts calculated under (3), (4) and (4B) that relate to fees payable to the PRA and then adding this sum to any applicable flat rate fee; and
- (6) modifying the result for the FCA and, if applicable, the PRA as indicated by the table in FEES 4.2.6 R (except that FEES 4 Annex 10 (Periodic fees for MTF operators) deals with a *firm* that receives *permission* for operating a *multilateral trading facility* or has its *permission* extended to include this activity during the course of the relevant ~~financial~~ fee year and FEES 4.2.6 R does not apply).

...

4.2.7B R (1) This *rule* deals with the calculation of:
[PRA/F
CA]

...

- (5) The rest of this rule only applies to a *firm* that becomes authorised or registered, or extends its *permission* and/or *payment services activities*, on or after 1 April 2009.

...

- (f) Where a firm is required to use actual data under this *rule* FEES 4 Annex 1R Part 3, FEES 4 Annex 1R Part 8, and FEES 4 Annex 11R Part 4, are modified, where applicable, in relation to the calculation of that *firm's* valuation date in its second financial year.

...

4.3 Periodic fees payable by firms (other than ICVCs and UCITS qualifiers)

...

Calculation of periodic fee (excluding fee-paying payment service providers and fee-paying electronic money issuers)

- 4.3.3 R The periodic fee referred to in *FEES* 4.3.1 R is (except in relation to the *Society, fee-paying payment service providers* and *fee-paying electronic money issuers*) calculated as follows:
- [FCA/P
RA]
- (1) identify each of the tariffs set out in Part 1 and Part 6 of *FEES* 4 Annex 2R which apply to the business of the *firm* for the period specified in that annex;
 - (2) for each of ~~those~~ the applicable tariffs, calculate the sum payable in relation to the business of the *firm* for that period;
 - (3) add together the amounts calculated under (2) in relation to fees payable to the FCA and, if applicable, separately add together the amounts calculated under (2) in relation to the fees payable to the PRA;
 - (4) work out whether ~~a~~ an A.0 or PA.0 minimum fee is payable under ~~Part 1A~~ Part 1B or Part 7 of *FEES* 4 Annex 2R and if so how much (except that that minimum fee is not payable again by a *firm* whose *permission* is extended if the fee was already payable before the extension);
 - (4A) If an A.0 minimum fee is not payable, working out whether an AP.0 FCA prudential fee is payable under Part 1B of FEES 4 Annex 2R and if so how much;
 - (4B) If a PA.0 minimum fee is not payable, working out whether a PT.1 PRA transitional fee is payable under Part 7 of FEES 4 Annex 2R and if so how much;
 - (5) adding together the amounts calculated under (3), ~~and (4) and (4A)~~ that relate to fees payable to the FCA and, if applicable, separately adding together the amounts calculated under (3), (4) and (4B) that relate to fees payable to the PRA; and

...

...

Time of payment

- 4.3.6 R (1) If the *firm's* or *regulated covered bond issuer's* periodic fee for the

[FCA/P
RA]

previous ~~financial~~ fee year was at least 50,000, it must pay:

- (a) an amount equal to 50% of the periodic fee payable for the previous year, by 30 April in the ~~financial~~ fee year to which the sum due under *FEES 4.2.1R* relates; and
- (b) the balance of the periodic fee due for the current ~~financial~~ fee year by 1 September in the ~~financial~~ fee year to which that sum relates.

1A Where the *firm* paid periodic fees to both the *FCA* and the *PRA* in the previous fee year, the reference to “periodic fee” in (1) must be read as applying to its combined *FCA* and *PRA* periodic fees.

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

...

(5) Paragraphs (1) and (2) do not apply to any Solvency 2 fee or Solvency 2 Implementation fee (as defined in Part 1 and Part 6 of *FEES 4 Annex 2R*) and such fees are not taken into account for the purposes of the split in (1). Instead any Solvency 2 fee or Solvency 2 Implementation fee is payable on the date specified in (1)(a) or (2) (depending on which applies to the rest of its periodic fee) or any earlier date required by (3) or (4).

...

4.3.6A
[FCA/
PRA]G

Fees are paid under *FEES 4.6.3R(1)(a)* on account in relation to both *PRA* and *FCA* fees but in both cases are paid to the *FCA* (either in its own capacity or as collection agent for the *PRA*). Any fee paid to the *FCA* under *FEES 4.3.6R(1)(a)* which is subsequently transferred in whole or in part to the *PRA* will be treated for the purposes of *FEES 4.3.6R(1)(b)* as an on account payment to the *PRA*. In such cases, (i) the reference to “periodic fee” in *FEES 4.3.6R(1)(b)* should be read as a reference to the *PRA*’s periodic fee and (ii) the *FCA* will not take into account any amount transferred when calculating the balance due to it under *FEES 4.3.6R(1)(b)*.

...

Incoming EEA firms, incoming Treaty firms, EEA authorised payment institutions and EEA authorised electronic money institutions

...

4.3.12
[FCA/P

R

For an *incoming EEA firm*, (excluding *MTF operators*), or an *incoming Treaty firm*, the calculation required by *FEES 4.3.3 R* is modified as follows

RA]

- (1) the tariffs set out in ~~Part 1 of FEES 4 Annex 2R~~ are applied only to the *regulated activities* of the firm which are carried on in the *United Kingdom*; and
- (2) those tariffs are modified in accordance with Part 3 and, if applicable, Part 8 of FEES 4 Annex 2 R.

...

4.4 Information on which Fees are calculated

4.4.1 R A *firm* (other than the *Society*) must notify to the ~~FSA-FCA~~ (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) the value (as at the valuation date specified in Part 3 ~~FEES 4 Annex 1R~~ in relation to fees payable to the FCA or Part 8 of FEES 4 Annex 1R in relation to fees payable to the PRA) of each element of business on which the periodic fee payable by the firm is to be calculated.

4.4.2 R A *firm* (other than the *Society*) must send to the ~~FSA-FCA~~ (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) in writing the information required under ~~FEES 4.4.1 R~~ as soon as reasonably practicable, and in any event within two months, after the date specified in Part 3 ~~FEES 4 Annex 1R~~ in relation to fees payable to the FCA or Part 8 of FEES 4 Annex 1R in relation to fees payable to the PRA (or ~~FEES 4.2.7BR~~ where applicable).

...

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

[FCA/P
RA]

Parts 1 to 3 set out the activity groups, tariff bases and valuation dates which relate to fees payable the to FCA.

Parts 4 to 8 set out the activity groups, tariff bases and valuation dates which relate to fees payable to the PRA.

<p>Part 1</p> <p>This table shows how the <u>FCA links the regulated activities</u> for which a <i>firm</i> has <u>permission</u> are linked to activity groups (fee-blocks). A <i>firm</i> can use the table to identify which fee-blocks it falls into based on its <i>permission</i>.</p>	
Activity group	Fee payer falls in the activity group if
...	

<p><u>Part 1A</u></p> <p><u>This table sets out the activity groups (fee blocks) in relation to (i) the minimum fee payable to the FCA and (ii) the prudential fee payable to the FCA.</u></p>	
<u>Activity group</u>	<u>Fee payer falls into the fee-block if:</u>
<u>A.0 FCA minimum fee</u>	<p><u>(1) it is in at least one of the fee blocks under Part 1; and</u></p> <p><u>(2) it is not:</u></p> <p><u>(a) a UK ISPV; or</u></p> <p><u>(b) a firm whose only permission is operating a dormant fund account.</u></p>
<u>AP.0 FCA prudential fee</u>	<p><u>(1) it is in at least one of the fee blocks under Part 1; and</u></p> <p><u>(2) it is not:</u></p> <p><u>(a) a PRA-authorised person; and/ or</u></p> <p><u>(b) a firm whose only periodic fee payable to the FCA is the A.0 FCA minimum fee.</u></p>

<p><u>Part 2</u></p> <p>This table indicates the tariff base for each fee-block set out in Part 1. The tariff base in this Part is the means by which we measure the FCA measures the amount of business conducted by a firm for the purposes of calculating the annual periodic fees payable to the FCA by that firm. 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 2 R Part 1).</p>	
...	

<p><u>Part 2A</u></p> <p><u>This table indicates the tariff base for each fee block set out in Part 1A.</u></p>	
<u>Activity Group</u>	<u>Tariff base</u>
<u>A.0</u>	<u>Not applicable because the minimum fee is a specified amount.</u>

<u>AP.0</u>	The total periodic fees payable under Part 1 of <i>FEES 4 Annex 2</i> excluding any periodic fee for <i>operating a dormant fund account</i> .
-------------	--

Part 3	
This table indicates the valuation date for each fee-block. A <i>firm</i> can calculate its tariff data <u>in respect of fees payable to the FCA</u> by applying the tariff bases set out in Part 2 with reference to the valuation dates shown in this table.	
Activity group	Valuation date
....	

Part 4	
This table shows how the <i>PRA</i> links the <i>PRA-regulated activities</i> for which a <i>PRA-authorized person</i> has <i>permission</i> to activity groups (fee-blocks). A <i>PRA-authorized person</i> can use the table to identify which fee-blocks it falls into based on its <i>permission</i> .	
Activity group	Fee payer falls in the activity group if
<u>A.1 Deposit acceptors</u>	<u>its permission includes accepting deposits</u> BUT DOES NOT include either of the following: <i>effecting contracts of insurance;</i> <i>carrying out contracts of insurance.</i>
<u>A.3 Insurers - general</u>	<u>its permission includes one or more of the following:</u> <i>effecting contracts of insurance;</i> <i>carrying out contracts of insurance;</i> <u>in respect of specified investments that are:</u> <i>- general insurance contracts; or</i> <i>- long-term insurance contracts other than life policies.</i>
<u>A.4 Insurers - life</u>	<u>its permission includes one or more of the following:</u> <i>effecting contracts of insurance;</i> <i>carrying out contracts of insurance;</i> <u>in respect of specified investments including life policies;</u> <i>entering as provider into a funeral plan contract.</i>
<u>A.5 Managing agents at Lloyd's</u>	<u>its permission includes managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's.</u>
<u>A.6 The Society of Lloyd's</u>	<u>it is the Society of Lloyd's.</u>

<u>A.10 Firms dealing as principal</u>	its <i>permission</i> includes <i>dealing in investments as principal</i> ; and the <i>PRA</i> has designated <i>dealing in investments as principal a PRA-regulated activity</i> in respect of the <i>firm</i> .
--	--

<u>Part 5</u>	
<u>This table sets out the activity groups (fee blocks) in relation to (i) the minimum fee payable to the PRA and (ii) the transitional fee payable to the PRA.</u>	
<u>Activity group</u>	<u>Fee payer falls into the fee-block if:</u>
<u>PA.0 PRA minimum fee</u>	(1) it is in at least one of the fee blocks under Part 4; and (2) it is not a <i>UK ISPV</i> .
<u>PT.1 PRA transitional fee</u>	(1) it is in at least one of the fee blocks under Part 4; and (2) it is not: (a) a <i>firm</i> whose only fee payable to the <i>PRA</i> is the <i>PA.0 PRA</i> minimum fee; and/or (b) a <i>UK ISPV</i> .

<u>Part 6</u>	
<u>This table indicates the tariff base for each fee-block set out in Part 4.</u>	
<u>The tariff base in this Part is the means by which the PRA measures the amount of business conducted by a PRA authorised person for the purposes of calculating the annual periodic fees payable to the PRA by that PRA authorised person.</u>	
<u>Activity Group</u>	<u>Tariff base</u>
<u>A.1</u>	<u>MODIFIED ELIGIBLE LIABILITIES</u> <u>For banks and building societies:</u> <u>Item B of Form ELS (Note (1)):</u> <u>$(1 + 2 + 3 + 4 + 0.6*5 + 6 - 8 - 9A - 9B - 10A - 10B - 10C - 11A - 11B - 0.6*12) + (1/3)*(F1 + F2 + F3 + F4 + 0.6*F5 + F6 - F8 - F9A - F9B - F10A - F10B - F10C - F11A - F11B - 0.6*F12)$</u> <u>- 13M</u>
	<u>Notes:</u> (1) All references in the above formula are to entries on Form ELS (that is, the Eligible Liabilities Return completed to

	<p>provide information by <i>banks</i> and <i>building societies</i> to the <u>Bank of England as required by the Bank of England Act 1998</u>).</p> <p><u>(2) The figures reported on the Form ELS relate to business conducted out of offices in the <i>United Kingdom</i></u></p> <p><u>For <i>credit unions</i>:</u></p> <p><u>Deposits with the <i>credit union</i> (share capital)</u></p> <p><u>LESS</u></p> <p><u>the <i>credit union's</i> bank deposits (investments + cash at bank)</u></p> <p><u>Note:</u></p> <p><u>Only <i>United Kingdom</i> business is relevant for calculating <i>credit unions'</i> MELs.</u></p>
A.3	<p><u>GROSS PREMIUM INCOME AND GROSS TECHNICAL LIABILITIES</u></p> <p><u>For <i>insurers</i>:</u></p> <p><u>The amount of <i>premium</i> receivable which must be included in the documents required to be deposited under <i>IPRU(INS) 9.6</i> in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a waiver or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to <i>IPRU(INS)</i> under transitional provisions relating to written concessions in <i>SUP</i>;</u></p> <p><u>AND the amount of gross technical liabilities (<i>IPRU(INS) Appendix 9.1 - Form 15, line 19</i>) which must be included in the documents required to be deposited under <i>IPRU(INS) 9.6R</i> in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a <i>waiver</i> or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to <i>IPRU(INS)</i> under transitional provisions relating to written concessions in <i>SUP</i>.</u></p> <p><u>Notes :</u></p> <p><u>(1) in the case of either:</u></p> <p><u>(a) a <i>pure reinsurer</i> carrying on <i>general insurance business</i> through a <i>branch</i> in the <i>United Kingdom</i>; or</u></p> <p><u>(b) an <i>insurer</i> whose head office is not in an <i>EEA State</i> carrying on <i>general insurance business</i> through a <i>branch</i> in the <i>United Kingdom</i>; or</u></p> <p><u>(c) a <i>non-EEA insurer</i> other than a <i>Swiss general insurer</i> which has <i>permission</i> to carry on direct insurance business</u></p>

	<p>and which has made a deposit in an <i>EEA state</i> other than the <u>United Kingdom</u> in accordance with <i>IPRU(INS) 8.1(2)</i>, the amount only includes premiums received and gross technical liabilities held in respect of its <i>United Kingdom business</i>;</p> <p><i>(2) for a Swiss general insurance company, premiums and gross technical liabilities include those relevant to the operations of the company's United Kingdom branch; and</i></p> <p><i>(3) a firm need not include premiums and gross technical liabilities relating to pure protection contracts which it reports, and pays a fee on, in the A.4 activity group.</i></p> <p><u>For friendly societies:</u></p> <p><u>Either:</u></p> <p><u>(a) the value of contributions as income under Schedule 7: Part I item 1(a) to the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983) (the regulations) for a non-directive friendly society, included within the income and expenditure account; or</u></p> <p><u>(b) the value of gross premiums written under Schedule 1: Part I items I.1(a) and II.1.(a) of the regulations for a directive friendly society included within the income and expenditure account</u></p> <p><u>Notes:</u></p> <p><u>(1) In both (a) and (b) above only premium receivable in respect of United Kingdom business are relevant.</u></p> <p><u>(2) For UK ISPVs the tariff base is not relevant and a flat fee set out in FEES 4 Annex 2R is payable.</u></p>
A.4	<p><u>ADJUSTED GROSS PREMIUM INCOME AND MATHEMATICAL RESERVES (see FEES 4 Annex 12 G)</u></p> <p><u>Amount of new regular premium business (yearly premiums including reassurances ceded but excluding cancellations and reassurances accepted), times ten;</u></p> <p><u>Plus</u></p> <p><u>amounts of new single premium business (total including reassurances ceded but excluding cancellations and reassurances accepted). Group protection business (life and private health insurance) must be included;</u></p> <p><u>Less</u></p> <p><u>premiums relating to pension fund management;</u></p> <p><u>Less</u></p> <p><u>premiums relating to Trustee Investment Plans.</u></p> <p><u>For each of the above, business transacted through</u></p>

	<p><u>independent practitioners or tied agents (either single or multi-tie) will be divided by two in calculating the adjusted gross premium income;</u></p> <p><u>AND</u></p> <p><u>the amount of mathematical reserves (IPRU(INS) Appendix 9.1R - Form 14, Line 11) which must be included in the documents required to be deposited under IPRU(INS) 9.6R in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a waiver or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to IPRU(INS) under transitional provisions relating to written concessions in SUP;</u></p> <p><u>Less</u></p> <p><u>mathematical reserves relating to pension fund management.</u></p> <p><u>Less</u></p> <p><u>mathematical reserves relating to Trustee Investment Plans.</u></p> <p><u>Notes:</u></p> <p><u>(1) [deleted]</u></p> <p><u>(2) Only premiums receivable and mathematical reserves held in respect of United Kingdom business are relevant.</u></p> <p><u>(3) An insurer must include in its calculation of adjusted gross premium income (AGPI) and mathematical reserves (MR) the value of MR and AGPI relating to all risks ceded to ISPVs.</u></p> <p><u>(4) Trustee Investment Plans are the class of contract of insurance specified in Class III of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long-term insurance) and which are invested in pooled funds beneficially owned by the insurer and not earmarked to individual beneficiaries by that insurer.</u></p>
A.5	<p><u>ACTIVE CAPACITY</u></p> <p><u>The capacity of the syndicate(s) under management in the year in question. This includes the capacity for syndicate(s) that are not writing new business, but have not been closed off in the year in question.</u></p>
A.6	<p><u>Not applicable</u></p>
A.10 (only to the extent that the PRA has designated dealing in	<p><u>NUMBER OF TRADERS</u></p> <p><u>Any employee or agent, who:</u></p> <p><u>ordinarily acts within the United Kingdom on behalf of an authorised person liable to pay fees to the PRA in its fee-</u></p>

<u>investments as principal to be a PRA-regulated activity in respect of the firm)</u>	<p>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 <i>firm</i> in market dealings or in transactions in <i>securities</i> or in other <i>specified investments</i> in the course of <i>regulated activities</i>.</p> <p>But not any <i>employees</i> or agents who work solely in the firm's <i>MTF operation</i>.</p> <p>A <i>firm</i> may, as an option, report <i>employees</i> or agents as full-time equivalents (FTE), taking account of any part-time staff. In calculating the FTE, <i>firms</i> must take into account the total hours employees or agents have contracted to work for the <i>firm</i> and not the time employees or agents devote to the <i>dealing in investments as principal</i> functions set out in fee-block A.10. Any figures using the FTE calculation to be recorded to one decimal place, rounded down to the nearest decimal place.</p>
--	--

<p><u>Part 7</u></p> <p><u>This table indicates the tariff base for each fee block set out in Part 5 above</u></p> <p><u>The tariff base in this Part is the means by which the PRA measures the amount of business conducted by a firm for the purposes of calculating the annual periodic fees payable to the PRA by that firm.</u></p>	
<u>Activity Group</u>	<u>Tariff base</u>
<u>PA.0</u>	<u>Not applicable because the minimum fee is a specified amount.</u>
<u>PT.1</u>	<u>The total periodic fees payable under Part 6 of FEES 4 Annex 2.</u>

<p><u>Part 8</u></p> <p><u>This table indicates the valuation date for each fee-block. A PRA authorised person can calculate its tariff data in respect of fees payable to the PRA by applying the tariff bases set out in Part 6 with reference to the valuation dates shown in this table.</u></p>	
<p><u>IN THIS TABLE, REFERENCES TO SPECIFIC DATES OR MONTHS ARE REFERENCES TO THE LATEST ONE OCCURRING BEFORE THE START OF THE PERIOD TO WHICH THE FEE APPLIES, UNLESS OTHERWISE SPECIFIED - E.G. FOR 2004/05 FEES (1 APRIL 2004 TO 31 MARCH 2005), A REFERENCE TO DECEMBER MEANS DECEMBER 2003.</u></p>	

<u>Where a <i>firm's</i> tariff data is in a currency other than sterling, it should be converted into sterling at the exchange rate prevailing on the relevant valuation date.</u>	
<u>A.1</u>	<u>For <i>banks</i>:</u> <u>Modified eligible liabilities (MELs), valued at:</u> <u>for a <i>firm</i> which reports monthly, the average of the MELs for October, November and December;</u> <u>for a <i>firm</i> which reports quarterly, the MELs for December.</u> <u>For <i>credit unions</i>:</u> <u>MELs, valued at December or as disclosed by the most recent annual return made prior to that date.</u> <u>For <i>building societies</i>:</u> <u>MELs, valued at the average of the MELs for October, November and December.</u>
<u>A.3</u>	<u>Annual gross <i>premium</i> income (GPI), for the financial year ended in the calendar year ending 31 December.</u> <u>AND</u> <u>Gross technical liabilities (GTL) valued at the end of the financial year ended in the calendar year ending 31 December.</u>
<u>A.4</u>	<u>Adjusted annual gross <i>premium</i> income (AGPI) for the financial year ended in the calendar year ending 31 December.</u> <u>AND</u> <u>Mathematical reserves (MR) valued at the end of the financial year ended in the calendar year ending 31 December.</u>
<u>A.5</u>	<u>Active capacity (AC), in respect of the Underwriting Year (as reported to the <i>Society</i> of Lloyd's) which is current at the beginning of the period to which the fee relates.</u> <u>[Note: this is the Underwriting Year which is already in progress at the start of the fee period - e.g. for 2004/05 fees, the fee period will begin on 1 April 2004, which is in the 2004 Underwriting Year, so the AC for that Underwriting Year is the relevant measure.]</u>
<u>A.6</u>	<u>Not applicable</u>
<u>A.10</u>	<u>Number of traders as at 31 December.</u>

...

4 Annex **Fee rates, permitted deductions and EEA/Treaty firm modifications for the period from 1 April 2012 to 31 March 2013 1 April 2013 to 31 March 2014**
2R
[FCA/P
RA]

Parts 1 to 5 set out the fee rates and EEA/Treaty firm modifications which relate to fees payable to the *FCA*.

Parts 6 to 8 set out the fee rates and EEA/Treaty firm modifications which relate to fees payable to the *PRA*.

Part 1

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

(1)	...
(2)	A <i>firm</i> may apply the relevant tariff bases and rates to non- <i>UK</i> business, as well as to its <i>UK</i> business, if:
	...
(b)	it notifies the FSA <i>FCA</i> in writing at the same time as it provides the information concerned under <i>FEES 4.4</i> (Information on which fees are calculated), or, if earlier, at the time it pays the fees concerned.
(3)	For a <i>firm</i> which has not complied with <i>FEES 4.2.2R</i> (Information on which fees are calculated) for this period:
	...
(b)	an additional fee of £250 is payable, <u>unless the firm is a <i>PRA- authorised person</i> in which case an additional fee of £125 is payable instead</u> ; and
(c)	The minimum total fee (including the administrative fee in (b)) is <u>£430, unless the firm is an <i>PRA- authorised person</i> in which case the total minimum total fee (including the administrative fee in (b)) is <u>£215.</u></u>
	...

...

Part 1A [deleted]

(1)	This Part sets out the minimum fee payable to the <i>FSA</i> applicable to the <i>firms</i> specified in (3) below.
(2)	The minimum fee payable by any <i>firm</i> referred to in (3) is 1000 unless:
(a)	it is a <i>credit union</i> that meets the conditions in (4), in which case the minimum fee payable is as set out in (4); or
(b)	it is a <i>non-directive friendly society</i> that falls into the A.3 activity group but not the A.4 activity group and meets the conditions set out

		in (5)(a), in which case the minimum fee payable is 430; or
	<u>(e)</u>	it is a <i>non-directive friendly society</i> that falls into the A.4 activity group but not the A.3 activity group and meets the conditions in (5)(b), in which case the minimum fee payable is 430; or
	<u>(d)</u>	it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (5)(a) and (5)(b), in which case the minimum fee payable is 430;
<u>(3)</u>	A firm (including an <i>incoming EEA firm</i> and an <i>incoming Treaty firm</i>) is referred to in this paragraph if it falls within the following activity groups: A.1; A.2; A.3 (excluding <i>UK ISPVs</i>); A.4; A.5; A.7; A.9; A.10; A.12; A.13; A.14; A.18; and A.19 (Note 1).	
<u>(4)</u>	The conditions referred to in (2)(a) are that the <i>credit union</i> has a tariff base (Modified Eligible Liabilities) of:	
	<u>(a)</u>	0 to 0.5million, in which case a minimum fee of 160 is payable; or
	<u>(b)</u>	greater than 0.5million but less than 2.0million, in which case a minimum fee of 540 is payable.
<u>(5)</u>	The conditions referred to in (2) are that:	
	<u>(a)</u>	the <i>non-directive friendly society</i> falls into the A.3 activity group and has, for that activity, 0.5 million or less in gross <i>premium</i> income and holds gross technical liabilities of 1.0 million or less;
	<u>(b)</u>	the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in adjusted gross <i>premium</i> income and holds mathematical reserves of 1.0 million or less.
	The figures for gross <i>premium</i> income, gross technical liabilities, adjusted gross <i>premium</i> income and mathematical reserves are the same as used for Part 1 of this Annex.	
Note 1	In the case of a <i>firm</i> which is required to pay the Solvency 2 Implementation fee (see Part 10) and, where relevant, the Solvency 2 Special Project fee there is an additional minimum fee set out in Part 6.	

Part 1B

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

A.0	<u>(1)</u>	[£1000 – tbc] unless:
	<u>(a)</u>	It is a credit union that meets the conditions in (2), in which case the minimum fee payable is as set out in (2);

	(b)	<u>it is a non-directive friendly society that falls into the A.3 activity group but not the A.4 activity group and meets the conditions set out in (3)(a), in which case the minimum fee payable is [430 – tbc]; or.</u>
	(c)	<u>it is a non-directive friendly society that falls into the A.4 activity group but not the A.3 activity group and meets the conditions in (3)(b), in which case the minimum fee payable is [430 – tbc]; or</u>
	(d)	<u>it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is [430 – tbc];</u>
	(e)	<u>it is also a <i>PRA-authorised person</i>, in which case the minimum fee is 50% of any fee which would otherwise apply under (1), (2) or (3).</u>
(2)		<u>The conditions referred to in (1)(a) are that the <i>credit union</i> has a tariff base (Modified Eligible Liabilities) of:</u>
	(a)	<u>0 to 0.5million, in which case a minimum fee of [160 – tbc] is payable; or</u>
	(b)	<u>greater than 0.5million but less than 2.0million, in which case a minimum fee of [540 – tbc] is payable.</u>
(3)		<u>The conditions referred to in (1) are that:</u>
	(a)	<u>the <i>non-directive friendly society</i> falls into the A.3 activity group and has, for that activity, 0.5 million or less in gross <i>premium</i> income and holds gross technical liabilities of 1.0 million or less;</u>
	(b)	<u>the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in adjusted gross <i>premium</i> income and holds mathematical reserves of 1.0 million or less.</u>
		<u>The figures for gross <i>premium</i> income, gross technical liabilities, adjusted gross <i>premium</i> income and mathematical reserves are the same as used for Part 1 of this Annex.</u>
Note		<u>In the case of a <i>firm</i> which is required to pay the Solvency 2 Implementation fee (see Part 10) and, where relevant, the Solvency 2 Special Project fee there is an additional minimum fee set out in Part 6.</u>
AP.0		<u>Periodic fees payable under Part 1 multiplied by rate £[tbc]</u>

...

Part 3	
This table shows the modifications to fee tariffs that apply <u>in respect of the FCA</u> to <i>incoming EEA firms</i> and <i>incoming Treaty firms</i> which have established branches in the UK.	
Activity Group	Percentage deducted from the tariff payable under Part 1 applicable to the firm
A.1	50% <u>0%</u>
A.3	90% <u>0%</u>
A.4	25% <u>0%</u>
A.7	5% <u>0%</u>
A.9	5% <u>0%</u>
A.10	In relation to each trader that carries on <i>auction regulation bidding</i> but not <i>MiFID business bidding</i> or <i>dealing in investments as principal</i> , 100%. In relation to all other traders, 10% <u>0%</u> .
A.12	10% <u>0%</u>
A.13	10% <u>0%</u>
A.19	10% <u>0%</u>
B. MTF operators	Not applicable
AP.0	100%
Note 1	The modifications to fee tariffs payable by an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i> which has established a branch in the UK apply only in relation to the relevant <i>regulated activities</i> of the <i>firm</i> which are <i>passport activities</i> or <i>Treaty activities</i> and which are carried on in the UK.
Note 2	The <i>FCA</i> minimum fee described in Part 4A <u>1B</u> of <i>FEES 4 Annex 2 R</i> applies in full and the modifications in this Part do not apply to it.

...

Part 6	
This table shows the tariff rates applicable to each <u>of the fee block blocks</u> set out in Part 4 of <i>FEES 4 Annex 1R</i> .	
(1)	<u>For each activity group specified in the table below, the fee is the total of the</u>

	<u>sums payable for each of the tariff bands applicable to the <i>firm's</i> business, calculated by multiplying the value of the <i>firm's</i> tariff base by the rate applicable to each tranche of the tariff base, as indicated (Note 1).</u>	
(2)	<u>A <i>firm</i> may apply the relevant tariff bases and rates to non-UK business, as well as to its UK business, if:</u>	
	(a)	<u>it has reasonable grounds for believing that the costs of identifying the <i>firm's</i> UK business separately from its non-UK business in the way described in Part 5 of FEES 4 Annex 1R are disproportionate to the difference in fees payable; and</u>
	(b)	<u>it notifies the FCA (acting as the collecting agent of the PRA) in writing at the same time as it provides the information concerned under FEES 4.4 (Information on which fees are calculated), or, if earlier, at the time it pays the fees concerned.</u>
(3)	<u>For a <i>firm</i> which has not complied with FEES 4.4.2 R (Information on which fees are calculated) for this period:</u>	
	(a)	<u>the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10;</u>
	(b)	<u>an additional administrative fee of 125 is payable; and</u>
	(c)	<u>the minimum total fee (including the administrative fee in (b)) is 215.</u>
<u>Activity group</u>	<u>Fee payable</u>	
A.1	<u>Band width (£ million of Modified Eligible Liabilities (MELs))</u>	<u>Fee (£/£m or part £m of MELs)</u>
		<u>General Periodic fee</u>
	<u>>10 – 140</u>	<u>[tbc]</u>
	<u>>140 – 630</u>	<u>[tbc]</u>
	<u>>630 – 1,580</u>	<u>[tbc]</u>
	<u>>1,580 – 13,400</u>	<u>[tbc]</u>
	<u>>13,400</u>	<u>[tbc]</u>
A.3	<u>Gross premium income (GPI)</u>	<u>General periodic fee</u>

	<u>Minimum fee (£)</u>	[tbc]
	<u>Band Width (£ million of GPI)</u>	<u>Fee (£/£m or part £m of GPI)</u>
	<u>>0.5 – 10.5</u>	[tbc]
	<u>>10.5 – 30</u>	[tbc]
	<u>>30 – 245</u>	[tbc]
	<u>>245 – 1,900</u>	[tbc]
	<u>>1,900</u>	[tbc]
	Plus	
	<u>Gross technical liabilities (GTL)</u>	<u>General Periodic fee</u>
	<u>Band Width (£ million of GTL)</u>	<u>Fee (£/£m or part £m of GTL)</u>
	<u>>1 – 12.5</u>	[tbc]
	<u>>12.5 – 70</u>	[tbc]
	<u>>70 – 384</u>	[tbc]
	<u>>384 – 3,750</u>	[tbc]
	<u>>3,750</u>	[tbc]
	<u>For UK ISPV's the tariff rates are not relevant and a flat fee of [tbc] is payable in respect of each PRA fee year (the 12 months ending 31 March).</u>	
A.4	<u>Adjusted annual gross premium income (AGPI)</u>	<u>General Periodic fee</u>
	<u>Minimum fee (£)</u>	[tbc]
	<u>Band Width (£ million of AGPI)</u>	<u>Fee (£/£m or part £m of AGPI)</u>
	<u>>1 – 5</u>	[tbc]
	<u>>5 – 40</u>	[tbc]
	<u>>40 – 260</u>	[tbc]

	<u>>260 – 4,000</u>	[tbc]
	<u>>4,000</u>	[tbc]
	<u>PLUS</u>	
	<u>Mathematical reserves (MR)</u>	<u>General Periodic fee</u>
	Minimum fee (£)	[tbc]
	<u>Band Width (£ million of MR)</u>	<u>Fee (£/£m or part £m of MR)</u>
	<u>>1 – 20</u>	[tbc]
	<u>>20 – 270</u>	[tbc]
	<u>>270 – 7,000</u>	[tbc]
	<u>>7,000 – 45,000</u>	[tbc]
	<u>>45,000</u>	[tbc]
A.5	<u>Band Width (£ million of Active Capacity (AC))</u>	<u>Fee (£/£m or part £m of AC)</u>
	<u>>50 – 150</u>	[tbc]
	<u>>150 – 250</u>	[tbc]
	<u>>250 – 500</u>	[tbc]
	<u>>500 – 1,000</u>	[tbc]
	<u>>1,000</u>	[tbc]
A.6	<u>Flat fee</u>	[tbc]
A.10	<u>Band Width (No. of traders)</u>	<u>Fee (£/trader)</u>
	<u>2 – 3</u>	[tbc]
	<u>4 – 5</u>	[tbc]
	<u>6 – 30</u>	[tbc]
	<u>31 – 180</u>	[tbc]
	<u>>180</u>	[tbc]

Part 7

This table sets out the tariff rate applicable to each of the fee blocks set out in Part 5 of FEES 4 Annex 1R

PA.0	(1)	<u>The minimum fee payable by any firm referred to in (3) is [500 – tbc] unless:</u>		
	(a)	<u>it is a <i>credit union</i> that meets the conditions in (2), in which case the minimum fee payable is as set out in (2); or</u>		
	(b)	<u>it is a <i>non-directive friendly society</i> that falls into the A.3 activity group but not the A.4 activity group and meets the conditions set out in (3)(a), in which case the minimum fee payable is [215 – tbc]; or.</u>		
	(c)	<u>it is a <i>non-directive friendly society</i> that falls into the A.4 activity group but not the A.3 activity group and meets the conditions in (3)(b), in which case the minimum fee payable is [215 – tbc]; or</u>		
	(d)	<u>it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is [215 – tbc];</u>		
	(2)	<u>The conditions referred to in (1)(a) are that the <i>credit union</i> has a tariff base (Modified Eligible Liabilities) of:</u>		
	(a)	<u>0 to 0.5million, in which case a minimum fee of [80 – tbc] is payable; or</u>		
	(b)	<u>greater than 0.5million but less than 2.0million, in which case a minimum fee of [270 – tbc] is payable.</u>		
	(3)	<u>The conditions referred to in (1) are that:</u>		
	(a)	<u>the <i>non-directive friendly society</i> falls into the A.3 activity group and has, for that activity, 0.5 million or less in gross <i>premium</i> income and holds gross technical liabilities of 1.0 million or less;</u>		
	(b)	<u>the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in adjusted gross <i>premium</i> income and holds mathematical reserves of 1.0 million or less.</u>		
			<u>The figures for gross <i>premium</i> income, gross technical</u>	

	<u>liabilities, adjusted gross <i>premium</i> income and mathematical reserves are the same as used for Part 1 of this Annex.</u>
<u>PT.1</u>	<u>Periodic fees payable under Part 1 multiplied by rate £[tbc]</u>

<u>Part 8</u>	
<u>This table shows the modifications to fee tariffs that apply to <i>incoming EEA firms</i> and <i>incoming Treaty firms</i> which have established branches in the UK.</u>	
<u>Activity Group</u>	<u>Percentage deducted from the tariff payable under Part 6 applicable to the firm</u>
<u>A.1</u>	<u>50%</u>
<u>A.3</u>	<u>90 %</u>
<u>A.4</u>	<u>90%</u>
<u>PT.1</u>	<u>100%</u>
<u>Note 1</u>	<u>The modifications to fee tariffs payable by an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i> which has established a branch in the UK apply only in relation to the relevant regulated activities of the firm which are <i>passport</i>ed activities or <i>Treaty activities</i> and which are carried on in the UK.</u>
<u>Note 2</u>	<u>The <i>PRA</i> minimum fee described in Part 7 of <i>FEES 4 Annex 2R</i> applies in full and the modifications in this Part do not apply to it.</u>

7.2 The CFEB levy

...

7.2.9 R Table of rules in FEES 4 that also apply to FEES 7 to the extent that in FEES 4 they apply to the *FCA*.
[FCA]

...

Appendix 2

Draft instrument – other fees rules changes for Chapter 4 and Chapter 5

FEES (MISCELLANEOUS AMENDMENTS) (NO 5) INSTRUMENT 2013

- 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);
 - (f) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the consumer financial education body)
 - (g) paragraphs 1 (General), 4 (Rules), and 7 (Fees) of Schedule 7 (The Authority as Competent Authority for Part VI);
 - (2) the following provisions of the Payment Services Regulations 2009 (SI 2009/209):
 - (a) regulation 82 (Reporting requirements);
 - (b) regulation 92 (Costs of supervision); and
 - (c) regulation 93 (Guidance);
 - (3) the following provisions of the Electronic Money Regulations 2011 (SI 2011/99):
 - (a) regulation 49 (Reporting requirements);
 - (b) regulation 59 (Costs of supervision); and
 - (c) regulation 60 (Guidance).
- 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 April 2013.

Amendments to the Handbook

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

Citation

- E. This instrument may be cited as the Fees (Miscellaneous Amendments) (No 5) Instrument 2013.

By order of the Board
XX February 2013

Annex A

Amendments to the Fees manual (FEES)

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

3.2 Obligation to pay fees

...

3.2.7 R Table of application and vetting fees

[FCA/P
RA]

<p>(q) A super transaction, being one where:</p> <p>(i) the <i>issuer</i> has a market capitalisation in excess of 1.5 billion and it is a new applicant for a <i>premium listing</i> under the <i>listing rules</i>, or involved in a reverse or hostile takeover or a significant restructuring; or</p> <p>(ii) the <i>issuer</i> has a market capitalisation in excess of 5 billion and is involved in a <i>class 1 transaction</i> a transaction requiring vetting of an equity <i>prospectus</i> or equivalent document <u>equivalent document</u> or a transaction requiring vetting of a prospectus <u>prospectus or listing particulars</u> in relation to a Depositary Receipt.</p>	50,000	On or before the date that relevant documentation is first submitted to the <i>FSA</i> -
...		
<p>(v) A significant transaction, being one</p>	20,000	On or before the date that relevant

<p>where:</p> <p>(i) the <i>issuer</i> has a market capitalisation in excess of 500 million and is producing an equity <i>prospectus</i> or <u>equivalent document</u>, a <i>prospectus</i> or <u>listing particulars</u> in relation to a Depository Receipt or a document in relation to a class 1 transaction; or</p> <p>(ii) the <i>issuer</i> is producing a document for vetting in relation to a <i>reverse takeover</i>, a hostile takeover or a significant restructuring.</p> <p>A significant transaction does not include a super transaction.</p>		documentation is first submitted to the <i>FSA</i> :-
...		

...

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

[FCA/P
RA]

Part 1

Fee type		Fee amount
<p>Transaction vetting fees</p> <p>Transaction vetting fees relate to specific events or transactions that an <i>issuer</i> might be involved in during the year.</p>		
Eligibility	<p>New applicants <u>for</u>:</p> <p><u>standard listings</u> and, in respect of <u>companies</u> which satisfy the requirements of <i>LR 6.1.1AR</i>, <u>premium listings</u>;</p> <p><u>premium listings</u> in respect of</p>	<p>£1,430</p> <p>£[TBC]</p> <p>£[TBC]</p>

	<u>companies which do not meet the requirements of LR 6.1.1AR</u>	
Category 1	<i>Class 1 transactions</i> Listing particulars for Depository Receipts	6,270
Category 2	<i>Listing particulars for issuers of specialist securities (excluding Depository Receipts)</i>	2,750
...		
<p><u>Note: The <i>standard listing</i> eligibility fee applies to all <i>standard listings</i> including Depository Receipts and new <i>issuers of debt securities</i> as well as <i>shares</i>.</u></p>		

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 1	<i>Equity prospectus or listing particulars,</i> equivalent document referred to in PR 1.2.2(2) or (3) or PR 1.2.3R(3) or (4), <i>Depository Receipt prospectus or listing particulars, or</i> <i>convertible security or asset backed security prospectus or listing particulars</i>	6,270
...		
<u>Category 8</u>	<u>Final Terms</u>	<u>25</u>

...

4.2 Obligation to pay periodic fees

...

4.2.7B R (1) This rule deals with the calculation of:

[FCA/P
RA]

(a) a *firm's* fees for its second and subsequent financial year.

~~This is~~ These are the *FSA* financial year years following the *FSA* financial year in which it was given *permission* and/or was authorised or registered under the *Payment Services Regulations* or the *Electronic Money Regulations* or had its *permission* and/or *payment services* activities extended (the relevant permissions); and

- (b) the tariff base for the fee block or fee blocks that relate to each of the relevant permissions.
- (2) ~~Unless this rule says otherwise, the tariff base for a firm's second financial year is calculated using projected valuations for its first year (as provided to the FSA in the course of the firm's application), of the business to which the tariff relates. The starting point for calculating the fees referred to in (1)(a) is determining whether or not the firm's tariff base for the relevant FSA financial year can be calculated using data from a complete period (as specified in FEES 4 Annex 2 or FEES 4 Annex 11) that begins on or after the date that the firm obtained the relevant permission to which that tariff base relates.~~
- (a) If it can, the firm must use that data for calculating its tariff base.
 - (b) If it cannot, the tariff base must be calculated using the projected valuations for its first year (as provided to the FSA in the course of the firm's application) of the business to which the tariff relates, unless (5)(b) or 5(c) applies.
- (3) ...
- (4) A reference to the “*FSA* financial year” means the 12 months ending with 31 March.
- (5) ~~The rest of this rule only applies to a firm that becomes authorised or registered or extends its *permission* and/or *payment services* activities on or after 1 April 2009.~~
- (a) ~~If a firm's tariff base is calculated using data from a period that begins on or after the date that the firm obtains the relevant permission to which that tariff base relates, the firm must use that data. [deleted.]~~
 - (b) ~~Unless (a) applies, if~~ If a firm:
 - (i) receives a relevant permission between 1 April and 31 December inclusive; and
 - (ii) ...
 - (c) ~~if~~ If a firm, satisfies, the following conditions it must

calculate its tariff base under (d):

- (i) the firm receives a relevant permission between 1 April and 31 December inclusive; and is but for this rule, required to calculate its tariff base for the relevant permission by reference to the firm's financial year ended in the calendar year ending on the 31 December before the start of the FSA financial year and, since obtaining the relevant permission, the firm has yet to complete a full financial year ended in the calendar year ending on the 31 December before the start of the FSA financial year; or
- (ii) the firm's tariff base for that relevant permission is but for this rule calculated by reference to the firm's financial year ended in the calendar year ending on the 31 December before the start of the FSA financial year or the twelve months ending 31 December before the start of the FSA financial year is, but for this rule, required to calculate its tariff base by reference to the twelve months ending on the 31 December before the start of the FSA financial year and, since obtaining the relevant permission, the firm has yet to complete a full twelve months ending on the 31 December before the start of the FSA financial year;

it must calculate the tariff base under (d) below unless it is in its second FSA financial year and was authorised between 1 January and 1 April (in which case it must use the projected valuations provided for in 2(b) above).

- (d) If a firm satisfies either of the conditions in (c) it must calculate its tariff base as follows:
 - (i) ...
 - (ii) in respect of firms satisfying condition (5)(c)(i), the tariff is calculated by reference to the period beginning on the date it acquired the relevant permission relating to the tariff, and ending on the 31 December before the start of the FSA financial year; and
in respect of firms satisfying condition (5)(c)(ii), the tariff is calculated by reference to the period beginning on the date on which it acquired the relevant permission, and ending on either the 31 December before the start of the FSA financial year or, if earlier, the start date of the firm's financial year;
 - (iii) the figures are annualised by increasing them by the same proportion as the period of 12 months bears to the period starting from when the firm received its

relevant permission to ~~31 December~~ to the relevant period end date specified in (ii).

- (e) ...
- (f) Where a *firm* is required to use actual data under this *rule FEES 4 Annex 1R Part 3 and FEES 4 Annex 11R Part 4* are modified in relation to the calculation of that *firm's* valuation date in ~~its second financial year~~ the FSA financial years to which this rule applies.

...

4.3 Periodic fee payable by firms (other than ICVCs and UCITS qualifiers)

...

Time of payment

4.3.6 R
[FCA/P
RA]

- (1) If the *firm's, designated professional body's, recognised investment exchange's, recognised clearing house's* or *regulated covered bond issuer's* periodic fee for the previous financial year was at least 50,000, it must pay:

- (a) ...

....

- (2) If the *firm's, designated professional body's, recognised investment exchange's, recognised clearing house's* or *regulated covered bond issuer's* periodic fee for the previous financial year was less than 50,000, it must pay the periodic fee in full by 1 July in the financial year to which that sum relates.

...

...

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

[FCA/P
RA]

Part 1

This table shows the tariff rates applicable to each fee block

...	
Activity Group	Fee payable
A.1	...
	<p>For a <i>firm</i> in A.1 which has a limitation on its <i>permission</i> to the effect that it may <i>accept deposits</i> from <i>wholesale depositors</i> only, this fee is calculated as above less 30%.</p> <p>The tariff rates in A.1 are not relevant for the <i>permissions</i> relating to <i>operating a dormant account fund</i>. Instead a flat fee of 6,000 is payable in respect of these <i>permissions</i></p>

...

...

7 Annex 1R CFEF levies for the period from 1 April 2012 to 31 March 2013

1R

[FCA]

Part 1

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

Activity Group	<i>CFEF levy</i> payable
A.1	...
	<p>Note 1</p> <p>In respect of Column 1, Money advice levy only, for a <i>firm</i> in A.1 which has a limitation on its <i>permission</i> to the effect that it may <i>accept deposits</i> from <i>wholesale depositors</i> only, this levy is calculated as above less 30%.</p>

...

Appendix 3

Designation of Handbook Provisions

1. FSA Handbook provisions will be ‘designated’ to create a FCA Handbook and a PRA Handbook on the date that the regulators exercise their legal powers to do so. Please visit our website¹ for further details about this process.
2. We plan to designate the Handbook Provisions which we are proposing to create and/or amend within this Consultation Paper as follows:
3. For Appendix 1 – FEES LEGAL CUTOVER INSTRUMENT 2013

Handbook Provision	Designation
FEES 3 Annex 9	PRA and FCA
FEES 4.1.3A	PRA and FCA
FEES 4.2.7	PRA and FCA
FEES 4.2.7B	PRA and FCA
FEES 4.3.1	PRA and FCA
FEES 4.3.3	PRA and FCA
FEES 4.3.6	PRA and FCA
FEES 4.3.6	PRA and FCA
FEES 4.3.12	PRA and FCA
FEES 4.4.1	PRA and FCA
FEES 4.4.2	PRA and FCA
FEES 4 Annex 1	PRA and FCA
FEES 4 Annex 2	PRA and FCA
FEES 7.2.9	FCA

4. For Appendix 2 – FEES (MISCELLANEOUS AMENDMENTS) (NO5) INSTRUMENT 2013

Handbook Provision	Designation
FEES 3.2.7	PRA and FCA
FEES 3 Annex 5	FCA
FEES 4.2.7B	PRA and FCA
FEES 4.3.6	PRA and FCA
FEES 4 Annex 2	PRA and FCA
FEES 7 Annex 1	FCA

¹ www.fsa.gov.uk/smallfirms/resources/one_minute_guides/about_fsa/handbook-pra-fca.shtml

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The Financial Services Authority
25 The North Colonnade Canary Wharf London E14 5HS
Telephone: +44 (0)20 7066 1000 Fax: +44 (0)20 7066 1099
Website: www.fsa.gov.uk

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