

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

Thank you for your request under the Freedom of Information Act 2000 (the Act), for information about FCA fine levies and HM Treasury (HMT). The full request is shown in the attached Annex.

Your request has now been considered and we hold the information which falls within the scope of your request. I have numbered your request for ease of reference and will answer each point in turn.

1. *How much of the above figure has been paid away to the Treasury in 2014 for so called 'good causes' use?*

To date, we have received, £1,461,875,800 rounded to the nearest 100, (99.4% of £1,471,431,800 of the fines issued in the calendar year 2014). The net figure paid to HMT of £1.37bn (as at 10/12/2014) reflects payments made in 2014 to date (iro 2014 fines only) less 2014/15 budgeted Enforcement costs which we retain and give back to fee payers. We have no knowledge of what HMT do with these funds, as once they are paid over it is up to HMT how they use the money.

The penalty receipts paid over to HMT are as per paragraph 20(6) of Schedule 1ZA Financial Services and Markets Act 2000 ("FSMA"), attached.

2. *On what or whose authority was this 'pay-away' made possible.*

This was a decision by Parliament, Statutory Instrument 2013 no.418 – Financial Services and Markets - The Payment to Treasury of Penalties (Enforcement Costs) Order 2013.

3. *When was that decided?*

The above-mentioned Statutory Instrument was laid before Parliament on 27th February 2013 and came into force on 1 April 2013.

4. *Was the original intention of cost reduction made clear to the Treasury before the decision to 'pay-away'?*

HMT was fully aware of the arrangements in place to return penalty receipts back to the industry prior to introducing Statutory Instrument 2013 No.418.

5. *Was any attempt made to persuade the Treasury that fines should really be used to offset the regulatory cost burden on firms?*

The predecessor body, the FSA, did discuss the impact of this new arrangement on firms with HMT and successfully made the case that penalty receipts paid over to HMT should at least be net of our Enforcement costs. As a consequence, the regulatory cost of Enforcement activity is not borne by the industry. This is evidenced by firms continuing to receive a "deduction" on their FCA annual fees.

6. *What was the budgeted cost of regulation to date in 2014?*

The FCA's Ongoing Regulatory Activity (ORA) budget in 2014/15 is £452m as per our published business plan for 2014/15. The budgeted cost of regulation from April to 30 October is £264m.

7. *What is the actual cost so far for regulation in 2014?*

The actual FCA ORA expenditure from 1 April 2014 to 30 October 2014 is £264m, in line with budget.

If you have any queries then please contact me.

Yours sincerely

### **Information Access Team**

### **Annex**

*"The total amount of FCA imposed fines levied so far in 2014, according to the FCA website today stands at £1,471,431,800. There was an understanding, possibly even a requirement in the industry, that fines would be used to reduce the regulatory cost burden on firms. In fact rewarding good practice at the expense of bad.*

*It now appears that this is no longer the case. I would be grateful if you could confirm the following:*

*How much of the above figure has been paid away to the Treasury in 2014 for so called 'good causes' use?*

1. *On what or whose authority was this 'pay-away' made possible*
2. *When was that decided?*
3. *Was the original intention of cost reduction made clear to the Treasury before the decision to 'pay-away'?*
4. *Was any attempt made to persuade the Treasury that fines should really be used to offset the regulatory cost burden on firms?*
5. *What was the budgeted cost of regulation to date in 2014?*
6. *What is the actual cost so far for regulation in 2014?"*