

10/7

Financial Services Authority
**Consolidated Policy
Statement on our fee-raising
arrangements and regulatory
fees and levies 2010/11**

Including feedback on CP10/5
and 'made rules'

May 2010

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2 This instrument includes the Fees (Strategic Fees) Review Instrument 2010 which was published in draft in our November 2009 Consultation Paper (CP09/26). This is for simplicity, to reflect all changes resulting from the strategic fees review and consultation on the period fees for 2010/2011 in one document.

This Consolidated Policy Statement (PS) summarises our policy with regard to our fee-raising powers under the Financial Services and Markets Act 2000 (FSMA). This PS gives a broad overview of our fees rules. Firms should always consult the Fees Manual in the current version of our Handbook of Rules and Guidance to see how the rules would apply in their particular circumstances.

This PS also reports on:

- the final 2010/11 FSA periodic fees and Financial Ombudsman Service (FOS) general levy consulted on in CP10/5 *Regulatory fees and levies – Rates proposals 2010/11* (February 2010); and
- feedback on further responses to the strategic review proposals contained in Part 1 of CP09/26 *Regulatory fees and levies – policy proposals 2010/11* (November 2009) not already reported on through CP10/5 above.

The relevant rules and guidance are in the Fees Manual.

Please send comments and queries to:

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For further information on fees, please visit our website at:
<http://www.fsa.gov.uk/Pages/Doing/Regulated/Fees>.

Alternatively please contact the Firms Contact Centre on 0845 606 9966, or email the fees team: fsafees@fsa.gov.uk.

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

A confidential response may be requested from us under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Tribunal.

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

Key dates and information on periodic fees for authorised firms

Month	What will we do?	What do firms need to do?
Throughout the year		All firms required to complete the Retail Mediation Activities Return (RMAR) and Mortgage Lending and Administration Return (MLAR) must report fee tariff data in section J of the returns electronically once a year – see Chapter 9 for details.
January	Tariff data collection exercise begins.	Return tariff data sheets by <i>28 February</i> (except for firms completing the RMAR and MLAR – as above).
February	Consultation Paper (CP) on fees for next financial year published.	Read and respond to proposals by CP deadlines.
31 March		Firms wishing to vary or cancel their permissions in time to affect next year's periodic fees must have made the appropriate written application to us by this date. Firms exempt from the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS) must notify us in writing by <i>31 March</i> to avoid paying the incorrect levy. Those already exempt will not need to notify us again.
March	'On account' fee payers invoiced for 50% of previous year's fees.	Pay these invoices by <i>30 April</i> .
1 April	Start of our financial year.	
Late May	Final periodic fee rates made by the FSA Board.	
Late May/early June	Policy Statement (PS) published, confirming final fee rates and any policy changes arising from consultation.	
June onwards	Invoicing of firms who do not make 'on account' payments begins.	Pay these invoices within <i>30 days of invoice date</i> .
August	'On account' fee payers invoiced for remainder of their fees.	Pay these invoices by <i>1 September</i> .
October	Consultation Paper (CP) on regulatory fees and levies policy proposals.	Read and respond to proposals by CP deadline.

- All firms required to submit the Retail Mediation Activities Return (RMAR) and the Mortgage Lending Activities Return (MLAR) must provide their fee tariff data in section J of the returns electronically, once a year. Chapter 9 covers this in more detail.
- Firms must respond promptly to our tariff data requests. If firms do not supply the data by the due date, we will charge them a £250 administrative fee and invoice them on an estimated basis of 110% of the previous year's data until we receive the firm's tariff data.
- The administrative processes for ensuring timely payment of fees and levies for the FSA, the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS) are aligned. So any missed or late payments will incur a £250 administrative charge, plus interest on any unpaid amount. This will be charged at 5% per annum above the Bank of England's base rate for the period from the invoice due date until payment is received.
- Firms are billed periodic fees and levies on the basis of the regulated activities they have in their permission as whichever date is the most recent – either at 1 April, or the date on which their permission was received or significantly modified. The fee payable is pro-rated, depending on the date in our financial year when their permission was received or extended. Periodic fees are non-refundable; this includes when a firm applies to change its permission on or after 1 April.
- Firms that paid FSA fees of £50,000 or more in the previous financial year must make an 'on account' payment of 50% of the periodic fee they paid in the previous financial year, by 30 April. The balance of the periodic fee for the current financial year is due by 1 September.
- All other firms must pay the full amount of their periodic fees and levies by 1 July, or 30 days after they are invoiced, whichever is later. Firms should note that they can pay fees and levies by instalments through an external credit provider. For more details on this option, see paragraph 4.51 of this PS.
- Where fee and/or levy amounts remain outstanding we will, if necessary, take civil and/or regulatory action against firms to recover the debt.
- The relevant rules and guidance on regulatory fees and levies are in the Fees Manual of the FSA Handbook (FEES).

List of acronyms

Association of British Credit Unions Ltd (ABCUL)	Designated Professional Bodies (DPB)
Adjusted Gross Premium Income (AGPI)	Direct Authorisation (DA)
Accounting Reference Date (ARD)	Discussion Paper (DP)
Advanced Risk Responsive Operating frameWork (ARROW)	Dispute Resolution: Complaints sourcebook of the FSA Handbook (DISP)
Association of Independent Financial Advisers (AIFA)	European Economic Area (EEA)
Alternative Instrument Identifier (Aii)	Fees Manual of the FSA Handbook (FEES)
Annual Funding Requirement (AFR)	Financial Ombudsman Service (FOS)
Appointed Representative (AR)	Financial Services Authority (FSA)
Association of Finance Mutuals (AFM)	Financial Services and Markets Act 2000 (FSMA)
Association of Mortgage Intermediaries (AMI)	Financial Services Compensation Scheme (FSCS)
Building Societies Association (BSA)	General Insurance (GI)
Conduct of Business (COB)	General Special Project Fees (General SPFs)
Collective Investment Schemes (CIS)	Guidance Special Project Fees (Guidance SPFs)
Compensation sourcebook of the FSA Handbook (COMP)	Independent Financial Advisors (IFAs)
Consolidated Policy Statement (CPS)	Inter-Dealer Brokers (IDBs)
Consultation Paper (CP)	Internal Model Approval Process (IMAP)
Consumer Financial Education Body (CFEB)	
Continuing Professional Development (CPD)	

Management Expenses Levy Limit (MELL)	Regulated Activities Order (RAO)
Markets in Financial Instruments Directive (MiFID)	Retail Mediation Activities Return (RMAR)
Market Infrastructure Providers (MIPs)	Special Project Fees (SPFs)
Modified Eligible Liabilities (MELs)	Surveillance and Automated Business Reporting Engine (SABRE)
Multilateral Trading Facilities (MTFs)	Supervisory Enhancement Programme (SEP)
Mortgage Lending and Administration Return (MLAR)	Supervision Manual of the FSA Handbook (SUP)
N2 – the date (1 December 2001) that the FSA was given its statutory powers	Variation of permission (VoP)
Ongoing Regulatory Activities (ORA)	
Payment Institutions (PIs)	
Payment Protection Insurance (PPI)	
Payment Services Directive (PSD)	
Payment Services Providers (PSPs)	
Payment Services Regulations 2009 (PSRs)	
Pre-Application Qualifying Criteria (PAQC)	
Policy Statement (PS)	
Quantitative Impact Study number 5 (QIS5)	
Recognised Bodies (RB)	

1 Overview

Who should read this Policy Statement

- 1.1 This Policy Statement (PS) is relevant to all authorised firms and other bodies that pay fees to us and levies to the Financial Services Compensation Scheme (FSCS), the Financial Ombudsman Service (FOS) and the Consumer Financial Education Body (CFEB), as well as potential applicants for FSA authorisation and listing by the UK Listing Authority (UKLA).

Introduction

- 1.2 We oversee the UK's financial services industry and are responsible, to varying degrees, for regulating:
- financial services firms of differing sizes including banks, building societies, insurers, home finance firms, investment managers, securities firms, and retail investment, mortgage and general insurance intermediaries;
 - the Lloyd's insurance market;
 - investment exchanges and clearing houses (e.g. the London Stock Exchange);
 - collective investment schemes (e.g. unit trusts and Open-Ended Investment Companies);
 - professional bodies who regulate the incidental investment business carried on by their members (e.g. the Law Society);
 - those companies (not just those involved in financial services) whose securities are admitted to the Official List; and
 - organisations we do not regulate but for which we have registration duties (e.g. industrial and provident societies).
- 1.3 We do not receive any monies from government and are entirely funded by the organisations we regulate. We have developed the fees policy to provide coherent and fair treatment for all fee payers, while allowing it to be administered as efficiently as possible.

- 1.4 The fees policy is not intended to provide incentives to firms to be well-managed, or as a practical supervisory tool. Specifically, the periodic fee charged to a particular firm does not reflect the amount of work required to regulate it. Operating a system of ‘individualised’ fees on this basis across the whole regulated community would not be practicable.
- 1.5 In October/November each year, we publish regulatory fees and levies policy proposals. This consultation is followed in January/February with a consultation on the level of regulatory fees and levies rates for the following financial year. At the same time, we publish a Summary Business Plan for that period. The FSCS³ and the FOS levies we consult on are based on the plan and budget of each scheme.
- 1.6 Our powers to charge fees are contained in the Financial Services and Markets Act 2000 (FSMA) and associated legislation, and are reflected in the Fees Manual (FEES) in our Handbook. As the fees policy develops, we make changes to the Handbook following our usual consultation processes.
- 1.7 Firms can access our Fee Calculator online, to get an indication of their regulatory fees and levies: <http://www.fsa.gov.uk/pages/Doing/Regulated/Fees/calculator>.
- 1.8 The latest version of the Handbook is on our website at: <http://www.fsa.gov.uk/Pages/handbook>. All FSA publications referred to in this Policy Statement (PS) are at: <http://www.fsa.gov.uk/Pages/Library/Policy>. You can find more information about fees at: <http://www.fsa.gov.uk/Pages/Doing/Regulated/Fees>.
- 1.9 We will invoice fee payers from June 2010 for their 2010/11 periodic fees. If a firm does not pay their regulatory fee and/or levy by the due date, we levy a £250 administrative charge. We charge interest on any unpaid amounts from the due date, at 5% above the Bank of England’s base rate. Where payment is not settled in full, we may take civil and/or regulatory action against the fee payer to recover the debt.
- 1.10 The remainder of this PS explains our fee-raising arrangements in greater detail. **This will provide a broad overview, but readers should always consult the Handbook for details of how our rules apply in their own particular circumstances. The Handbook also contains the latest regulatory fees and levies.** Throughout this PS we use the terms ‘firm’, ‘fee payer’ and ‘entity’ interchangeably, unless otherwise indicated.

Structure of this PS

- 1.11 This PS contains two parts:
 - **Part A (Sections 1-3)** contains the Consolidated Policy Statement on our fee-raising arrangements. This is a useful reference guide to how we allocate our costs and recover them from firms through fees and levies. This covers our fees as well as FSCS, FOS and CFEB levies; and
 - **Part B (Sections 4-6)** gives feedback on our 2010/11 fees policy proposals, fee rates and the FOS levy consulted on in CP10/5 *Regulatory fees and levies – Rates proposals 2010/11 and feedback statement on Part 1 of CP09/26 (November 2009)*. It also provides feedback on further responses to the strategic review

3 FSA only consults on the FSCS Management Expenses Levy Limit

proposals contained in Part 1 of CP09/26 *Regulatory fees and levies – policy proposals 2010/11* (November 2009), which were not reported on in CP10/5.

Part A – Summary of our fee-raising arrangements

FSA periodic fees

- 1.12 Our fees recover from the industry our Annual Funding Requirement (AFR). This is the total cost of the resources we have budgeted to meet our strategic priorities, as set out in our annual Business Plan, to mitigate the risks identified in our Financial Risk Outlook – both published in March. Our financial year (and fee period) runs from 1 April to 31 March.
- 1.13 To calculate the fees levied on all authorised firms and other bodies, we first allocate the total AFR across a series of fee-blocks. These represent groupings of related regulated business activities that firms and other bodies can undertake. When allocating our firm supervisory costs (which can include contributions from other areas, e.g. risk management or our internal general counsel division), the allocation process considers the risk profile (in terms of impact and probability of failure) of firms or other bodies supervised. For non-supervisory costs, (e.g. our policy development work), the costs are allocated as far as possible to fee-blocks whose permitted business the policy development concerns. By allocating costs to fee-blocks in this way, we reduce the possibility of cross-subsidy between fee-blocks (sectors).
- 1.14 The way in which we recover allocated costs from the firms within the fee-blocks depends on the fee-block.
- 1.15 For the firms in the ‘A’ fee-block we levy a minimum periodic fee that all firms pay and a variable periodic fee above the minimum fee that depends on the size of permitted business they undertake. The 14 individual ‘A’ fee-block sub-sets are described in Table 4.1 in Chapter 4.
- 1.16 The minimum periodic fee is aimed at ensuring all firms (including small firms) contribute to the costs of regulation. It also aims at ensuring that the minimum periodic fee level is not too high (which would unnecessarily impede competition) and is not too low, (which would prejudice existing fee-payers). The costs allocated to the A.0 minimum fee fee-block include the firm contact centre, regulatory reporting and policing the perimeter. The current minimum fee is £1,000. Exceptions are allowed if they can be justified; and the only current exceptions are smaller credit unions and smaller non-directive friendly societies, whose minimum fees are lower as they support people with limited financial resources to improve their economic status.
- 1.17 The variable periodic fee aims to ensure that distributing the recovery of allocated costs within the permitted business-based ‘A’ fee-blocks is directly linked to the size of permitted business firms undertake in each fee-block that applies to them. We use business size as a proxy for its impact to our statutory objectives if that business should fail. The more permitted business a firm undertakes, the more fees it pays – straight line recovery.

- 1.18 A moderation framework allows our straight line recovery policy to accommodate a targeted recovery of costs within a fee-block, on an exceptions basis, if it can be justified. This moderation can be either side of the straight line recovery and is achieved by applying a premium or discount to the tariff data that measures the amount of permitted business firms undertake within the moderated fee-block. The A.1 fee-block (Deposit acceptors) is the only current exception from straight line recovery. Within this fee-block the firms who fall within the medium-high and high bands of our moderation framework pay a premium fee-rate. This reflects the particular targeting of our overall intensive supervision of these high-impact, systemically important firms in this sector.
- 1.19 The ‘A’ fee-blocks accounted for 93% of our AFR for 2010/11 and covers 18,978 firms. Although the Society of Lloyd’s is in the ‘A’ fee-block (A.6), it pays fees on an individual basis. Incoming European Economic Area (EEA) firms and incoming Treaty firms, which have established branches in the UK, can also carry out permitted business in any of the ‘A’ fee-blocks. Although their variable periodic fees are calculated in the same way as UK firms, discounts are applied to the fees to reflect the level of home state regulation. They also pay a minimum periodic fee, but no discount is applied.
- 1.20 In Chapters 2–4 we set out in more detail the grouping of firms into fee-blocks, how costs are allocated to fee-blocks and how costs are recovered within the ‘A’ fee-blocks.
- 1.21 For the other firms and bodies represented by fee-blocks B to G we recover costs allocated to these fee-blocks as follows:
- **Fee-block B – Recognised bodies and others:** These include recognised exchanges, clearing houses, operators of prescribed markets, service companies and firms operating Multilateral Trading Facilities (MTFs). Fees are individually set for each fee-payer based on the resources required to regulate them. MTFs include some degree of flat level fees.
 - **Fee-block C – Collective investment schemes:** These include unit trusts and open-ended investment companies. The costs of regulating these schemes are recovered through a fee based on the number of funds or sub-funds operated.
 - **Fee-block D – Designated Professional Bodies (DPBs):** These include the Law Society of England and Wales and the Institute of Chartered Accountants in England and Wales. The cost of regulating these DPBs and others is recovered through a fee based on the number of exempt professional firms registered with each DPB.
 - **Fee-block E – Issuers and sponsors of securities:** The costs of operating the UK Listing Authority (UKLA) are recovered through an annual fee which is based on size measured by the security’s market capitalisation. Some flat fees are levied. We also levy non-annual fees. These include fees for individual document vetting, approving applications to sponsor a security or admit a security to the London Stock Exchanges’ Official List.

- **Fee-block F – Unauthorised Mutuals:** These include industrial and provident societies and societies registered under the Friendly Societies Acts. Fees are levied based on the size of their total assets.
- **Fee-block G.1 – Firms registered under the Money-Laundering Regulations 2007:** A flat rate annual fee is levied.
- **Fee-block G.2 to G.5 – Firms subject to the Payment Services Regulations 2009:** For firms also in the A.1 fee-block (Deposit acceptors), fees are based on size of business undertaken as for A.1 business. For large payment institutions, fees are based on the size of relevant income and for small payment institutions a flat rate annual fee is levied.

1.22 More information about how we recover costs for fee-blocks B, C, D, F and G can be found in Chapter 5. More information on the recovery of costs for fee-block E (UKLA) can be found in Chapter 8.

Application fees

1.23 Application fees are one-off charges that contribute towards our costs of processing certain applications, notifications or requests required under the Financial Services and Markets Act 2000 (FSMA) or our rules (e.g. when a new firm applies to us for authorisation to start undertaking regulated financial services activities). An application fee is also charged where authorised firms seek significant variations in their permission. Application fees must be paid up front, whether or not the corresponding application is successful; they are not refundable.

1.24 More information about application fees can be found in Chapter 6.

Special project fees

1.25 There are two broad categories of Special Project Fees (SPFs) – transaction based and EU Directive based. The first is similar in character to application fees, but they do not relate to ‘routine’ transactions. Instead, SPFs recover part of the costs incurred in undertaking specific regulatory activities at the request of and on behalf of a (group of) fee payer(s), where the fee payers primarily receive the benefit– this is known as Guidance SPFs. When certain transactions relate to restructuring, we can initiate charging them – these are General SPFs.

1.26 The second category of SPF aims at ensuring firms pay for the regulatory work arising from EU Directives that specifically concerns them, as a sub-class of a fee-block. This is in place of the costs being recovered from other fee-payers in that fee-block who are not affected by the Directive. These are initiated by us so are also General SPFs.

1.27 You can find more information about SPFs in Chapter 7 and specific examples of Guidance SPFs in Annex 5.

FSCS levies

- 1.28 The FSCS is funded by levies on firms we regulate. The FSCS compensation and specific costs⁴ funding arrangements are organised into five broad classes, based on five identifiable industry sectors – deposits, investments, life and pensions, general insurance and home finance. There are two sub-classes in each class, divided along provider and distributor lines – with the exception of the deposits class. Firms are allocated to a class/sub-class according to their regulated permissions (the type of business they are authorised to transact).
- 1.29 All firms contribute to the general running costs of the FSCS (basic management costs), in proportion to their FSA fees. Firms are levied for compensation costs through tariffs set for the relevant class. We issue and collect levy invoices on the FSCS's behalf in a single invoice that covers ours, FSCS's, FOS's and CFEB's fees. You can find more information on how the FSCS is funded in Chapter 10.

FOS levies

- 1.30 The FOS is funded by the financial services industry in two ways:
- a general levy, payable by authorised firms within the FOS's jurisdiction; and
 - case fees, payable by individual firms for complaints dealt with by the FOS.
- 1.31 The FOS has 17 'industry blocks', which are similar (but not identical) to our fee-blocks. Each industry block has a minimum levy, and in most cases the levy increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) each firm does. The amount of money to be recovered from each industry block is based on the FOS's estimates of how many staff are required to deal with the volume of complaints it expects to receive from firms in each block.
- 1.32 A case fee is payable by firms for the fourth and subsequent chargeable complaints referred to the FOS within a year, regardless of whether the complaint is upheld. You can find more information on how the FOS is funded in Chapter 10.

CFEB levies

- 1.33 All authorised firms make a minimum contribution of £10. The remaining costs are recovered on a straight line basis from each relevant fee-block (A.1-A.19). These mirror the FSA fee-blocks and CFEB costs are distributed between them using FSA tariff bases. Most of the terms affecting FSA fees, such as discounts for inward-passporting EEA and Treaty firms and a 30% discount for wholesale deposit-takers are applied to CFEB levies. You can find more information on how the CFEB is funded in Chapter 10.

⁴ These are part of the management expenses and are costs directly attributable to claims-handling and firm failures, other than compensation.

Part B – Summary of our feedback on responses to 2010/11 fee rates

- 1.34 In Part B, we provide feedback on responses to our fees policy proposals and our proposed periodic fees as well as the FOS's general levy in 2010/11, which we consulted on in CP09/26 and CP10/5.
- 1.35 Our 2010/11 fees are based on the *FSA Business Plan 2010/11*, which is available on our website: <http://www.fsa.gov.uk/Pages/Library/corporate/Plan>.
- 1.36 The FOS general levy derives from the *FOS Corporate Plan and Budget 2011/10*, which is available on the FOS website: <http://www.financial-ombudsman.org.uk>.
- 1.37 The FSCS Management Expenses Levy Limit (MELL) was set in March 2010. For further information, please see Handbook Notice 98 (March 2010) and the *FSCS Plan and Budget 2010/11*, published on their website: http://www.fscs.org.uk/industry/publications/annual_reports/
- 1.38 We have already provided feedback and finalised rule for several of our proposals in CP09/26 and CP10/5. Table 1.1 at the end of this chapter gives details. We summarise below the feedback contained in this PS on these CP's remaining proposals. Finalised rules are detailed in Appendix 1, 2 and 3.

Periodic fees for authorised firms (Chapter 11- 13 and 14)

- 1.39 Chapters 11 to 13 set out where changes have occurred to our 2010/11 Annual Funding Requirement (AFR), allocations of AFR to fee-blocks and fee-rates since CP10/5 and provide feedback on key issues raised by respondents. Chapter 14 shows how 2009/10 enforcement financial penalties have been used to benefit fee-payers in 2010/11.
- 1.40 We confirm that our Annual Funding Requirement (AFR) for 2010/11 is £454.7m which the fees consulted on in CP10/5 were based. This will enable us to fund the resources required to meet our strategic objectives, as set out in the Summary 2010/11 Business Plan included in CP10/5, to mitigate the risks identified in our Financial Risk Outlook. The full Business Plan and the Financial Risk Outlook were both published in March.
- 1.41 This means that the AFR for 2010/11 is 9.9% higher than 2009/10. When you take into account the impact of enforcement financial penalties being returned to the industry, the overall increase is 8.8% (see Chapter 14). It should be noted that last year we recruited a number of staff as part of our Supervisory Enhancement Programme (SEP). As many of these staff joined late in the year, 2010/11 will be the first time that their full costs will be incurred; this equates to a 4% rise in total costs alone. To deliver our intensive, integrated and high quality supervision to higher impact firms we plan to hire a further 460 staff, of which 80% will contribute to our supervisory processes. The additional staff costs, together with some costs to develop our operational platform, account for the overall increase in our budget.
- 1.42 The 2010/11 AFR allocation in CP10/5 for fee-block B (recognised investment exchanges, clearing houses and other trading infrastructures, e.g. multilateral

trading facilities operators) was £9.0m – an increase of 61% compared to 2009/10. Respondents challenged this increase, and after revisiting our cost allocations, we have reallocated £1.34m from fee-block B to market users covered by A.7 fee-block (Fund managers), A.10 fee-block (Firms dealing as principal), A.12 fee-block (Advisory arrangers, dealers or brokers holding client money) and A.13 (Advisory arrangers, dealers or brokers not holding client money). See paragraph 1.48 below.

- 1.43 The 2010/11 AFR allocation in CP10/5 for fee-block A.3 (Insurers – general) was £30.7m – an increase of 45% compared to 2009/10. The 2010/11 AFR allocation in CP10/5 for fee-block A.18 (Home finance intermediaries) was £14.4m – an increase of 33% compared to 2009/10. Respondents challenged these increases, and, after revisiting our cost allocations, we are maintaining these allocations as in CP10/5.
- 1.44 Fee rates in CP10/5 were based on estimated total tariff data and firm populations which are now finalised. The movements have resulted in decreases in fee-rates since consulting for A1 (Deposit acceptors), A3 (Insurers – general), A5 (Managing agents at Lloyd's), A7 (Fund managers) and A14 (Corporate finance advisers). However, for A.4 fee-block (Insurers – life) and A.18 (Home finance intermediaries) the movements have resulted in increases in fee rates since the consultation. However, in the case of A.18 we are maintaining fee rates as consulted on in CP10/05.
- 1.45 We are implementing the changes arising from our fees strategic review, which set a new minimum fee structure. The strategic review also set in place a move to recover the AFR allocated to the 14 sub-sets of the 'A' fee-block (see Table 4.1 Chapter 4) in direct proportion to the size of permitted business carried out by firms within those fee-blocks – straight line recovery. Size of business represents a proxy for the impact on our objectives if a firm should fail. We have previously reduced the recovery levels for the larger levels of permitted business, although the level of tapering-off varied considerably across fee-blocks. The responses we received to the second stage of the CP10/5 consultation on these changes generally raised the same issues that were brought up at the first stage of the consultation in CP09/26 (November 2009).
- 1.46 The Association of Independent Financial Advisers (AIFA) are calling for a major overhaul of our overall cost allocation and fee-block structure for intermediaries. Their key proposal is that in 2011/12 fees for intermediaries should be based on the proportion of revenue they receive relative to product providers. This, they maintain, will better reflect the risk in the product manufacture/distribution chain. Therefore, this is where our resources/costs should be focused and it should also be the basis for levying fees on intermediaries. As an interim measure for 2010/11, they proposed we should allocate our indirect costs based on the overall proportion of revenues that intermediaries receive in relation to the whole financial services industry.
- 1.47 We do not wish to make changes of the nature of AIFA's interim proposal for 2010/11 without first consulting on them, as they impact on sectors other than intermediaries. This is not possible as we have to start collecting fees from June 2010. However, we will look at their proposition and the data they supplied in their response, seek to reconcile them and consider whether there is a case for altering our methodology for 2011/12. We will report back on the outcome of this assessment in the October/November fees policy consultation paper.

Periodic fees for other bodies (Chapter 15)

- 1.48 The main change between consultation and final 2010/11 fee rates for bodies other than authorised firms is for fee-block B (recognised investment exchanges and clearing houses and other trading infrastructures, e.g. operators of multilateral trading facilities). In response to issues raised by respondents to the consultation we have reallocated part of the AFR allocation from this fee-block to certain 'A' fee-blocks as indicated in paragraph 1.42 above. As a general practice, we allocate a proportion of markets-related work to markets users, rather than markets operators. This is justified because Market Infrastructure Providers (MIPs) in essence, provide safe and efficient trading and clearing/settlement venues for regulated entities to more effectively run their businesses and manage their risks. MIPs exist for market participants, who benefit from, and need to use, the financial markets. The regulatory effort to ensure well-run and supervised infrastructures helps to meet our market confidence objective means it is appropriate that market participants contribute to those costs.
- 1.49 This reallocation has reduced the 2010/11 allocation to the B fee-block from £9.0m to £7.6m, reducing the increase over 2009/10 from 61% to 37%. The impact on the allocations to the user 'A' fee-blocks are detailed in Chapter 15.

Financial capability and establishing a CFEB

- 1.50 In Chapter 16, we discuss responses to proposals to set a new levy to recover the relevant costs of CFEB, which we have established as required by the Financial Services Act 2010 (the Act). Most respondents supported its creation and were prepared to pay a reasonable amount towards it. While accepting our proposals as a straightforward first step, several respondents pointed out that the fees structure reflected the FSA's priorities rather than CFEB's, therefore it should be reviewed after CFEB has practical experience with firms. We acknowledge this argument's validity and may in the future consider reviewing the CFEB levy methodology.
- 1.51 Although the levy originally applied only to authorised firms, the Act extended its coverage to payment services institutions, so we will consult on this in October 2010.

Special project fees – Solvency II

- 1.52 The total recovery for 2010/11 is £29m. This is made up of the Internal Model Approval Process (IMAP) Special Project Fees (SPF) (£13m) and non-IMAP SPF (£16m), covering other implementation costs arising from several work streams which were needed to put us in a position to successfully implement the Directive. The IMAP SPF will be recovered from the 125 largest general-insurers (A.3 fee-block), the 75 largest life-insurers (A.4 fee-block), and The Society of Lloyd's (fee-block A.6). The non-IMAP SPF will be recovered from a sub-set of firms in fee-blocks A.3, A.4 and A.6, which are in the Solvency II Directive's scope. We have also rectified a drafting error in the fee rules concerning the non-IMAP criteria.
- 1.53 There was general support for both SPFs. However, respondents challenged the basis for deciding firms' population subject to the IMAP SPF, as some targeted firms

indicated that they do not intend to apply for internal model approval. Also, respondents challenged the level of increase for both SPFs and requested more transparency on the activities these costs support. We propose that the current method for identifying the firms subject to the IMAF SPF, is not changed, as to do so would require us to re-consult. However, we will review this method for 2011/12. We will also further breakdown what costs both SPFs cover. All who responded to the fee rules correction supported the proposed amendment. Overall, all proposals will be implemented as consulted on. We provide further detail in Chapter 17.

Passporting – discounts for EEA and Treaty firms with branches in the UK

- 1.54 In Chapter 18, we discuss responses to proposals for revising the discounts on the periodic fees we apply to the European Economic Area (EEA) and Treaty firms with branches operating in the UK. These intend to reflect the division of responsibilities between home and host countries. We proposed to reduce the discount in fee-block A.1 (Deposit acceptors) from 80% to 50%; and to reduce the discount in fee-block A.3 (insurers – general) from 100% to 90%. We also proposed to introduce a discount of 40% for incoming payment services providers in fee-blocks G.2 and G.3 (payment services regulations). Respondents were supportive, although some questioned the levels of discounts. We are proceeding with the proposals as consulted.

Recovering IS development costs for the Alternative Instrument Identifier (Aii) code

- 1.55 In Chapter 19, we discuss responses to our proposals to resolve ambiguities in defining the tariff base for fee-block A.20. This was created to recover additional IS development costs of enhancing our market surveillance system to accept on-exchange derivative transaction reports identified through an ‘Alternative instrument identifier’ (Aii) code. The amendments clarify the definition of ‘relevant contracts’ and add the term ‘securities derivatives’ to the glossary. We appreciate that the tariff base of ‘contracts’ is not universally accepted, but it has broad support in the marketplace. We received only two responses, both supportive.

Reclaim Fund Regime – recovery of set-up costs

- 1.56 From August 2009, we authorised and regulated reclaim funds. In CP10/5, we consulted on recovering the £170,000 costs of setting-up the new regime. We proposed to recover these costs from reclaim funds and UK banks and building societies in the A.1 fee-block (Deposit acceptors). We provide further detail in chapter 20.
- 1.57 Three respondents commented on this proposal, of which two agreed fully with the proposal. The other respondent was generally supportive but sought clarification on how bank and building societies can potentially benefit from establishing reclaim funds. We will implement the proposal as set out in CP10/5. The recovery of our set-up costs is based on the population that is eligible to participate in the scheme. Potential benefits of participating in the scheme are for individual banks or building societies to consider.

FOS general levy 2010/11

- 1.58 We approved the FOS's annual budget of £113.7m in March. We have not substantively changed the proportion of the £19.5m general levy (£17.7 excluding consumer credit jurisdiction fees) to be collected from each industry block since consultation, as the consultation responses did not raise any significant new issues.
- 1.59 The minimum levies and tariff rates for individual industry blocks indicated in CP10/5 were based on the most accurate estimates of firms allocated to individual blocks available at the time. Since consultation, block populations have been confirmed, with movements in some blocks. As a result, we have changed the minimum levy or tariff rate in blocks 2 (general insurers), 4 (life insurers), 16 (home finance providers, advisers and arrangers) and 17 (general insurance mediation). We provide further detail in chapter 21.

Paying fees by instalments

- 1.60 As in previous years, it is possible to pay fees and levies by instalment, using a market-based plan. Firms can also work out their indicative fees and levies for the year using our Fee Calculator, available on our website at: <http://www.fsa.gov.uk/Pages/Doing/Regulated/Fees/calculator>.

Next steps

- 1.61 We will invoice fee payers from June 2010 onwards for their 2010/11 periodic fees. More information on the fees timetable and billing arrangements can be found in Part A.
- 1.62 If a firm does not pay their regulatory fee and/or levy by the due date, we levy a £250 administrative charge. We charge interest on any unpaid amounts from the due date, at 5% above the Bank of England's base rate. Where payment is not settled in full, we may take civil and/or regulatory action against the fee payer to recover the debt.


Compatibility Statement

Our rules now do not differ in substance from those proposed in CP09/26 and CP10/5, except concerning certain FSA periodic fee rates as detailed in Chapter 13 and 15 and certain FOS general levy rates as detailed in Chapter 21. However, these changes do not alter the compatibility statements we published in those consultation papers.

Consumers

This PS contains no material which is directly relevant to retail consumers or consumer groups, although part of our fees are met indirectly by retail financial services consumers.

Table 1.1: CP09/26 and CP10/5 feedback provided prior to this PS

Consultation		Feedback and final rules
CP09/26 Chapter 6	Changes to the Modified Eligible Liabilities (MELs) formula of the tariff base for banks and building societies	Handbook Notice 95 (December 2009) Chapter 4
CP09/26 Chapter 6	UK Listing Authority (UKLA) – amending the rules in FEES 4 Annex 7R to clarify the date on which market capitalisation is valued to calculate the fees paid by issuers.	 <p>Handbook Notice 98 (March 2010, Chapter 4)</p>
CP09/26 Chapter 7	Guidance to clarify how life insurance firms should treat assets transferred under a Part VII transfer when calculating their tariff data in fee-block A.4	
CP10/5 Chapter 11	UKLA – reducing vetting fees for equity prospectuses from £4,400 to £3,520.	
CP10/5 Chapter 12	Periodic fees April 2010 instalments for: Recognised Investment Exchanges; Recognised Clearing Houses; and the Law Society for England and Wales.	
CP10/5 Chapter 18	FSCS – setting the Management Expenses Levy Limit (MELL) from 2010/11.	
		Feedback only
CP09/26 Part 1 – Chapters 4 and 5	Proposals for new minimum fee and move to straight line recovery of costs allocated to fee-blocks arising from our fees strategic review (impacts A fee-block only excluding A.6 – The Society of Lloyd’s)	CP10/5 (February 2010) Chapters 2 and 3. <i>Note: further feedback and final rules provided in this PS Chapter 13.</i>

Part A:

Consolidated Policy Statement on our fee raising arrangements

Section 1

FSA periodic fees

2. Grouping firms into fee-blocks
3. Cost allocation to fee-blocks
4. Recovery of allocated costs within 'A' fee-blocks
5. Recovery of allocated costs within other fee-blocks

2 Grouping firms into fee-blocks

- 2.1 In this chapter we explain how we have developed fee-blocks, which relate to groupings of permitted regulatory activities and enable us to better allocate our costs to firms.
- 2.2 Each year we apply our resources in the most effective way to meet our strategic objectives, as set out in our annual Business Plan, mitigating the risks identified in our Financial Risk Outlook. The sectors, types of firm and therefore the amount of resources we apply to each will vary depending on the nature of the risks being mitigated (including their impact if they crystallised).
- 2.3 To match the risk mitigation activities' costs to firms we developed a series of 'fee-blocks'. This has allowed us to:
 - link together, at an appropriate level, related types of permitted regulatory business that firms undertake into clearly defined groupings – fee-blocks;
 - allocate the costs of our risk mitigation activities that arise from the types of permitted business covered by a fee-block – this reduces the possibility of cross-subsidy between different sectors of the financial services industry;
 - administer cost allocation efficiently and economically, so we avoid additional operational costs of establishing systems and processes that would need to apportion costs to individual firms at a highly granular level or base them on the risk profile (impact and probability of failure) of individual firms, for the over 20,000 firms we regulate; and
 - be fair to fee payers, as all fee payers within a given fee-block pay fees on the same basis.

Fee-block allocation

- 2.4 We have defined our fee-blocks, as far as possible, by the legal relationship between fee payers and ourselves (for example, an authorised firm's permission determines its regulated activities). This methodology gives firms certainty about their fee-block allocation and removes our need to make subjective judgements, which would be impractical and subject to challenge.

- 2.5 Fee payers can belong to more than one fee-block and are charged a periodic fee for each fee-block they belong to.
- 2.6 From time to time, we add or delete fee-blocks as circumstances dictate (for example, if a particular grouping of firms is no longer viable, or if we are regulating a new scope of activities).
- 2.7 Table 2.1 sets out a summary of the active fee-blocks. Full details of the fee-block definitions are in Annex 2.

Table 2.1: Summary of fee-block definitions

Fee-block	Summary of fee payers	Commonly referred to as
A.1 to A.19 (not all blocks are active)	Authorised persons (which account for most of entities we regulate – for example, providing deposit-taking, insurance and investment business).	Firms
A.20	Markets in Financial Instruments Directive (MiFID) transaction reporting – targeted recovery of additional IS development costs.	MiFID transaction reporting
B	Investment exchanges, clearing houses, multi-lateral trading facilities, service companies and firms that are designated as a prescribed market operator for the purposes of the market abuse regime.	Recognised bodies
C	Collective Investment Schemes (CIS).	CIS products
D	Designated Professional Bodies (DPB).	DPBs
E	Issuers of listed and non-listed securities or their sponsors.	Issuers of securities
F	Unauthorized persons subject to our registration function (registrant-only).	Mutuals / registrant-only
G	Firms registered with us either under the Money Laundering Regulations 2007 or under the Payment Services Regulations 2009 (PSRs).	3MLD/PSD

3 Cost allocation to fee-blocks

- 3.1 Grouping firms into fee-blocks is one element of our fee-raising framework. Before firms' fees can be calculated, we must determine what proportion of our costs will be recovered from any particular fee-block. We do this by using our financial management and reporting framework to calculate our Annual Funding Requirement (AFR).

Our financial management and reporting framework

- 3.2 Under the Financial Services and Markets Act 2000 (FSMA), we are required (when carrying out our general functions) to use our resources in the most efficient and economic way. Each year we make a report to the Treasury showing how we have considered this principle when dealing with fees and other issues.
- 3.3 The scope of activities falling within our remit is wide and varied. This includes some activities which are intended to be temporary in nature and/or which are subject to considerable variation from year to year. We cannot forecast these with the same reliability as regular recurring activities. We will continue to:
- exert sound financial management and budgetary control over all areas of our expenditure and income; and
 - seek to manage any unavoidable volatility to minimise the impact on fee-payers from year to year.
- 3.4 Our Board believes it is helpful to have a framework within which to manage and report on our costs and funding. The 'streams' of activities, which have distinct cost and funding characteristics, have been identified and are listed in Table 3.1 below.

Table 3.1: Activity streams in our financial management and reporting framework

Activity stream	Description
Ongoing Regulatory Activities (ORA)	These are core operating activities that are subject to year-on-year management as part of our budget process. The cost of ORA is the key figure, along with explanations of any material movements, which shows how we have met our obligation to be economic and efficient in using our resources.
Changes in scope (increase or decrease)	Under certain circumstances, including legislation introduced by Parliament, there may be changes to the scope of activities that we regulate. Any scope changes, as with our other core operating activities, are subject to financial management as part of our budget process. However, in the first financial year affected by the change in scope, and until the new supervisory process is fully established, we believe material activities resulting from a scope change are best controlled separately so they are individually identifiable. In the longer term, when the ongoing supervisory requirements of the scope change have stabilised, typically after the new scope has been in place for at least a full year, we include these activities as part of the cost of our ORA.
Exceptional items	We will include the costs of exceptional items within the cost of our ORA, and will report on any material movements from year to year.
Enforcement costs	<p>Total enforcement costs depend on the number of cases and their complexity. We will continue to manage these costs and seek to optimise the mix of internal and external enforcement resources when we do this. We have included these costs within the cost of our ORA and we will report on any material movements from year to year.</p> <p>While we will maintain strong financial management of these costs, the actual amounts may be materially higher or lower than the budgeted level set in advance of the financial year. If this happens we will review any excess or reduction in costs from budgeted level and may seek to smooth the impact on fee-payers over a three-year period, subject to us being able to maintain satisfactory reserves.</p>
Panel costs	The Financial Services Consumer Panel and the Practitioner Panel have a status under FSMA that guarantees their independence from us. These bodies and the Smaller Businesses Practitioner Panel control their own costs against budgets. They are, however, subject to our approval and are funded through our fees. These costs are included within the cost of our ORA.
Complaints Commissioner	Under FSMA, we are required to have an arrangement in place for investigating complaints against us. The Complaints Scheme was introduced in September 2001. We are also required under FSMA to ensure that the Complaints Commissioner has resources at their disposal to conduct a full investigation of any complaints. The Complaints Commissioner controls their own costs against a budget, which is subject to our approval, and is funded through our fees. These costs are included within our ORA costs.
Pension scheme deficit reduction contributions	<p>The amounts required to reduce this deficit over time are inherently variable and depend on a number of factors including current investment values and projected investment returns. We have plans in place to reduce this deficit to nil over the ten-year period to 31 March 2019.</p> <p>Every three years the Trustee carries out what is known as a scheme specific valuation (SSV), which is a detailed valuation using actual asset and liability details. We agree a recovery plan with the Trustees to close the current funding gap.</p> <p>The next SSV will be carried out using data as at 31 March 2010.</p>

Activity stream	Description
Transition costs	We have completed the three year programme of work to move the organisation to more outcomes-focused regulation. We plan to recover the costs of this work, which totalled £50m, over a maximum period of 10 years.
Reserves	According to our Treasury Management Policy, we are required to maintain the equivalent value of six weeks of our ORA costs as a contingency fund. To meet this we have revolving credit facilities available. As specified in our 2010/11 Business Plan, our target is to maintain reserves at a level between -2% to +2% of our year's ORA costs.

Annual Funding Requirement (AFR)

- 3.5 Using the financial management and reporting framework, the total amount in a given year we are required to raise from fee-payers can be derived. This is known as the AFR. The AFR for 2010/11 is explained in Chapter 11.

Other funding requirements

- 3.6 In addition to the costs set out in our financial management and reporting framework, additional funds may also need to be raised from time to time.

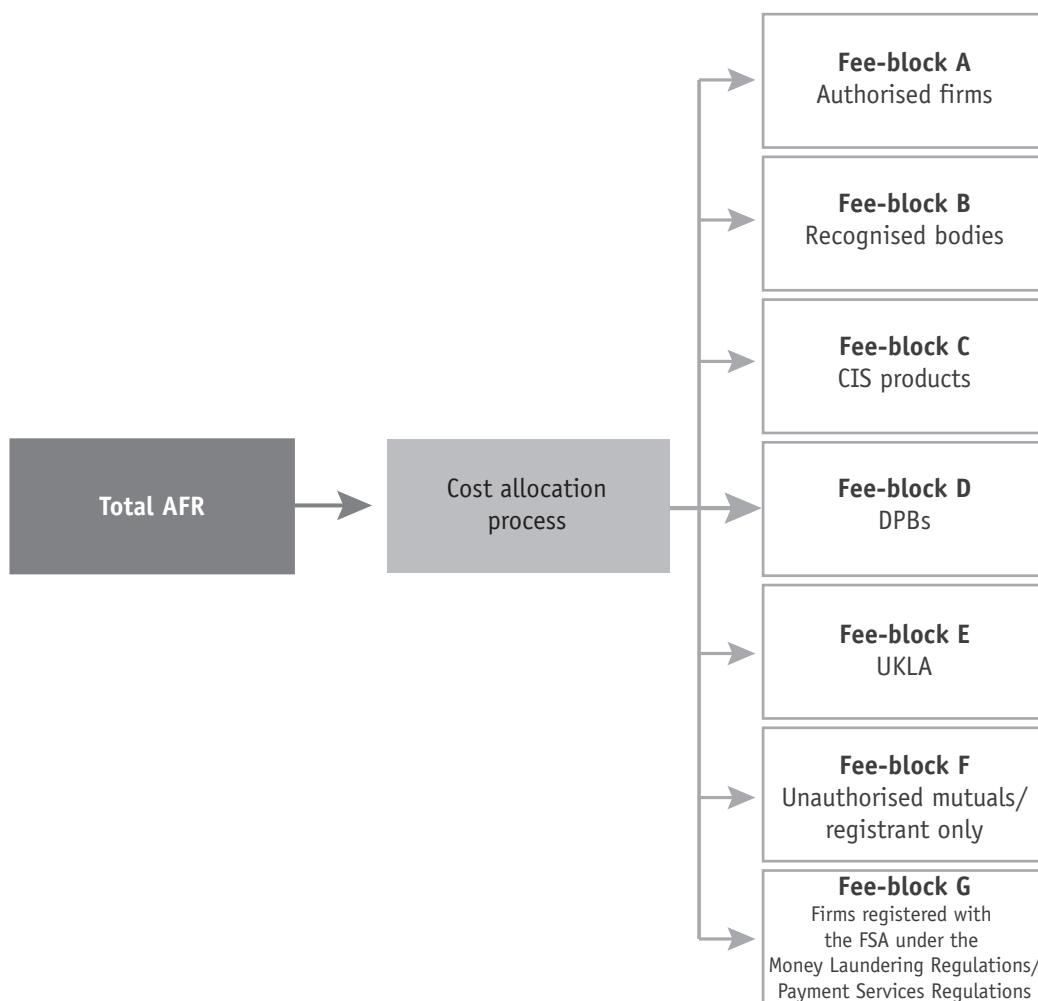
Legal assistance scheme

- 3.7 Under FSMA, we are required to recover from authorised persons, amounts determined by the Lord Chancellor, relating to the costs of providing legal assistance to certain individuals concerning alleged market abuse cases, which are heard before the Financial Services and Markets Tribunal. Since N2 (1 December 2001 – when we were given our statutory powers) no such costs have actually been incurred, but they could arise in future.

Allocating AFR to fee-blocks

- 3.8 The total AFR calculated has to be divided between the fee-blocks. This allocation is assigned using our cost allocation process, which is described in more detail in Figure 1.

Figure 1: Allocating AFR to fee-blocks



3.9 At the time it is produced, the cost allocation is a materially accurate reflection of how we plan to allocate our resources across the fee-blocks for the year in question. However, because it is forward-looking, it is likely that the actual use of resources may differ from that assumed (e.g., we may have to respond to an unforeseen regulatory priority). We aim to keep our total over/under recovery within +/- 2% of our ORA. When this happens, the difference is taken into account when setting the subsequent year's AFR. We do not breakdown the over/under recovery across individual fee-blocks, so once fees have been set and levied in one year, they are final which gives firms greater certainty. Where our fees are raised under a different legal power other than FSMA, for example, the UK Listing Authority (fee-block E), we keep these separate, to ensure that income and costs are separately attributed against fee-blocks.

ORA

3.10 We allocate ORA costs to fee-blocks on an activities-based costing basis:

- *for supervisory costs* (which include firm-specific costs from functions such as Risk Management, General Counsel or Policy) the costs of these activities inherently take into account the risk profile of the firms supervised. The more higher risk firms (in terms of impact and probability of failure) carrying out permitted business covered by a specific fee-block, the greater the activity and hence the more costs allocated to that fee-block; and

- *for non-supervisory costs*, (e.g. our policy development work), the cost of these activities is allocated to fee-blocks whose permitted business the policy development concerns.
- 3.11 Overall we believe that our cost allocation framework effectively allocates the right level of **total** costs to fee-blocks. By doing so, it takes account of the firms' risk profile (impact and probability), thereby reducing the possibility of cross-subsidy between sectors.
- 3.12 The above costs are treated as **direct** regulatory costs as they can be allocated to a particular fee-block because they are either firm-specific, or if not firm-specific, they are still specific to a particular fee-block as a whole.
- 3.13 There are also regulatory costs which can not be allocated to particular fee-blocks. These indirect regulatory costs and support costs relate to activities that cut across multiple fee-blocks and include costs relating to:
- regulatory activity that is not fee-block specific e.g. Policy development or Risk Management;
 - our operational business unit costs which support our regulatory functions e.g. human resources, finance, facilities management, information systems; and
 - running the independent Consumer Panel, Practitioners Panel and Smaller Practitioners Panel.
- 3.14 Indirect costs are allocated to fee-blocks in proportion to direct costs. Both direct and indirect costs are allocated an appropriate share of overheads.

Panel costs

- 3.15 Panel costs include the costs of the Practitioner and Consumer Panels. Most of these costs concern the Consumer Panel and are allocated primarily to the fee-blocks containing the largest proportion of firms conducting retail financial services activity.

Complaints Commissioner costs

- 3.16 We allocate the costs of the Complaints Commissioner to fee-blocks in proportion to their share of our ORA costs.

Legal assistance costs

- 3.17 The legal assistance scheme costs are spread over fee-block A (authorised firms) using a method mirroring that to which we apply market abuse penalties for the benefit of authorised persons (see Annex 4, paragraph 12).

Additional pension deficit reduction contributions

- 3.18 Contributions to reduce the deficit on our final salary pension scheme are allocated to fee-blocks in proportion to their share of our ORA costs.

4 Recovery of allocated costs within 'A' fee-blocks

- 4.1 Chapters 2 and 3 describe how firms are grouped together into fee-blocks, and how we determine the level of allocating costs to be recovered from these fee-blocks. In this chapter we describe how we recover costs allocated to the 14 'A' fee-block subsets listed in Table 4.1. These fee-blocks accounted for 93% of our Annual Funding Requirement (AFR) in 2010/11. For ease of reference in this chapter, we refer to these fee-blocks as the 'A' fee-blocks.
- 4.2 This chapter is also relevant to incoming European Economic Area (EEA) firms and incoming Treaty firms which have established branches in the UK. They can carry out permitted business in any of the 'A' fee-blocks, and their fees are calculated in the same way as UK firms other than discounts are applied to their fees. Discounts are not applied to the minimum periodic fee under the A.0 fee-block.

Table 4.1: 'A' sub-set fee-blocks covered in this chapter

Fee-blocks	
A.0	Costs that all firms in the fee-blocks below contribute through the minimum fee
A.1	Deposit acceptors
A.2	Home finance providers and administrators
A.3	Insurers – general
A.4	Insurers – life
A.5	Managing agents at Lloyd's
A.7	Fund managers
A.9	Operators, Trustees and Depositaries of collective investment schemes and Operators of personal pension schemes or stakeholder pension 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 advisers
A.18	Home finance providers, advisers and arrangers
A.19	General insurance mediation

Note: In addition to the above active 'A' fee-blocks are A.6 and A.20 – these are covered in Chapter 5. Reference to fee-blocks A.8, A.11, A.15, A.16, and A.17 are not included as they are no longer used

Minimum periodic fee

- 4.3 The aim of the minimum periodic fee is to ensure that:
- every firm equally contributes to the minimum costs of regulation;
 - those minimum costs of regulation are clearly defined, based on a stated rationale and applied consistently across all firms, but allowing for exceptions which can be justified; and
 - the level of minimum fee is not too high (which would unnecessarily impede competition) and is not too low (which would prejudice existing fee-payers).
- 4.4 Although firms can undertake permitted business that falls under more than one fee-block, they only pay one minimum periodic fee.

Minimum level of regulatory costs

- 4.5 The minimum level of the regulatory costs we recover through the minimum periodic fee are:
- **Regulatory reporting:** Costs of collecting, validating and carrying out first line checks on regulatory returns. All firms must submit regulatory returns, which represent the minimal level of baseline monitoring that we must undertake for all firms. The administrative charge we receive from firms when they submit their regulatory returns late are deducted from these costs;
 - **Customer Contact Centre (CCC):** This provides advice and guidance to regulated firms and consumers who contact us by telephone or correspondence (letter and emails). All firms can access these services. The consumer part of the CCC costs is included as this service is one of the ways we meet our public awareness objective.⁵ By including these costs in the minimum fee, we ensure all firms contribute to the costs of meeting this objective, from which all firms should ultimately benefit by consumers' improved financial capability;
 - **Unrecovered authorisation costs:** Costs of authorising firms and vetting approved persons which are not recovered by application fees. Application fees to authorise firms are fixed at a level that balances recovery of the costs of processing them, with not posing an entry barrier. Under the Financial Services and Markets Act 2000 (FSMA) we can not charge application fees for vetting Approved Persons. A key objective of the firm authorisation process is to prevent firms from entering the market who do not meet our threshold conditions. Similar aims apply to vetting individuals as Approved Persons. Including these costs in the minimum fee ensures all firms contribute to these processes. This helps to maintain market confidence, which they benefit from; and
 - **Policing the Perimeter:** Costs of investigating persons who are potentially carrying on regulated activities without authorisation. Including these costs in the minimum fee ensures all firms contribute, which benefits them by helping maintain market confidence.

⁵ We continue to have a public awareness objective following the formation of CFEB. Funding arrangements for CFEB are described in Chapter 10.

- 4.6 The net costs relating to these functions are allocated to fee-block A.0 (zero) each year. These are apportioned equally across all 'A' fee-block authorised firms in line with the number of firms on 1 April, the start of the financial year that the minimum fee will be levied. For 2010/11 the minimum periodic fee was set at £1,000.
- 4.7 We believe the minimum regulatory costs that make up the minimum periodic fee, represent the right amount of our costs that can be recovered on an individual firm basis. Such costs do not relate to either the permitted regulated business they undertake or the size of that business. They effectively relate to the minimum costs of being authorised, and it is clear as to what costs make up the minimum periodic fee.
- 4.8 The minimum periodic fee is levied on incoming EEA firms and Treaty firms which have established branches in the UK in full. Discounts are not applied to their minimum fee, unlike their variable periodic fees.

Exceptions

- 4.9 As indicated in paragraph 4.3, one of the minimum periodic fee aims is to allow for exceptions where justified. There are currently two types of firms that do not pay the full minimum fee (currently £1,000):
- **Smaller credit unions:** Pay minimum fees based on the levels they paid in 2009/10 (£160 or £540 depending on size of firm). These mutual organisations are an exception because they offer basic savings and loan facilities to their members, many of whom cannot obtain such services from mainstream banks and building societies. The unrecovered minimum regulatory costs that will arise from maintaining their minimum fees at 2009/10 levels will be recovered from the other firms in A.1 fee-block (Deposit acceptors).
 - **Smaller non-directive friendly societies:** Pay minimum fees based on the level they paid in 2009/10 (£430). These mutual organisations are an exception because, similar to credit unions, they support people with limited financial resources to improve their economic status. The unrecovered minimum regulatory costs that will arise from maintaining their fees at 2009/10 levels will be recovered from the other firms in the A.4 fee-block (Insurers – life).
- 4.10 These firms will continue to pay their fees at the above levels subject to changes proposed in future fee consultations.

Variable periodic fees

- 4.11 To recover the costs allocated to the 'A' fee-blocks (other than A.0, as the minimum periodic fee recovers these costs) we use variable periodic fees which aim to ensure that:
- the distribution of recovery of allocated costs from firms within fee-blocks is directly linked to the size of the permitted business they undertake – straight line recovery;
 - a framework is in place that enables the operation of any moderation, should it be required, to be transparent; and

- any moderation from straight line recovery is on an exceptions basis only, supported by stated rationale.

4.12 As we described in Chapter 3 (paragraphs 3.10 and 3.11), we believe our cost allocation framework effectively allocates the right level of total costs to fee-blocks and in doing so, takes account of the firms' risk profile (both impact and probability of failure), reducing the possibility of cross-subsidy between sectors (fee-blocks).

Tariff bases

4.13 To determine the amount we recover from individual firms in each fee-block, we use size of permitted business as a proxy for the impact risk – the impact on our statutory objectives should that business fail. The greater the amount of specific permitted business a firm undertakes (above that covered by the minimum periodic fee) the more it contributes to the supervisory and non-supervisory costs allocated to that fee-block.

4.14 By using the size of permitted business to apportion fee-block allocated costs to firms within them, we acknowledge that this approach does not consider the actual resources applied to firms to mitigate the impact risk they represent. It also does not take into account the resources they invest in their own internal controls and risk management to mitigate the risks they pose (probability of failure). To do either would present us with significant operational challenges and costs, and we do not see us in a position to address these for the foreseeable future. Either approach would potentially result in many firms having year-on-year significant unpredictable fluctuations in their fees level.

4.15 Size of permitted business is an objective, transparent, fair and simple measure that can be efficiently and consistently applied across all firms in a fee-block. To measure the size of permitted business we use **tariff bases**. These are selected on the basis that:

- the tariff base is a common and relevant unit of measure for all fee payers within the fee-block; and
- where possible, the tariff base should minimise any data collection costs for fee payers.

4.16 Annex 2 sets out the tariff bases that apply in each fee-block. It also shows how we measure size to assess the amount of permitted business a firm undertakes in a fee-block. This is done using a unit of measure, referred to as **tariff data**. Each year we collect tariff data from firms in order to calculate their fees in the following year.

Applying tariff bases

4.17 A firm calculates its tariff data for each fee-block by applying the relevant tariff base to the business it has permission to conduct. Each tariff base has a 'valuation date' that indicates the time period for, or date when, the amount of business must be measured. This is often – but not always – 31 December of the year before the fee period begins. For example, in fee-block A.7 (Fund managers), the tariff base is funds under management, and the valuation date for the 2010/11 fee period is 31 December 2009. However, for firms reporting on the Retail Mediation Activities

Return (RMAR), the valuation date for fee-blocks A.18 (Home finance providers, advisers and arrangers) and A.19 (General insurance mediation) is the firm's most recent accounting reference date.

- 4.18 Firms becoming authorised (or extending their permission) during the year must provide an annualised projection of their fee tariff data from the date of authorisation or variation of permission. This is aimed at enabling firms to calculate their likely regulatory fees and allows consistent reporting between new joiners (or firms extending their permission).
- 4.19 It is important that firms report their projection as accurately as possible, as they will be invoiced on this data, possibly for two financial years.
- 4.20 Newly-authorised firms completing the RMAR must complete section J with actual tariff data, annualised up to their accounting reference date. This means their fees are calculated partly on actual tariff data, rather than entirely on projections (see Chapter 9 for more details about regulatory reporting of fee tariff data).
- 4.21 In general, the tariff bases are defined so that only UK business is taken into account.

Tariff rates

- 4.22 We total the amount of tariff data for each fee-block and we recover the costs allocated to a fee-block in proportion to the firm's tariff data level. At the beginning of each periodic fee year (1 April to 31 March) we calculate the amount of tariff data reported by firms in each fee-block and divide the costs allocated to the fee-blocks by the total tariff data. The tariff rate is the amount of fees per unit of tariff data. The tariff rate is then applied to the amount of tariff data for the individual firms in the fee-block. See Figure 2 below.

Figure 2: Calculating a firm's periodic fee

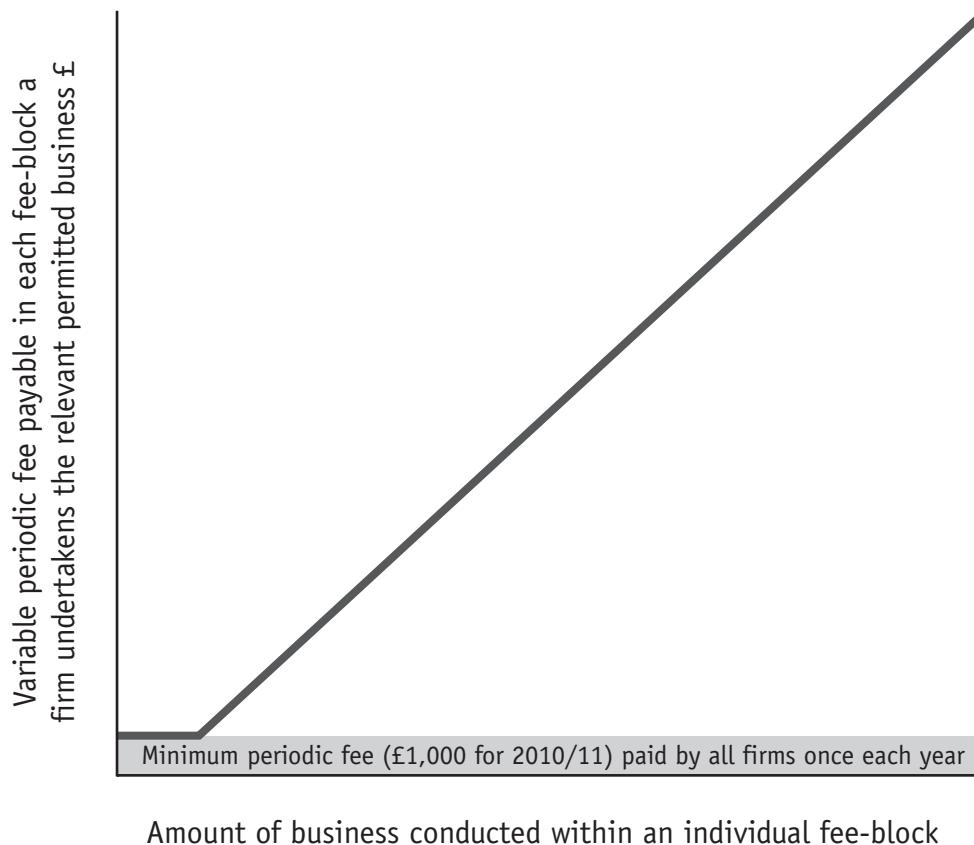
For each fee-block a firm belongs to:



- 4.23 The tariff rates are structured in line with two main principles:
- **Maximum fee:** No maximum fees are set. This is because firms often consolidate (as frequently happens in the financial services industry), and when this happens, small and medium-sized fee payers within fee-blocks have to pay more to make up for the lost fees from the newly-combined firm as their fee would be artificially constrained by the maximum fee amount.
 - **Uniform tariff rate:** We apply a single uniform tariff rate, regardless of the amount of business the firm conducts. The more permitted business a firm undertakes in a fee-block, the more tariff data it generates, consequently it will pay a greater proportion of the costs allocated to that fee-block through fees.

- 4.24 The combined effect of these principles produces a fee tariff structure where the fee payable by an individual firm within a fee-block looks like that set out in Figure 3, which illustrates how variable periodic fees increase directly in proportion to the amount of permitted business undertaken – straight line recovery.

Figure 3: Structure of firm’s periodic fee within ‘A’ fee-blocks



- 4.25 Variable periodic fees are only levied in addition to the minimum periodic fee when firms undertake permitted business above a specified amount as measured by the amount of tariff data. Table 4.2 (at the end of this chapter) shows how tariff data levels trigger the levying of a variable periodic fee. If the amount of a firm’s tariff data is less than the first amount in Band 1, the firm will not pay a variable periodic fee for that fee-block. Depending on to what extent a firm’s tariff data exceeds the lowest threshold in a fee-block, a firm in several fee-blocks can be subject to variable periodic fees in one fee-block but not in others. However, all firms only pay one minimum periodic fee.

Moderation framework

- 4.26 When we consult each February on the tariff rates for the forthcoming periodic fee year (1 April to 31 March) we have to use estimated tariff data as the collecting exercise of actual tariff data for the forthcoming period is not completed until March/April. The number of firms in the forthcoming period also has to be estimated. As our financial year ends 31 March we also do not know the final position regarding any over/under spend in the previous year which could impact on the AFR for the forthcoming year. This means that the tariff rates we finalise in May could vary materially from those consulted on.

- 4.27 As indicated in paragraph 4.11, one of the variable periodic fees' aims is to have a framework in place that enables the operation of any moderation, should it be required, to be transparent. This enables our straight line recovery policy to be flexible enough to accommodate a targeted recovery of costs within a fee-block on an exceptions basis, where they can be justified. This exceptional moderation can be either side of the straight line recovery and is achieved by applying a premium or discount to the measures (tariff data) of the amount of specific permitted business firms undertake within the fee-block where recovery will be moderated from a straight line.
- 4.28 We have established a standardised tariff band structure, and each fee-block has five tariff bands. Each band's width is determined by aligning them to the cut-off points in the ARROW⁶ risk impact categorisation (low, medium-low, medium-high and high). This has been done using ARROW metrics which determine the impact categories. However, these do not always correlate to the tariff data we use for fees purposes. The 'fifth' band comes from splitting the low impact band, as it covers such a large number of firms.
- 4.29 Table 4.2 at the end of this chapter shows how we have applied current tariff data to define the impact risk-based framework.

Exceptions

- 4.30 As indicated in paragraph 4.11, one of the variable periodic fees' aims is that any moderation from straight line recovery is on an exceptions basis only, supported by stated rationale. The current exception to straight line recovery is the A.1 fee-block (Deposit acceptors). A.1 firms that fall within the medium-high and high bands of our moderation framework have a premium applied to their tariff data of 25% and 65% respectively.
- 4.31 From 2009/10, we moved to an intensive approach to the supervision of higher impact firms (in all sectors). With regards to A.1 fee-block firms, this has been particularly targeted at the high impact, systemically important firms. Our previous supervision enhancement programme costs have already been weighted to this fee-block. This level of supervision substantially increases our costs, so we have applied premiums to these bands in this fee-block to ensure that recovering these costs is targeted at the top end of this fee-block.
- 4.32 The firms affected will continue to pay their fees in A.1 fee-block with these premiums applied subject to changes proposed in future fee consultations.

Calculating variable periodic fees

- 4.33 In this section we explain further how we calculate firms' variable periodic fees, including adjustments, payment methods and how firms can calculate their fees in advance to help with budget planning.

6 Advanced Risk Responsive Operating frameWork (ARROW): this is our risk assessment model which guides the way we risk-asses and supervise firms, and target thematic work on consumers, sectors and multiple firms.

Firms that are part of a group

- 4.34 Many firms are members of groups of companies carrying out a variety of financial services activities. However, our fees are calculated at the level of individual authorised entities and not at group level. This is because:
- fee-block allocation is driven by the regulated activities in a firm's permission, and permissions are granted to individual entities, not to groups; and
 - for groups carrying out a range of activities, it is not possible to determine the scale of business measures that apply across the group's activity, but still be comparable with other fee payers who may have a similar – but not absolutely identical – range of business conducted within their particular group.
- 4.35 Although fees are calculated per individual authorised firm, we issue invoices and accept payment on a group basis where this will help with the fee payer's administration. However, this does not change the legal position that the individual authorised entities concerned are liable for their own periodic fees in full.

Adjustments to the calculation of variable periodic fees

Financial penalties

- 4.36 We are empowered under the Financial Services and Markets Act 2000 (FSMA) to impose financial penalties in certain circumstances. Under FSMA, we must not consider any sums we have or may receive through penalties when fixing our fees' levels. Instead, we must publish and operate schemes to ensure any penalties imposed benefit issuers of securities who are admitted to the Official List, or authorised persons, as appropriate.
- 4.37 This means we do not take financial penalties into account when calculating the level of the AFR and fee rates resulting from the AFR. Nor do we treat financial penalties as income – they are a liability owed to fee payers.
- 4.38 Generally, when a financial penalty is received, we initially apply it to meet the enforcement costs of the case. Any remaining penalty is then applied for the benefit of all authorised firms in proportion to their respective contributions to the AFR in the year the penalty is distributed.
- 4.39 The details of the penalty schemes are set out in Annex 4.

Inward passporting EEA firms and Treaty firms

- 4.40 We do not require firms that passport into the UK on a services basis (i.e. without UK branches) to pay periodic fees. EEA and Treaty firms that passport into the UK on a branch basis are given a percentage discount on variable periodic fees, compared to UK authorised firms conducting the same business. The discount varies between fee-blocks, and reflects the home state regulator's responsibility for certain aspects of these types of firms' supervision. The full range of discounts that apply to incoming EEA and Treaty firms can be found in our Handbook at FEES 4 Annex 2R, Part 3.

- 4.41 EEA firms passporting into the UK are allocated to our fee-blocks by comparing the activities in their passport with the equivalent activities set out in the Regulated Activities Order⁷ (which details the regulated activities used in UK authorised firms' permissions).

Changes to permissions part-way through a financial year (including new authorisations and cancellations)

- 4.42 Where a firm becomes newly authorised part-way through a fee period – or varies its existing permission so it falls into a fee-block(s) it did not belong to before the variation was granted – a periodic fee becomes payable for each new fee-block(s) the firm falls into.
- 4.43 This fee is calculated in the same way as a full-year periodic fee on the basis of estimated tariff data. A discount is then applied to the fee to reflect how much of the financial year remains.

Table 4.3: Proportion of full-year periodic fee payable for new or extended permissions

Quarter in which permission is received or extended (inclusive)	Proportion of full-year fee payable (%)
1 April to 30 June	100
1 July to 30 September	75
1 October to 31 December	50
1 January to 31 March	25

- 4.44 If a firm reduces the scope of its permission, or applies to cancel its authorisation during a fee period, there is **no refund of periodic fees** (and fees remain due for the entire year, even if they have not yet been invoiced for and/or paid).
- 4.45 However, if a firm makes a formal application to cancel or vary its permission before the start of a fee period (i.e. on or before 31 March), we will not charge a periodic fee in the next fee period for the fee-block(s) that will not apply after the variation (or cancellation). This is provided that the variation or cancellation the firm applied for becomes effective within three months of the start of that next fee period (i.e. by 30 June).

Appointed representatives leaving a network to become directly authorised

- 4.46 Although we do not charge fees to appointed representatives, their principal generally seeks to recover amounts towards 'FSA fees' or 'regulatory costs' from them. These charges are entirely a private contractual matter between the principal and the appointed representative. When an appointed representative becomes directly authorised we do not give any credit against our periodic fees for sums they may be required to pay by their former principal. The costs we incur for regulating a

⁷ The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).

newly authorised entity are not substantially different if the new firm has previously been an appointed representative.

Transfers of business (including mergers/acquisitions)

- 4.47 Where a firm (X) acquires part or all of the business of another firm (Y) during the financial year, then X is not liable for an additional periodic fee on the business transferred if Y has already paid the periodic fee for the transferred business.
- 4.48 This relief is also available to an authorised firm that chooses to change the legal vehicle through which it conducts its business – for example, a sole trader transferring its authorised business to a new corporate entity. Where a firm makes such a transfer, the new entity will not be liable for a periodic fee for that fee period in relation to the transferred business, provided the original entity has already paid its periodic fee.
- 4.49 Although the valuation date for our fees is usually 31 December, our fee period does not start until 1 April. So, we need to take account of acquisitions that happen between these two dates. This deals with the scenario where, for example, firm X transfers all its business to firm Y on 1 January and X then ceases trading before 1 April. Firm X would pay no fees in the next financial year, but firm Y's fee would be based on its pre-transfer amount of business as at 31 December. This would lead to an inappropriately low fee for firm Y. In addition, the fees payable by the remaining firms in the affected fee-block would be based on tariff data that did not take account of the transferred business, which could result in higher fees for that fee-block. In such cases we treat the transfer as though it happened immediately before the valuation date. Firm Y therefore pays a fee in the next fee period based on the combined amount of business.

How to pay

- 4.50 We accept periodic fee payments by various means – direct debit, credit transfer (BACS/CHAPS), cheque, Maestro or credit card (Visa/MasterCard only). Payments by credit card incur an additional 2% charge of the transaction.
- 4.51 Authorised firms can also choose to pay their fees and levies by instalments. The market solution (initially set up in 2005/06) for payment by instalments will continue. Premium Credit Limited is the credit provider, selected by the independent industry working group on instalment payments.
- 4.52 The current facility offered by Premium Credit Limited will be available for firms until it is next due for renewal in March 2012, with an annual review of rates. We are independent of this arrangement and have no contract in place with Premium Credit Limited. Firms wishing to continue paying by instalments should ensure they complete a new agreement form in order to set up new credit arrangements for 2010/11. We will send details of the instalment plan to firms with their invoices and further information is available on our fees website (<http://www.fsa.gov.uk/Pages/Doing/Regulated/Fees/index.shtml>). Firms can make their own arrangements directly through other credit providers if they wish to do so.

Online Fee Calculator

- 4.53 Firms can calculate their periodic FSA fees online at:
<http://www.fsa.gov.uk/Pages/Doing/Regulated/Fees/calculator/index.shtml>.
- 4.54 The Fee Calculator enables firms to work out their fees and levies for different financial periods and scenarios, based on previous, current and draft rates. So, existing firms and potential applicants for authorisation can calculate the amounts they are likely to be invoiced for the financial year (including any applicable discounts) and compare these to previous years. However, firms will be liable for the fees and levies shown on their invoices rather than the amounts indicated by the Fee Calculator.
- 4.55 The Fee Calculator aims at making the likely implications of draft and final fees and levies clearer to firms and helps them with budget planning for the year ahead.
- 4.56 The Fee Calculator also enables firms to calculate Financial Services Compensation Scheme (FSCS) and Financial Ombudsman Service (FOS) levies where applicable.

Table 4.2: Moderation framework

Fee-block		Tariff base		Moderation: Discount (-) & Premium (+) levels				
				Low impact		Medium low impact	Medium high impact	High impact
				Band 1	Band 2	Band 3	Band 4	Band 5
A.1	Deposit acceptors	MELS [essentially UK deposits held] £ms	Moderation	0%	0%	0%	plus 25%	plus 65%
			Band width	>10-140	>140-630	>630-1,580	>1,580-13,400	>13,400
A.2	Home finance providers and administrators	Number of new home finance contracts etc.	Moderation	0%	0%	0%	0%	0%
			Band width	>50-130	>130-320	>320-4,750	>4,750-37,500	>37,500
A.3	Insurers – general	Gross premium income £m	Moderation	0%	0%	0%	0%	0%
			Band width	>0.5-10.5	>10.5-30	>30-245	>245-1,900	>1,900
		Gross technical liabilities £m	Moderation	0%	0%	0%	0%	0%
			Band width	>1-12.5	>12.5-70	>70-384	>384-3,750	>3,750
A.4	Insurers – life	Adjusted gross premium income £m	Moderation	0%	0%	0%	0%	0%
			Band width	>1-5	>5-40	>40-260	>260-4,000	>4,000
		Mathematical reserves £m	Moderation	0%	0%	0%	0%	0%
			Band width	>1-20	>20-270	>270-7,000	>7,000-45,000	>45,000
A.5	Managing agents at Lloyd’s	Active capacity £m	Moderation	0%	0%	0%	0%	0%
			Band width	>50-150	>150-250	>250-500	>500-1,000	>1,000
A.7	Fund managers	Funds under management £m	Moderation	0%	0%	0%	0%	0%
			Band width	>10-150	>150-2,800	>2,800-17,500	>17,500-100,000	>100,000
A.9	Operators, trustees and depositaries of CISs etc.	Gross income £m	Moderation	0%	0%	0%	0%	0%
			Band width	>1-4.5	>4.5-17	>17-145	>145-750	>750
A.10	Firms dealing as principal	Number of traders	Moderation	0%	0%	0%	0%	0%
			Band width	2-3	4-5	6-30	31-180	>180
A.12	Advisory arrangers, dealers or brokers (holding client money/assets)	Number of approved persons	Moderation	0%	0%	0%	0%	0%
			Band width	2-5	6-35	36-175	176-1,600	>1,600
A.13	Advisory arrangers, dealers or brokers (not holding client money/assets)	Number of approved persons	Moderation	0%	0%	0%	0%	0%
			Band width	2-3	4-30	31-300	301-2,000	>2,000
A.14	Corporate finance advisers	Number of approved persons	Moderation	0%	0%	0%	0%	0%
			Band width	2-4	5-25	26-80	81-199	>199
A.18	Home finance providers, advisers and arrangers	Annual income £000s	Moderation	0%	0%	0%	0%	0%
			Band width	>100-180	>180-1,000	>1,000-12,500	>12,500-50,000	>50,000
A.19	General insurance mediation	Annual income £000s	Moderation	0%	0%	0%	0%	0%
			Band width	>100-325	>325-10,000	>10,000-50,750	>50,750-250,000	>250,000

5 Recovery of allocated costs within other fee-blocks

- 5.1 In this chapter we explain how we recover costs allocated to the other fee-blocks not covered in Chapter 4 and Chapter 8.

Fee-block A.6 – The Society of Lloyd’s

- 5.2 Fees are set based on the level of resources required to regulate this individual firm.

Fee-block A.20 – Markets in Financial Instruments Directive (MiFID) transaction fee

- 5.3 This fee-block applies to a firm or market operator in respect of certain securitised derivatives. It was set up to recover targeted additional IS costs related to transaction reporting arising from MiFID. Recovery of allocated costs is based on annual income in the calendar year ending 31 December of the applicable firms.

Fee-block B – Recognised bodies and others

- 5.4 These include recognised exchanges, clearing houses, service companies and firms operating Multilateral Trading Facilities (MTFs). Fees are individually set for each fee-payer based on the resources required to regulate them. MTFs include some degree of flat level fees.

Fee-block C – Collective investment schemes

- 5.5 These include unit trusts and open-ended investment companies. The costs of regulating these schemes are recovered through a fee based on the number of funds or sub-funds operated.

Fee-block D – Designated Professional Bodies (DPBs)

- 5.6 These include the Law Society of England and Wales and the Institute of Chartered Accountants in England and Wales. The cost of regulating these DPBs and others is recovered through a fee based on the number of exempt professional firms registered with each DPB.

Fee-block F – Unauthorised Mutuals

- 5.7 These include industrial and provident societies and societies registered under the Friendly Societies Acts. Fees are levied based on the size of their total assets.

Fee-block G.1 – Firms registered under the Money-Laundering Regulations 2007

- 5.8 A flat rate annual fee is levied.

Fee-block G.2 – G.5 – Firms subject to the Payment Services Regulations 2009

- 5.9 For firms also in the A.1 fee-block (Deposit acceptors), fees are based on size of business undertaken as for A.1 business. For large payment institutions, fees are based on the size of relevant income and for small payment institutions a flat rate annual fee is levied.

Application and special project fees

- 6 Application fees
- 7 Special project fees – overall policy

6 Application fees

- 6.1 Application fees are one-off payments towards our costs of processing certain applications made by fee payers under provisions of the Financial Services and Markets Act 2000 (FSMA) or our Handbook. Application fees rules and guidance are set out in FEES 3 of our Handbook.
- 6.2 In this chapter we will discuss the application fees that may apply to authorised firms and firms subject to the Payment Services Regulations 2009. Other transaction fees apply to non-authorised firms, for example, issuers of securities (see Chapter 8). Table 6.1 summarises the range of application or other one-off fees that we charge to different types of fee payers.

Table 6.1: Summary of application fees and one-off fees

Type of fee payer	Trigger for fee
Firms (authorisation fees)	a new entity wishes to become authorised to carry out regulated activities
Firms (change of legal status)	an existing authorised firm wishes to change its legal status, which needs authorisation as a new entity
Firms (variation of permission fees)	an existing authorised firm wishes to change the scope of the regulated activities it currently has permission to undertake
Periodicals (Article 54 RAO certificates)	a periodical wishes to obtain a certificate under Article 54 of the Regulated Activities Order (RAO)
Collective investment schemes	a scheme seeks certain declarations or gives certain notices under FSMA
Designated professional bodies	an entity seeks to be designated as a designated professional body
Issuers of securities	an issuer applies to list one or more securities or submits documents for vetting or approval
Recognised bodies	an entity seeks to be recognised as an (overseas) investment exchange or clearing house
Unauthorised mutuals	an entity seeks to be registered as a new mutual society, or a sponsoring body seeks to register a new set of model rules

Type of fee payer	Trigger for fee
Leasing companies, trade finance houses, safe custody service providers	an entity that wishes to conduct or continue to conduct business in the areas listed must register under the Money Laundering Regulations 2007
Payment services providers	an entity seeks to register or become authorised as a payment institution
Insurers (general and life)	an entity proposing to cede risks to an Insurance Special Purpose Vehicle seeks a waiver

6.3 Application fees are payable in advance of, or with, the application. An application without the appropriate fee will be considered incomplete and not be processed. If an application is unsuccessful, the fee will not be refunded. This is because we must commit resources to processing applications, even if their outcome is unsuccessful.

6.4 In general, where an application is successful (e.g., for a firm to become authorised or an investment exchange to be recognised), a periodic fee will then become payable for that activity for the remainder of the fee period concerned.

Application fees payable by firms applying for authorisation

6.5 Most applications we handle are from firms seeking permission, under Part IV of FSMA, to become authorised firms (allowing them to carry out regulated activities if they are not otherwise exempt). The fee payable depends on the complexity of the application involved, which reflects the regulated activities the firm is seeking to carry out. We use the fee-block(s) a firm would fall into, should its application succeed, to determine the complexity of an application and the appropriate authorisation fee.

6.6 Applications are divided into three groupings (straightforward, moderately complex and complex) depending on the fee-block(s) that the entity would fall into if successful. The complexity groupings by fee-block are shown in FEES 3 Annex 1R and the application fee payable within each of these groupings is a flat amount.

Table 6.2: Application fee groupings and fees payable

Application type	Fee payable (£)
Straightforward	1,500
Moderately complex	5,000
Complex	25,000

6.7 Certain exceptions are made to the three groupings where the fee payable for a particular type of firm would be disproportionate to the complexity of the application. For example, an application by a deposit-taker would normally be classed as complex, but we classify applications from e-money issuers (a particular type of deposit-taker) as moderately complex. Separate application fees apply to credit unions.

- 6.8 Where a firm applies for authorisation for activities that places it in more than one fee-block, only the highest application fee is payable.
- 6.9 When a firm applies for only a simple change of legal status, it needs to pay 50% of the relevant authorisation fee. This reflects the lower regulatory effort needed to process these types of applications.
- 6.10 For fees purposes, we define simple changes of legal status as those where the ‘new’ firm, in relation to the original authorised entity:
- operates to the same business plan;
 - has the same or narrower permission;
 - assumes all the original entity’s rights and obligations in relation to the regulated activities carried on by the firm;
 - continues the same compliance arrangements;
 - does not have a materially different risk profile; and
 - retains any individuals responsible for insurance mediation activity in that role.

How we set application fees

- 6.11 Before an entity can be authorised, we need to be convinced it can meet – and continue to meet – FSMA’s ‘threshold conditions’. By ensuring that new applicants meet this, the authorisation process also assists currently-authorised firms by protecting the reputation of the UK financial services industry as a whole.
- 6.12 We reflect this shared benefit in our application fees by setting them at lower levels than the full costs of dealing with an application. So the remainder of the costs we incur are met through the periodic fees of firms that are already authorised. This reduces barriers to entry for new applicants, therefore enhancing competition.
- 6.13 Overall, our policy aims to ensure application fees – the total costs of processing applications for Part IV permission – are fairly apportioned between applicants and authorised firms.

Inward passporting EEA firms and Treaty firms

- 6.14 Under FSMA, we cannot charge EEA firms seeking to passport their activities into the UK (on either a branch or services basis) an application fee.
- 6.15 For Treaty firms, the application fee we charge depends on two factors:
- whether the firm can provide a certificate issued by the Treasury, which states that the laws of the firm’s home state provide consumers with equivalent protection as that given by FSMA for the activity concerned; and
 - whether the Treaty firm proposes to establish a branch in the UK, or deal on a services (cross-border) basis.

- 6.16 If a Treaty firm can provide the necessary certificate then, as for an EEA passporting firm, no application fee is payable. Otherwise the application fee is 50% (for a branch) or 25% (for services) of the equivalent amount that would be payable by a UK firm seeking authorisation to carry out the same activities.

Application fees payable by firms applying to vary their existing permission

- 6.17 Variation of permission (VoP) fees are payable by existing authorised firms when they wish to alter the regulated activities they are permitted to undertake. The VoP fee recovers a proportion of the costs we incur in processing the application involved. The fee payable depends if the VoP application results in the firm being allocated to a fee-block(s) that did not apply before the VoP.
- 6.18 If the variation is granted and the firm is in an additional fee-block(s) to its previous one(s), the firm's VoP fee is 50% of the same application fee an authorisation for the same regulated activities. The 50% discount on the application fee for authorisation is because fewer resources are required to assess a VoP application from a currently authorised firm, compared to a full application for authorisation by a new firm.
- 6.19 For example, a bank in fee-block A.1 may wish to vary its permission to include the regulated activity of 'managing investments'. If the variation were successful, the firm would be added to fee-block A.7 (fund managers). The VoP fee payable is £2,500 –50% of a moderately complex application fee, which is payable for applications for authorisation to manage investments.
- 6.20 A £250 flat administration fee applies to all other VoP applications increasing a firm's permitted activities, but which do not result in the firm being allocated to additional fee-blocks. This fee contributes towards our costs of processing the VoP application. Credit unions are exempt from this fee. No VoP fees are payable for variations that only reduce a firm's permission.

Fees to register or seek authorisation as a payment services provider

- 6.21 From 1 November 2009, firms undertaking or wishing to undertake payment services activities in the UK were brought under the scope of our regulation by the European Union's Payment Services Directive (PSD). This is implemented in the UK by the Payment Services Regulations 2009 (PSRs).
- 6.22 Fees for applications and variations of permission came into effect from 1 May 2009⁸. Firms that started to provide payment services after 25 December 2007 had to register or be authorised by 1 November 2009 if they wished to continue to do so. Those that were operating before 25 December 2007 have until 25 December 2010 to register and until 1 May 2011 to become authorised.

8 These proposals were implemented through Handbook Notice 87 (April 2009), which also provided feedback.

- 6.23 Four sets of Payment Services Providers (PSPs) do not have to pay application fees.
- **Firms in fee-block A.1** are exempt from registration and authorisation requirements under the PSRs.
 - **European Economic Area (EEA) firms passporting into the UK and UK firms passporting outwards** will be exempt from application fees in accordance with current fees rules.
 - **Certified small e-money issuers** appear on our register but are not subject to FSMA supervision. They will automatically be entitled to provide payment services without an application fee.
 - **Other bodies** exempted under the PSRs are:
 - the Post Office Ltd;
 - the Bank of England ‘other than when acting in its capacity as a monetary authority or carrying out other functions of a public nature’; and
 - government departments and local authorities, ‘other than when carrying out functions of a public nature’.
- 6.24 The fees for registration or authorisation of Payment Institutions (PIs) depend on the types of activity they intend to carry out and the number of agents they have.
- **Small PIs:** A £500 flat application fee to register. Small PIs are defined by various criteria, e.g. the monthly average volume of payment services transactions in the 12 months preceding the application should not exceed €3m.
 - **Authorised PIs:** Schedule 1 Part 1, paragraphs (a) to (g) of the PSRs establish seven types of payment service activities for which permission is needed. The application fee for authorisation is affected by activities firms propose to undertake.
 - Firms applying for one or both of activities (f) (money remittance) and (g) (consent given by telecommunications, digital or IT device) are charged £1,500.
 - Firms undertaking any or all of the wider range of activities under (a) to (e) are charged £5,000 (e.g., operating payment accounts, executing direct debits, or issuing payment instruments, such as payment cards, credit/debit cards).
- 6.25 If firms operate through a large number of agents, we charge a higher fee to recover the costs we incur in registering them, regardless of the firm’s size or the activities for which they seek authorisation:
- the fee for firms with more than 5,000 agents is £25,000; and
 - the fee for firms with 2,501 – 5,000 agents is £12,500.
- 6.26 Financial institutions who were undertaking payment services before 25 December 2007 can notify us and apply for deemed authorisation. We refer to these as ‘deemed authorised PIs’. The notification process is less complex than applying for authorisation since less information is required. However, each case’s complexity depends on the type of activities a firm wishes to undertake and the number of

agents through whom it operates. Consequently, deemed authorised firms pay 50% of the authorisation fee they would otherwise have been required to pay.

- 6.27 Variations of Permission for PIs are based on the activities identified above.
- A PI will be charged £250 to expand the scope of its permission if:
 - it is permitted to undertake one or more of activities (a) to (e) and wishes to add one or both activities (f) to (g); or
 - it is permitted to undertake (f) or (g) and proposes to expand (f) or (g).
 - A PI will be charged 50% of the £5,000 authorisation fee if it has permission for (f) or (g) but wishes to include one or more of activities (a) to (e).
- 6.28 Some variations will be treated as new applications and charged the full application fee for authorisation because the assessment is more complex. These are:
- a small PI whose activities exceed the €3m threshold; and
 - a firm that is already authorised under FSMA to undertake regulated activities but is not in fee-block A.1, and who applies for authorisation or registration as a PI.
- 6.29 If a firm applies to reduce the scope of its permissions, there will be no fee.

7 Special Project Fees – overall policy

- 7.1 We raise Special Project Fees (SPFs) in two ways:
- under our powers, in section 157(4)(c) of the Financial Services and Markets Act 2000 (FSMA), to charge for giving guidance at the request of any person (Guidance SPFs); and
 - under our general fee raising powers in paragraph 17, Schedule 1 of FSMA (General SPFs).
- 7.2 SPFs recover some of the costs we incur in undertaking regulatory activities that result from:
- a request from a fee payer (or group of fee payers) for us to undertake specific regulatory activity on their behalf, and where the activity would primarily benefit fee payer(s), rather than consumers generally, a particular fee-block as a whole, or the wider UK economy (Guidance SPF);
 - firms carrying out certain transactions relating to restructuring (General SPF); and
 - implementing certain EU Directives (General SPF).
- 7.3 The rationale for SPFs is that in the right circumstances firms should pay for 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.
- 7.4 The income from SPFs is accounted for as ‘sundry income’ within our expenditure total and used to off-set the relevant costs in our Annual Funding Requirement (AFR) cost allocation.

Guidance SPFs

Context and scale

- 7.5 This type of SPF recovers part of the costs we incur when dealing with certain large-scale and one-off transactions undertaken at fee-payers' request. Diverting internal resources into these types of projects can place a considerable strain on our capacity to deliver other important regulatory activities. Charging this SPF allows us to bring in extra resources to deal with the increased workload. These SPFs achieve the following:
- They meet part of the costs of exercising our statutory functions and are payable whether or not the transaction is successful. As with our authorisation application fees, SPFs are non-refundable, and paying the fee does not influence how or when we exercise the relevant functions.
 - They do not aim to recover all of the costs associated with each nominated transaction, but only the incremental staff and other direct costs incurred. We do not recover any contribution to general overheads or any 'profit' element through SPFs.
 - They do not have an adverse impact on the small and medium size firms we regulate. They apply to transactions that small or medium size firms would rarely require us to undertake. We also apply a minimum level of costs (currently £50,000) to such projects. If our costs of giving guidance regarding a transaction are less than this limit, we will not levy a SPF.
- 7.6 We are keeping these SPF arrangements under review. Over time, and in the light of experience, the range of activities to which this SPF will apply are expected to widen and we will consult with the industry before implementing any further SPFs of this type. However, we intend these fees to meet only a small amount (anticipated to be no more than 5%) of our total costs in any given year.

Chargeable transactions

- 7.7 These SPFs apply to three types of transaction where our incremental costs in undertaking the task exceed £50,000. These transactions are summarised in the following paragraphs and more detailed case studies are in Annex 5.
- 7.8 **Reorganising the structure of legal entities within an insurance group (whether or not associated with a merger or demutualisation).** This includes transactions such as changes to the structure of – or benefits accruing from – with-profits funds, or attributions and re-attributions of inherited estates. Our role in these transactions can involve analysing the proposed legal entity structure, financial projections and the proposed structure of the with-profits fund to provide guidance on complying with prudential requirements and regulatory principles (primarily treating customers fairly). These transactions may also involve us exercising formal powers for approving change of controller, variations to Part IV permissions, or involve applications for transfers of business (under Part VII of FSMA).

- 7.9 **A merger or takeover involving at least one large authorised person.** Our role in these transactions can involve analysing the proposed legal entity structure, financial projections and proposed systems and controls for the merged entity or group so we can provide guidance on the likely prudential or other supervisory treatment of the merged entity. These transactions may also involve other formal requests to us, e.g., a ‘change of controller’ approval, or a request for a variation or cancellation of Part IV permissions.
- 7.10 **A proposal from a large building society/insurer/friendly society to demutualise. A demutualisation could take place either by converting to a plc or by merging with another non-mutually-owned firm.** Our activities would be similar to those described in the merger transaction above. We carry out formal regulatory approval of demutualisations under the Building Societies Act or Friendly Societies Act. Given the threshold for charging these SPF mentioned above, we anticipate that only transactions involving the largest mutual building societies/insurers/friendly societies would incur an SPF.
- 7.11 These summaries (and the more detailed case studies in Annex 5) are an illustrative, rather than a complete list, of the three types of transactions to which a Guidance SPF will initially apply. The nature of large corporate transactions is that all have certain unique features and we will judge each case on its merits.

Operational arrangements

- 7.12 The varied nature and size of the transactions and other circumstances to which Guidance SPFs apply mean that fee amounts are set on a case-by-case basis. Where we believe a transaction should attract a Guidance SPF, we write to the parties involved to let them know of:
- our intention to charge a Guidance SPF;
 - the expected scale and duration of the transaction; and
 - the incremental costs we expect to incur to complete the transaction.
- 7.13 Depending on the scale and duration of the project, we may ask the Guidance SPF fee-payer to make an initial ‘on-account’ payment at the start of the transaction and monthly or other regular fee payments thereafter, until the work is completed. We will discuss and agree these details on a case-by-case basis with the fee payer at the beginning of the project.

General SPF – restructuring

Context and scale

- 7.14 As with the Guidance SPF, this General SPF aims to recover our exceptional supervisory costs where a firm undertakes certain restructuring transactions. The main difference is that, while a Guidance SPF applies only when a firm initiates a request for guidance, this General SPF will be levied at our initiation where a firm undertakes one of the transactions set out in paragraph 7.15.

Chargeable transactions

- 7.15 This type of General SPF will be charged where a firm needs to undertake a restructuring exercise which requires:
- restructuring of regulatory capital; and/or
 - raising of additional capital; and/or
 - a corporate re-organisation; and/or
 - a merger or takeover; and/or
 - a change to the structure of – or benefits accruing from – with-profits funds, or attributions and re-attributions of inherited estates.
- 7.16 As with the Guidance SPF, this type of General SPF will only be charged when our additional costs exceed £50,000.

Operational arrangements

- 7.17 This SPF will be calculated based on the number of hours individuals work on the specific restructuring transactions plus external costs of professional advisers we need to engage. Our hourly rate will be based on the costs for funding our projects internally. These are average staff costs per hour of each grade within each of the key functions that could be involved in a particular transaction. The three key functions are Supervision, Policy and General Counsel and we propose to use an average cost per hour across these functions for each grade. Table 7.1 sets out for these key functions the grades for individual and hourly rates that will be used for SPF restructuring transactions. We will consult separately when we revise these rates in the future.

Table 7.1: Hourly rate for areas and grades of individuals within them

	Supervision, Policy, General Counsel (£)
Administrator	25
Associate	50
Technical Specialist	85
Manager	90
Any other person employed by the FSA	135

Notes:

(i) Hourly rate is average across each function for each grade

(ii) Any other person employed by the FSA relates to time spent by a Head of Department, Director, a Managing Director or the Chief Executive Officer.

- 7.18 For restructuring transactions that involve raising additional capital, we will only apply an SPF where the capital is being raised externally. Where a firm is part of a group and capital is being raised from outside, which will be used to finance one of more authorised firms within the group, we will charge the authorised firm that pays the highest periodic fees (even if it does not receive any of the additional capital raised). We believe that the group is best placed to decide which entity should bear the cost and can re-direct the cost as it feels appropriate.

- 7.19 As with Guidance SPFs, we will write to the firms involved to let them know:
- our intention to charge a General SPF;
 - the expected scale and duration of the transaction; and
 - the incremental costs we expect to incur to complete the transaction.
- 7.20 As with the Guidance SPFs, depending on the scale and duration of the project, we may ask the General SPF fee-payer to make an initial on-account payment at the start of the transaction and monthly or other regular fee payments thereafter, until the work is completed.

General SPF – EU Directive implementation costs

Context and scale

- 7.21 This General SPF aims to target the recovery of EU Directive implementation costs (or modification to an existing Directive) on firms that are impacted by changes brought about by the Directive. This SPF enables us, where it is proportionate to do so, to ensure that firms pay for regulatory work arising out of the implementation of EU Directives that specifically affects them as a sub-class of a fee-block. This is instead of all costs being recovered from fee-payers in the fee-block who are not affected by the Directive.
- 7.22 This type of SPF will be levied when the implementation costs are estimated to be at a level which would result in a significant increase in periodic fees for firms in the fee-block who are not affected by the Directive.

Chargeable Directives

- 7.23 We will consult on a proposed General SPF to recover implementation costs of a particular Directive (or modification of an existing Directive) the year before we propose using it. In summary, when we consult we will state:
- why the Directive meets the criteria of affecting a reasonable sub-set within a fee-block to warrant targeting recovery of the implementation costs to those firms only;
 - why the implementation costs are estimated to be at a level that would result in a significant increase in periodic fees for firms in the fee-block who are not affected by the Directive;
 - which of our activities fall within the scope of that particular proposed Directive implementation costs recovery SPF and the estimated level of costs we intend to recover in a given financial year;
 - why the implementation costs meet the significance criteria to warrant starting to recover them in a given financial year; and
 - when we expect ending the use of an SPF for recovering the implementation costs for that Directive.

Operational arrangements

- 7.24 This will be decided on a case-by-case basis. However, it will also form part of the consultation for each proposal to use this SPF for a specific Directive. Where possible, we will seek to use a basis for recovery that utilises existing mechanisms for recovering our costs through fees.

Other fees issues

- 8 UK Listing Authority (UKLA) fees
- 9 Regulatory reporting of fee tariff data
- 10 Levies for the Financial Ombudsman Service, the Financial Services Compensation Scheme and the Consumer Financial Education Body

8 UK Listing Authority fees

- 8.1 The fees payable for our function as the UK Listing Authority (UKLA) are designed to recover the direct costs of carrying out our primary market regulation functions and a proportion of our overheads.
- 8.2 UKLA fee payers make up fee-block E. The fees rules and guidance for this fee-block are in the following sections of the Fees Manual (FEES): FEES 3.2.7R, FEES 3 Annexes 4R and 5R, FEES 4.2.11R and FEES 4 Annexes 7R and 8R.

UKLA fee types

- 8.3 We charge two types of UKLA-related fees – annual and non-annual. Annual fees are payable by issuers of securities and sponsors, and they aim to recover the UKLA's annual funding requirement plus an appropriate share of overheads. Non-annual fees include fees for document vetting and approval, and are intended to meet the costs of carrying out these activities. The revenue from non-annual fees is treated as sundry income, to allow us flexibility in matching resources to workload.

Non-annual fees

- 8.4 Non-annual fees include:
- transaction vetting fees concerning specific events or transactions an issuer may be involved in during the year;
 - application fees, e.g., for an application for approval as a sponsor or to be admitted on the Official List;
 - administrative fees for amending the Official List or its records outside the application process; and
 - eligibility fees for potential new applicants to the Official List.
- 8.5 When issuers apply for listing, they must ensure their applications are accompanied by the relevant application fee as set out under FEES 3 Annex 4R.

- 8.6 Document vetting transactions require payment of the appropriate vetting and approval fee, based on the relevant transaction category as set out under FEES 3 Annex 5R. We charge a range of fees depending on the nature of the event or transaction; e.g., vetting prospectuses, circulars or supplementary listing particulars. These fees are non-refundable and are required when work starts on vetting the relevant document(s). This aims to ensure that companies using our resources pay fees that are proportionate to the call they make on them.
- 8.7 We charge one-off flat fees in a small number of complex transactions. These are called ‘super transactions’ or ‘significant transactions.’ The complexity of these transactions requires resources, often at a very senior level, that warrants a separate transaction fee. These categories have been introduced from 2009/10,⁹ replacing the previous single category of significant transactions.
- 8.8 The fee for vetting super transactions is set at £50,000. It applies in the following circumstances:
- the issuer has a market capitalisation in excess of £1.5bn and it is a new applicant for a primary listing under the listing rules, or is involved in a reverse or hostile takeover or a significant restructuring; or
 - the issuer has a market capitalisation in excess of £5bn and is involved in a Class 1 transaction, a transaction requiring vetting of an equity prospectus or equivalent document, or a transaction requiring vetting of a prospectus in relation to a Depositary Receipt.
- 8.9 The flat rate for vetting ‘significant transactions’ is £20,000. It will be charged in transactions where the issuer:
- has a market capitalisation in excess of £500m and is preparing an equity prospectus or a Class 1 transaction;
 - is involved in a reverse or hostile takeover or a restructuring; and
 - is proposing a Depositary Receipt issue and has a market capitalisation in excess of £500m.
- 8.10 In cases where documents include a Mineral Experts Report, an additional charge of £5,000 will be made. This reflects the complex and specialist nature of these reports.

Annual fees

- 8.11 Annual fees for issuers of equity securities, Depositary Receipts and Securitised Derivatives are tiered according to issuers’ size, which is measured by market capitalisation as of 30 November. To avoid the need for new reporting requirements by issuers, we base annual fees on broadly the same market capitalisation data on which the London Stock Exchange bases its fees. We consult annually on the tiered rates and fee bands.
- 8.12 We base annual fees for issuers of more than one type of share on the highest market capitalisation of the shares in issue. These are generally voting equity shares.

⁹ These proposals were consulted upon through CP08/18 and implemented through PS09/5.

- 8.13 Tiered annual fees are payable by all listed issuers, irrespective of whether they are incorporated in the UK. However, overseas issuers with secondary listing in the UK receive a 20% discount on the annual fee. This reflects how these issuers also pay regulatory costs in their home state jurisdiction.
- 8.14 Issuers of securitised derivatives and issuers of depositary receipts and global depositary receipts pay flat fees. Issuers who become listed during the financial year pay a proportion of the annual listing fee, pro-rated on a quarterly basis according to the quarter in which the issuer becomes listed. So an issuer listed from May will pay 100% of the annual fee (based on its market capitalisation data), while an issuer listed from August will pay 75% of the annual fee.
- 8.15 If we receive an issuer's application to de-list by 31 March, it is not liable for annual fees for the financial year starting 1 April. Any applications received after 1 April will be liable for the whole year's fees – this fee is non-refundable.
- 8.16 If an issuer applies to re-list following a reverse takeover, a restructure or re-admission to list, no additional annual fee is payable providing the original listed issuer has already paid its annual fee for the fee period.

Disclosure Rules – issuers of non-listed securities

- 8.17 All issuers of securities must comply with continuing obligations under the Disclosure Rules. The annual fees payable by issuers of listed securities cover the costs of carrying out our functions under both the Listing Rules and the Disclosure Rules.
- 8.18 Issuers of non-listed securities – who we monitor for compliance with continuing obligations under the Disclosure and Transparency Rules – also pay us an annual fee to cover costs. These fees are calculated in the same way as the annual fees payable by issuers of listed securities, but at 80% of those rates.

Effective dates

- 8.19 Fees for applications and transaction vetting are finalised in March each year and take effect on 1 April. However, annual fees are set in May, and cover the fee period 1 April to 31 March. Annual fees are not set at the beginning of the fee period as they are invoiced later in the financial year.

9 Regulatory reporting of fee tariff data

- 9.1 All Phase 1 firms¹⁰ required to submit the Retail Mediation Activities Return (RMAR) and the Mortgage Lending and Administration Return (MLAR) must report their fee tariff data in section J (Fees) of the returns, through our Firms Online system.
- 9.2 Phase 2 firms¹¹ are not required to report their fee tariff data on the RMAR and MLAR. However, they are required to complete their fees data in a single submission on the paper tariff data return we send them. For the remainder of this chapter, we refer to ‘Phase 1 firms’ as ‘firms’ only.
- 9.3 Firms who report tariff data for FSA fees, the Financial Ombudsman Service (FOS) and the Financial Services Compensation Scheme (FSCS) levies in section J of the RMAR or MLAR must do so annually, for the previous financial year. The time when Section J must be completed depends on what returns are being submitted and on the firm’s Accounting Reference Date (ARD).
- 9.4 Therefore, the FSA fee tariff data firms report on the RMAR is in line with the valuation dates for the tariff data required for fee-blocks A.18 (home finance providers, advisers and arrangers) and A.19 (general insurance mediation), i.e. annual income for the firm’s financial year which ended in the calendar year ending 31 December. Firms should also report the fee tariff data for the relevant FOS industry blocks and FSCS sub-classes, i.e. annual income and annual eligible income for the firm’s financial year, which ended in the calendar year ending 31 December respectively. Further guidance for reporting in section J of the RMAR is located in the FSA Handbook, Supervision Manual (SUP) Chapter 16 Annex 18. Additional information on tariff base definitions is located in the Fees Manual (FEES) Chapter 4 Annex 1 for FSA fees, Chapter 5 Annex 1 for FOS levies and Chapter 6 Annex 3 for FSCS levies.

10 Phase 1 firms: personal investment firms and firms whose regulated activities are limited to one or more of: mortgage lending; mortgage administration; mortgage mediation; insurance mediation; or retail investment activity.

11 Phase 2 firms: any firm, except authorised professional firms, that carries out one or more of the above activities in addition to other regulated activities: mortgage lending; mortgage administration; mortgage mediation; insurance mediation; or retail investment activity.

Completing section J – RMAR

- 9.5 Table 9.1 sets out a summary of the information needed in Section J of the RMAR and the fee-blocks to which the data relates. The un-shaded boxes show which data firms need to provide in Section J if they belong to these fee-blocks.
- 9.6 Firms should report a tailored income figure for Financial Services Compensation Scheme (FSCS) and Financial Ombudsman Scheme (FOS). However, firms can choose not to tailor their income figure for home finance mediation or non-investment insurance mediation (general insurance) mediation. Where firms choose not to tailor their income figures we use the data firms report for FSA fees to work out their FSCS and FOS levies

Table 9.1: Summary of data needed to be reported in Section RMA-J of the Retail Mediation Activities Return

	FSA	FOS	FSCS
Home finance mediation	<p>Annual income This is the data needed for fees in the A.18 fee-block (home finance providers, advisers and arrangers). The FSA Handbook rules on tariff data for this fee are in FEES Chapter 4 Annex 1R Part 2. Further information to help calculate this data is on our fee tariff data guidance pages on our website under fee-block A18.</p>	<p>Annual income This is the data needed for the levy in the Financial Ombudsman Service (FOS) industry block 16. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 5 Annex 1R Part 2. You do not need to complete this field unless you wish to report tailored annual income (i.e. income from consumers). The guidance sheet for reporting FOS tailored income will help you calculate the income figure to insert in this field. Further information to help calculate this data is on our fee tariff data guidance pages on our website under fee-block A18.</p>	<p>Annual eligible income This is the data needed for the levy in Financial Services Compensation Scheme (FSCS) sub-class E2. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 6 Annex 3. You do not need to complete this field unless you wish to report tailored annual income (i.e. income from eligible claimants). The guidance sheet for reporting FSCS tailored income will help you calculate the income figure to insert in this field. Further information to help calculate this data is on our fee tariff data guidance pages on our website under sub-class SE02.</p>

	FSA	FOS	FSCS
Non-investment insurance mediation	<p>Annual income</p> <p>This is the data needed for fees in the A.19 fee-block (general insurance mediation).</p> <p>The FSA Handbook rules on tariff data for this fee are in FEES Chapter 4 Annex 1R Part 2.</p> <p>Further information to help calculate this data is on our fee tariff data guidance pages on our website under fee-block A19.</p>	<p>Annual income</p> <p>This is the data needed for the levy in FOS industry block 17.</p> <p>The FSA Handbook rules on tariff data for this levy are in FEES Chapter 5 Annex 1R Part 2 and FEES Chapter 4 Annex 1R Part 2.</p> <p>You do not need to complete this field unless you wish to report tailored annual income (i.e. income from consumers).</p> <p>The guidance sheet for reporting FOS tailored income will help you calculate the income figure to insert in this field.</p> <p>Further information to help calculate this data is on our fee tariff data guidance pages on our website under fee-block A19.</p>	<p>Annual eligible income</p> <p>This is the data needed for the levy in FSCS sub-class B2.</p> <p>The FSA Handbook rules on tariff data for this levy are in FEES Chapter 6 Annex 3.</p> <p>You do not need to complete this field unless you wish to report tailored annual income (i.e. income from eligible claimants excluding pure protection business). The guidance sheet for reporting FSCS tailored income will help you calculate the income figure to insert in this field.</p> <p>Further information to help calculate this data is on our fee tariff data guidance pages on our website under sub-class SB02.</p>
Life & pensions mediation	n/a	n/a	<p>Annual eligible income</p> <p>This is the data needed for the levy in FSCS sub-class C2.</p> <p>The FSA Handbook rules on tariff data for this levy are in FEES Chapter 6 Annex 3.</p> <p>Further information to help calculate this data is on our fee tariff data guidance pages on our website under sub-class SC02.</p>
Investment mediation	n/a	n/a	<p>Annual eligible income</p> <p>This is the data needed for the levy in FSCS sub-class D2.</p> <p>The FSA Handbook rules on tariff data for this levy are in FEES Chapter 6 Annex 3.</p> <p>Further information to help calculate this data is on our fee tariff data guidance pages on our website under sub-class SD02.</p>

	FSA	FOS	FSCS
Investment mediation	<p>Number of approved persons</p> <p>This is the data needed for fees in the A.12 and A.13 fee-blocks (advisory arrangers, dealers and brokers holding/not holding client money). We base these fees on the number of approved persons on the FSA Register as of 31 December. You do not need to report this data to us.</p>	<p>Number of relevant approved persons</p> <p>This is the data needed for the levy in FOS industry blocks 8 and 9. The data required is the total number of approved persons conducting relevant business as of 31 December. The FSA Handbook rules on tariff data for this levy are in FEES Chapter 5 Annex 1R Part 2 and FEES Chapter 4 Annex 1R Part 2. Further guidance on how to calculate this data is in industry block 8 tariff data and industry block 9 tariff data.</p>	

Note: You can access further details on our website at:
http://www.fsa.gov.uk/Pages/Doing/Regulated/Returns/IRR/packs/help_rmar.shtml

Completing section J – MLAR

- 9.7 The MLAR captures fee tariff data on mortgage and other home finance business for the following fees and levies:
- FSA fees: fee block A.2 (home finance providers and administrators); and
 - FOS general levy: industry block 1 (deposit acceptors, home finance providers, home finance administrators and dormant account fund operators).
- 9.8 Firms completing the MLAR must complete section J in each year-end return, with their FSA and FOS fee tariff data. The data firms must report for our fees is the number of new mortgage contracts or other home finance transactions entered into and the number of mortgage contracts or other home finance transactions being administered, multiplied by 0.05 for mortgage or home finance outsourcing firms and by 0.5 for all other firms. The data firms must report for the FOS is the number of relevant accounts as set out in FSA Handbook, Dispute Resolution: Complaints sourcebook DISP 2.6.1R.
- 9.9 The date when the firm must calculate the fee tariff data to report in section J depends on the firm's ARD. Firms with an ARD falling between 31 December and 31 March (inclusive) must calculate their fee tariff data as of the 31 December just passed. However, firms whose ARD is between 1 April and 30 December (inclusive) must calculate fee tariff data as of 31 December of the previous calendar year, as this is the most recent data they have available.
- 9.10 To help firms complete section J of the RMAR and MLAR, we have produced detailed help texts, available on our website:
- RMAR: www.fsa.gov.uk/Pages/Doing/Regulated/Returns/IRR/packs/help_rmar
 - MLAR: www.fsa.gov.uk/Pages/Doing/Regulated/Returns/IRR/packs/help_mlar

10 Levies for the FOS, FSCS and CFEB

- 10.1 The Financial Ombudsman Service (FOS), the Financial Services Compensation Scheme (FSCS) and the Consumer Financial Education Body (CFEB) are separate legal entities from us, established under the Financial Services and Markets Act 2000 (FSMA). All bodies are independent from us in their day-to-day operations, but are accountable to us through various mechanisms.
- 10.2 The FOS, FSCS and CFEB are funded differently to us and to each other. However, we are involved in the administration of their fees. This chapter gives a brief overview of their funding arrangements.

FOS

- 10.3 The FOS is an independent service that resolves customers' disputes with financial firms. It operates according to rules we make, or rules it makes that we then approve. These rules are set out in the Dispute Resolution: Complaints (DISP) module of our Handbook.
- 10.4 The FOS is funded by the financial services industry in two ways:
- a general levy, payable by authorised firms within the FOS's jurisdiction; and
 - case fees, payable by individual firms for complaints dealt with by the FOS.

General levy

- 10.5 The FOS has 17 'industry blocks', which are similar (but not identical) to our fee-blocks. Each industry block has a minimum levy, and in most cases the levy then increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) each firm does. This proportion is called the 'tariff rate'. The amount of money to be recovered from each industry block is based on the FOS's estimates of the number of staff required to deal with the volume of complaints it expects to receive from firms within each block.

- 10.6 Where a firm does not conduct business with ‘eligible complainants’ (private individuals and small businesses) it can claim exemption from certain requirements of the DISP rules, including the liability to pay the general levy. Further guidance and the exemption form are available on our website:
<http://www.fsa.gov.uk/Pages/Doing/Regulated/Fees/Tariff/Notes>.
- 10.7 The FOS’s financial year starts on 1 April. We levy firms for a full financial year’s FOS levy unless we receive written notification of exemption by 31 March of the preceding financial year. Firms that are already exempt do not need to notify us again. When a firm ceases to be exempt it must notify us as soon as reasonably practicable.

Case fees

- 10.8 A case fee is payable by firms for the fourth and subsequent chargeable complaints referred to the FOS within a year, regardless of whether the complaint is upheld¹²
- 10.9 We invoice and collect the FOS general levy, which reduces administrative costs for levy payers. The FOS bills case fees itself separately. If a firm fails to pay the general levy or case fees, we and the FOS can take steps to recover the money owed, and we may also consider whether regulatory action should be taken against the firm.
- 10.10 Further information about the FOS is available on its website:
<http://www.financial-ombudsman.org.uk>.

FSCS

- 10.11 The FSCS is the UK’s statutory fund of last resort for customers of authorised financial services firms. This means that the FSCS can pay compensation for valid claims if a firm is unable, or likely to be unable, to pay claims against it. The FSCS operates according to rules made by us, which are set out in the Compensation Sourcebook (COMP) and Fees Manual (FEES) modules of our Handbook.
- 10.12 The FSCS is funded by two different types of levy on the financial services industry:
- compensation costs levy: this covers the actual compensation payments made to claimants; and
 - management expenses levy: this covers all the FSCS’s expenses (excluding compensation costs) and comprises a base and specific element (see paragraph 10.17).

12 There are a limited number of circumstances in which a complaint is not a ‘chargeable case’ and does not attract a case fee.

- 10.13 The base cost element is applied to firms according to their FSA periodic fee block. The specific management expenses and compensation cost elements of the levy are recovered according to a class/sub-class model, which was amended with effect from 1 April 2008. There are five broad classes:
- deposit;
 - general insurance;
 - life and pension;
 - investment; and
 - home finance.
- 10.14 With the exception of deposit class, each broad class includes two sub-classes. These are generally split between the provider firms (provision) and firms that carry on distribution or mediation activities (intermediation). The sub-class definitions are detailed below. Each sub-class has its own tariff base.

Table 10.1 FSCS sub-class definitions

Sub-class	Definition
A1	Deposits
B1	General insurance – provision
B2	General insurance – intermediation
C1	Life and pension – provision
C2	Life and pension – intermediation
D1	Fund management
D2	Investment intermediation
E1	Home finance – provision
E2	Home finance – intermediation

Compensation costs levy

- 10.15 The FSCS operates on a ‘pay as you go’ basis and so does not raise compensation levies to build up or ‘pre-fund’ in advance of firm failures. In practice, the FSCS forecasts each year how much compensation is likely to be paid in each class over the next 12 months, and raises a levy accordingly. If necessary (i.e. because of an unexpected large default during the year), supplementary levies can be raised. However, there are limits at sub-class level on the amount firms can be required to pay in compensation costs levies in any one year.
- 10.16 A firm’s individual share of a compensation costs levy is calculated by applying its share of the total tariff base in the relevant contribution group sub-class to the amount of the compensation costs levy. So, if there were three equal-size firms in a sub-class, and a total compensation costs levy of £600,000, each firm would pay £200,000.

Management expenses levy

- 10.17 The management expenses levy includes specific costs (costs directly attributable to claims-handling and firm failures, other than compensation) and base costs (costs not referable to the failure of any specific firm). Firms' shares of specific costs are calculated in the same way as for compensation costs levies, while base costs are allocated to individual firms as a percentage of their FSA periodic fees.
- 10.18 Where a firm does not conduct business with eligible claimants¹³, it can claim an exemption from compensation costs levies and the specific costs element of management expenses levies. However, exempt firms remain liable for the base costs of management expenses levies. Further guidance and the exemption form are available on our website (<http://www.fsa.gov.uk/Pages/Doing/Regulated/Fees/Tariff/Notes>). We will levy firms for the full financial year's FSCS levy unless we receive written notification of exemption by 31 March of the preceding financial year; firms that are already exempt will not need to notify us again.
- 10.19 We invoice and collect levies on behalf of the FSCS, which reduces fee-payers' administrative costs. If a firm fails to pay any levy, the FSCS can take steps to recover the money owed and we may also consider taking regulatory action against the firm.
- 10.20 For further information about the FSCS, please see their website: <http://www.fscs.org.uk>.

CFEB

- 10.21 CFEB was established under the Financial Services Act 2010 (the Act) to enhance:
- (a) the public's understanding and knowledge of financial matters (including the UK financial system); and
 - (b) the public's ability to manage their own financial affairs.
- 10.22 CFEB was set up on 26 April 2010 when we transferred our Financial Capability Division, with staff and costs, to it.

Funding CFEB

- 10.23 CFEB's annual budget requires our approval. As well as fees raised from firms through the CFEB levy, it may in the future receive funding from other sources.
- 10.24 The Act empowers us to make rules, collect fees from firms and pay the amounts received to CFEB after deducting our own costs incurred in collection. The provisions for this CFEB levy are detailed in a separate chapter of the Fees Manual, FEES 7.

13 The definition of 'eligible claimants' depends upon the financial product involved, but broadly includes individuals and small companies, subject to certain exclusions (see COMP 4.2).

Firms affected

- 10.25 The Act applies to firms authorised under FSMA. Some firms that are regulated by us remain outside FSMA, generally when they are brought into scope through EU Directives. These are by default exempt from the CFEB levy. However, the Bill was amended in committee to extend the levy to fee-paying Payment Services Institutions (PIs). We regulate PIs under the Payment Services Directive, which was implemented in the UK through the Payment Services Regulations. Because the amendment was made after we had published CP10/05, we did not include PIs in our consultation on the CFEB levy and so we do not charge these for 2010/11. We will consult in our October 2010 CP on proposals to extend the CFEB levy to them.
- 10.26 In the future, when firms are brought under our scope, but do not fall under FSMA, while the UK Regulations or other instruments are being drafted, we will consider whether the CFEB levy should apply to them and consult accordingly.

CFEB levy – FEES 7

- 10.27 For simplicity, the CFEB levy has been incorporated into the existing FSA fees framework, following the strategic review of fees. The main features of FEES 7 are set out below.
- it is limited to firms in fee-blocks A.0–A.19;
 - it applies only to periodic fees. It does not apply to application, notification or vetting fees;
 - the additional CFEB levy mirrors our fees structure. It is calculated from our tariff-bases and is applied to our current tariff-bands. Any relevant changes to our fees following consultation are passed automatically to it;
 - the straight-line recovery model has been applied to all fee-blocks, without any premium on the high impact and systematically important firms. This is because the moderation is intended to take account of our enhanced supervisory costs, which do not affect CFEB;
 - the provisions in FEES 4.3.4 apply, so that firms which are authorised or extend their permissions in the course of the year have their fees discounted proportionately;
 - firms which, as set out in FEES 4.3.6, make pre-payments of their FSA fees by 30 April because their previous year's FSA fees (excluding the CFEB levy) were £50,000 or more, make pre-payments of the CFEB levy on the same terms; and
 - the levy does not apply to fees for FOS (FEES 5) or FSCS (FEES 6).

Discounts

- 10.28 FEES 7 carries through FSA's discounts on fees:
- firms in fee-block A.1 which have limited their permissions to wholesale deposits (FEES 4, Annex 2, Part 1) – 30%;
 - class 1(B) firms in fee-block A.7 – 15%;
 - class 1(A) firms in fee-block A.7 – 50%;
 - professional firms in fee-blocks A.12 and A.13 – 10%; and
 - passporting firms – as set out in FEES 4, Annex 2, Part 3.
- 10.29 The discounts for financial penalties in FEES 4, Annex 2, Part 2 do not apply to the CFEB levy. That is because they arise out of regulatory failures and CFEB is not a regulator.

Part B:

Regulatory fees and
levies 2010/11 –
feedback to CP09/26,
CP10/5 and 'made' rules

FSA periodic fees 2010/11

- 11 Annual Funding Requirement (AFR) 2010/11
- 12 Allocating 2010/11 AFR to fee-blocks
- 13 Periodic fees for authorised firms
- 14 Applying financial penalties in 2010/11
- 15 Periodic fees for other bodies

11 Annual Funding Requirement (AFR) 2010/11

- 11.1 The fees we proposed in CP10/5 were based on an estimate of the 2010/11 Annual Funding Requirement (AFR). This chapter gives an update on the AFR.

AFR for 2010/11

- 11.2 In CP10/5, we consulted on fee rates that would recover our proposed AFR of £454.7m. As explained in Chapter 9 of CP10/5 we are not undertaking a detailed review of actual costs against budget in individual fee-blocks and creating individual fee-block reserves. Instead, we will manage our reserves at a consolidated level and will aim to achieve a position which is +/- 2% of the AFR. At the end of 2009/10 the under-spend against 2009/10 Ongoing Regulatory Activities (ORA) was £23.5m. Of this we had already taken forward £11m to off-set against the 2010/11 ORA. This resulted in an AFR of £454.7m for 2010/11, on which we based our consultative fee rates. The under-spend balance is proposed to be used as follows: £5.2m to write off the pension reserve; £3.2m to be segregated as UKLA reserve; and £3.9m carried forward on the balance sheet as a management reserve.
- 11.3 As a result we can now confirm there is no change to this AFR; it will remain at £454.7m. This will enable us to fund the resources required to meet our strategic objectives, as set out in the 2010/11 Summary Business Plan included in CP10/5 to mitigate the risks identified in our Financial Risk Outlook. The 2010/11 Business Plan and the Financial Risk Outlook were published in March.
- 11.4 As a result, the AFR for 2010/11 is 9.9% higher than 2009/10. When you take into account the impact of enforcement financial penalties being returned to the industry, the overall increase is 8.8%. It should be noted that last year we recruited a number of staff as part of our Supervisory Enhancement Programme (SEP). As many of these staff joined late in the year, 2010/11 will be the first time their full costs will be incurred; this equates to a 4% rise in total costs alone. To deliver our intensive, integrated and high quality supervision to higher impact firms we plan to hire a further 460 staff, of which 80% will contribute to our supervisory processes. The additional staff costs, together with some costs to develop our operational platform, account for the overall increase in our budget.

Outcomes-focused transition costs

- 11.5 We have completed the three year programme of work to move the organisation to more outcomes-focused regulation. We plan to recover the costs of this work, which totalled £50m, over a maximum period of 10 years. The costs incurred in this, the final year, were £18.8m. There is an accumulated deficit relating to this programme of £19.7m at 31 March 2010 to be recovered in future years – £5m will be recovered as part of the AFR for 2010/11.

Movement in our reserves

- 11.6 According to our Treasury Management Policy, we are required to maintain the equivalent value of six weeks of our ORA costs as a contingency fund. To meet this we have revolving credit facilities available. As specified in our 2010/11 Business Plan, our target is to maintain reserves at a level between -2% to +2% of our year's ORA costs.
- 11.7 At 31 March 2010, the ORA reserves were £14.9m, an increase to those previously forecast. We expect our reserves to be within our target range at the end of 2010/11, based on projected costs, fees and reserve movements.

Impact of financial penalties

- 11.8 The amounts that firms in certain fee-blocks will actually pay, based on the 2010/11 AFR explained above, will be reduced by the distribution of the financial penalties we received during 2009/10. The impact of financial penalties on the fees payable by relevant fee-blocks is shown in Chapter 14 and details of our financial penalty schemes are set out in Annex 4.

12 Allocating 2010/11 AFR to fee-blocks

12.1 Table 12.1 shows how the final £454.7m 2010/11 Annual Funding Requirement (AFR) has been allocated to all fee-blocks and compares this to the allocation of the 2009/10 AFR.

Table 12.1: Allocation of the AFR to fee-blocks for the period from 1 April 2010 to 31 March 2011

Fee-block		AFR 2010/11 (£m)	AFR 2009/10 (£m)	% difference between AFR 2010/11 and 2009/10
A.0	Costs that all firms in the fee-blocks below contribute through the minimum fee	19.7	NA	NA
A.1	Deposit acceptors	130.7	117.2	11.5
A.2	Home finance providers and administrators	9.6	10.3	-7.3
A.3	Insurers – general	30.7	21.2	44.9
A.4	Insurers – life	48.6	50.5	-3.9
A.5	Managing agents at Lloyd's	1.1	1.2	-9.5
A.6	The Society of Lloyd's	1.5	1.7	-9.8
A.7	Fund managers	31.0	32.5	-4.5
A.9	Operators, Trustees and Depositories of collective investment schemes and Operators of personal pension schemes or stakeholder pension schemes	5.9	6.1	-2.7
A.10	Firms dealing as principal	29.0	27.4	5.7
A.12	Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	26.4	24.1	9.6
A.13	Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	40.6	43.8	-7.2
A.14	Corporate finance advisers	7.9	7.8	1.9
A.18	Home finance providers, advisers and arrangers	14.4	10.9	32.6
A.19	General insurance mediation	30.8	35.9	-14.2

Fee-block		AFR 2010/11 (£m)	AFR 2009/10 (£m)	% difference between AFR 2010/11 and 2009/10
A.20	Markets in Financial Instruments Directive (MiFID) transaction reporting – targeted recovery of additional IS costs	2.2	2.2	-0.1
B	Recognised Exchanges, Clearing Houses and Operators of prescribed markets and service companies	7.6	5.6	37.0
C	Collective Investment Schemes	1.7	1.8	-4.1
D	Designated Professional Bodies	0.2	0.2	9.7*
E	Issuers and sponsors of securities	12.1	11.4	5.9
F	Unauthorised mutuals	1.4	1.6	-12.7
G	Firms registered under the Money – Laundering Regulations 2007. Firms covered by the Payment Services Regulations 2009	1.5	0.4	250.4
Total		454.7	413.8	9.9

A.0 is a new fee-block to which all authorised firms will be allocated and charged the minimum fee.

Note: £ values are shown to the nearest £0.1m, % values are based on the underlying £ values.

* In CP10/5 the movement between 2009/10 and 2010/11 was incorrectly stated as a decrease of 13%. See Chapter 15.

13 Periodic fees for authorised firms

(FEES 4 – see Appendix 1)

13.1 In Chapter 9 of CP10/5, we proposed draft 2010/11 periodic fees payable by authorised firms (the A fee-blocks) who form the majority of our fee payers. This chapter explains the final 2010/11 fee-rates for these firms, our feedback on the responses we received to the consultation and any significant changes between the rates consulted on and final rates. The final 2010/11 periodic fee rates for other fee payers are explained in Chapter 15.

13.2 The following sets out the basis for our consultation and we indicate any changes that have occurred since CP10/5 was published which have resulted in key differences between the fee rates consulted on and the final fee rates:

- **Annual Funding Requirement (AFR)** – an estimated 2010/11 Annual Funding Requirement (AFR) of £454.7m.

Since CP10/5 we have finalised the under-spend level against our 2009/10 Ongoing Regulatory Activities (ORA) and how this has been distributed. The estimated AFR of £454.7m included the benefit of using £11m of this under-spend to off-set against our 2010/11 ORA. We can confirm that our AFR for 2010/11 will remain at £454.7m.

- **Allocations to fee-blocks** – allocating the 2010/11 AFR to all fee-blocks. This has changed since the allocations set out in Chapter 8 of CP10/5.

Since CP10/5, and taking into account responses we received, we have reallocated AFR from fee-block B (recognised investment exchanges, clearing houses and other trading infrastructures, e.g. operators of multilateral trading facilities) to A.7 fee-block (Fund managers), A.10 fee-block (Firms dealing as principal), A.12 fee-block (Advisory arrangers, dealers or brokers holding client money) and A.13 (Advisory arrangers, dealers or brokers not holding client money). See paragraphs 13.3 and 13.4 below.

- **Fees strategic review proposals** – proposals for a new minimum fee structure and a move to recover the AFR allocated to the 14 sub-sets of the A fee-block (see Table 4.1, Chapter 4) in direct proportion to the size of permitted business

carried out by firms within those fee-blocks – straight line recovery. The size of business represents a proxy for the impact on our objectives if a firm should fail. We previously reduced the recovery level for larger levels of permitted business, although the level of tapering-off varied considerably across fee-blocks.

We have not made any changes since CP10/5, so final fee rates are based on the proposals as consulted. We provide feedback on the further responses received to this second stage consultation from paragraph 13.15 below.

- **Provisional tariff data and firm populations** – The best estimates of the fee tariff data we expected to receive and the number of firms that will be authorised during 2010/11.

Since CP10/5 firms have now reported their actual fee tariff data, and we also have more accurate data on the number of firms. The key changes in fee rates resulting from these are detailed in paragraphs 13.7 to 13.9 below.

Key differences between consultation fee-rates and final fee-rates

Changes in allocations

- 13.3 There has been no change to the total AFR on which CP10/5 fee rates were based (Chapter 11). However, we have changed some allocations to take account of responses received to the consultation. We have reallocated £1.34m from the B fee-block to certain A fee-blocks with the effect as follows:
- A.7 fee-block (Fund managers): allocated AFR will increase from £30.7m to £31.0m. This reduces the decrease over 2009/10 from 6.0% to 4.5%;
 - A.10 fee-block (Firms dealing as principal): allocated AFR will increase from £28.7m to £29.0m. This enlarges the increase over 2009/10 from 5.0% to 5.7%;
 - A.12 fee-block (Advisory arrangers, dealers or brokers holding client money), these firms are mainly non-discretionary investment managers and securities dealers (e.g. stockbrokers): their allocated AFR will increase from £26.1m to £26.4m, enlarging the increase over 2009/10 from 8.0% to 9.6%; and
 - A.13 (advisory arrangers, dealers or brokers not holding client money), these firms are mainly Independent Financial Advisers (IFAs): their allocated AFR will increase from £40.2m to £40.6m, reducing the decrease over 2009/10 from 8.0% to 7.2%.
- 13.4 This reduces fee-block B's allocation from £9.0m to £7.6m, and reduces the increase over 2009/10 from 61% to 37%. The responses we received from fee-payers in fee-block B and our feedback on why we have changed the original allocations are given in Chapter 15 in paragraph 15.6. The final 2010/11 allocations across all fee-blocks are set out in Chapter 12.

Changes arising from final tariff data and firm populations

- 13.5 When we issued CP10/5 we had to estimate the total number of firms that would be authorised in 2010/11 and the total tariff data. This is because the actual data is not received until after CP10/5 is published. The final fee rates are based on the actual tariff data reported by firms that we have received since then, and the number of authorised firms as of 1 April. This approach is taken every year, as explained in Chapter 4. Table 13.1 at the end of this chapter compares the tariff data on which we have finalised the 2010/11 fee-rates with our estimates used in CP10/5.

New minimum periodic fee

- 13.6 When we consulted on the new minimum periodic fee structure, and set it at £1,000 (CP09/26, November 2009) to recover the £19.7m allocated to the new fee-block A.0, this was based on the number of firms at that time. Due to the level of firm cancellations since then, there are two options if the same amount is to be recovered. Either the fee must increase to £1,050, or it must stay the same and there is a potential shortfall in recovery in fee-block A.0. For some small firms, who only pay minimum fees, the new structure has resulted in substantial increases. We have therefore kept the new minimum fee at £1,000 and anticipate that the number of new joiners during 2010/11 will go some way to covering the shortfall. If this does not happen, we will fund the balance from reserves.

Variable periodic fee rates

- 13.7 In fee-blocks A.1 (Deposit acceptors), A.3 (Insurers – general), A.5 (Managing agents at Lloyd's), A.7 (Fund managers) and A.14 (Corporate finance advisers) the total tariff data is higher than that used for consultation. Therefore, by using the straight line recovery, we can reduce the final rates. However, in the remaining fee-blocks, the tariff data is lower and consequently the fee rates have been increased. The most material increases between consultation fee rates and the calculation of the final fee rates are:
- the fee rate covering the element of the A.4 fee-block (Insurers – life), which is based on Adjusted Gross Premium Income (AGPI), will increase by 30%, reflecting the 23% fall in tariff data; and
 - fee-block A.18 (Home finance intermediaries) fee rate should increase by 14%. This reflects the 15% fall in tariff data and the 9% fall in number of firms. For the reasons set out below we are keeping this fee-rate the same as it was at consultation.
- 13.8 We have considered the above increased fee rates in relation to the changes in AFR allocations to these fee-blocks, compared to 2009/10. Fee-block A.4's allocation has decreased by 4%, and as a result we have not mitigated the impact of these changes. However, fee-block A.18's allocation has increased over the last year by 33%. Therefore, for A.18, we have mitigated the impact of the changes in tariff data and firm populations by keeping the fee rate the same as it was at consultation. We anticipate the number of new joiners during 2010/11 will help to cover the shortfall. If this does not happen, we will fund the balance from reserves.

- 13.9 The final fee rates are set out in the made rules in Appendix 1. Firms can use our Fee Calculator – available on our website – to calculate their actual fees for 2010/11. Invoices will be issued from June 2010.

Consultation responses and our feedback

- 13.10 The questions we consulted on in CP10/5 Chapter 9 were:
- Q1: Do you have any comments on the proposed 2010/11 FSA fee rates for authorised firms and the premium applied to the rates in A.1 (Deposit acceptors) fee-block?
 - Q2: Do you agree with the proposal to treat smaller non-directive friendly societies as an exception allowing them to pay a reduced minimum fee and the unrecovered minimum regulatory costs be applied to the A.4 (Insurers – life) fee-block?
- 13.11 We received 19 responses to these questions and we summarise below our feedback on responses to Question 1 under the two key areas which respondents focused on:
- overall increase in proposed 2010/11 fees; and
 - the 2010/11 allocation increases compared to 2009/10 for fee-block A.3 (Insurers – general) – which increased by 45% -- and fee-block A.18 (Home finance intermediaries) – which increased by 33%.
- 13.12 In relation to Question 2, the Association of Finance Mutuals (AFM) and the Association of British Credit Unions Ltd (ABCUL), supported treating small non-Directive Friendly Societies as an exception to the new minimum fee of £1,000. They also believed unrecovered minimum regulatory costs in the A.0 fee-block should be recovered from the A.4 (Insurers – life) fee-blocks. One insurer also responded and supported the proposal, but commented that this exception should be kept under review. We are proceeding with making smaller non-Directive Friendly Societies an exception to the new minimum fee along with smaller Credit Unions. The justification for these exceptions is that they support people with limited financial resources to improve their economic status. These firms will continue to pay minimum fees at the same level as they did in 2009/10. This will be kept under review, so is subject to future consultations.
- 13.13 In CP10/5 we provided feedback on the strategic review proposals set out in CP09/26. We did not ask specific questions again on the strategic review proposals. However, we did flag (in CP09/26) that the February fee rates consultation would be a second stage consultation of the strategic review proposals. We received 25 further responses and our further feedback is given separately under paragraphs 13.15-13.28.
- 13.14 Insurers in fee-blocks A.3, A.4 and A.6 are also affected by our proposals in CP10/5 on the annual Special Project Fees levied to implementation costs of the Solvency II EU Directive. We cover the responses received and our feedback separately in Chapter 17.

Overall increase in proposed 2010/11 fees

Consultation response

Several respondents expressed concern that our budget is increasing above the inflation rate and cited the lack of rationale and transparency for the increase.

Our feedback

We are committed to operating as efficiently as possible and recognise that any increase in our budget is unwelcome, particularly in the current economic climate. However, as discussed in Chapter 11, most of the 9.9% increase in our AFR concerns the continued delivery of our intensive, integrated and high quality supervision to higher impact firms. This change in our supervisory approach responds to the lessons learnt from the financial crisis. Our aim in this approach is to be more effective at intervening early to prevent future crises occurring. However, although this is not a guarantee that no future crises will occur, we believe that this change increases the probability that we will be better at preventing future crises. Therefore, we have applied this supervisory approach to all sectors, so we are equipped to intervene more proactively in all sectors, rather than the sector the last crisis focused on. The extent to which our new supervisory approach has affected the resources we apply to each sector varies, as is demonstrated by the year-on-year increases/decreases in cost allocations to the fee-blocks, shown in Table 11.1, Chapter 11.

We also recognise that the move to straight line recovery, following our strategic review of our fees regime, means recovering allocated costs within fee-blocks means a substantial increase in fees over 2009/10 for the larger firms. This depends on the extent of tapering-off that applied previously. However, 60% of firms overall will see a reduction in their FSA fees following the strategic review.

Increases in 2010/11 allocation compared to 2009/10 – A.3 (Insurers – general)

Consultation response

The A.3 fee-block's AFR allocation increased from £21.2m in 2009/10 to £30.7m for 2010/11 – an increase of 45%. The Association of British Insurers raised concerns over the level of increase. Five large general insurers questioned the above average increase in the AFR in this sector and queried why we would increase our supervision of this sector and apparently reduce it for the life assurance sector (A.4 fee-block) which represents a higher risk and where the AFR allocation fell by 4% compared to 2009/10.

Our feedback

We have reviewed the allocation process and again confirm that we believe the allocation represents where we intend to use our resources. Firstly, the allocation to general insurers reflects the degree of overall additional resources we need if we are to continue the move to intensive, integrated and high quality supervision for this sector. Secondly, for 2010/11, we have reallocated costs to general insurers that had previously been allocated against life insurers. This combination results in an above average increase in allocation to general insurers, and an actual decrease in the allocation to life insurers compared to 2009/10. However, the reallocation of costs from life insurers is not in itself a statement of our view of the relative risks of the two sectors – it is a reassessment of our allocation basis to better reflect the cost of regulating the various sectors.

In terms of our assessment of the potential risk in these fee-blocks, we agree there is a greater risk in the life insurance sector, and therefore we have allocated £48.6m for regulating 167 life insurance firms (this excludes 99 small friendly societies) and £30.7m to 476 general insurance firms in fee-block A.3. In broad terms this results in a cost ratio of 1:4 in terms of regulating an A.3 firm compared to an A.4 firm.

Increase in 2010/11 allocation compared to 2009/10 – A.18 (Home finance intermediaries)

Consultation response

The A.18 fee-block's AFR allocation increased from £10.9m in 2009/10 to £14.4m for 2010/11 – an increase of 33%. Trade associations representing this sector raised concerns about the increase, and we were challenged on how costs were split between fee-blocks A.2 (Home finance providers) and A.18.

Our feedback

As with the review of fee-block A.3 above, we have conducted a similar review of the cost allocation process for fee-block A.18.

We reiterate that our costs are increasing in terms of supervising the A.18 sector primarily concerning the work associated with the Mortgage Market Review and enforcement activity in relation to mortgage fraud work. The aim of the two home finance fee-blocks (A.2 and A.18) is to reflect the difference between providing a mortgage product and advising/arranging activities. It should also be noted that large mortgage providers are also the most significant fee-payers in the A.18 fee-block. In terms of regulation we have allocated £9.6m for supervising 345 firms in the A.2 fee-block and £14.4m to supervising 5,925 firms in A.18. In broad ratio terms, this represents a cost ratio of 11:1 between the costs of regulating an A.2 firm compared to an A.18 firm.

Fees strategic review

- 13.15 We received 25 further responses: 12 trade associations; seven large firms, primarily general insurers; and six small firms, primarily general insurance intermediaries. Of the 19 trade associations and large firms, 12 were the same as those that responded to CP09/26 – the first stage consultation.
- 13.16 Trade association responses were split equally, with six in support and six against the new minimum fee and move to straight line recovery. The six that did not support the new minimum fee mainly represent general insurance intermediaries, with one representing mortgage intermediaries, whose smaller members will see increases of 122% (£450 to £1,000) and 34% (£745 to £1,000) respectively. The small firm general insurance intermediaries that responded were all against the new minimum fee. This is the same outcome on the new minimum fee structure as the first stage consultation.
- 13.17 The six trade associations (again mainly representing retail investment, mortgage and general insurance intermediaries) that were against the move to straight line recovery continue to argue that recovery based on size of permitted business should taper-off at the upper levels to reflect ‘economies of scale’. The Association of Independent Financial Advisers (AIFA) also added that large IFA Networks will have to pass on the substantial increases in their fees to their Appointed Representatives (ARs). This will place ARs in a competitive disadvantage to directly authorised firms of a similar size. A large IFA network also raised this latter concern.
- 13.18 Large firms that did not support straight line recovery made the same points as the trade associations. These large firms were mainly general insurers and one covered asset managers. The Building Societies Association (BSA) continued to call for mutual building societies to be treated separate from banks for fee purposes (both are currently in the same A.1 fee-block as deposit acceptors) because they are restricted from undertaking some of the high risk activities of banks. This particularly applies when we apply the premium fee rates, via the new moderation framework, to the medium high and high impact firms in fee-block A.1. This is the same response on the move to straight line recovery within fee-blocks as the first stage consultation. The overall majority (60%) of firms that will see lower fees as a result of the two strategic review proposals continue to be the silent majority.
- 13.19 We provided detailed feedback in Chapter 2 (new minimum fee) and Chapter 3 (straight line recovery) in CP10/5 on the above issues which were raised in response to CP09/26. We summarise that feedback as follows:
- **New minimum fee:** The new minimum fee structure ensures that all firms (including small firms) contribute to the costs of regulation. Through the new A.0 fee-block, the minimum fee recovers the costs of regulatory functions that all firms benefit from or are applied to them and include those of the firm contact centre, regulatory reporting and policing the perimeter. The level currently set at £1,000 strikes the right balance between being too high, which would unnecessarily impede competition, and being too low, which would prejudice existing fee-payers.

- On affordability we reiterate that a regulated firm's business model must consider the costs of meeting their regulatory obligations. Those obligations include contributing to the regulator's costs. Individual firms need to decide whether in meeting these obligations their business is viable.
- We can accommodate exceptions where it is justifiable to do so and we have consulted on them, as we have done with smaller credit unions and smaller non-directive friendly societies.
- The new minimum fee structure is fairer, simpler and more transparent.
- **Straight line recovery:** Recovery of costs allocated to the 'A' fee-blocks using size of permitted business, as a proxy measure of impact on our objectives if a firm should fail, is an objective, transparent, fair and simple measure that can be applied to all firms in a fee-block.
- Economies of scale do not apply given that we focus our supervisory resources in line with our risk assessment framework. When we decide how many resources to apply to a firm or group of firms we use their ARROW¹⁴ impact score. This is largely based on 'size', and the higher the score (medium-low, medium-high and high) the more resources we allocate to the firm or group. The move to straight line recovery also reflects our move to intensive, integrated, high-quality supervision. This strategy applies to all sectors and has been introduced in response to the lessons learnt from the financial crisis.
- On the issues raised again regarding network ARs versus Direct Authorisation (DA) we reiterate that the choice of which route advisers take depends on several factors other than fees. These factors include: regulatory capital requirements of DA advisers, costs for DA advisers providing in-house risk management and compliance resources (or engaging external consultants) and the services that the network provides, e.g. product research, training, and Continuing Professional Development (CPD).
- On the issue the BSA raised regarding separating building societies and banks for fee purposes, we reiterate that, although there are legal restrictions on mutual building societies that restrict them from undertaking some of the higher risk activities of banks, nevertheless under the Financial Services and Markets Act 2000 (FSMA) we responsible for both and these differences do not mean that building societies require less regulatory effort than banks.

13.20 We set out below our feedback to the responses to this second stage consultation that were new issues to those raised in the first stage consultation.

14 Advanced Risk Responsive Operating frameWork (ARROW): this is our risk assessment model which guides the way we risk-asses and supervise firms, and target thematic work on consumers, sectors and multiple firms.

Consultation response

The Association of Mortgage Intermediaries (AMI) questioned the underlying basis of the new minimum fee ‘per firm’ as opposed to previously, where firms paid a series of discounted minimum fees where they held regulatory permissions that placed them in multiple fee-blocks. They highlighted that a mortgage intermediary who adds General Insurance (GI) intermediary activities to their regulated permissions can undertake £100,000 worth GI business (the threshold below which a firm does not pay additional variable periodic fees) without having to pay additional fees, although the risk profile of the firm increases.

Our feedback

We emphasise that the new minimum fee does not seek to take account of risk, but rather it seeks to ensure that all firms contribute to specific costs. Where a firm undertakes permitted business in any fee-block of a size that exceeds the thresholds for that fee-block they pay the additional variable periodic fee.

Consultation response

The BSA also suggests that building societies should be given the same discount to their fees as wholesale banks.

Our feedback

For a firm in the A.1 (Deposit acceptors) fee-block which has a limitation on its permission that it may only accept deposits from wholesale depositors, we currently apply a 30% discount to its fee rates. This discount reflects that in terms of the activity of ‘accepting deposits’, wholesale deposits represent a lower impact on our statutory objectives than retail deposits. Building societies hold retail deposits.

Call for a fundamental change to cost allocation and recovery for intermediaries

- 13.21 AIFA are calling for a major overhaul of our overall cost allocation and fee-block structure for intermediaries. Their key proposal is that in 2011/12 fees for intermediaries should be based on the proportion of revenue that they receive relative to product providers. This, they maintain, will better reflect the risk in the product manufacture/distribution chain and hence where our resources/costs should be focussed and be the basis for levying fees on intermediaries.
- 13.22 As an interim measure for 2010/11 they proposed that we should allocate our indirect costs based on the overall proportion of revenues that intermediaries receive in relation to the whole financial services industry. They have calculated that intermediaries represent 2% of industry revenues while they are paying 28% of our AFR. Since the 12 April 2010, when the CP10/5 consultation ended, we have had contact from 58¹⁵ intermediaries supporting AIFA’s proposals.

15 We have not listed these firms as non-confidential respondents to CP10/5 in Annex 8 as they were received after the consultation period closed.

- 13.23 We first announced that we were undertaking an internal strategic review of our cost allocation framework and fees regime in CP08/18 (October 2008). In CP09/7 (February 2009) we sought comments on our existing arrangements and potential improvements. In April 2009 we held workshops with trade associations to canvas views on whether we should consider fundamental change or improvements to the existing arrangements. Following this informal consultation in CP09/26 (November 2009 – first stage consultation), we reported that no fundamental alternatives had been proposed and we were only proposing alterations to the existing structure (new minimum fee and move to straight line recovery). The second stage consultation (February 2010) continued on this basis as no fundamental changes were proposed in response to CP09/26.
- 13.24 As explained in CP09/26 and now included in Chapter 3 of this Policy Statement, we believe our cost allocation is effective at allocating the right level of total costs to fee-blocks, and, in doing so, takes account of the firms' risk profile (in terms of impact and probability of default) – reducing the possibility of cross-subsidy between sectors as represented by the fee-blocks. Recovery from within fee-blocks of the costs allocated to them is now based wholly on size of permitted business as a proxy for the impact on our statutory objectives if firms fail – the larger the firm within the fee-block, in terms of the measures we use to assess size, the greater their fees.
- 13.25 Under the AIFA proposals, our costs would be allocated in proportion to the revenues that all firms generate or from those in interdependent sectors (product provider and intermediary). This would remove all links with risk and actual regulatory costs spent on sectors which would be a step in the opposite direction to where many respondents to the first stage consultation, across a number of sectors, wanted us to move further towards – costs allocation either based on actual resources spent on firms or in proportion to their full risk profile (impact and probability). In our feedback in CP10/5 (Chapter 3) we explained that these approaches would present us with significant operational issues which would need to be addressed before we could implement such a change programme and although we do not rule out doing so, we are not in a position to move to either methodology in the foreseeable future.
- 13.26 In the case of AIFA's interim proposal for 2010/11 we would not wish to make changes of this nature without first consulting on them as they impact on sectors other than intermediaries. This is not possible at this late stage as we have to start collecting fees from June 2010. However, we will look at their proposition and the data they supplied in their response and seek to reconcile them with our own data and consider whether there is a case for altering our methodology for 2011/12. We will report back on the outcome of this assessment in the October/November fees policy consultation paper.

Value for money/accountability

- 13.27 When we conducted the internal strategic review of our fees regime, informal views that were taken from the industry raised concerns regarding value for money and accountability. We highlighted in CP09/26 (Chapter 3) that this aspect fell outside the strategic review's scope. The review focused on how we allocate and recover

costs; it did not centre on the amount we raise, what we spend it on and why. This is covered in our Business Plan, which sets out the budget for meeting our strategic priorities. We also publish the Performance Account, which provides detailed information on our performance and adds to the information provided in our Annual Report.

- 13.28 As with the first stage consultation, respondents to the second stage consultation also raised issues regarding value for money and/or accountability. For the same reasons as above we have not provided feedback on those comments.

Table 13.1: Comparison of estimated and actual tariff data used to set 2010/11 periodic fee rates

Fee-block	Tariff base	2010/11 Final (Made fee rates May 2010, using actual 2010/11 population and tariff data)			2009/10 Final (Made fee rates May 2009, using actual 2009/10 population and tariff data)		
		AFR (£m)	No. of fee-payers	Tariff base	AFR (£m)**	No. of fee-payers	Tariff base
A.0	Minimum fee	19.7	18,978	NA	NA	NA	
A.1	Modified eligible liabilities	130.7	840	£3,172.9bn	117.2	882	£3,359.6bn
A.2	Number of mortgage contracts	9.6	345	7.8m	10.3	368	7.9m
A.3	Gross premium income	30.7	476	£49.9bn	21.2	404	£49.6bn
A.4	Gross technical liabilities	48.6	266	£110.8bn	50.5	278	£110.1bn
A.4	Adjusted gross premium income			£52.2bn			£67.9bn
A.4	Mathematical reserves			£799.2bn			£737.5bn
A.5	Active capacity	1.1	66	£22.9bn	1.2	66	£16.6bn
A.7	Funds under management	31.0	2,375	£3,855.0bn	32.5	2,353	£3,517.8bn
A.9	Gross income	5.9	723	£6.0bn	6.1	715	£6.1bn
A.10	Traders	29.0	479	9,571	27.4	490	9,897
A.12	Relevant approved persons	26.4	1,816	61,164	24.1	1,835	70,766
A.13	Relevant approved persons	40.6	6,714	38,029	43.8	6,804	38,991
A.14	Relevant approved persons	7.9	840	6,783	7.8	900	6,598
A.18	Annual income	14.4	5,925	£1.3bn	10.9	6,734	£1.9bn
A.19	Annual income	30.8	13,657	£13.5bn	35.9	14,945	£14.9bn
A.20	Volume of contracts*	2.2	79	1,894.4m	2.2	89	2,268.7m

* Applicable firms are included in FEES 4 Annex 9

** 2009/10 AFR net of Financial Capability

14 Applying financial penalties in 2010/11

- 14.1 In Annex 4 of this PS we publish our financial penalty scheme, which sets out how we use financial penalties received for the benefit of fee payers. This chapter explains the impact on 2010/11 fees of applying the scheme to penalties we received in 2009/10.
- 14.2 In 2007/08 we changed our policy of returning financial penalties to fee-payers. As a result, enforcement fines are offset against the costs of a case in the fee-block (s) where the costs arose (for 2010/11 in fee-blocks A.12 and A.13). The remaining funds are returned to all authorised firms (with the exception of the firm that was fined) in proportion to their respective contributions to the AFR.
- 14.3 Table 14.1 overleaf shows the final reductions applied to 2010/11 fees.

Table 14.1: Comparison of penalties applied for the benefit of authorised firms and issuers of securities in 2010/11 and 2009/10

Fee-block	2010/11			2009/10	
	AFR (£m)	Penalties applied for the benefit of fee payers (£000)	Reduction in fee amount payable* (%)	Penalties applied for the benefit of fee payers (£000)	Reduction in fee amount payable – see note (%)
A.0	19.7	1,494	7.5	NA	NA
A.1	130.7	9,910	7.5	7,709	6.2
A.2	9.6	726	7.5	673	6.2
A.3	30.7	2,328	7.5	1,418	6.2
A.4	48.6	3,682	7.5	3,299	6.2
A.5	1.1	81	7.5	77	6.2
A.6	1.5	114	7.5	108	6.2
A.7	31.0	2,352	7.5	2,120	6.2
A.9	5.9	449	7.5	398	6.2
A.10	29.0	2,199	7.5	1,838	6.3
A.12	26.4	2,479	9.3	1,582	6.2
A.13	40.6	3,171	7.8	2,852	6.2
A.14	7.9	602	7.5	510	6.2
A.18	14.4	1,094	7.5	724	6.2
A.19	30.8	2,338	7.5	2,338	6.2
A.20	2.2	165	7.5	135	6.2
MTF	0.5	41	7.5	19	6.2
E	12.1	0	0.0	740	6.4
Total		33,227		26,540	

*The percentage reductions in fee amount payable have been rounded down.

15 Periodic fees for other bodies

- 15.1 This chapter gives an update on the final 2010/11 fees for fee payers other than authorised firms, which we consulted on in Chapter 11 of CP10/5. These fees apply to:
- recognised investment exchanges and recognised clearing houses (part of the B fee-block);
 - operators of multilateral trading facilities (part of the B fee-block);
 - service companies (part of the B fee-block);
 - operators of collective investment schemes (the C fee-block);
 - designated professional bodies (the D fee-block);
 - listed and non-listed issuers of securities (the E fee-block);
 - unauthorised mutuals (the F fee-block); and
 - firms registered with the FSA under the Money Laundering Regulations and the Payment Services Regulations (the G fee-block).
- 15.2 The question we consulted on in CP10/5 Chapter 11 was:
- Q3: Do you have any comments on the proposed 2010/11 FSA fee rates for fee-payers other than authorised firms?
- 15.3 We only received responses to the fees proposed for the B fee-block, the D fee-block and G fee-block. These responses and our feedback are set out below.
- 15.4 As stated in Chapter 11 and 12 there is no change to the overall Annual Funding Requirement (AFR) for 2010/11 between the amounts included in CP10/5 and the final amount. Allocations to fee-blocks are also unchanged other than the reallocation of some costs from the B fee-block to certain 'A' fee-blocks as discussed below.
- 15.5 All other changes in fee-rates between those consulted on in CP10/5 and the final rates in this Policy Statement (PS) result from changes in tariff data as highlighted below.

Recognised investment exchanges and recognised clearing houses (the B fee-block)

(FEES 4, Annex 6R – see Appendix 1)

- 15.6 The 2010/11 fees for recognised bodies are set on an individual basis for each body, and are payable in two instalments during the year – in April and September. The 2010/11 fees for UK and overseas recognised bodies, and amounts of any instalment payments, are in FEES 4 Annex 6R of the FSA Handbook.

Consultation response

We received eight responses from the Market Infrastructure Providers (MIPs) within the B fee-block. This block comprises of Recognised Bodies (RBs – investment exchanges and clearing houses) and other trading infrastructures e.g. operators of multilateral trading facilities (MTFs). The proposed Annual Funding Requirement (AFR) at consultation for this fee-block as a whole was £9.0m compared to £5.6m for 2009/10 – an increase of 61%. This increase was largely due to the additional resources required to support significant anticipated infrastructural projects such as the Markets in Financial Instruments Directive (MiFID) review, the continued focus on strengthening risk management as well as continuing to intensify our supervisory interaction with the high-impact MIPs.

The respondents' concerns are summarised as follows:

- our fee increases for block B, at 61%, are far in excess of the general fees increases across our organisation, and not objectively justifiable;
- the rationale for the increase is highly questionable and lacks transparency. They state that the UK market infrastructure played no part in causing or exacerbating the recent global crisis and, on the contrary, were seen by many observers as helping to mitigate the effects of the crisis; and
- it appears that we may be attempting to 'rebase' the fees for UK-recognised bodies at a much higher level than before.

Our feedback

We have considered these concerns and in the case of the level of increase we have reviewed our allocations of the B fee-block costs. As a general practice we allocate a proportion of markets-related work to the users of the markets, rather than the operators of the markets. This is justified on the basis that MIPs in essence, provide safe and efficient trading and clearing/settlement venues for regulated entities to more effectively run their businesses and manage their risks. They exist for the market participants, who benefit from, and need to use, the financial markets. The regulatory effort to ensure well-run and supervised infrastructures contribute to meeting our market confidence objective and therefore it is appropriate that market participants contribute to those costs.

As a result we have revised the level of costs allocated to market participants and are proposing to reallocate £1.34m from the B fee-block to the main market participants fee-blocks. We set out below the specific fee-blocks and the impact on the amount of the AFR recovered from them:

- A.7 fee-block (Fund managers): allocated AFR will increase from £30.7m to £31.0m reducing the decrease over 2009/10 from 6.0% to 4.5%;
- A.10 fee-block (Firms dealing as principal): allocated AFR will increase from £28.7m to £29.0m, enlarging the increase over 2009/10 from 5.0% to 5.7%;
- A.12 fee-block (Advisory arrangers, dealers or brokers holding client money): mainly non-discretionary investment managers and securities dealers (e.g. stockbrokers) allocated AFR will increase from £26.1m to £26.4m enlarging the increase over 2009/10 from 8.0% to 9.6%; and
- A.13 fee-block (Advisory arrangers, dealers or brokers not holding client money): mainly Independent Financial Advisers (IFAs) allocated AFR will increase from £40.2m to £40.6m, reducing the decrease over 2009/10 from 8.0% to 7.2%.

This reallocation reduces the allocation to the B fee-block from £9.0m to £7.6m and reduce the increase over 2009/10 from 61% to 37%.

With regard to the other concerns raised by MIP respondents, we have made a step-change in our supervision to intensive, integrated and high-quality supervision for the higher impact entities in response to the lessons learnt from the financial crisis. The aim is to be more effective at intervening early to prevent future crises occurring and we have therefore applied this new supervisory approach to all sectors. This is a change in our supervisory approach which we are applying to all sectors and is not a specific rebasing of the B fee-block fees.

- 15.7 We have set the 2010/11 periodic fees for overseas recognised investment exchanges and overseas recognised clearing houses at £40,000 and £70,000 respectively, the levels we consulted on in CP10/5. Table 15.1 shows the final total 2010/11 fees for UK recognised bodies. These take into account any refunds given in 2010/11 in relation to the 2009/10 financial year.

Table 15.1: Final 2010/11 fees for UK recognised bodies and comparison with 2009/10

Name of UK recognised body	2010/11 fee (£)	2009/10 fee (£)	Variance (%)
Euroclear UK and Ireland Limited	650,000	555,000	17.1
ICE Futures Europe	510,000	460,000	10.9
LIFFE Administration and Management	800,000	650,000	23.1
LCH.Clearnet Limited	750,000	596,000	25.8
The London Metal Exchange Limited	475,000	396,000	19.9
London Stock Exchange plc	670,000	522,000	28.4
EDX London Ltd	120,000	85,000	41.2
Plus Markets plc	220,000	195,000	12.8
European Central Counterparty Ltd	375,000	327,000	14.7
ICE Clear Europe Ltd	550,000	368,000	49.5

Multilateral Trading Facilities (MTFs)

(FEES 4 Annex 10R, see Appendix 1)

- 15.8 The 2010/11 fees for MTFs are set on an individual basis for the fee payers listed in Table 15.2 and are based on the amount of regulatory resources required. There has been no change in the fees between the levels included in CP10/5 and the final levels in Table 15.2.

Consultation response

We received feedback from two MTFs noting disappointment with the size of their respective year on year increases.

Our feedback

A key objective in the post-MiFID environment is to maintain a proportionate level playing field for market infrastructure providers. In the light of the intense competition between providers, particularly in the equity markets, we have aligned our supervisory approach according to the function which entities perform, instead of according to the specific regulatory form the entity holds. Therefore we supervise the most important MTFs to the same standards as Recognised Investment Exchanges (RIEs), and the fees take into account the supervisory costs of doing so.

Table 15.2 Periodic fees for multilateral trading facilities

Organisation	2010/11 fee (£)	2009/10 fee (£)	Variance (%)
Chi-X Europe Limited	125,000	38,000	228.9
BATS Trading Limited	80,000	38,000	110.5
Turquoise Services Limited	80,000	38,000	110.5
Liquidnet Europe Limited	70,000	20,000	250.0
NASDAQ OMX Europe Limited	70,000	38,000	84.2
EuroMTS Limited	30,000	20,000	50.0
Baikal Global Limited	25,000	2,000	1150.0
SmartPool Trading Limited	20,000	2,000	900.0
Tradeweb Europe Limited	12,500	9,200	35.9
Cantor Index Limited	7,750	5,600	38.4
ICAP Electronic Broking Limited	6,000	4,400	36.4
Barclays Bank Plc	3,600	2,600	38.5
BGC Brokers L.P.	3,600	2,600	38.5
CantorCO2e Limited	3,600	2,600	38.5
GFI Brokers Limited	3,600	2,600	38.5
GFI Securities Limited	3,600	2,600	38.5
Icap Energy Limited	3,600	2,600	38.5
ICAP Europe Limited	3,600	2,600	38.5
ICAP Securities Limited	3,600	2,600	38.5
ICAP Shipping Tanker Derivatives Limited	3,600	2,600	38.5
ICAP WCLK Limited	3,600	2,600	38.5
My Treasury Limited	3,600	2,600	38.5
TFS-ICAP Limited	3,600	2,600	38.5
Tradition (UK) Limited	3,600	2,600	38.5
Tradition Financial Services Limited	3,600	2,600	38.5
Tullett Prebon (Europe) Limited	3,600	2,600	38.5
Tullett Prebon (Securities) Limited	3,600	2,600	38.5
MF Global UK Limited	3,300	2,300	4.5

Service companies

(FEES 4, Annex 2R – see Appendix 1)

- 15.9 The fees for these fee payers have been finalised at the levels shown in Table 15.3, and have not changed from the consultation. The relevant fees rules are in FEES 4 Annex 2R.

Table 15.3: Final 2010/11 fees for service companies and comparison with 2009/10

Organisation	2010/11 fee (£)	2009/10 fee (£)	Variance (%)
Service companies			
Bloomberg LP	45,000	40,000	12.5
EMX Co Ltd	35,000	30,000	16.7
LIFFE Services Ltd	35,000	30,000	16.7
OMGEO Ltd	35,000	30,000	16.7
Reuters Ltd	45,000	40,000	12.5
Swapswire Ltd	35,000	30,000	16.7

Collective investment schemes (the C fee-block)

(FEES 4, Annex 4R – see Appendix 1)

- 15.10 The rates for 2010/11 periodic fees for collective investment schemes have been reduced by 2.6% since consultation with the basic fee reducing to £560 for most schemes. For schemes under section 272 of FSMA, the basic fee has reduced to £2,280. The number of funds/sub-funds has increased, and therefore more firms fall into the higher charge bands. As a result we have been able to reduce the fee rates.

Table 15.4: Final 2010/11 fees for collective investment schemes and comparison with 2009/10

Scheme type	Total funds/sub-funds aggregate	2010/11 fee (£)	2009/10 fee (£)	Variance (%)
ICVC, AUT, Section 264 of FSMA, or Section 270 of FSMA	1-2	560	570	-1.8
	3-6	1,400	1,425	-1.8
	7-15	2,800	2,850	-1.8
	16-50	6,160	6,270	-1.8
	>50	12,320	12,540	-1.8
Section 272 of FSMA	1-2	2,280	2,326	-2.0
	3-6	5,700	5,815	-2.0
	7-15	11,400	11,630	-2.0
	16-50	25,080	25,586	-2.0
	>50	50,160	51,172	-2.0

Designated professional bodies – the D fee-block

(FEES 4 Annex 5R – see Appendix 1)

- 15.11 The 2010/11 periodic fees for each Designated Professional Body (DPB) has been set in the light of confirmed numbers of exempt professional firms in each DPB since consultation. The 2010/11 fee rates for DPBs are in FEES 4 Annex 5R and a comparison with 2009/10 fees is shown in Table 15.5. The AFR in 2009/10 was £195,580 and has increased by 9.7% to £214,460. This is unchanged from the level

at consultation. However, we apologise for the error in CP10/05 (Table 8.1, Chapter 8), which indicated a 13% decrease in costs allocated to this fee-block, although the consultative fee rates were correct and clearly indicated an increase to all entities' individual fees.

- 15.12 We set individual periodic fees for each DPB based on the number of exempt professional firms in each body. Every DPB pays £10,000 in respect of its first exempt professional firm with the balance then being proportionally distributed across the remaining exempt professional firms for each body. Generally, final fees will be slightly lower compared to consultation rates except for the Law Society which increases by 3%. This is due to the Law Society's tariff data, which increased during 2009/10 at a higher rate to the other DPBs.

Table 15.5: Final 2010/11 periodic fees for designated professional bodies and comparison with 2009/10

Name of Designated Professional Body	2010/11 fee (£)	2009/10 fee (£)	Variance (%)
The Law Society	83,110	69,090	20.3
The Law Society of Scotland	14,620	13,990	4.5
The Law Society of Northern Ireland	13,380	12,990	3.0
The Institute of Actuaries	10,130	10,110	0.2
The Institute of Chartered Accountants in England and Wales	27,350	25,630	6.7
The Institute of Chartered Accountants of Scotland	11,450	11,330	1.1
The Institute of Chartered Accountants in Ireland	10,700	10,630	0.7
The Association of Chartered Certified Accountants	18,040	17,070	5.7
Council for Licensed Conveyancers	11,290	11,090	1.8
Royal Institute of Chartered Surveyors	14,390	13,650	5.4

Issuers of securities (the E fee-block)

(FEES 4, Annex 7R and 8R – see Appendix 1)

- 15.13 The final 2010/11 fee rates for issuers have remained constant since those proposed at consultation. Table 15.6 shows the final 2010/11 fee rates for issuers, against 2009/10 levels. The fee rates for listed and unlisted issuers are in Chapter 4 of the Fees manual in the FSA Handbook (FEES 4 Annexes 7R and 8R). The increase of the annual Sponsor fee from £10,000 to £12,500 remains unchanged since consultation.

Table 15.6: Final UKLA annual fee rates 2010/11 and comparison with 2009/10

Fee payable		2010/11		2009/10		
£ million of Market Capitalisation	Rate	Fee at maximum (£)	Rate	Fee at maximum (£)	Fee Variance (%)	
Minimum fee	NA	3,700	NA	3,425	8.0	
>100 to 250	23.593356	7,239	21.845700	6,702	8.0	
>250 to 1,000	9.436716	14,317	8.737700	13,255	8.0	
>1,000 to 5,000	5.808686	37,551	5.378413	34,769	8.0	
>5,000 to 25,000	0.141692	40,385	0.131196	37,393	8.0	
>25,000	0.045777	-	0.042386	-	-	

Note: Issuers solely with a listing by the FSA of equity securities of an overseas company which is not a primary listing pay 80% of the fee otherwise payable.

Unauthorised mutuals (the F fee-block)

(see Appendix 1)

- 15.14 The 2010/11 fee rates for unauthorised mutuals have been set at the levels we consulted on.

Table 15.7: Final 2010/11 fees for unauthorised mutuals and comparison with 2009/10

Total assets (£000)	Amount payable 2010/11 (£)	Amount payable 2009/10 (£)	Variance (%)
0 to 50	55	55	0.0
>50 to 100	110	110	0.0
>100 to 250	180	180	0.0
>250 to 1,000	235	235	0.0
>1,000	425	425	0.0

Firms registered with the FSA under the Money Laundering Regulations (G.1 fee-block)

(see Appendix 1)

- 15.15 The annual fee for firms registered with the FSA under the money laundering regulations will be maintained at £400 for 2010/11 as proposed in CP10/05.

Firms authorised or registered with the FSA under the Payment Services Regulations (G.2 to G.5 fee-blocks)

(see Appendix 1)

- 15.16 Due to a slight increase in the number of firms authorised under the Payment Services Regulations we have been able to reduce the rates since consultation.

Consultation responses

We received one response relating to the proposed 2010/11 fees for fee payers regarding our proposed fees for firms in respect of the Payment Services Regulations.

The firm questioned the change in our approach to charging the variable fees on a straight line basis, as opposed to the tapering rates originally shown in CP09/26 for the G3 fee-block. The firm felt that the tapered rates were fairer. The firm stated that as Payment Institutions were not authorised and supervised under FSMA, they should not be subject to the same approach as firms in other sectors. The firm made reference to our earlier comments that the payment services market presents a relatively low risk to consumers and this should be reflected in the way that fees are calculated.

Our feedback

When we issued CP09/26 we indicated that fee rates would be tapered as firms grew in size; this was in accordance with the methodology of other fee blocks at that time. CP09/26 consulted on the fees strategic review proposal to move to straight line recovery of costs allocated to fee-blocks. We provided feedback on this strategic review proposal in CP10/5 and have since concluded that the straight line methodology is a fairer way in which to apportion fees within a fee-block above the minimum fee level. We have considered the arguments for both methodologies within the G2 and G3 fee-blocks and have not identified any reasons to differentiate away from straight line recovery for calculating fees in the G3 fee-block.

15.17 The fee rates for firms subject to the Payment Service Regulations will be as follows:

Table 15.7: Final 2010/11 fees for certain deposit acceptors and e-money issuers authorised under the Payment Service Regulations

Banks, building societies and e-money issuers fee rates 2010/11	
Minimum fee (£)	400
£ million or part £m of Modified Eligible Liabilities (MELs)	Fee (£/£m or part £m of MELs
>0.1	0.42292

Table 15.8: Final 2010/11 fees Authorised payment institutions and other institutions

Authorised payment institutions and other institutions for 2010/11	
Minimum fee (£)	400
£ million or part £m of Modified Eligible Liabilities (MELs)	Fee (£/£m or part £m of MELs
>0.1	0.48508

Feedback on regulatory fees policy proposals 2010/11

- 16 Financial capability and the establishment of a Consumer Financial Education Body
- 17 Special project fees –Solvency II
- 18 Passporting – discounts for EEA and Treaty firms with branches in the UK
- 19 Recovering IS development costs for Alternative Instrument Identifier *Aii) code
- 20 Reclaim funds

16 Financial capability and establishing a Consumer Financial Education Body

(FEES 7 – see Appendix 3)

- 16.1 In CP10/05, we set out our proposals for recovering the costs of establishing a Consumer Financial Education Body (CFEB) as required under the Financial Services Bill, or of maintaining our financial capability activities in-house if the Bill was not passed as anticipated. The Act received Royal Assent on 8 April 2010 and CFEB was set up on 26 April. Therefore, we are proceeding with our main proposals and no longer need to consider the alternative scenarios we discussed in the Consultation Paper. Chapter 10 presents further information about CFEB.
- 16.2 The Financial Services Act 2010 (the Act) empowers us to make rules setting fees to recover the relevant costs from authorised firms, collect the fees and pay the amounts received to CFEB after deducting our own costs incurred in collection. It also includes a provision allowing us to consult on rules relating to the new CFEB before it was made law. Consequently, as proposed in CP10/05, the Instrument brings all references to the CFEB levy into a new chapter in the FSA Handbook, FEES 7. FEES 7 applies to all authorised firms in fee-blocks A.0 – A.19.

Creation of CFEB

- 16.3 The Act required us to establish a new Consumer Financial Education Body (CFEB) to enhance:
- (a) the public’s understanding and knowledge of financial matters (including the UK financial system); and
 - (b) the public’s ability to manage their own financial affairs.
- 16.4 The passing of the Act also means our public awareness objective, which gave us the duty to promote public understanding of financial systems, will be switched off in due course. However, the Act still requires us, in discharging our general functions, to have regard to the desirability of enhancing the public’s understanding and knowledge of financial matters. While CFEB gives us an enhanced strategy for delivery, therefore, the promotion of public awareness remains an important driver of our business.

- 16.5 We have created the new body around our former Financial Capability Division, which we have transferred to the new body with its associated costs. This division led on delivering our public awareness duty, through our National Strategy for Financial Capability and Money Guidance, and by working in partnership with the government, the third sector and industry.

Funding requirement

- 16.6 The levy on authorised firms will contribute £32.9 million towards the costs of CFEB in 2010/11. This includes the costs of services such as human resources, finance, accommodation, invoicing and collecting fees, which we provide CFEB under a service level agreement. The total is slightly higher than the in-house budget for the former Financial Capability Division in 2009/10. This is because it also covers some additional CFEB running costs and contributes towards the cost of rolling out the Money Guidance pilot nationally. The pathfinder which we ran last year was confined to the North-East and North-West.

Allocation to fee-blocks

- 16.7 Table 16.1 shows how CFEB's budget for 2010/11 is allocated between fee-blocks and compares this with the break-down of our Annual Funding Requirement (AFR) across Financial Capability Division the previous year, when it was still part of the FSA.

Table 16.1: Allocation of CFEB budget to fee-blocks, 1 April 2010-31 March 2011

	CFEB 2010-2011 £m	Financial Capability 2009-2010 £m	Difference %
A0	0.2		N/A
A1	10.5	7.0	50.0
A2	0.8	0.6	28.2
A3	2.5	1.7	45.1
A4	3.9	2.7	44.5
A5	0.1	0.0	0.0
A6	0.1	0.0	0.0
A7	2.5	1.6	54.2
A9	0.5	0.3	58.6
A10	2.3	1.6	44.0
A12	2.1	1.4	49.9
A13	3.2	2.2	46.9
A14	0.6	0.4	59.5
A18	1.2	0.7	65.6
A19	2.5	1.7	45.8
Total	32.9	21.7	51.6

Affected fee-blocks

- 16.8 The Act amends the Financial Services and Markets Act 2000 (FSMA), which empowers us to recover costs from FSMA-authorized firms, almost all of which are in fee-blocks A.0 to A.19. As we explained in CP10/05, we will not apply the levy to two fee-blocks containing FSMA firms:
- **Fee-block A.20:** Firms and market operators contributing towards recovering the development costs of the Surveillance and Automated Business Reporting Engine (SABRE), Alternative Instrument Identifier (Aii) computer system. Almost all of these already contribute to CFEB through fee-blocks A.10, A.12 and A.13, and it would not be equitable to charge them twice. The rest are in fee-block B, which is discussed below.
 - **Fee-block B:** Market operators, service companies, Multilateral Trading Facilities (MTF) operators, investment exchanges and clearing houses. This fee-block is a mixture of FSMA and non-FSMA firms. Their fees are levied on the actual costs of supervising them each year. This does not provide the basis for calculating an appropriate CFEB levy for the FSMA firms.
- 16.9 The remaining fee-blocks, C to G, contain only non-FSMA firms. After we had published CP10/05, the Bill was amended to bring fee-paying payment services institutions into the scope of the levy. This affects fee-blocks G.2 to G.5. Fee-block G.2 should be exempted since it consists of authorized firms in fee-block A.1, which is already subject to the CFEB levy. As with A.20, it is not reasonable to charge them twice. We will consult on proposals for payment services institutions in fee-blocks G.3 to G.5 in our Fees Consultation Paper (CP) in October 2010.
- 16.10 In the future, whenever firms are brought within our remit, but outside FSMA – which occurs most commonly under EU directives – we will take a view at the time as to whether they should be liable for the CFEB levy and ensure that the appropriate provisions are included in the regulations or other instrument implementing the new regime.

FEES 7

- 16.11 The new chapter in the Fees Manual, FEES 7, is introduced through the Fees (CFEB Levy) Instrument in Appendix 3.
- 16.12 For simplicity and to ease firms' transition to the new regime, we have tried to accommodate the CFEB levy into the existing FSA fees framework, as amended following the fees' strategic review. We have not attempted to reassess firms' contributions to the cost of the new body in the light of presumptions about the demands they or their customers might make upon its work, as we do not yet have the evidence.

16.13 The main features of FEES 7 are set out below:

- It is limited to firms in fee-blocks A.0–A.19 as discussed in paragraph 16.8 above. It applies only to periodic fees. It does not apply to application, notification or vetting fees.
- The additional CFEB levy mirrors our fees structure and is applied to the tariff-bands we have introduced for each fee-block following the strategic review, as explained in Chapter 13. We have applied the straight-line recovery model to all fee-blocks, without moderating it to put a premium on the high impact and systematically important firms. This is because the moderation is intended to take account of our enhanced supervisory costs, which will not affect CFEB.
- Any relevant changes to our fees following consultation will be applied automatically to our levy.
- We will apply the provisions in FEES 4.3.4, so firms which are authorised or extend their permissions in the course of the year will have their fees discounted proportionately.
- Firms which make pre-payments of their FSA fees by 30 April because their previous year's FSA fees (excluding the FEES 7 levy) were £50,000 or more, as set out in FEES 4.3.6, will make pre-payments of their FEES 7 fees on the same terms.
- The levy does not apply to fees for the Financial Ombudsman Service (FOS) (FEES 5) or the Financial Services Compensation Scheme (FSCS) (FEES 6).

16.14 The question on which we consulted was:

Q5: Do you support our proposals for the new FEES 7 chapter?

Consultation responses

We received fifteen substantive responses to this question, including seven trade bodies. All but three supported the proposal. Their support had two aspects to it.

Support for CFEB and its objectives

There was general support in principle for CFEB's objectives and the focus that will come from the creation of a dedicated body. Comments included:

'All firms benefit from financial capability, as increased awareness encourages consumers to seek out wider choice and advice options.'

'[the sector] supports, both in words and deeds, consumer education in financial matters. We can see benefit in the idea of a new financial services consumer education and information authority, particularly given that its remit – and funding base – will extend beyond that of the FSA.'

‘We support the concept of increasing understanding and knowledge for members of the public with regards to financial matters and have followed, with interest, the introduction of the Money Guidance pathfinder programme, which was launched in the north of England last year, under the ‘Moneymadeclear’ brand.’

Need for new FEES 7 chapter

There was general agreement that the new FEES 7 chapter represented a straightforward way of clarifying CFEB’s funding arrangements, and that firms were *‘prepared to pay a fair and proportionate amount towards CFEB’s operation.’* As one respondent put it:

‘We support the objectives of enhancing public understanding and knowledge of financial matters and their ability to manage their own affairs. We agree that it makes sense to identify these costs specifically through the new FEES 7 chapter.’

Other comments included:

‘The preliminary arrangements for the establishment of CFEB appear reasonable and not overly onerous.’

‘We fully support the principle of financial education and welcome the opportunity to discuss whether a new FEES chapter is the right way to meet the desired outcome of a better financially-educated populace.’

One respondent asked if we would have the power to require firms to pay fees for CFEB.

Value for money

Some respondents raised questions about the governance of CFEB and how we would work with CFEB in practice. For example, one hoped that *‘the new body can genuinely add value’* and *‘avoid overlap’* with us. Others warned of a risk of overlap with firms’ own initiatives to improve financial capability. Some stressed the importance of effective scrutiny of CFEB’s budget and the scale of our contributions towards it.

Objections to CFEB levy

Three respondents objected in principle to paying for CFEB, because they considered it to be beyond the regulator’s scope, especially once we have relinquished our consumer awareness objective.

Our feedback

We welcome the overall support for CFEB. This reflects the commitment of the industry as a whole to improving consumers' financial education. Many firms are already funding their own financial capability initiatives. There is some apprehension about the governance of the new body and concern that the dividing lines are not yet clear between our role and those of CFEB, industry initiatives and other contributors such as the OFT. These are important questions which go beyond the scope of fees consultation. They will be addressed along with other critical issues by CFEB's Board as it articulates its vision for the future and develops working relationships with stakeholders.

Parliament has required us to establish CFEB to improve the effective delivery of financial education objectives which should benefit the whole industry and to contribute towards its costs through fees levied from authorised firms. Firms are required to pay the CFEB levy under FEES 7 on the same basis as paying our fees and the FOS and FSCS levies.

We hope that the doubts expressed by the three sceptical respondents will be resolved once they have practical experience of CFEB's programme in action.

Minimum levy

- 16.15 We proposed a minimum levy of £10 as a notional contribution towards the base costs of the new body. We noted that the figure might be reviewed in the future when CFEB has practical operational experience. Our question for consultation was

Q6: Do you agree with our proposed £10 minimum levy for financial capability work/Consumer Finance Education Body?

Consultation responses

Eighteen firms provided substantive responses to this question, including seven trade bodies. Half supported the minimum levy of £10, half challenged it – though two of the latter were firms that objected in principle to paying for CFEB.

Most of those supporting the levy did not elaborate, but they may have considered, as one commented, that it was 'a nominal amount' and therefore, as another put it, '*we do not foresee any issues with it.*' This was a concern in itself for one respondent who questioned whether it was cost effective in relation to the cost of collection.

Some respondents suggested that the smallest firms should not be levied at all rather than make token payments. Others argued for a higher minimum fee because it left a disproportionate balance to be recovered from larger firms.

One respondent suggested that the minimum fee should be voluntary, paid by firms with corporate social responsibility budgets, allowing others to '*choose to opt out if they wish.*' We should encourage firms to pay '*by emphasising the future benefits*' of CFEB's work.

Our feedback

We do not consider it right to waive the minimum fee and we are not convinced that a voluntary levy is feasible. All firms should contribute towards CFEB since all will benefit from its activities. We conceded in the CP that the amount was notional and that it might be reviewed once CFEB had practical operational experience. Collecting it will not represent an additional cost because all firms paying the minimum CFEB fee will in any case be invoiced for the minimum FSA fee. Therefore, we see no grounds for changing the minimum fee for 2010/11 but accept that it may need to be revisited in the future.

Levy rates

- 16.16 Our levy rates are set out in a table in Appendix 4 as FEES 7 Annex 1R Part 1. This shows the amounts that will be added to our fees for the relevant fee-blocks in the table in Appendix 2 (FEES 4 Annex 2R Part 1).
- 16.17 The question on which we consulted was:
- Q7: Do you agree with our proposed levies on periodic fees to recover the costs of financial capability work/ Consumer Finance Education Body?

Consultation responses

We received twenty responses on our proposals for periodic levies, including the three respondents who objected in principle to paying for CFEB and consequently rejected the levies. Of the remaining seventeen, four gave unqualified support in the form of one-sentence answers, and one gave an unqualified 'No.'

The main comments were:

- one respondent disliked our proposals because they adopted our model of straight-line recovery; another welcomed them on the same grounds;
- taking the costs of Financial Capability out of our budget had not been matched by a corresponding decrease in our fees. On the contrary, '*the overall burden of regulation is increasing exponentially*'; and
- improved financial capability among consumers would not benefit only firms that we regulated. All financial services firms should be contributing towards its costs.

Matching fees to CFEB priorities

Many respondents were prepared to accept our proposals as a short-term solution, on the understanding that CFEB would review the position once it had some operational experience. Our framework was a convenient starting point, but CFEB should take steps to gear its fees to its own business priorities. Once it was *'up and running,'* firms should *'know what activities are being funded and how these are being costed.'*

The key points included:

- using the FSA fees calculations imposed the FSA's priorities on CFEB. Those firms with the highest FSA fees would automatically pay the highest CFEB fees *'when there is no evidence that they should.'* The fees should be linked to CFEB's own objectives, with benchmarks to measure its performance and *'greater transparency regarding the outcomes of spending on financial capability'*;
- some firms asked for confirmation that the CFEB levy would be based on the same tariff base as the FSA fees;
- our proposals did not reflect the risk of consumer detriment on conduct of business issues, nor did we give credit to *'firms that help to promote public understanding through clear and transparent product information, treating customers fairly initiatives or the inherently low risk nature of the products provided'*; and
- an insurance company pointed out that outputs from the MoneyMadeClear pilot *'show that the majority of those accessing the service seek information and guidance on managing debt, budgeting, and borrowing and credit (including mortgages,'* but the framework presented in the CP:

'places a proportionately greater burden for funding the CFEB firmly on general insurance and life and pensions industry firms, rather than those who lend funds either by loans or credit cards. Although ultimately the objective is that consumers will engage at a higher level, basic insurances, protection and pension products, currently those accessing the service do not have the financial capacity to do so.'

Our feedback

Matching fees to CFEB priorities

We agree that allocating costs between fee-blocks reflects our priorities rather than CFEB's. This will be resolved when CFEB, with its own Board, sets its own budget for 2011/12. As a matter of course, distributing costs between fee-blocks will be based on CFEB's business plan. We confirm that the CFEB levy is calculated from the same tariff-base used for our fees.

Preparing the budget and business plan will also address respondents' concerns about relating CFEB's levy back to its objectives, backed by measurable performance indicators. As an independent body, CFEB will over the coming year produce policy documents and business plans that clarify what it is seeking to achieve and how it wishes its success to be judged.

As CFEB establishes its separate identity and develops a work programme approved by its independent Board, we believe firms will appreciate it is undertaking important work for the industry's benefit as a whole, quite distinct from our work. We believe the industry will equally see its levy as a distinctive charge and not part of the burden of regulation.

In time, it may be possible to identify an alternative framework for the CFEB levy, which is less dependent on our activity-based structure.

Discounts

- 16.18 For the same reasons that we copied across our fees structure, we proposed in CP10/05 to carry through unchanged our current discounts on fees to CFEB:
- firms in fee-block A.1 which have limited their permissions to wholesale deposits (FEES4, Annex 2, Part 1) – 30%;
 - Class 1(B) firms in fee-block A.7 – 15%;
 - Class 1(A) firms in fee-block A.7 – 50%;
 - professional firms in fee-blocks A.12 and A.13 – 10%; and
 - passporting firms – as set out in FEES4, Annex 2, Part 3 (as amended following consultation on the proposals in chapter 14).
- 16.19 We also decided not to apply the discounts in FEES 4, Annex 2, Part 2 for financial penalties. That is because these arise out of regulatory failures and CFEB is not a regulator. In practice, this will make no difference to the money received by the firms, as the same amount of money would be redistributed to them, whether it was channelled through discounts on FSA fees alone or shared between CFEB and us.
- 16.20 The question on which we consulted was:
- Q 8: Do you agree that we should apply to CFEB the same discounts that we apply to FSA fees, apart from the discounts on financial penalties?

Consultation responses

We received sixteen substantive responses to this question. Two objected because they did not believe they should be paying for CFEB in the first place. Another simply said 'No.' One said that *'until the nature of CFEB's interaction with different types of firms is understood it would not appear appropriate to offer any discounts.'* Another suggested a formal commitment to an annual review of the discounts to ensure that they *'accurately reflect the interactions of CFEB with different firms.'* The remainder supported the proposal.

Only one respondent commented on the penalty discounts, supporting our approach.

Our feedback

The discounts are intended to reflect our lower costs in regulating specific types of firms so, like the fees framework as a whole, were not designed with CFEB in mind. As indicated in CP10/05, we may review them once we have a better understanding of the nature of CFEB's relations with firms.

We do not believe annual reviews would be appropriate. As explained above, the link between CFEB's work and particular types of firms may not always be direct. Consequently, it is unlikely that the impact of those relationships on its work programme would vary materially from year to year.

17 Special Project Fees – Solvency II

(Fees 4, Annex 1R and Annex 2R – see Appendix 1)

- 17.1 In this chapter we provide feedback on our proposals in CP10/5 (Chapter 14) for continuing with our existing policy to charge Special Project Fees (SPFs) for project development costs related to Solvency II, and specifically
- the changes proposed to how we recover costs for developing the Internal Model Approval Process framework (IMAP SPF); and
 - the proposed non-IMAP SPF for the period 2010/2011 to recover costs to put in place processes and the necessary staff to successfully implement the Solvency II Directive.
- 17.2 The total recovery of Solvency II Directive implementation costs proposed for 2010/11 is £29m. We plan to recover Solvency II implementation costs in 2011/12 and 2012/13. We will consult on these separately in future.
- 17.3 We also provide feedback on the proposed amendment to correct a drafting error in the rules to reflect the criteria in the Solvency II directive to exempt firms from the non-IMAP SPF.

Internal Model Approval Process SPF

- 17.4 These costs were estimated to amount to £13m for 2010/11. We proposed that the IMAP SPF would be charged to the largest 125 firms in the A.3 fee-block (insurers – general) and the largest 75 firms in the A.4 fee-block (insurers – life), plus the A.6 fee-block (The Society of Lloyd’s).
- 17.5 The question we consulted on for this proposal in CP10/5 was:

Q9: Do you agree with the changes we are proposing to the way the IMAP SPF will be charged in 2010/11?

Consultation responses

Twenty-two respondents commented on these proposals. Overall, respondents generally supported our proposal to charge an IMAP SPF.

The main concern was the decision to charge the IMAP fee to only the 125 largest firms in the A.3 fee-block and the 75 largest firms in the A.4 fee-block. Respondents also wanted further clarification on how the threshold was set. Some firms objected to the fee on the basis that they were not intending to apply for the internal model process. A couple of firms acknowledged that we were faced with a situation where firms could potentially apply for the internal model at a later date, therefore benefiting from the infrastructure without contributing earlier on.

Our feedback

The profile of the general and life insurance firms that have indicated they will use an internal model reflects our assumption that approximately twice as many general than life insurers intend to use IMAP. For instance, if the two fee-blocks were aggregated into a single block and the top 200 firms were selected from this new list, 79 life firms and 121 non-life firms would have been selected. An even split of the largest 100 firms in each fee-block would result in a significant disparity, with the smallest life firm in scope being much smaller than the smallest non-life firm. Hence, the split of the 125 largest general insurers and the 75 largest life firms includes firms from each fee-block above a certain threshold size.¹⁶

We have considered the issues raised carefully and understand there are issues relating to the IMAP SPF that need to be addressed, especially concerning firms who are currently suggesting they do not intend to use an internal model. We can not change how the IMAP population of firms are identified for 2010/11. Doing so would require us to consult further, as a change may adversely affect other firms who are content with the current approach. For 2010/2011, we intend to charge the IMAP SPF on the basis on which we consulted. We will review the methodology for charging the IMAP SPF in 2011/2012 as we become clearer about who intends to use an internal model, and consult on any new proposal as part of our annual fee consultation process.

Consultation responses

A further concern raised by firms was the large increase in the fee, from £3.2m for the period 2009/10 to £13m for 2010/11, and that funds being raised through the SPF are being specifically allocated to Solvency II project work.

16 The threshold size was determined by applying the IMAP criteria as set out in CP10/5 Regulatory fees and levies – Rates proposals 2010/11 and feedback statement on Part 1 of CP09/26, Chapter 14, paragraph 14.10

Our feedback

The increase in fee reflects the increased IMAP activity, including:

- the recently completed pilot and thematic work;
- the Pre-Application Qualifying Criteria (PAQC) template and process; and
- the pre-application process itself.

We are increasing resources considerably to deliver the heightened activity and effort required for Solvency II. We will continue to track resource effort as part of the strict process and control to manage our budgets.

Non-IMAP SPF

- 17.6 We also propose to continue using an SPF to recover other Solvency II Directive implementation costs. These costs cover continued non-IMAP work on putting in place the processes and staff necessary to enable us to successfully implement the Solvency II Directive. These costs were estimated to amount to £16m for 2010/11 and apply to all firms in fee-blocks A.3 (Insurers – general), A.4 (Insurers – life) and A.6 (The Society of Lloyd’s) that fall within the Solvency II Directive’s scope.
- 17.7 The question we consulted on for this proposal in CP10/5 was:

Q10: Do you have any comments on the proposed non-IMAP SPF for the period 2010/11?

Consultation responses

Nine respondents commented on the proposals for the non-IMAP SPF. While most respondents broadly supported continuing to use the non-IMAP SPF in this way, two disagreed with our approach to charging a special project fee for implementing Solvency II.

Their main concern was the increase in costs from £4.2m to £16m. There was some call for greater transparency, with a more detailed breakdown of costs covered by the non-IMAP SPF.

Our feedback

In CP10/5 we gave a broad indication of the areas of resource commitments for the non-IMAP SPF. Given the step change in activity in 2010/2011 and industry feedback, we have brought forward our recruitment plans. As firms are aware, the cost of specialist resource can be very high and we have incorporated this into our budget. We are also training our staff to equip them with the skills and knowledge to work closely with firms to support the implementation of Solvency II. We will be focusing on firms' implementation plans and we need sufficient resources so we can be flexible.

As we understand more about the policy, we are building the supervisory framework and the systems that will be required to support Solvency II. We are considering the requirements at the earliest opportunity so we can forewarn firms of what they will require from a systems perspective. We are also increasing our communications with firms, which will include workshops, e.g. to provide information and support to firms for the fifth Quantitative Impact Study (QIS5) exercise.

The changing policy landscape has meant that we have had to build some contingency into our budgets. Should there be an under spend of at least 20% of the non-IMAP budget we will look to reimburse firms.

Error in Handbook: Criteria for exempting firms from non-IMAP SPF

(FEES 4, Anne 2, Part 5)

- 17.8 We identified an error in drafting the rule which exempts firms from the non-IMAP SPF. Article 4 of the Solvency II Directive exempts firms if they meet several conditions. In CP09/7 (paragraph 10.14), we stated our intention to follow the Directive by subjecting all insurers to the non-IMAP SPF unless they fall within one of a number of exemptions.

17.9 Unfortunately, due to an error in the drafting of our rule, FEES 4 Annex 2, Part 5 did not reflect the Directive or what we stated in the CP. The drafting error combined two of the conditions – sections (c) and (d) – which are set out in our rules with the effect of exempting from fees firms with income under €5m but technical provisions over €25m; even though it was in the Directive’s scope and within the definition we consulted on in CP09/7. The amendment will bring the rule into line with the Directive and with our original intention of separating this provision into two conditions by ‘or’. Therefore, as set out below:

‘(c) it meets either of the following conditions:

- (i) its gross premium income or adjusted gross premium or adjusted gross premium income, as appropriate, referred to in FEES 4 Annex 1R Part 2, exceeds EUR 5 million at the end of the financial year ended in the calendar year ending 31 December prior to the FSA financial year; or
- (ii) its gross technical liabilities or mathematical reserves, as appropriate, referred to in FEES 4 Annex 2, Part 2 exceed EUR 25 million at the end of the financial year ended in the calendar year ending 31 December prior to the FSA financial year’.

17.10 The question we consulted on in CP10/5 was:

Q:11 Do you agree that our proposed amendments to FEES 4 Annex 2, Part 5 reflect the criteria set out in paragraph 14.23 of this CP and the requirements of the Solvency II Directive?

Consultation responses

All four respondents supported the proposal.

Our feedback

We have implemented these proposals as set out in CP10/5, chapter 14.

18 Passporting – discounts for EEA and Treaty firms with branches in the UK

(FEES 4 Annex 2, Part 3; FEES 4 Annex 11, Part 7- see Appendix 1)

- 18.1 In Chapter 15 of CP10/5, we included proposals to change the level of discounts applied to incoming European Economic Area (EEA) and Treaty firms, with established branches in the UK in the A.1 and A.3 fee-blocks and to introduce such discounts for incoming payment services providers in fee-blocks G.2 and G.3. These proposals do not include levies for the Financial Ombudsman Service (FOS) or the Financial Services Compensation Scheme (FSCS), but have been incorporated into the new Consumer Financial Education Body (CFEB) levy.
- 18.2 We discount the periodic fees for inward-passporting EEA and treaty firm branches to reflect the limited role undertaken under the sectoral directives to the host state. These discounts have been in effect since the Financial Services and Markets Act 2000 (FSMA) came into force. We do not charge any fees for incoming firms providing cross-border services in the UK.
- 18.3 Our responsibilities towards inward-passporting branches are outlined in FSMA and the relevant directives. FSMA has been amended since it was introduced in 2000, when the current fees arrangements for incoming firms were set, to take account of directives that have expanded the scope of the activities which can be passported.

Passporting discounts for firms in the 'A' fee-blocks

- 18.4 The levels of discount to the periodic fees vary by fee-block. Table 18.1 sets out those that applied to the 'A' fee-blocks when we published CP10/05:

Table 18.1 – Historic passporting discounts in the ‘A’ fee-blocks

Fee-block		Discount (%)
A.1	Deposit acceptors	80
A.3	Insurers – general	100
A.4	Insurers – life	25
A.7	Fund managers	5
A.9	Operators, trustees & depositaries of CIS, personal/ stakeholder pensions	5
A.10	Firms dealing as principal	10
A.12/A.13	Advisors, arrangers, dealers, brokers	10
A.19	Intermediaries – general insurance	10

- 18.5 Over the last two years, we have devoted considerable, and increasing, resources to managing and supervising inward passporting branches of banks (fee-block A.1) and general insurers (fee-block A.3). We anticipate that we will continue to devote proportionately increased resources to these branches as we return to business as usual following the financial crisis, with our focus on more intensive supervision generally and our forward looking approach to, and appetite for, risk.
- 18.6 The historical discounts afforded to these passporting branches are therefore no longer proportionate to the work that we do, and the work associated with them may be cross-subsidised by other UK-authorized firms.
- 18.7 We explained in CP10/05 that we considered the variable fee discounts for other inward-passporting EEA and Treaty firms to be at a reasonable level. While continuing to keep them under review, we did not propose to make any changes at this time. We also planned to keep our approach to firms operating on a services basis the same. The directives which affect firms falling into fee-blocks A.1 and A.3 in this context are the Banking Consolidation Directive and the 3rd Non-Life Directive.

Fee-block A1 – deposit acceptors

- 18.8 CP10/05 provides details of the increased resources we have had to devote to the management and supervision of branches falling into fee-block A.1, especially in the last two years and to high-impact branches where the resources accorded to supervision, in the areas for which we are responsible, are broadly comparable to those used in the full ‘close and continuous’ supervision activities of similar non-passporting firms. We estimated that the resources accorded to the branches falling into fee-block A.1 have increased by up to 500% since the financial year 2007/08.
- 18.9 Our supervisory responsibilities for inward-passporting deposit taking branches cover assessing branch liquidity, consideration of global liquidity concessions, conduct of business and financial crime. We also spend a considerable amount of time liaising with home state supervisors in relation to prudential supervision and other matters for which there is a directive requirement for cooperation, coordination and joint decision making. We may also have to spend time gathering information in order to decide whether it is appropriate to exercise our powers of intervention. If the risks associated with inward-passporting branches crystallise

– as was the case with the Icelandic bank failures, for example – the pressure on our resources becomes intense. The previous discount did not properly reflect the resourcing needed to meet our supervisory responsibilities

Fee-block A.3 – general insurers

- 18.10 The management and supervision of branches that fall into fee-block A.3 are comparatively less resource intensive because our mandate is more limited. Nevertheless, a discount of 100% on the variable periodic fees, meaning that branches in this fee-block currently pay no fee, is not proportionate to the time and resources that we commit to them.
- 18.11 We are responsible for conduct of business and financial crime, and these are more tightly supervised than in the past. We may also liaise with home state supervisors with respect to liquidity and prudential matters where we have concerns about these, and this can be time consuming. Where firms are perceived to be at risk, we spend a material amount of time quantifying, and mitigating against, that risk.
- 18.12 In the event of the risks associated with these inward-passporting branches crystallising, as has been the case with certain insurance branches during the period of instability created by the financial crisis, the pressure on our resources becomes even more intense and the current variable periodic fee discount does not reflect the impact on our resources.
- 18.13 In broad terms, the resources that we accord to the branches falling into fee-block A.3 have increased by over 100% for many firms since the financial year 2007/08. Where individual branches have encountered specific difficulties in the areas for which we have responsibility, for example, liquidity, this has risen by over 500% during the period in which we have had to deal with the consequences of this.
- 18.14 Moreover, as with branches falling into fee-block A.1, our more intensive supervision model means that resources will continue to be more heavily used in a ‘business as usual’ environment.

Proposal on ‘A’ fee-blocks

- 18.15 We therefore proposed in CP10/05 to reduce the discounts offered to inward passporting branches in fee-blocks A.1 and A.3 to make the fees more proportionate to the work that we do in relation to them. We are reducing the discount by a flat rate to be applied proportionately to branches of varying sizes. These discounts apply to the rates as modified by the bandings introduced by the strategic review of fees. They do not differentiate between retail and wholesale branches falling into either fee block.
- 18.16 We proposed to reduce the discounts to the following levels:
- Fee-block A.1: deposit acceptors: 50%
 - Fee-block A.3: insurers – general: 90%

18.17 The questions on which we consulted were:

Q12: Do you agree with our proposal to reduce the discount offered on the variable periodic fees charged to inward-passporting EEA and Treaty firms in fee-block A.1 from 80% to 50%?

Q13: Do you agree with our proposal to reduce the discount offered on the variable periodic fees charged to inward-passporting EEA and Treaty firms in fee-block A.3 from 100% to 90%?

Consultation responses

There were six substantive responses to the question about fee-block A.1 in the CP (Q12) and five to the question about fee-block A.3 (Q13), with none raising any objections to our proposals.

Several respondents took the opportunity to present their views on passporting fees in general, questioning whether we are offering too great a discount on fees simply on the basis that firms are passporting into the UK and whether the discounts offered truly reflect the level of regulatory risk and costs.

Another respondent said that we should be seeking to enhance the quality of supervision (by improving the quality and understanding of front-line supervisors) and not just their numbers.

Our feedback

We are grateful for the comments we received. We are satisfied that the amended fees properly reflect our supervisory responsibilities as host supervisor and the resources we need to apply in carrying these out. We have already taken steps to improve the quality of supervision, through the Supervisory Enhancement Programme, where we continue to make the necessary improvements to our organisational effectiveness, ensuring we are staffed by the right people, in the right jobs, with the right infrastructure. And, as stated in CP10/05, we are devoting proportionately increasing resources to the management and intensive supervision generally of inward passporting firms.

We are satisfied too that the levels of discount offered to passporting firms are commensurate with the resources that we deploy to supervise them.

We are therefore implementing our proposals in Chapter 15 of CP10/05 unchanged.

Payment Services Directive (PSD) – authorised payment institutions (PIs)

(FEES 4 Annex 11, Part 7 – see Appendix 1)

18.18 In CP10/05, we proposed a discount of 40% on the UK payment services activities of incoming EEA authorised Payment Institutions (PIs), using the same tariff base as UK-authorised PIs. These firms fall into fee-block G.2 if they are deposit takers

already paying fees under fee-block A.1 or into G.3 if they are large PIs. This applies to inward-passporting PIs providing payment services from establishments in the UK, not to those providing cross-border services from establishments outside the UK.

- 18.19 The discount reflects our limited role as host state competent authority. Prudential supervision of inward-passporting firms is the responsibility of the home state competent authority. We are responsible for regulating the Conduct of Business (COB) of all PIs providing payment services from establishments in the UK, including those passporting in. As well as direct supervision, our costs will cover dealing with and analysing regulatory returns and exchanging information about passporting firms with competent authorities in other member states. In addition, passporting firms will, like UK-authorized firms, benefit from the services of our Customer Contact Centre.
- 18.20 Since payment services activities were only brought into the scope of our regulation on 1 November 2009, we had less than six months' experience on which to base our estimates. But we considered that, taken together, these various activities were likely to account for around 60% of the resources we put into regulating the payment services activities of UK-authorized firms.
- 18.21 The question on which we consulted was:
- Q: Do you agree with our proposal to offer a discount of 40% on the variable periodic fees charged to inward-passporting EEA fee-paying payment institutions in fee-blocks G.2 and G.3?

Consultation responses

We received four substantive responses to this question. One supported the proposal. Two questioned why the discount was so large, and the last simply said 'No.'

Our feedback

As we explained in the CP, we have little information from which to estimate the resources inward-passporting PIs will demand from us. A 40% discount still seems a realistic allowance for the prudential supervision which we are not undertaking for them and so we have decided not to change our proposal for the coming year. We have noted the comments received and will keep the position under review as we gain practical experience of supervising these firms.

19 Recovering IS development costs for the Alternative Instrument Identifier (Aii) code

(FEES 4 Annex 9 – see Appendix 1)

19.1 In CP10/05, we presented two technical amendments to our Fees Manual (FEES) FEES 4 Annex 9. This sets out the tariff base for fee-block A.20, which was created to recover the additional IS development costs of enhancing our market surveillance system. These allow the system to accept on-exchange derivative transaction reports identified using the Alternative Instrument Identifier (Aii) code. Fee-block A.20 sets an additional levy for firms within the following fee-blocks:

- A.10: firms dealing as principal;
- A.12: advisers, arrangers, dealers and brokers able to hold and/or control client money/assets;
- A.13: advisers, arrangers, dealers and brokers unable to hold and/or control client money/assets; and
- B: UK exchanges.

19.2 Our proposals covered:

- feedback on a policy clarification that we had issued in CP09/26 about the definition of the term ‘contract;’ and
- a further proposal to correct a drafting error we had subsequently identified relating to the term, ‘securities derivatives’, and to introduce a new glossary definition.

Definition of contracts

19.3 FEES 4 Annex 9 states that the fees for firms in Annex 20 will be calculated on ‘relevant contracts,’ defined as ‘all transactions entered into by firms’. Some firms had suggested that this conflicted with our invoices, which refer to the ‘number of contracts entered into’. They argued that a transaction consists of a bundle of contracts and so the rule implied a smaller figure than the invoices, yielding lower fees.

- 19.4 In CP09/26, we explained that we did not agree with this interpretation. We believed we had from the outset made it clear that we intended the definition of ‘relevant contracts’ to refer to the contracts themselves, and not the transactions into which they were bundled. The Inter-Dealer Brokers (IDBs) who originally raised the objections confirmed through consultation that they remained unconvinced. We in turn restated our arguments in our feedback in CP10/05.
- 19.5 While acknowledging important concerns about the impact of these fees on IDBs, we still considered that our current method of apportionment was generally representative of the total activity undertaken by each firm in Aii instruments. However, the responses we received indicated that, whatever our intentions, the rule as presently drafted did not state the position as clearly as it should. We proposed to redraft the clarification statement in Annex 9 Part 1 as set out in paragraph 19.8 below.

Definition of securities derivatives

- 19.6 In the course of reviewing Annex 9, we identified a drafting error. The rule refers to ‘securitised’ derivatives, whereas it should refer to ‘securities’ derivatives. A securities derivative is a derivative instrument admitted to trading on a regulated or prescribed market, the value of which is dependent on an underlying equity or debt instrument, or an index/basket of equity or debt instruments. We referred consistently to securities instruments when we consulted through CP07/19 and CP08/2 and implemented our proposals through our policy statement, PS08/5. A ‘securitised derivative’ is an option or contract for differences listed under the listing rules. While some securitised derivatives may well be traded within securities derivatives, they do not form the tariff-base for this fee-block and were never mentioned in the relevant passages of our CPs and PS.
- 19.7 We accordingly proposed to amend the references within Annex 9 and add ‘securities derivatives’ to the FSA Handbook glossary.

Questions for consultation

- 19.8 On the basis of the feedback to our policy clarification, and our further review of the rule, we decided that the clarification statement should be amended as follows and formally inserted into the rule as a Guidance Note:

For the purposes of this Annex a relevant contract is any contract entered into on or settled by firms on or through LIFFE or Eurex Clearing AG in securities derivatives, and the “relevant period” is 1 January 2009 to 31 December 2009 inclusive.

- 19.9 The question on which we consulted was:

Q15: Do you agree that the amendments we propose to insert into FEES 4 Annex 9 make our definition of the tariff base clear and unambiguous?

Consultation responses

We received only three responses on the first question, two of which were from firms not directly involved in trading securities derivatives and who felt the definitions should be further clarified. The third respondent, a trade body, supported the redrafting because it *'removes the previous ambiguity.'*

Our feedback

Since the only respondent directly affected by our draft guidance considered we had removed the ambiguity, we have not revised it. It is a difficult technical area and there is always room for improvement, so if we do find that firms still appear to misinterpret it, we will review it again.

Using a tariff base of 'contracts', whilst not universally accepted, has broad support in the marketplace. Should an alternative basis become available we will consider its merits.

- 19.10 Our change to the Guidance required us to add 'securities derivative' to the glossary, and so we proposed the following definition:

'Securities derivative': a derivative instrument admitted to trading on a regulated market or prescribed market, the value of which is dependent on an underlying equity or debt instrument, or an index/basket of equity or debt instruments.

- 19.11 The question on which we consulted was:

Q16: Do you agree with our proposed glossary definition of securities derivative?

Consultation responses

There were just two responses, both from bodies familiar with the markets. Both agreed with our definition of securities derivatives.

Our feedback

Since our glossary definition was supported, it remains unchanged.

20 Reclaim funds

(FEES 4 Annex 2, Part 1- see Appendix 1)

- 20.1 In CP10/5 (Chapter 17), we set out our proposals for recovering the set-up costs relating to the establishment of the reclaim fund regulatory regime. Reclaim funds are institutions to which banks and building societies can transfer funds from dormant accounts, as defined by the Dormant Bank and Building Society Accounts Act 2008. The reclaim fund will then assume the liability for repaying the customers whose funds have been transferred. Since August 2009, reclaim funds have been authorised and regulated by us.
- 20.2 In CP10/5, we explained the total cost incurred by us in arranging the authorisation process and preparations for regulating reclaim funds post-authorisation is approximately £170,000. We proposed that banks and building societies in the A.1 fee-block (Deposit acceptors), who will be able to transfer deposits to a reclaim fund, as well as reclaim funds themselves should contribute to the recovery of the set-up costs for this regime.
- 20.3 We also proposed to exclude e-money issuers and credit unions from the population of the A.1 fee-block contributing to the set-up costs, as they are not eligible to participate in the reclaim funds scheme.
- 20.4 The question on which we consulted was:

Q17 : Do you agree with our proposals for recovering the costs of setting up the regulatory regime for reclaim funds?

Consultation responses

Three respondents commented on this proposal, of which two agreed fully with the proposal. The other respondent was generally supportive of the proposal but was concerned that this was an additional cost to be picked up by the banks and building society sector, and sought clarification on how bank and building societies can potentially benefit from the establishment of reclaim funds

Our feedback

The recovery of our set-up costs is based on the population that is eligible to participate in the scheme. Potential benefits of participating in the scheme will be a matter for individual banks or building societies to consider. We have implemented the proposal as set out in CP10/5.

Financial Ombudsman Service general levy 2010/11

21 Financial Ombudsman Service general levy 2010/11

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(FEES 5 Annex 1 – see Appendix 1)

- 21.1 In Chapter 19 of Consultation Paper (CP) 10/5, we consulted on the Financial Ombudsman Service (FOS) general levy for 2010/11.
- 21.2 The FOS general levy is based on its annual budget, which we approve. The FOS annual budget of £113.7m for 2010/11 was approved by our Board in March 2010.
- 21.3 The annual budget for 2010/11 is a 23% increase on the 2009/10 budget of £92.8m. The increase is primarily driven by the need to resolve a significantly higher number of cases in 2010/11 than in previous years. The FOS aims to resolve 210,000 cases in 2010/11 compared to around 166,000 in 2009/10. The higher number is driven by two main factors:
- an expectation that the number of new complaints will continue to rise in 2010/11; and
 - reducing the waiting time that consumers can experience before their complaint is allocated to an adjudicator.

General levy/case fee split 2010/11

- 21.4 The FOS is funded by a combination of annual fees (the general levy) and case fees. All authorised firms pay a general levy, even if they have not had any cases referred to the FOS, unless they have notified us that they are exempt.¹⁷ The case fees are paid by firms that have cases referred to the FOS.
- 21.5 The budget increase for 2010/11 will be funded through the fees from a higher number of cases, estimated at 190,000 new cases for 2010/11 compared with 163,00 new cases in 2009/10. There will be no change to the case fee (£500) or number of free cases (three) for 2010/11.

¹⁷ Under DISP1.1.12R, a firm or payment service provider falling within the compulsory jurisdiction which does not conduct business with eligible complainants and has no reasonable likelihood of doing so, can, by written notification to the FSA, claim exemption from the rules relating to the funding of the Financial Ombudsman Service.

- 21.6 The general levy for 2010/11 will remain at £19.5m (£17.7m excluding consumer credit jurisdiction fees¹⁸). This represents 17% of the FOS's total budget for 2010/11 compared with 21% in 2009/10. This means that the firms generating complaints will pay a greater proportion of the FOS's costs than the firms which generate few or no complaints.
- 21.7 In Discussion Paper (DP)06/2, '*Financial Ombudsman Service Compulsory Jurisdiction: Funding Review*', we and the FOS asked for respondents' views on the balance between the general levy and case fees in funding the FOS.¹⁹ There was a general consensus that a higher proportion of funding should come from case fees. The reduction in the proportion of the FOS's budget coming from the general levy is consistent with this.

FOS general levy categories

- 21.8 The FOS categorises firms into three groups for the purposes of paying the general levy: the compulsory jurisdiction; voluntary jurisdiction; and consumer credit jurisdiction.²⁰ The total budget for 2010/11 divided between jurisdictions is as follows:

Table 21.1: Division of FOS 2010/11 budget across jurisdictions

	£m	%
Compulsory jurisdiction (CJ)	111.3	97.9
Voluntary jurisdiction (VJ)	0.6	0.5
Consumer credit jurisdiction (CCJ)	1.8	1.6
Total	113.7	100.0

FOS consultation

- 21.9 The FOS consulted separately on its 2010/11 total budget, general levy and case fees in January 2010 as part of its corporate plan and budget. These were agreed by the FOS Board and approved by our Board in March 2010. Details of the FOS's consultation are available on its website:
http://www.financial-ombudsman.org.uk/news/updates/corporate_plan_and_10-11-approved.html

FSA consultation

- 21.10 In CP10/5, we consulted on the question:

Q19: Do you have any comments on the proposed 2010/11
FOS general levy rates?

18 Consumer credit jurisdiction (CCJ) fees are collected by the Office of Fair Trading (OFT). Where a business is licensed by the OFT but is not authorised by the FSA, all complaints about its consumer credit activities would be handled under the CCJ. However, businesses regulated by the FSA would not be required to pay levies and/or fees under both the (compulsory jurisdiction) CJ and the CCJ.

19 http://www.fsa.gov.uk/pubs/discussion/dp06_02.pdf

20 All businesses licensed by the Office of Fair Trading (OFT) under the *Consumer Credit Act* would in principle belong to the Credit Consumer Jurisdiction (CCJ). They would be covered for all the consumer credit activities they carry out, including those currently excluded from the Compulsory Jurisdiction (CJ).

21.11 We received 16 responses to this question. We summarise below the responses received and our feedback under the three areas focussed on by respondents:

- total amount of the general levy and case fees;
- proposed levy rates for individual industry blocks; and
- budget forecasting.

Total amount of the general levy and case fees

Consultation responses

All respondents that expressed a view supported the total general levy and the case fee staying the same as in 2009/10. They also welcomed the increase in the proportion of FOS revenue that would come from case fees. One respondent said that the whole of the FOS budget should be covered by case fees. Several respondents welcomed the fact that firms did not have to pay a case fee for the first three cases in each year, but two others objected to the fact that networks only received three free cases to cover all the appointed representatives in the network. Two respondents suggested that case fees should not be charged where a complaint was not upheld. One respondent welcomed the recent commitment by the FOS to reduce unit costs and another welcomed the planned National Audit Office review of the FOS.

Our feedback

The total general levy and the case fee were not part of the consultation in CP10/5. They were approved by our Board in March 2010.

The existence of the general levy allows the FOS to maintain its base cost in the face of a fluctuating caseload. In DP06/2, we and the FOS asked for respondents' views on the balance between the general levy and case fees in funding the FOS. Although there was a general consensus that a higher proportion of funding should come from case fees at the time, there was no consensus that the FOS should be funded by case fees alone.

We note that the question of whether regulated network firms should be treated in the same way as other regulated firms for the purposes of FOS fees and levies was also discussed in DP06/2. Most respondents were not in favour of treating regulated network firms differently from other regulated firms, and networks themselves were divided over the issue. We do not propose to make a change.

The Financial Services and Markets Act 2000 (FSMA) provides that the compulsory jurisdiction of FOS should be funded by authorised persons and not by complainants. If the FOS only received a case fee when it upheld a complaint, it would not be considered an independent and unbiased service.

Proposed levy rates for individual industry blocks

Consultation responses

Two respondents representing the general insurance intermediation sector objected to the proposed increase in the minimum levy and tariff rate for block 17 (General insurance mediation). They raised concerns that the total raised from this block would be disproportionate to the size of the sector; that the increase was unfair for firms that had not sold Payment Protection Insurance (PPI); that the proposed arrangement would create an uneven playing field between smaller and larger firms; and that it was not clear how the figures had been reached. Apart from one comment that the levies paid by Independent Financial Advisers (IFAs) were disproportionate to the costs they created for the FOS, there was support for – or agreement with – the proposed rates for the other industry blocks.

Our feedback

The allocation of the general levy across industry blocks proposed in the CP was based on the FOS's best estimates of the number of staff required to deal with the volume of cases it expects to receive from firms within each block in 2010/11. The increase in the proportion of the general levy allocated to block 17 reflects a high number of cases relating to general insurance mediation forecast in the FOS's 2010/11 budget, most of which are expected to relate to PPI. Although we accept that some firms will see a large increase in their levy despite not many cases against them having been referred to the FOS, this comes about because of the need to divide firms into a limited number of industry blocks.

The allocation for blocks 8 and 9, which relate to IFAs, were also calculated from the FOS's best estimates of the number of cases expected from these blocks.

The minimum levies and tariff rates for individual industry blocks indicated in CP10/5 were based on the most accurate estimate of firms allocated to individual blocks available at the time. Since consultation block populations have been confirmed with movements occurring in some blocks. As a result of this, it has been necessary to make some changes to the minimum levy and tariff rates in individual blocks. The result of these changes is that the total contribution for each block will be similar to that consulted on, but firms in four blocks will need to pay different levies. The changes are listed below:

- The tariff rate for block 2 (General insurers) will be £0.108 compared to the rate indicated in CP10/5 of £0.103. We expect that 56% of firms in this block will still only pay the minimum levy of £100.
- The tariff rate for block 4 (Life insurers) will rise to £0.033 compared to a rate indicated in CP10.5 of £0.025. We expect that 39% of firms in this block will still only pay the minimum levy of £100.
- The flat fee for block 16 (Home finance providers, advisers and arrangers) will rise to £90 compared to a flat fee proposed in CP10/5 of £70.

- The tariff rate for block 17 (General insurance mediation) will rise to 0.31, compared to a rate indicated in CP10/5 of £0.25. We expect that 83% of firms in this block will only pay the minimum levy of £85.

Annex 7 shows the final minimum levies and tariff rates for each block. Those blocks in which the minimum levy or tariff rate has changed from the minimum levies and tariff rates indicated in CP10/5 are shown in bold.

Budget forecasting

Consultation responses

One respondent commented that the FOS's budget forecast was not sufficiently precise or transparent.

Our feedback

The FOS's budget forecasting is a matter for its Board. As the FOS noted in its feedback to the Plan and Budget, it is not possible to forecast its caseload to a high degree of accuracy. However, the FOS does analyse trends in complaints and discuss with larger businesses the likely range of future complaints numbers.

Annexes

- 1 Rules and guidance on fees
- 2 Fee-blocks and tariff bases
- 3 Administrative aspects of periodic fees
- 4 Financial penalty schemes
- 5 Special project fees case studies
- 6 Fees consultations
- 7 Financial Ombudsman Service general levy – 2010/11 overview
- 8 List of non-confidential respondents to CP10/5

Rules and guidance on fees

Legal powers

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 below sets out where the provisions can be found in FSMA:

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

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

The table overleaf shows the organisation of rules and guidance in the Fees manual (FEES) in the FSA Handbook.

You can access our Handbook on our website at: <http://www.fsa.gov.uk/handbook>.

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
Annex 9R	Special Project Fee for restructuring
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 2010 to 31 March 2011
Annex 3R	Transaction reporting fees
Annex 4R	Periodic fees in relation to collective investment schemes payable for the period 1 April 2010 to 31 March 2011
Annex 5R	Periodic fees for designated professional bodies payable in relation to the period 1 April 2010 to 31 March 2011
Annex 6R	Periodic fees for recognised investment exchanges and recognised clearing houses payable in relation to the period 1 April 2010 to 31 March 2011
Annex 7R	Periodic fees in relation to the Listing Rules for the period 1 April 2010 to 31 March 2011
Annex 8R	Periodic fees in relation to the disclosure rules and transparency rules for the period 1 April 2010 to 31 March 2011
Annex 9R	Periodic fees in respect of securities derivatives for the period from 1 April 2010 to 31 March 2011
Annex 10R	Periodic fees for MTF operators payable in relation to the period 1 April 2010 to 31 March 2011
Annex 11R	Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations in relation to the period 1 April 2010 to 31 March 2011
FEES 5	Financial Ombudsman Service Funding
Annex 1R	Annual Fees Payable in Relation to 2010/11
FEES 6	Financial Services Compensation Scheme Funding
Annex 1R	Management Expenses Levy Limit
FEES 7	Consumer Financial Education Body
Annex 1R	CFEB levies for the period from 1 April 2010 to 31 March 2011

Note:

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

Fee-blocks and tariff bases

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
A.0 Minimum periodic fee	it also falls into one of the other 'A' sub-set fee-blocks below except if it only falls in A.6 or A.20.	Not applicable. <i>This fee-block recovers certain minimum regulatory costs which make up the minimum periodic fee per applicable firm. For 2010/11 the minimum fee was £1,000.</i>
A.1 Deposit acceptors	its permission includes <i>accepting deposits or issuing e-money</i> ; BUT DOES NOT include either of the following: <ul style="list-style-type: none"> • <i>effecting contracts of insurance</i>; • <i>carrying out contracts of insurance</i>. 	MODIFIED ELIGIBLE LIABILITIES For banks: Modified eligible liabilities (MELs), valued at: <ul style="list-style-type: none"> • for a firm which reports monthly, the average of the MELs for October, November and December; • for a firm which reports quarterly, the MELs for December. For e-money issuers: MELs, valued at the end of the financial year ended in the calendar year ending 31 December. For credit unions: MELs, valued at December or as disclosed by the most recent annual return made prior to that date. For building societies: MELs, valued at the average of the MELs for October, November and December.
A.2 Home finance providers and administrators	<ul style="list-style-type: none"> • its permission includes one or more of the following: <ul style="list-style-type: none"> • <i>entering into a home finance transaction</i> or • <i>administering a home finance transaction</i> or • <i>agreeing to carry on a regulated activity</i> which is within either of the above. 	NUMBER OF MORTGAGES OR OTHER HOME FINANCE TRANSACTIONS ENTERED INTO AND ADMINISTERED The number of new mortgage contracts, <i>home purchase plans</i> or <i>home reversion plans</i> entered into in the twelve months ending 31 December; and the number of mortgage contracts, <i>home purchase plans</i> or <i>home reversion plans</i> being administered on 31 December, multiplied by 0.05 for mortgage outsourcing firms or other home finance outsourcing firms and by 0.5 for all other firms.

Italicised words have the same meaning as per the FSA Handbook

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
A.3 Insurers – general	<p>its <i>permission</i> includes one or more of the following:</p> <ul style="list-style-type: none"> • <i>effecting contracts of insurance;</i> (1) <i>carrying out contracts of insurance;</i> in respect of <i>specified investments</i> that are: <ul style="list-style-type: none"> • <i>general insurance contracts;</i> or • <i>long-term insurance contracts</i> other than <i>life-policies</i>. 	<p>GROSS PREMIUM INCOME AND GROSS TECHNICAL LIABILITIES</p> <p>Annual gross premium income, for the financial year ended in the calendar year ending 31 December.</p> <p>AND</p> <p>Gross technical liabilities valued at the end of the financial year ended in the calendar year ending 31 December.</p>
A.4 Insurers – life	<p>its <i>permission</i> includes one or more of:</p> <ul style="list-style-type: none"> • <i>effecting contracts of insurance;</i> • <i>carrying out contracts of insurance;</i> in respect of <i>specified investments</i> including <i>life policies;</i> • <i>entering as provider into a funeral plan contract.</i> 	<p>ADJUSTED GROSS PREMIUM INCOME AND MATHEMATICAL RESERVES</p> <p>Adjusted gross <i>premium</i> income, for the financial year ended in the calendar year ending 31 December.</p> <p>AND</p> <p>Mathematical reserves valued at the end of the financial year ended in the calendar year ending 31 December.</p>
A.5 Managing agents at Lloyd's	<p>its <i>permission</i> includes <i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's</i>.</p>	<p>ACTIVE CAPACITY</p> <p>Active capacity, in respect of the Underwriting Year which is current at the beginning of the period to which the fee relates.</p>
A.6 The Society of Lloyd's	<p>It is the <i>Society of Lloyd's</i>.</p>	<p>Not applicable.</p>
<p><i>Note for authorised professional firms:</i></p> <p>Generally, for fee-blocks A.7 to A.19 below, only those <i>regulated activities</i> that are not limited to non-mainstream regulated activities should be taken into account in determining which fee-block(s) fee payers belong to for the purpose of charging periodic fees.</p> <p>However, in the case that all the <i>regulated activities</i> within a <i>firm's permission</i> are limited to <i>non-mainstream regulated activities</i>, then that <i>firm</i> will be allocated to fee-block A.13 alone.</p> <p>This does not prevent a fee being payable by an <i>authorised professional firm</i> under FEES 3.2.7R (p) where it applies to vary its <i>Part IV permission</i> such that it would normally be allocated to fee-block(s) other than A.13 if the variation was granted.</p>		

Italicised words have the same meaning as per the FSA Handbook

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
A.7 Fund managers	<p>its permission includes <i>managing investments</i>;</p> <p>OR</p> <p>(2) its permission includes ONLY either one or both of:</p> <ul style="list-style-type: none"> • <i>safeguarding and administering of investments (without arranging)</i>; and • <i>arranging safeguarding and administration of assets</i>; <p>OR</p> <p>(3) the <i>firm</i> is a <i>venture capital firm</i>.</p> <p>Class (1) firms are subdivided into three classes:</p> <ul style="list-style-type: none"> • class (1)A, where the funds managed by the firm belong to one or more <i>occupational pension schemes</i>; • class (1)B, where: <ul style="list-style-type: none"> (a) the <i>firm</i> is not a class (1)A <i>firm</i>; and (b) the <i>firm's</i> permission includes NEITHER of the following: <ul style="list-style-type: none"> • <i>safeguarding and administering of investments (without arranging)</i>; • <i>arranging safeguarding and administration of assets</i>; and (c) the <i>firm</i> EITHER: <ul style="list-style-type: none"> • has a <i>requirement</i> that prohibits the firm from holding or controlling <i>client money</i>, or both; OR • if it does not have such a <i>requirement</i>, only holds or controls <i>client money</i> (or both), arising from an agreement under which <i>commission</i> is rebated to a <i>client</i>; • class (1)C, where the <i>firm</i> is not within class (1)A or class (1)B. 	<p>FUNDS UNDER MANAGEMENT</p> <p>Total funds under management, valued at 31 December.</p>
A.8	Not applicable.	Not applicable.

Italicised words have the same meaning as per the FSA Handbook

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
A.9 Operators, Trustees and Depositories of collective investment schemes and Operators of personal pension schemes or stakeholder pension schemes	<p>(1) its <i>permission</i>:</p> <p>(a) includes one or more of the following:</p> <ul style="list-style-type: none"> • <i>establishing, operating or winding up a regulated collective investment scheme;</i> • <i>establishing, operating or winding up an unregulated collective investment scheme;</i> • <i>acting as trustee of an authorised unit trust scheme;</i> • <i>acting as the depositary or sole director of an open-ended investment company;</i> • <i>establishing, operating or winding up a personal pension scheme or a stakeholder pension scheme (but only if the firm does not fall within activity group A.1 or A.4);</i> <p>AND</p> <p>(b) PROVIDED the firm is NOT one of the following:</p> <ul style="list-style-type: none"> • a <i>corporate finance advisory firm;</i> • a firm in which the above activities are limited to carrying out <i>corporate finance business;</i> • a <i>venture capital firm;</i> <p>OR</p> <p>(2) if the fee-payer has none of the <i>regulated activities</i> above within its <i>permission</i>, but ALL the remaining <i>regulated activities</i> in its <i>permission</i> are limited to carrying out trustee activities.</p>	<p>GROSS INCOME</p> <p>Annual gross income, valued at the most recent financial year ended before 31 December.</p>

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
A.10 Firms dealing as principal	<p>its <i>permission</i> includes <i>dealing in investments as principal</i>; BUT NOT if one or more of the following apply:</p> <ul style="list-style-type: none"> • the <i>firm</i> is acting exclusively as a matched principal broker; • the above activity is limited either to acting as an <i>operator of a collective investment scheme</i>, or to carrying out <i>trustee activities</i>; • the <i>firm</i> is a <i>corporate finance advisory firm</i>; • the above activity is otherwise limited to carrying out <i>corporate finance business</i>; • the <i>firm</i> is subject to a <i>limitation</i> to the effect that the <i>firm</i>, in carrying on this <i>regulated activity</i>, is limited to entering into transactions in a manner which, if the <i>firm</i> was an <i>unauthorised person</i>, would come within article 16 of the <i>Regulated Activities Order</i> (Dealing in contractually based investments); • the above activity is limited to not acting as a <i>market maker</i>; • the <i>firm</i> is an <i>oil market participant</i>, <i>energy market participant</i> or a <i>local</i>; • its <i>permission</i> includes either: <ul style="list-style-type: none"> – <i>effecting contracts of insurance</i>; or – <i>carrying out contracts of insurance</i>. <p>Not applicable.</p>	<p>NUMBER OF TRADERS Number of traders as at 31 December.</p>
A.11	Not applicable.	Not applicable.

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
<p>A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)</p>	<p>its permission:</p> <p>(a) includes one or more of the following, in relation to one or more <i>designated investments</i>:</p> <ul style="list-style-type: none"> • <i>dealing in investments as agent;</i> • <i>arranging (bringing about) deals in investments;</i> • <i>making arrangements with a view to transactions in investments;</i> • <i>dealing as principal in investments where the activity is carried on as a matched principal broker, oil market participant, energy market participant or local;</i> • <i>advising on investments (except pension transfers and pension opt-outs);</i> • <i>proving basic advice on a stakeholder product;</i> • <i>advising on pension transfers and pension opt-outs;</i> • <i>advising on syndicate participation at Lloyd's;</i> <p>BUT NONE of the following:</p> <ul style="list-style-type: none"> • <i>effecting contracts of insurance; or</i> • <i>carrying out contracts of insurance;</i> <p>AND</p> <p>(c) CAN HAVE one or more of the following:</p> <ul style="list-style-type: none"> • <i>safeguarding and administering of assets;</i> • <i>arranging safeguarding and administration of assets;</i> • the ability to hold or control <i>client money</i>, or both; • that is, there is no <i>requirement</i> which prohibits the <i>firm</i> from doing this; and • provided that the <i>client money</i> in question does not only arise from an agreement under which <i>commission</i> is rebated to a <i>client</i>; <p>AND</p> <p>(d) PROVIDED the fee-payer is NOT any of the following:</p> <ul style="list-style-type: none"> • a <i>corporate finance advisory firm</i>; • a <i>firm</i> for whom all of the applicable activities above are otherwise limited to carrying out <i>corporate finance business</i>; • a <i>firm</i> whose activities are limited to carrying out <i>venture capital business</i>; • a <i>firm</i> whose activities are limited to acting as an operator of a <i>regulated collective investment scheme</i>; • a <i>firm</i> whose activities are limited to carrying out <i>trustee</i> activities; • a <i>service company</i>. 	<p>APPROVED PERSONS</p> <p>Relevant <i>approved persons</i> as at 31 December.</p>

Italicised words have the same meaning as per the FSA Handbook

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
<p>A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)</p>	<p>(1) it is an <i>authorised professional firm</i> and ALL the <i>regulated activities</i> in its <i>permission</i> are limited to non-mainstream regulated activities;</p> <p>OR</p> <p>(2) its permission</p> <p>(a) includes one or more of the following, in relation to one or more <i>designated investments</i>:</p> <ul style="list-style-type: none"> • <i>dealing in investments as agent</i>; • <i>arranging (bringing about) deals in investments</i>; • <i>making arrangements with a view to transactions in investments</i>; • <i>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <i>oil market participant, energy market participant or local</i>; • <i>advising on investments (except pension transfers and pension opt-outs)</i>; • <i>providing basic advice on a stakeholder product</i>; • <i>advising on pension transfers and pension opt-outs</i>; • <i>advising on syndicate participation at Lloyd's</i>; <p>(b) BUT NONE of the following:</p> <ul style="list-style-type: none"> • <i>effecting contracts of insurance</i>; • <i>carrying out contracts of insurance</i>; • <i>safeguarding and administration of assets</i>; • <i>arranging safeguarding and administration of assets</i>; <p>AND</p> <p>(c) MUST EITHER:</p> <ul style="list-style-type: none"> • have a <i>requirement</i> that prohibits the <i>firm</i> from holding or controlling <i>client money</i>, or both; <p>OR</p> <ul style="list-style-type: none"> • if it does not have such a <i>requirement</i>, only holds or controls <i>client money</i> (or both), arising from an agreement under which <i>commission</i> is rebated to a <i>client</i>; <p>AND</p> <p>(d) PROVIDED the fee-payer is NOT any of the following:</p> <ul style="list-style-type: none"> • a <i>corporate finance advisory firm</i>; • a <i>firm</i> for whom all of the applicable activities above are otherwise limited to carrying out <i>corporate finance business</i>; • a <i>firm</i> whose activities are limited to carrying out <i>venture capital business</i>; • a <i>firm</i> whose activities are limited to acting as an <i>operator</i> of a <i>regulated collective investment scheme</i>; • a <i>firm</i> whose activities are limited to carrying out <i>trustee activities</i>; • a <i>service company</i>. 	<p>APPROVED PERSONS</p> <p>Relevant <i>approved persons</i> as at 31 December.</p>

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Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
A.14 Corporate finance advisers	the <i>firm</i> is carrying on <i>corporate finance business</i> PROVIDED the fee-payer is NOT a <i>venture capital firm</i> .	APPROVED PERSONS Relevant <i>approved persons</i> as at 31 December.
A.15	Not applicable.	Not applicable.
A.16	Not applicable	Not applicable
A.17	Not applicable.	Not applicable.
A.18 Home finance providers, advisers and arrangers	its <i>permission</i> includes a <i>regulated activity</i> within one or more of the following: <ul style="list-style-type: none"> • <i>entering into a home finance transaction</i>; or • <i>arranging (bringing about) a home finance transaction</i>; or • <i>making arrangements with a view to a home finance transaction</i>; or • <i>advising on a home finance transaction</i>; or • <i>agreeing to carry on a regulated activity</i> which is within any of the above. 	ANNUAL INCOME Annual income for the financial year ended in the calendar year ending 31 December.
A.19 General insurance mediation	its <i>permission</i> includes one or more of the following in relation to a <i>non-investment insurance</i> contract: <ul style="list-style-type: none"> • <i>dealing in investments as agent</i>; or • <i>arranging (bringing about) deals in investments</i>; or • <i>making arrangements with a view to transactions in investments</i>; or • <i>assisting in the administration and performance of a contract of insurance</i>; or • <i>advising on investments</i>; or • <i>agreeing to carry on a regulated activity</i> which is within any of the above. 	ANNUAL INCOME Annual income for the financial year ended in the calendar year ending 31 December.

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions.
A.20 Markets in Financial Instruments Directive (MiFID) transaction – targeted recovery of additional IS costs reporting	it is a firm or market operator in respect of certain securitised derivatives.	ANNUAL INCOME For firms: <ul style="list-style-type: none"> • Annual income for the financial year ended in the calendar year ending 31 December in the preceding year; and • Number of relevant contracts entered into by firms in securitised derivatives which are entered into on or settled through LIFFE or Eurex Clearing AG. • For market operators, a fee.
B.	it: <ul style="list-style-type: none"> • is a <i>recognised body</i> under section 286 of the Act; or • has been prescribed as an operator of a prescribed market under the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996); or • is a <i>service company</i>. 	Not applicable. Fees set individually for each fee-payer.
C.	it has authorised/recognised CIS products under Part XVII of FSMA.	Number of funds or sub-funds operated by a <i>firm</i> as at 31 March.
D.	it is a <i>designated professional body</i> under section 326 of FSMA.	Number of <i>exempt professional firms</i> registered with each body.
E.	it is: <ul style="list-style-type: none"> • an issuer of securities who has been admitted to the <i>official list</i> (as defined in section 74 of FSMA); or • a sponsor (as defined in section 88 of FSMA). 	<i>Firm's</i> market capitalisation figure (as at 30 November).

Italicised words have the same meaning as per the FSA Handbook

Activity group	Fee payer falls in the activity group if	Tariff base summary and valuation date
F.	<p>it is: an <i>industrial and provident</i> society; or a society registered under the Friendly Societies Acts; subject to the registration functions transferred to the FSA in Part XXI of FSMA; BUT NOT otherwise authorised under Part IV of FSMA. it is registered with the FSA under the Money Laundering Regulations</p>	<p>For all A fee-blocks, please see FEES 4 Annex 1R, Part 1 and 2 for detailed tariff base descriptions. The fee payable by societies is based on their total assets.</p>
G.1 Firms registered under the Money-Laundering Regulations 2007		Flat rate annual fee.
G.2 Certain deposit acceptors and <i>e-money issuers</i>	it is a fee-paying payment service provider not falling within any of the other fee-blocks in this table	Annual fee based on modified eligible liabilities determined in the same manner as the tariff-base for relevant firms in the A.1 fee-block set out in FEES 4 Annex 1 Part 2 R.
G.3 Large payment institutions	it is an authorised payment institution, an EEA authorised payment institution or the Post Office Limited	Annual fee based on relevant income
G.4 Small payment institutions	it is a small payment institution or a small e-money issuer	Flat rate annual fee.
G.5 Other institutions	it is the Bank of England, a government department or local authority that provides payment services other than when carrying out functions of a public nature	As in G.3

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Annex 3

Administrative aspects of periodic fees

A fee-blocks Firms	Fee-block B Recognised bodies	Fee-block C CIS products	Fee-block D DPBs	Fee-block E Issuers of securities	Fee-blocks F & G Registrant-only
When is the periodic fee payable?					
If previous year's periodic fee was £50,000 or more: 50% of last year's periodic fee by 30 April; balance of current year periodic fee by 1 September;	UK recognised bodies: first instalment by 30 April; balance of periodic fee by 1 September; Overseas recognised bodies: 1 July; Service companies and operators of prescribed markets: as for A fee-blocks; or 30 days after invoicing if later	30 April, or 30 days after invoicing if later	If paying by instalments: first instalment by 30 April; balance of periodic fee by 1 September; Other DPBs: full periodic fee by 1 July; or 30 days after invoicing if later	30 days after invoicing	30 days after invoicing
What are the payment methods for the periodic fee?					
Direct debit BACS/CHAPS Cheque Maestro Credit card – Visa/ MasterCard only (2% surcharge) Via Premium Credit Ltd	Recognised bodies: None specified Service companies and operators of prescribed markets: as for A fee-blocks	As for A fee-blocks	None specified but payment expected by electronic transfer	None specified but payment expected by electronic transfer	Direct debit BACS/CHAPS Cheque Maestro Credit card – Visa/ MasterCard only (2% surcharge)

Notes

1. Failure to pay a periodic fee will generally involve contravention of a rule, so may also attract regulatory action.
2. Our financial year runs from 1 April to 31 March.

A fee-blocks Firms	Fee-block B Recognised bodies	Fee-block C CIS products	Fee-block D DPBs	Fee-block E Issuers of securities	Fee-blocks F & G Registrant-only
What happens if the full periodic fee is not paid by the due date? (note 1)					
An administrative fee of £250 plus, from the invoice due date interest on any unpaid amount at 5% per annum above the Bank of England's repo rate will be charged for the period from the due date until payment is received.	<p>Recognised bodies:</p> <ul style="list-style-type: none"> • Not specified • Service companies and operators of prescribed markets: • as for A fee-blocks 	As for A fee-blocks	As for A fee-blocks	As for A fee-blocks	As for A fee-blocks
What periodic fee is payable where an entity joins a fee-block part-way through a fee period?					
<p>Periodic fee is calculated as for full-year, and then the following discounts apply depending which quarter of the financial year (note 2) the firm joins the fee-block:</p> <ul style="list-style-type: none"> • quarter 1: 0% • quarter 2: 25% • quarter 3: 50% • quarter 4: 75% 	<p>UK recognised investment exchange:</p> <ul style="list-style-type: none"> • £150,000 <p>UK recognised clearing house:</p> <ul style="list-style-type: none"> • £250,000 <p>Overseas recognised investment exchange:</p> <ul style="list-style-type: none"> • £20,000 <p>Overseas recognised clearing house:</p> <ul style="list-style-type: none"> • £50,000 <p>Service companies:</p> <ul style="list-style-type: none"> • not specified <p>Operators of prescribed markets:</p> <ul style="list-style-type: none"> • as for A fee-blocks 	As for A fee-blocks	Not specified	As for A fee-blocks	None

Financial penalty schemes

- 1 We are required to operate and publish schemes to ensure that financial penalties imposed are applied for 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.
- 2 By publishing details of the schemes in this Annex, we consider we are complying with the requirements of sections 100(4), 100(5) and 210(6) and paragraphs 16(4) and 16(5) of part III of schedule 1, of FSMA.

Penalties received under section 206 of FSMA

- 3 This section of FSMA gives us the power to impose penalties on authorised persons who have contravened a requirement imposed on them by or under FSMA.
- 4 Generally, penalties received under this section are for activities undertaken in a particular fee-block or blocks. Our intention is to match the costs of undertaking enforcement actions, as far as possible, with any penalties the action might generate. Following consultation in CP07/3 (February 2007), we consider it fair and proportionate to distribute financial penalties received under this section so that they benefit authorised firms in the following order:
 - firstly, they are allocated to the fee-block(s) paying the enforcement costs of a case, to meet the costs of enforcement action in full, where possible; and
 - secondly, any remaining penalties are applied to all authorised firms (the A. fee-blocks) in proportion to their respective contributions to our annual funding requirement (AFR).
- 5 In distributing financial penalties received under this section, we use the AFR allocation for the year in which the penalty is being applied, that is, the financial year after we receive the penalty.
- 6 Where the financial penalty is less than the enforcement costs incurred by a fee-block the balance of the enforcement costs will be met by that fee-block.

- 7 We also consider that an individual authorised firm should not benefit from penalty deductions generated by a fine we have imposed on it. In this situation, we will therefore invoice the firm to recover the value of the penalty deduction it would have received, where this amount exceeds £250.

Penalties received under section 66 of FSMA

- 8 This section of FSMA gives us the power to impose penalties on any person guilty of misconduct while an **approved person** in the circumstances set out under section 66.
- 9 Penalties imposed on approved persons will be treated as if the fine had been imposed on the authorised person that employed them when the misconduct occurred, and are dealt with in the same manner as penalties received under section 206, as set out in paragraph 4 above.

Penalties received under section 91 of FSMA

- 10 This section of FSMA gives us the power to impose penalties for breach of Part 6 rules.
- 11 Penalties imposed under this section of FSMA are applied for the benefit of 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, in the E fee-block.

Penalties imposed under section 123 of FSMA

- 12 This section of FSMA gives us the power to impose penalties on any person that has engaged in market abuse. How we will apply penalties that we receive under this section of FSMA, for the benefit of authorised persons, differs with the nature of the person to which the penalty applies. The scheme operates as follows:
- market abuse penalties imposed on **authorised persons** are dealt with in the same manner, as penalties received under section 206, in the manner described in paragraph 4 above;
 - market abuse penalties imposed on **approved persons** will be treated as if the fine had been imposed on the authorised person that employed them when the abuse occurred, and so allocated as in the manner described in paragraph 4 above; and
 - market abuse penalties imposed on persons who are **neither approved nor authorised** are applied for the benefit of all authorised persons (the A. fee-blocks), in proportion to the AFR of each fee-block.

Special project fees case studies

- 1 Chapter 9 of this paper sets out our policy on special project fees (SPFs) and summarises three types of transactions where a Guidance SPF applies. This Annex contains more detailed case studies for each of those transaction types to provide fee payers with further illustration of the circumstances in which we would be likely to charge a special project fee.

Insurance company re-organisations

Inherited estate transactions

- 2 While this case study is based on previous inherited estate transactions carried out under pre-FSMA legislation, it takes into account how the transaction would be affected by the current legislation.
- 3 Scenario: a life insurance group indicated to us that it was considering restructuring a number of subsidiary insurance companies. The proposed restructuring included a transfer of inherited estate assets between two entities under Part VII of FSMA.
- 4 We had initial discussions with the group regarding the terms of reference for the ‘independent expert’ and the form of the ‘scheme report’ to be prepared by the expert. The group then requested formal approval of both these items (section 109 of FSMA). Subject to the outcome of the current consultation (see CP207, published in December 2003), for future transactions we also anticipate considering the terms of appointment of, and then approving the appointment of, a ‘policyholder advocate’.
- 5 Following the appointment of the independent expert (and policyholder advocate), we discussed with the group the details of the proposed restructuring and transfer. This process was repeated and proposals became more detailed over time.
- 6 Detailed consideration was given to the:
 - proposed legal entity structure of the restructured group;
 - proposed structure of the with-profits fund;
 - likely prudential treatment of the restructured group, including how solvency requirements would be met; and

- re-attribution proposals and, in particular, the assessment of whether the proposals would adversely affect the interests of policyholders.
- 7 Had this transaction been taking place under FSMA, we would have been giving the group individual guidance, during the course of these discussions, on how the proposed restructuring and transfer would meet our principles for business (PRIN), in particular principle 6 (customers' interests). We may also have given individual guidance on other aspects of the restructuring – for example, compliance with threshold conditions and aspects of the Handbook. To give this guidance we would need to carry out extensive and detailed analysis of the proposals.
 - 8 At the end of the discussion process, the group would have applied to the court (under section 107 of FSMA) for approval of the Part VII transfer. We have the right to appear in Court (section 110 of FSMA) and must decide whether to appear, and if so whether to support the group's proposals. This will require us to assess the final scheme proposals. The extent to which we will need to analyse the final proposals will depend on the preceding discussions with the group.
 - 9 There may also be applications for change of controller for some entities and/or applications for variations or cancellations of Part IV permissions associated with the restructuring.
 - 10 Based on previous cases we estimate that under FSMA, approximately 90% of the work required during this process would be to prepare and provide individual guidance to the group.

Merger

- 11 *Scenario:* a mutual life insurance firm approached us to discuss its proposals for a change of strategy which was likely to involve re-organisation of its business and a merger with another firm.
- 12 The firm approached us to discuss its options and to find out whether these were likely to raise regulatory concerns during the restructuring process. Areas discussed included:
 - the prudential/solvency position of the firm after the re-organisation;
 - the potential supervisory treatment of the firm after the restructuring;
 - how the restructuring proposals would meet our principles for fair treatment of policyholders in the with profits fund; and
 - how the restructuring would affect current outstanding regulatory issues including the conclusion of the pensions review and its approach to guaranteed annuity rates.

- 13 After the initial discussion, the firm engaged consultants to help them identify and shortlist potential partners. We maintained regular contact throughout that process and provided guidance on issues as they arose and as the proposals became more detailed. It was clear from an early stage that the outcome would include a demutualisation and transfer of business to another shareholder owned entity. It also became clear that some of the options would involve creating a new company which would need to be authorised.
- 14 We gave the firm guidance on what these various processes would involve and how the firm should approach them to help get early decisions from us. Once a preferred bidder was identified and broad terms of the deal had been agreed by the parties, we then worked with both firms as they drafted the offer to members, publicity material, the business transfer scheme and the application for authorisation of the successor company. We gave extensive guidance to both firms on issues as they arose during the completion of the deal and the drafting of the formal applications to us and the courts.
- 15 In this case, our estimate is that around 70% of our work amounted to providing individual guidance.

Large merger

- 16 *Scenario:* two UK banks intended to merge, and informed us some months before the formal decision by the shareholders of each bank to approve the merger proposal and before any request for formal regulatory approval.
- 17 During this period, the banks asked us for our view on several issues for the merged bank. These included:
 - the proposed legal vehicle and surrounding legal structure of the merged bank;
 - the likely prudential requirements for the merged bank, including the individual capital requirement;
 - the proposed management structure; and
 - the systems and controls to be used in the merged bank.
- 18 In forming its views on these (and other) issues, our staff had to undertake detailed analysis of, for example, the financial projections for the merged bank, and the scalability of existing systems and controls in the two banks.
- 19 Following formal approval from their shareholders to proceed with the merger, the banks submitted a formal application to us to approve the change of shareholder controller. In this case there was no requirement for cancellations or variations of Part IV permissions, but there may be in other cases.
- 20 We had to analyse the information provided in the change of controller application. In this case the change related primarily to the structure of the controllers rather than their identity, and consequently the analysis required to process the application was relatively minor.

- 21 After the merger took effect, we continued to give individual guidance to formally confirm the prudential and other requirements for the merged bank. There was also a period of more intensive monitoring of the merged firm to check that issues, for example system changeovers, were on track.
- 22 In this case most of our work was to give individual guidance to the firms on whether their proposals for the merged firm would meet various Handbook requirements, including compliance with threshold conditions (COND) and principles (PRIN), or senior management arrangements, systems and controls (SYSC) requirements.
- 23 Our estimate is that approximately 90% of FSA effort (and cost) was spent in providing individual guidance.

Demutualisation

- 24 **Scenario:** a building society informed us that it had decided to demutualise.
- 25 The society held discussions with us about the initial press release, questions and answers and preliminary information to be sent to members. Where a demutualisation is by way of a merger with another firm, we would normally also hold initial discussions on the issues identified in the ‘large merger’ case study above.
- 26 The society then held initial discussions with us about the structure of the statutory transfer document (which we have to approve) and the draft specification of the cash/share distribution scheme. We provided comment on the extent to which the proposals complied with the provisions of the Building Societies Act 1986. If we had viewed the proposed distribution scheme as unlawful – and the society disagreed – this issue would need to be settled in court (as has happened in three of the ten conversions). In these circumstances, we would need to brief counsel and might need to hire other outside lawyers. This might involve a significant amount of work, in particular for our in-house lawyers, in preparing our case.
- 27 The society then submitted a draft transfer document. There followed a series of meetings, discussions and correspondence between us and the society on successive drafts (normally between six and twelve drafts). Once we agreed the transfer statement, it was sent to society members who then voted on the proposal.
- 28 The members voted in favour of demutualisation, so the society had to then apply to us for confirmation (a statutory process). As part of this process members and other interested parties can make written and/or oral representations (for, or – usually – against, the transaction proceeding). We held a public hearing to take oral representations and gave the society an opportunity to respond to all representations made. At the same time, we got information from the society about the conduct of the members’ vote: this stage may also involve meetings/correspondence.
- 29 We confirmed our decision in writing (which we published) addressing, among other things, all the representations made and our conclusions on them.
- 30 When considering demutualisation, the bulk of our analysis is in connection with the approval of the transfer statement, and then the confirmation statement. Individual guidance is normally only given at the very early stages of a demutualisation.

- 31 Our estimate for a demutualisation that does not go to court is that 35% to 60% of our work relates to providing individual guidance.

Fees consultations

The table overleaf lists the main Consultation Papers (CPs) and resulting Policy Statements and other documents that have been issued by us concerning the FSA's post-N2 fees. Not included in the table are:

- consultations primarily on other topics which incidentally discuss related fees issues;
- fee consultations concerning the FOS and the FSCS; and
- consultations relating to pre-N2 fees.

All the documents listed below are available on our website at:
<http://www.fsa.gov.uk/Pages/Library/Policy/index.shtml>.

Fees consultations

Date	Consultation Paper	Date	Feedback Statements/other documents
June 2000	CP56: The FSA's post-N2 fee-raising arrangements		(feedback in CP79)
December 2000	CP79: Feedback Statement to CP56 and second Consultation Paper on the FSA's post-N2 fee-raising arrangements		(feedback in CP95)
May 2001	CP95: Third Consultation Paper on the FSA's post-N2 fee-raising arrangements including feedback on CP79	July 2001	Handbook Notice 2 (feedback also in CP111)
September 2001	CP111: Fourth Consultation Paper on the FSA's post-N2 fee-raising arrangements including feedback on CP95	January 2002	PS111: Fee-raising arrangements (feedback on CP111)
January 2002	CP125: Fees 2002/03	April 2002 June 2002	Handbook Notice 9 PS125: Fees 2002/03 (feedback on CP125)
		January 2002	Consolidated Policy Statement on our fee-raising arrangements (version 1.0)
		June 2002	Consolidated Policy Statement on the FSA's general policy framework for raising fees (version 2.0)
July 2002	CP141: Miscellaneous amendments to the Handbook (No.3)	November 2002	Handbook Notice 16
		August 2002	Feedback Statement on fees review
September 2002	CP152: Fees – interim consultation on policy issues		(feedback in CP168)
November 2002	CP156: Miscellaneous amendments to the Handbook (No.5)	March 2003	Handbook Notice 20
January 2003	CP168: Fees 2003/4	March 2003 May 2003	Handbook Notice 20 FS168: Fees 2003/04 (feedback on CP168)

Date	Consultation Paper	Date	Feedback Statements/other documents
April 2003	CP180: Fees for mortgage firms and insurance intermediaries	October 2003	PS180: Fees for mortgage firms and insurance intermediaries (feedback and made text from CP180)
		May 2003	Consolidated Policy Statement on the FSA's general policy framework for raising fees (version 3.0)
July 2003	CP192: Further consultation on fees for mortgage firms and insurance intermediaries	December 2003	PS192: Further consultation on fees for mortgage firms and insurance intermediaries (feedback and made text from CP192)
		July 2003	Consolidated Policy Statement on our fee raising framework (version 3.1)
January 2004	CP04/2: Fees and fees policy 2004/05	March 2004	Handbook Notice 31 (feedback also in CP04/9)
May 2004	CP04/9: Fees issues arising from the regulation of mortgage business and general insurance broking – including feedback on CP04/2	May 2004 October 2004	Consolidated Policy Statement on our fee-raising arrangements (version 4.1) PS04/21: Regulatory fees relating to mortgage and insurance mediation regulation (feedback on CP04/4 and CP04/9 and made text)
January 2005	CP05/2: Regulatory fees and levies 2005/06	March 2005 May 2005	Handbook Notice 42 PS05/6: Regulatory fees and levies 2005/06 – including feedback on CP 05/2 and made rules
		June 2005	Consolidated Policy Statement on our fee-raising arrangements (version 5.0)
February 2006	CP06/2: Regulatory fees and levies 2006/07	March 2006 May 2006	Handbook Notice 53 PS06/2: Regulatory fees and levies 2006/07 – including feedback on CP 06/2 and made rules
		May 2006	Consolidated Policy Statement on our fee-raising arrangements (version 6.0)
July 2006	CP06/13: Quarterly Consultation (No. 9)	September 2007 September 2007 September 2007 October 2007	PS06/7: The regulation of personal pension schemes including SIPPS CP06/16: Prudential changes for insurers Handbook Notice 58 PS06/12: Regulation of Home Reversion and Home Purchase Plans (Volume 1)

Date	Consultation Paper	Date	Feedback Statements/other documents
February 2007 July 2007 July 2007 September 2007 November 2007 December 2007 February 2008	CP07/3: Regulatory fees and levies 2007/08 CP07/13: Quarterly Consultation (No.13) Proposals for a UK recognised covered bonds legislative framework HM Treasury FSA The FSA's new role under the Money Laundering Regulations 2007 – our approach CP07/19:Regulatory fees and levies: policy proposals for 2008/09 CP07/22:Regulating connected travel insurance CP08/2: Regulatory fees and levies: rates proposals 2008/09 and feedback on CP07/19	March 2007 May 2007 September 2007 March 2008 N/A March 2008/ May 2008 May 2008 March 2008 May 2008	Handbook Notice 64 PS07/7: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2007/08, including feedback on CP07/3 and "made rules" Handbook Notice 69 PS08/2: Regulated Covered Bonds: feedback on proposals for a Recognised Covered Bonds legislative framework and final Handbook N/A Handbook Notice 75 PS08/5: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2008/09, including feedback on CP07/19, CP08/2, CP08/7 and "made rules" PS08/4: Travel Insurance – feedback on CP07/22 and made rules Handbook Notice 75 PS08/5: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2008/09, including feedback on CP07/19, CP08/2, CP08/7 and "made rules"
April 2008	CP08/7:Quarterly Consultation Paper (No.16)	May 2008	PS08/5: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2008/09, including feedback on CP07/19, CP08/2, CP08/7 and "made rules"
July 2008	CP08/12:Quarterly Consultation Paper (No.17)	September 2008 October 2008	Handbook Notice 81 CP08/18: Regulatory fees and levies: policy proposals for 2009/10
October 2008	CP08/18: Regulatory fees and levies: policy proposals for 2009/10	February 2009 June 2009	PS09/5: Fees and levy policy and certain regulatory fee and levy rates 2009/10 – including feedback on CP08/18 and part of CP09/7 PS09/8: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2009/10, including feedback on CP08/18, CP09/7 and "made rules"

Date	Consultation Paper	Date	Feedback Statements/other documents
December 2008	CP08/21: Consultation on amendments to the Listing Rules and feedback on DP08/1 (A review of the structure of the Listing Regime)	November 2009 February 2010	CP09/28: Listing Regime Review Consultation on changes to the listing categories consequent to CP09/24 PS10/2: Listing Regime review: Consultation on changes to the listing categories consequent to CP09/24 Note: Concerning change in terminology from 'Primary Listing' to 'Premium Listing' only.
February 2009	CP09/6: Regulating sale and rent back – an interim regime		PS09/9: Regulating sale and rent back: an interim regime – Feedback on CP09/6 and near-final rules
February 2009	CP09/7: Regulatory fees and levies: rates proposals for 2009/10	March 2009 April 2009 June 2009	PS09/5: Fees and levy policy and certain regulatory fee and levy rates 2009/10 – including feedback on CP08/18 and part of CP09/7 Handbook Notice 87 PS09/8: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2009/10, including feedback on CP08/18, CP09/7 and "made rules"
February 2009	CP09/8: Regulating reclaim funds	July 2009 July 2009	Handbook Notice 90 PS09/12: Policy Statement Regulating Reclaim Funds – Feedback on CP09/8 and final rules.
April 2009	CP09/12: Quarterly Consultation Paper (No.20)	July 2009	Handbook Notice 89
September 2009	CP09/22: Regulating sale and rent back – the full regime	January 2010	PS10/4: Sale and rent back (full regime) – Feedback on CP09/22, made rules and consultation on reporting
October 2009	CP09/25: Quarterly Consultation Paper (No.22)	December 2009	Handbook Notice 95
November 2009	CP09/26: Regulatory fees and levies: policy proposals for 2010/11	December 2009 March 2010	Handbook Notice 95 Handbook Notice 98
February 2010	CP10/5: Regulatory fees and levies – Rates proposals 2010/11 and feedback statement on Part 1 of CP09/26	March 2010 May 2010	Handbook Notice 98 PS10/7: Consolidated Policy Statement on our fee-raising arrangements and regulatory fees and levies 2010/11
April 2010	CP10/10: Quarterly Consultation Paper (No.24)	April 2010	Feedback on extending the Special Project Fee for certain firms in restructuring to be provided in July 2010

Financial Ombudsman Service general levy – 2010/11 overview

Industry Block	Description	Tariff base	Final 2010/11 tariff rate (£)	Actual 2009/10 tariff rate (£)	Final 2010/11 minimum levy per firm (£)	Actual 2009/10 minimum levy per firm (£)	Final 2010/11 gross total (£)	Actual 2009/10 gross total (£)	Final 2010/11	Actual 2009/10
1	Deposit acceptors, home finance providers and administrators (excluding firms in block 14)	Per relevant account	0.0278	0.027	100	100	7,207,700	7,273,594	40.7	41.1
2	Insurers – general (excluding firms in blocks 13 & 15)	Per £1,000 of relevant annual gross premium income	0.108	0.139	100	100	2,480,000	3,130,688	14.0	17.7
3	Society of Lloyd's		0	0	20,000	28,000	20,000	28,000	0.1	0.2
4	Insurers – life (excluding firms in block 15)	Per £1,000 of relevant adjusted annual gross premium income	0.033	0.028	100	100	1,594,300	1,781,063	9.0	10.1
5	Fund managers	Flat fee	0	0	200	200	177,000	180,000	1.0	1.0
6	Operators, trustees and depositaries of collective investment schemes	Flat fee	0	0	50	50	20,000	20,000	0.1	0.1
7	Dealers as principal	Flat fee	0	0	50	50	14,000	14,000	0.1	0.1
8	Advisory arrangers, dealers or brokers holding and controlling client money and /or assets	Per relevant approved person	35	45	35	45	923,000	990,094	5.2	5.6
9	Advisory arrangers, dealers or brokers not holding and controlling client money and/or assets	Per relevant approved person	35	40	35	40	923,000	990,094	5.2	5.6
10	Corporate finance advisors	Flat fee	0	0	50	50	14,000	14,000	0.1	0.1

Industry Block	Description	Tariff base	Final 2010/11 tariff rate (£)	Actual 2009/10 tariff rate (£)	Final 2010/11 minimum levy per firm (£)	Actual 2009/10 minimum levy per firm (£)	Final 2010/11 gross total (£)	Actual 2009/10 gross total (£)	Final 2010/11	Actual 2009/10
11	Fee-paying payment service providers (but excluding firms in any other industry block)	Authorised payment institutions per £1,000 of relevant income	0.015	N/A	75	N/A	25,800	N/A	0.1	N/A
		Small payment institutions and small e-money issuers a flat fee	0	N/A	75	N/A	29,500	N/A	0.2	N/A
13	Cash plan health providers	Flat fee	0	0	50	50	600	600	0.0	0.0
14	Credit unions	Flat fee	0	0	50	50	24,000	24,000	0.1	0.1
15	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	Flat fee	0	0	50	50	3,700	3,500	0.0	0.0
16	Home finance providers, advisers and arrangers (excluding firms in blocks 13, 14 & 15)	Flat fee	0	0	90	70	531,000	470,156	3.0	2.7
17	General insurance mediation	Per £1,000 of relevant business annual income	0.31	0.175	85	80	3,712,400	2,780,313	21.0	15.7
	Total – all blocks						17,700,000	17,700,102	100.0	100.0

List of non-confidential respondents to CP10/5

- Aegon
- Allianz Insurance plc
- Allied Luptons Ltd
- ARM Associates
- Association for Financial Markets in Europe
- Association of British Credit Unions Ltd
- Association of British Insurers
- Association of Finance Brokers
- Association of Financial Mutuals
- Association of Independent Financial Advisers
- Association of Mortgage Intermediaries
- Aviva plc
- AXA UK
- Blyth-Richmond Investment Managers
- British Bankers' Association
- Brunning Newman Houghton Ltd
- Building Societies Association
- Butcher & Moody Financial Services
- Cardiff Pinnacle plc
- Compos Mentis
- Congregational & General Insurance plc
- Coversure
- DAS Group
- Ecclesiastical Insurance
- Exeter Friendly Society Ltd
- Euroclear UK & Ireland Ltd
- Euronext LIFFE
- Everest Reinsurance (Bermuda) Ltd, UK branch
- Fhoenix Financial Services
- FIL Life Insurance Ltd
- FM Insurance Company Ltd
- Hanover Life Reassurance (UK) Ltd
- Homeserve Membership Ltd
- H R Independent Financial Services Ltd
- ICAP Group Company
- ICE Futures Europe

- ICE Clear Europe
- Independent Loss Adjusters Association
- Independent Financial Advisers
- Informed Choice Independent Financial Planners
- Institute of Chartered Accountants in England and Wales
- Institute of Insurance Brokers
- Investment Management Association
- Novae Insurance Company Ltd
- NYSE Euronext
- LCH Clearent Ltd
- Lloyd's
- Loadline Ltd
- London Metal Exchange
- London Stock Exchange
- London Society of Chartered Accountants' Personal Financial Planning Committee
- Lucida plc
- Lyn Cooke Associates Limited
- Metlife Services Ltd
- Merchant Investors
- Nasdaq OMX Europe
- Oak County Financial Services Ltd
- Pinnacle Insurance plc
- PRISM Independent Financial Advisers
- Positive Solutions (Financial Services) Ltd
- Prudential
- Reliance Mutual Insurance Ltd
- Roger Jamieson & Donald Watt IFA
- Roger Heath, IFA
- Royal & Sun Alliance Insurance plc
- Scottish Friendly Assurance Society Ltd
- Scottish Widows
- Sesame Bankhall
- Simplyhealth
- Skandia UK
- Skirrow Insurance Services
- Standard Life plc
- Solicitors Regulatory Authority
- The Antiques Attache
- The Equitable Life Assurance Society
- The Institute of Insurance Brokers
- The Lost Coin IFA
- The Quoted Companies Alliance
- The Whitechurch Network Ltd
- Transatlantic Reinsurance Company
- International Underwriting Association of London Limited
- Wesleyan Assurance Society
- W C J Neal Insurances
- W.R. Berkeley Insurance (Europe) Ltd

Periodic fees (2010/11) and other fees instrument 2010

Note: This instrument includes the Fees (Strategic Fees) Review Instrument 2010 which was published in draft in our November 2009 consultation paper (CP09/26). This is for simplicity, to reflect all changes resulting from the strategic fees review and consultation on the period fees for 2010/2011 in one document.

PERIODIC FEES (2010/2011) AND OTHER FEES INSTRUMENT 2010

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 99 (Fees);
 - (b) section 101 (Part 6 rules: general provisions);
 - (c) section 156 (General supplementary powers);
 - (d) section 157(1) (Guidance);
 - (e) section 234 (Industry Funding);
 - (f) paragraph 17(1) (Fees) of Schedule 1 (The Financial Services Authority); and
 - (g) paragraph 1 (General), 4 (Rules), and 7 (Fees) of Schedule 7 (The Authority as Competent Authority for Part VI); and
 - (2) the following provisions of the Payment Services Regulations 2009 (SI 2009/209) (“the Regulations”):
 - (a) regulation 82 (Reporting requirements);
 - (b) regulation 92 (Costs of supervision); and
 - (c) regulation 93 (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 June 2010.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Periodic Fees (2010/2011) and Other Fees Instrument 2010.

By order of the Board
27 May 2010

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

Insert the following new definitions in the appropriate alphabetical position.

<i>securities derivative</i>	a <i>derivative</i> instrument <i>admitted to trading</i> on a <i>regulated market</i> or <i>prescribed market</i> , the value of which is dependent on an underlying equity or debt instrument or index/basket of equity or debt instruments.
<i>Solvency 2 Directive</i>	the Directive of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (No. 2009/138/EC).

Annex B

Amendments to the Fees manual (FEES)

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

- 4.2.7 R A *firm* (other than an *ICVC* or *UCITS qualifier*) which becomes authorised, or whose *permission* and/or *payment service* activities are extended, during the course of the financial year must pay a fee which is calculated by:
- ...
- (2) calculating the amount for each of those tariffs which is the higher of:
 - (a) the minimum fee (but not the minimum fee under Part 1A of FEES 4 Annex 2R) specified for the tariff (where this applies); and
 - (b) the result of applying the tariff to the projected valuation, for its first year (as provided to the *FSA* in the course of the *firm's* application), of the business to which the tariff relates;
 - (3) adding together the amounts calculated under (2); ~~and~~
 - (4) ~~modifying the result as indicated by the table in FEES 4.2.6R (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 year and FEES 4.2.6R does not apply)~~ working out whether a minimum fee is payable under Part 1A 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);
 - (5) adding together the amounts calculated under (3) and (4) and then adding this sum to any applicable flat rate fee; and
 - (6) modifying the result as indicated by the table in FEES 4.2.6R (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 year and FEES 4.2.6R does not apply).
- ...

4.2.11 R Table of periodic fees

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
...			
<i>Sponsors</i>	£10,000 <u>£12,500</u> per year for the period from 1 April to 31 March the following year (see Note)
...			
All <i>firms</i> reporting transactions in securitised <u>securities derivatives</u> to the FSA in accordance with SUP 17, and <i>market operators</i> who provide facilities for trading in securitised <u>securities derivatives</u>

...

4.3.3 R The periodic fee referred to in FEES 4.3.1R is (except in relation to the *Society* and *fee-paying payment service providers*) calculated as follows:

- (1) identify each of the tariffs set out in Part 1 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 tariffs, calculate the sum payable in relation to the business of the *firm* for that period, ~~applying any minimum fee discount as may be applicable (see FEES 4.3.16R);~~
- (3) add together the amounts calculated under (2); ~~and~~
- (4) ~~apply any applicable payment charge or discount specified in FEES 4.2.4R, provided that:~~ work out whether a minimum fee is payable under Part 1A of FEES 4 Annex 2R and if so how much;
 - (a) ~~for payment by direct debit, successful collection of the amount due is made at the first attempt by the FSA; or~~

- (b) ~~for payment by credit transfer, the amount due is received by the FSA on or before the due date.~~
- (5) add together the amounts calculated under (3) and (4); and
- (6) apply any applicable payment charge specified in FEES 4.2.4R, provided that:
 - (a) for payment by direct debit, successful collection of the amount due is made at the first attempt by the FSA; or
 - (b) for payment by credit transfer, the amount due is received by the FSA on or before the due date.

...

~~Minimum fee discount~~

- 4.3.16 R
- (1) ~~A firm (other than a firm in (2) or a credit union) in more than one fee block must pay at least 50% of the total minimum fee payable in any fee block in which it is a minimum fee payer. [deleted]~~
 - (2) ~~A firm (other than a credit union) liable to pay only minimum fees in each fee block it is in must pay 100% of the highest total minimum fee payable within any one fee block and must pay at least 50% of the total minimum fee payable in any other fee blocks in which it is a minimum fee payer. [deleted]~~
 - (3) ~~A credit union in more than one fee block must pay at least 50% of the total minimum fee payable in any fee block, other than fee block A.1, in which they are a minimum fee payer. [deleted]~~

...

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

...

Activity group	Fee payer falls in the activity group if
...	
A.7 Fund managers	(1) its <i>permission</i> includes <i>managing investments (a firm falling within this category is a class (1) firm)</i> ; OR (2) its <i>permission</i> includes ONLY either one or both of: • <i>safeguarding and administering of investments (without arranging)</i> ; and • <i>arranging safeguarding and administration of</i>

	<p><u>assets (a firm falling within this category is a class (2) firm);</u></p> <p>OR</p> <p><u>(3) the firm is a venture capital firm (a firm falling within this category is a class (3) firm if it is not a class (1) or (2) firm).</u></p> <p>...</p>
...	
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	<p>(1) it is an <i>authorised professional firm</i> and ALL the <i>regulated activities</i> in its <i>permission</i> are limited to non-mainstream regulated activities (<u>a firm falling within this category is a class (1) firm</u>);</p> <p>OR</p> <p>(2) its permission:</p> <p>...</p> <p>(d) PROVIDED the fee-payer is NOT any of the following:</p> <ul style="list-style-type: none"> • a <i>corporate finance advisory firm</i>; • a <i>firm</i> for whom all of the applicable activities above are otherwise limited to carrying out <i>corporate finance business</i>; • a <i>firm</i> whose activities are limited to carrying out <i>venture capital business</i>; • a <i>firm</i> whose activities are limited to acting as an <i>operator</i> of a <i>regulated collective investment scheme</i>; • a <i>firm</i> whose activities are limited to carrying out <i>trustee</i> activities; • a <i>service company</i>. <p><u>A firm falling within (2) and not (1) is a class 2 firm.</u></p>
...	

4 Annex 2R Fee tariff rates, permitted deductions and EEA/Treaty firm modifications for the period from 1 July 2009 ~~April 2010~~ to 1 July 2010 ~~31 March 2011~~

Part 1

This table shows the tariff rates applicable to each fee block

(1)	For each activity group specified in the table below, the fee is the total of the sums payable for each of the tariff bands applicable to the <i>firm's</i> business, calculated as follows: <u>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>	
	(a)	the relevant minimum fee; plus
	(b)	an additional fee calculated by multiplying the <i>firm's</i> tariff base by the appropriate rates applying to each tranche of the tariff base, as indicated (Note 1).
...		
Note 1	<p><u>In the case of activity group A.1 there are two tariff rates. The rate in column 1 is the general periodic fee. The rate in column 2 is the reclaim funds set-up fee and is payable by all <i>firms</i> except <i>credit unions</i> and <i>e-money issuers</i>. The total periodic fee for the A1 fee-block is determined by adding the amounts obtained under both columns.</u></p> <p>In the case of activity groups A.3 and A.4 there are two <u>three</u> tariff rates. The rate in column 1 applies to all <i>firms</i> in their respective fee-blocks. The rate in column 2 relates to the Solvency 2 Implementation fee and <i>firms</i> must determine their obligation to pay this fee by reference to Part 5 of this Annex. <u>The rate in Column 3 relates to the Solvency 2 Special Project fee and <i>firms</i> must determine their obligation to pay this fee by reference to Part 4 of this annex. The total periodic fee for each of these fee-blocks is determined by adding the amounts obtained under both <u>all three</u> columns, as applicable.</u></p>	
Activity group	Fee payable	
A.1	Minimum fee (£)	160
	<u>Band width (£ million of Modified Eligible Liabilities (MELs))</u>	Fee (£/£m or part £m of MELs)
	0—0.5	0
	≥0.5—2	additional flat fee of £380
	≥2—10	additional flat fee of £530
	≥10—200	32.31

	>200 – 2,000	32.31																					
	>2,000 – 10,000	32.31																					
	>10,000 – 20,000	47.19																					
	>20,000	47.19																					
		<table border="1"> <thead> <tr> <th></th> <th><u>Column 1</u></th> <th><u>Column 2</u></th> </tr> <tr> <th></th> <th><u>General Periodic fee</u></th> <th><u>Reclaim Fund Set-Up fee</u></th> </tr> </thead> <tbody> <tr> <td><u>>10 – 140</u></td> <td><u>29.90</u></td> <td><u>0.12</u></td> </tr> <tr> <td><u>>140 – 630</u></td> <td><u>29.90</u></td> <td><u>0.12</u></td> </tr> <tr> <td><u>>630 – 1,580</u></td> <td><u>29.90</u></td> <td><u>0.12</u></td> </tr> <tr> <td><u>>1,580 – 13,400</u></td> <td><u>37.38</u></td> <td><u>0.12</u></td> </tr> <tr> <td><u>>13,400</u></td> <td><u>49.34</u></td> <td><u>0.12</u></td> </tr> </tbody> </table>		<u>Column 1</u>	<u>Column 2</u>		<u>General Periodic fee</u>	<u>Reclaim Fund Set-Up fee</u>	<u>>10 – 140</u>	<u>29.90</u>	<u>0.12</u>	<u>>140 – 630</u>	<u>29.90</u>	<u>0.12</u>	<u>>630 – 1,580</u>	<u>29.90</u>	<u>0.12</u>	<u>>1,580 – 13,400</u>	<u>37.38</u>	<u>0.12</u>	<u>>13,400</u>	<u>49.34</u>	<u>0.12</u>
	<u>Column 1</u>	<u>Column 2</u>																					
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<u>>1,580 – 13,400</u>	<u>37.38</u>	<u>0.12</u>																					
<u>>13,400</u>	<u>49.34</u>	<u>0.12</u>																					
	<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, the <u>this</u> 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 <u>£6,018</u> is payable in respect of these <i>permissions</i>. <u>The flat fee of £6,018 is made up of a portion of the general periodic fee of £6,000 and a reclaim fund set-up fee of £18.</u></p>																						
A.2	Minimum fee (£)	525																					
	<u>Band width (No. of mortgages and/or home finance transactions)</u>	Fee (£/mortgage)																					
	0 – 50	0																					
	51 – 500 <u>>50 - 130</u>	6.40 <u>1.26</u>																					
	501 – 1,000 <u>>130 – 320</u>	2.37 <u>1.26</u>																					
	1,001 – 50,000 <u>>320 – 4,570</u>	2.37 <u>1.26</u>																					
	50,001 – 500,000 <u>>4, 570 – 37,500</u>	1.35 <u>1.26</u>																					

	<u>≥500,000</u> <u>>37,500</u>	<u>0.32</u> <u>1.26</u>		
A.3	Gross premium income (GPI)	Column 1 (General periodic fee)	Column 2 (Solvency 2 Implementation Fee fee)	Column 3 <u>Solvency 2 Special Project fee</u>
	Minimum fee (£)	430 <u>Not applicable</u>	25.04 <u>50.00</u>	<u>25.00</u>
	<u>Band Width</u> (£ million of GPI)	Fee (£/£m or part £m of GPI)		
	<u>0—0.5</u>	0		0
	<u>>0.5 – 2</u> <u>10.5</u>	2.461.92 <u>531.58</u>	154.50 <u>110.45</u>	<u>93.40</u>
	<u>≥2—5</u> <u>>10.5 – 30</u>	2.461.92 <u>531.58</u>	154.50 <u>110.45</u>	<u>93.40</u>
	<u>≥5—20</u> <u>>30</u> <u>– 245</u>	2.461.92 <u>531.58</u>	154.50 <u>110.45</u>	<u>93.40</u>
	<u>≥20—75</u> <u>>245 –</u> <u>1,900</u>	799.42 <u>531.58</u>	50.18 <u>110.45</u>	<u>93.40</u>
	<u>≥75—150</u> <u>>1,900</u>	799.42 <u>531.58</u>	50.18 <u>110.45</u>	<u>93.40</u>
	<u>≥150</u>	107.36	6.75	
	PLUS			
	Gross technical liabilities (GTL)	Column 1 (General Periodic fee)	Column 2 (Solvency 2 Implementation fee)	Column 3 <u>Solvency 2 Special Project fee</u>
	Minimum fee (£)	0	0	
<u>Band Width</u> (£ million of GTL)	Fee (£/£m or part £m of GTL)			
<u>0—1</u>	0	0		

	>1 – 5 <u>12.5</u>	60.30 <u>28.39</u>	3.74 <u>5.65</u>	<u>5.55</u>
	≥5 – 50 <u>≥12.5 – 70</u>	60.30 <u>28.39</u>	3.74 <u>5.65</u>	<u>5.55</u>
	≥50 – 100 <u>>70 – 384</u>	60.30 <u>28.39</u>	3.74 <u>5.65</u>	<u>5.55</u>
	≥100 – 1,000 <u>≥384 – 3,750</u>	18.96 <u>28.39</u>	1.18 <u>5.65</u>	<u>5.55</u>
	≥1,000 <u>>3,750</u>	7.59 <u>28.39</u>	0.48 <u>5.65</u>	<u>5.55</u>
	PLUS			
	Solvency 2 Special Project Fee (the “Solvency 2 fee”)			
	Minimum fee (£)	0		
	There is only a single tariff band	The fee is calculated in accordance with Part 4 of this Annex. The percentage for this fee block (by which periodic fees are multiplied as described in Part 4) is 9.79%.		
...				
A.4	Adjusted annual gross premium income (AGPI)	Column 1 (General Periodic fee)	Column 2 (Solvency 2 Implementation fee)	<u>Column 3 Solvency 2 Special Project fee</u>
	<u>Minimum fee (£)</u>	215 <u>Not applicable</u>	10.09 <u>25.00</u>	<u>25.00</u>
	<u>Band Width (£ million of AGPI)</u>	Fee (£/£m or part £m of AGPI)		
	0 – 1	0	0	

>1 – 50 5	740.00 <u>706.46</u>	40.84 <u>137.00</u>	<u>114.60</u>
≥50 – 1,000 ≥5 – 40	740.00 <u>706.46</u>	40.84 <u>137.00</u>	<u>114.60</u>
≥1,000 – 2,000 ≥40 – 260	554.56 <u>706.46</u>	30.60 <u>137.00</u>	<u>114.60</u>
≥2,000 ≥260 – 4,000	380.75 <u>706.46</u>	17 <u>137.00</u>	<u>114.60</u>
≥4,000	<u>706.46</u>	<u>137.00</u>	<u>114.60</u>
PLUS			
Mathe- matical reserves (MR)	Column 1 (General Periodic fee)	Column 2 (Solvency 2 Implementation fee)	Column 3 (Solvency 2 Special Project fee)
Minimum fee (£)	215 <u>Not applicable</u>	9.73 <u>25.00</u>	<u>25.00</u>
<u>Band Width</u> (£ million of MR)	Fee (£/£m or part £m of MR)		
0 – 1	0	0	
>1 – 10 20	42.35 <u>15.32</u>	2.20 <u>3.00</u>	<u>2.95</u>
≥10 – 100 ≥20 – 270	42.35 <u>15.32</u>	2.20 <u>3.00</u>	<u>2.95</u>
≥100 – 1000 ≥270 – 7,000	22.25 <u>15.32</u>	1.17 <u>3.00</u>	<u>2.95</u>
≥1,000 – 5,000 ≥7,000 – 45,000	22.25 <u>15.32</u>	1.17 <u>3.00</u>	<u>2.95</u>
≥5,000 –	15.04		

	15,000			
	≥15,000	15.04		
	≥45,000	<u>15.32</u>	<u>3.00</u>	<u>2.95</u>
	PLUS			
	Solvency 2 Special Project Fee (Solvency 2 fee)			
	Minimum fee (£)	0		
	There is only a single tariff band.	The fee is calculated in accordance with Part 4 of this Annex. The percentage for this fee block (by which periodic fees are multiplied as described in Part 4) is 9.66%.		
A.5	Minimum fee (£)	580		
	Band Width (£ million of Active Capacity (AC))	Fee (£/£m or part £m of AC)		
	0 – 50	0		
	>50 – 150	122.49 <u>54.55</u>		
	>150 – 250	116.67 <u>54.55</u>		
	>250 – 500	48.21 <u>54.55</u>		
	≥500 – 1,000	<u>54.55</u>		
	>1,000	<u>54.55</u>		
A.6	Flat fee	1,743,958 <u>1,500,514</u>		
	PLUS			
	Solvency 2 Special Project Flat Fee (£)	95,000 <u>249,603.72</u>		
	PLUS			

	Solvency 2 Implementation Flat Fee fee (£)	83,000 <u>300,100.80</u>
A.7	For class 1(C), (2) and (3) <i>firms</i> :	
	Minimum fee (£)	1,210
	Band Width (£ million of Funds under Management (FuM))	Fee (£/£m or part £m of FuM)
	0—10	0
	>10—400 <u>150</u>	58.27 <u>8.52</u>
	≥100—2,500 <u>>150—2,800</u>	18.74 <u>8.52</u>
	≥2,500—10,000 <u>≥2,800—17,500</u>	10.43 <u>8.52</u>
	≥10,000 <u>≥17,500—100,000</u>	1.60 <u>8.52</u>
	>100,000	8.52

...	...	
A.9	Minimum fee (£)	1,890
	Band Width (£ million of Gross Income (GI))	Fee (£/£m or part £m of GI)
	0—1	0
	>1—5 <u>4.5</u>	991.25 <u>1,052.62</u>
	≥5—15 <u>>4.5—17</u>	955 <u>1,052.62</u>
	≥15—40 <u>>17—145</u>	955 <u>1,052.62</u>
	≥40 <u>>145—750</u>	940 <u>1,052.62</u>
	>750	1,052.62
A.10	Minimum fee (£)	2,310
	Band Width (No. of traders)	Fee (£/trader)
	0—2	0
	3—5 <u>2—3</u>	3,937 <u>3,196.91</u>

	6—10 <u>4—5</u>	2,677 <u>3,196.91</u>
	11—50 <u>6—30</u>	2,677 <u>3,196.91</u>
	51—200 <u>31—180</u>	3,283 <u>3,196.91</u>
	≥200 <u>>180</u>	3,283 <u>3,196.91</u>
...		
A.12	Minimum fee (£)	1,960
	<u>Band Width</u> (No. of persons)	Fee (£/person)
	0—1	0
	2—4 <u>5</u>	1,232 <u>426.35</u>
	5—10 <u>6—35</u>	590 <u>426.35</u>
	11—25 <u>36—175</u>	504 <u>426.35</u>
	26—150 <u>176—1,600</u>	255 <u>426.35</u>
	151—1,500	255
	≥1,600	<u>426.35</u>
	≥1,500	160
	...	
A.13	For class (2) <i>firms</i> :	
	Minimum fee (£)	1,850
	<u>Band Width</u> (No. of persons)	Fee (£/person)
	0—1	0
	2—4 <u>3</u>	1,119 <u>1,290.54</u>
	5—10 <u>4—30</u>	1,073 <u>1,290.54</u>
	11—25 <u>31—300</u>	1,073 <u>1,290.54</u>
	26—500 <u>301—2,000</u>	939 <u>1,290.54</u>
	501—4,000 <u>≥2,000</u>	939 <u>1,290.54</u>
	≥4,000	939

	For class (1) firms: £1,850	
	...	
A.14	Minimum fee (£)	1,335
	<u>Band Width</u> (No. of persons)	Fee (£/person)
	0—1	0
	2—4	1,393 <u>1,340.87</u>
	3—4 <u>5—25</u>	1,393 <u>1,340.87</u>
	5—10 <u>26—80</u>	1,211 <u>1,340.87</u>
	11—100 <u>81—199</u>	1,211 <u>1,340.87</u>
	101—200 <u>>199</u>	902 <u>1,340.87</u>
	>200	902
...		
A.18	Minimum fee (£)	745
	<u>Band Width</u> (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	0—100	0
	>100—4,000 <u>180</u>	6.93 <u>10.54</u>
	>1,000—5,000 <u>>180—1,000</u>	5.60 <u>10.54</u>
	>5,000—10,000 <u>>1,000—12,500</u>	5.60 <u>10.54</u>
	>10,000—20,000 <u>>12,500—50,000</u>	4.33 <u>10.54</u>
	>20,000 <u>>50,000</u>	3.71 <u>10.54</u>
A.19	Minimum fee (£)	450
	<u>Band Width</u> (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	0—100	0
	>100—4,000 <u>325</u>	4.66 <u>2.43</u>

	≥1,000 – 5,000 <u>≥325 – 10,000</u>	4.30 <u>2.43</u>
	≥5,000 – 15,000 <u>≥10,000 – 50,750</u>	2.99 <u>2.43</u>
	≥15,000 – 100,000 <u>≥50,750 – 250,000</u>	1.40 <u>2.43</u>
	≥100,000 <u>≥250,000</u>	0.57 <u>2.43</u>
B. Market operators	£30,000 <u>£35,000</u>	
B. Service companies	Bloomberg LP	£40,000 <u>£45,000</u>
	EMX Co Ltd	£30,000 <u>£35,000</u>
	LIFFE Services Ltd	£30,000 <u>£35,000</u>
	[row deleted]	
	OMGEO Ltd	£30,000 <u>£35,000</u>
	Reuters Ltd	£40,000 <u>£45,000</u>
	Swapswire Ltd	£30,000 <u>£35,000</u>
	Thomson Financial Ltd	£30,000
...		

Part 1A

(1)	<u>This Part sets out the minimum fee applicable to the <i>firms</i> specified in (3) below.</u>	
(2)	<u>The minimum fee payable by any <i>firm</i> referred to in (3) is £1,000 unless:</u>	
	(a)	<u>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</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 (5)(a), in which case the minimum fee payable is £430; 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 (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 <i>firm</i> (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.</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>
<u>Note 1</u>		<u>In the case of a <i>firm</i> which is required to pay the Solvency 2 Implementation fee (see Part 5) and, where relevant, the Solvency 2 Special Project fee there is an additional minimum fee set out in Part 1.</u>

Part 2

This table shows the permitted deductions that apply where financial penalties are received under the *Act*:

Activity group	Nature of deduction	Amount of deduction
<u>Part 1A (minimum)</u>		<u>7.5% of the fee payable by the <i>firm</i> for the activity group (see Part 1)</u>

fee)		
A.1	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.2	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.3	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1). The deduction does not apply to any Solvency 2 <u>Special Project</u> fee (as defined in Part 1) or Solvency 2 Implementation fee as applicable under Part 5.
A.4	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1). The deduction does not apply to any Solvency 2 <u>Special Project</u> fee (as defined in Part 1) or Solvency 2 Implementation fee as applicable under Part 5.
A.5	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.6	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1). The deduction does not apply to any Solvency 2 Special Project flat fee or Solvency 2 Implementation flat fee (as defined in Part 1).
A.7	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.9	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.10	Financial penalties received	6.3% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.12	Financial penalties received	6.2% <u>9.3%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.13	Financial penalties received	6.2% <u>7.8%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)

A.14	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.18	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)
A.19	Financial penalties received	6.2% <u>7.5%</u> of the fee payable by the <i>firm</i> for the activity group (see Part 1)

Part 3

This table shows the modifications to fee tariffs that apply to *incoming EEA firms* and *incoming Treaty firms* which have established branches in the UK.

Activity group	Percentage deducted from the tariff payable under Part 1 applicable to the firm	Minimum amount payable
A.1	80% <u>50%</u>	£100
A.3	100% <u>90%</u>	Nil
A.4	...	£100
A.7	...	£100
A.9	...	£100
A.10	...	£100
A.12	...	£100
A.13	...	£100
A.19	...	£100
B. MTF operators	...	Not applicable
<u>Note 1</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 <i>branch</i> in the UK apply only in relation to the relevant <i>regulated activities</i> of the <i>firm</i> which are <i>passported activities</i> or <i>Treaty activities</i> and which are carried on in the <i>UK</i> .	
<u>Note 2</u>	The minimum fee described in Part 1A of <i>FEES 4 Annex 2R</i> applies in full and the modifications in this Part do not apply to <u>it</u> .	

Part 4

This table shows the calculation of the Solvency 2 Special Project fee for *firms* falling into fee block A3 or A4.

(1)	The Solvency 2 <u>Special Project</u> fee forms part of the periodic fee payable under fee block A3 and A4 (the "insurance fee blocks").
(2)	The Solvency 2 <u>Special Project</u> fee is only payable by a <i>firm</i> if it meets the conditions in Part (5). In addition:
(a)	it was in one or both of the insurance fee blocks at the start of the financial year 2009/10 where the <i>firm</i> falls into fee block A.3, the Solvency 2 <u>Special Project</u> fee is only payable with respect to that insurance fee block if the amount of the periodic fees payable by it under <i>FEES</i> 4.3 in respect of the financial year 2009/10 with respect to that insurance fee block was at least £49,000;
(b)	<i>FEES</i> 4.3.13R (Firms Applying to Cancel or Vary Permission Before Start of Period) does not apply with respect to the fee block in (a) where the <i>firm</i> falls into fee block A.4, the Solvency 2 <u>Special Project</u> fee is only payable with respect to that insurance fee block if the amount of the periodic fees payable by it under <i>FEES</i> 4.3 in respect of the financial year 2009/10 with respect to that insurance fee block was at least £55,000.
(c)	it has not notified the <i>FSA</i> before the start of the financial year 2009/10 that it intends to migrate out of the <i>United Kingdom</i> for regulatory purposes before the proposed Solvency II Directive is implemented; and [deleted]
(d)	it is not an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i> . [deleted]
(3)	The Solvency 2 fee is payable by the top sixty <i>firms</i> in the list of firms that fall into (2) and into fee block A3, and by the top sixty firms in the list of firms that fall into (2) and into fee block A4. A <i>firm's</i> ranking in the list for a particular insurance fee block is measured by reference to the amount of the periodic fees payable by it under <i>FEES</i> 4.3 in respect of the financial year 2008/9 with respect to that insurance fee block. [deleted]
(4)	The <u>prior year fee</u> referred to in (2) for a particular insurance fee block is calculated by multiplying the periodic fee payable by the <i>firm</i> with respect to that fee block (ignoring <u>does not take into account</u> the Solvency 2 <u>Special Project</u> fee and or the Solvency 2 Implementation fee) by the percentage specified in Part 1.
(5)	The total Solvency 2 fee payable by a <i>firm</i> (taking into account

	amounts payable under both insurance fee blocks) is capped at £95,000. [deleted]
(6)	For the purpose of (3) <i>firms</i> falling into (2) that are in the same group at the start of the financial year 2009/10 must be treated as a single <i>firm</i> , so that the total number of <i>firms</i> liable to pay the Solvency 2 fee may be greater than 120. [deleted]
(7)	Where (6) applies, the Solvency 2 fee payable by the <i>firms</i> in the group concerned for a particular insurance fee block is calculated by multiplying the total amount of the periodic fees payable by those <i>firms</i> with respect to that fee block (ignoring the Solvency 2 fee and the Solvency 2 Implementation fee) by the percentage specified in Part 1. All those <i>firms</i> are liable jointly and severally to pay the Solvency 2 fee. [deleted]
(8)	Where (7) applies, (5) is applied to the group as a whole so that the total joint Solvency 2 fee payable by the group is capped at £95,000. [deleted]
(9)	The definition of a <i>group</i> is restricted for the purpose of calculating the Solvency 2 fee to <i>parent undertakings</i> and their <i>subsidiary undertakings</i> . [deleted]
(10)	In calculating the fee to which the percentage in (4) or (7) is applied, no account is taken of any change in the fee that takes place after the Solvency 2 fee has been billed. [deleted]
(11)	The Solvency 2 fee is not reduced under the table in <i>FEES 4.2.6R</i> (Modifications for persons becoming subject to periodic fees during the course of a financial year). Instead the fee to which the percentage in (4) or (7) is applied takes account of any reduction under that table. The same applies for the reductions in Part 3 of this Annex (Modifications to fee tariffs that apply to incoming EEA firms and incoming Treaty firms). <i>FEES 4.2.6R</i> and <i>FEES 4.2.7R</i> do not apply to the Solvency 2 Special Project fee.

Part 5

...

...	
(2)	The conditions in this paragraph are:
	...
(b)	the <i>firm</i> has not notified the <i>FSA</i> before the start of the financial year 2009/10 <u>2010/11</u> that it intends to migrate out of the <i>United Kingdom</i> for regulatory purposes before the proposed <i>Solvency II 2 Directive</i> is implemented;

	(c)	<u>it meets either of the following conditions:</u>
	(i)	its gross premium income or adjusted gross premium income, as appropriate, referred to in <i>FEES 4 Annex 1R Part 2</i> , exceeds EUR 5 million at the end of the financial year ended in the calendar year ending 31 December prior to the FSA financial year; <u>or</u>
	(ii)	<u>its gross technical liabilities or mathematical reserves, as appropriate, referred to in <i>FEES 4 Annex 1R, Part 2</i>, exceed EUR 25 million at the end of the financial year ended in the calendar year ending 31 December prior to the <i>FSA</i> financial year;</u>
	(d)	its gross technical liabilities or mathematical reserves, as appropriate, referred to in <i>FEES 4 Annex 1R, Part 2</i>, exceed EUR 25 million at the end of the financial year ended in the calendar year ending 31 December prior to the <i>FSA</i> financial year <u>it was in one or both of the insurance fee blocks at the start of the financial year 2010/11;</u>
	(e)	<u>it is not an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i>.</u>
...		
(4)		Where a <i>firm</i> has notified the <i>FSA</i> that it intends to migrate out of the <i>United Kingdom</i> for regulatory purposes before the proposed <i>Solvency II 2 Directive</i> is implemented in the <i>United Kingdom</i> but when the proposed <i>Solvency 2 Directive</i> is implemented that <i>firm</i> remains in the <i>United Kingdom</i> for regulatory purposes, it must pay the <i>Solvency 2 Implementation fee</i> for each financial year commencing 1 April 2009 for which the <i>Solvency 2 Implementation fee</i> would have applied to the <i>firm</i> but for the <i>firm</i> notifying the <i>FSA</i> of its intention to migrate.
...		
(7)		<u><i>FEES 4.2.6R</i> and <i>FEES 4.2.7R</i> do not apply to the <i>Solvency 2 Implementation fee</i>.</u>

4 Annex 3 R Transaction reporting fees

Transaction reporting fees ~~for the period from 1 April 2009~~ 2010 ~~to 31 March 2010~~ until further notice

...

4 Annex 4 R Periodic fees in relation to collective investment schemes payable for the period 1 April ~~2009~~ 2010 to 31 March ~~2010~~ 2011

Part 1 - Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
ICVC, AUT, Section 264 of the <i>Act</i> Section 270 of the <i>Act</i>	570 <u>560</u>	1-2	1	570 <u>560</u>
		3-6	2.5	1,425 <u>1,400</u>
		7-15	5	2,850 <u>2,800</u>
		16-50	11	6,270 <u>6,160</u>
		>50	22	12,540 <u>12,320</u>
Section 272 of the <i>Act</i>	2,325 <u>2,280</u>	1-2	1	2,325 <u>2,280</u>
		3-6	2.5	5,815 <u>5,700</u>
		7-15	5	11,630 <u>11,400</u>
		16-50	11	25,585 <u>25,080</u>
		>50	22	51,170 <u>50,160</u>

Fees are charged according to the number of funds or *sub-funds* operated by a *firm* as at 31 March ~~2009~~ 2010. ...

Schemes set up under section 264 of the *Act* are charged according to the number of funds or *sub-funds* which a *firm* is operating and *marketing* into the *UK* as at 31 March immediately before the start of the period to which the fee applies. For example, for ~~2008/09~~ 2010/11 fees a reference to 31 March means 31 March ~~2008~~ 2010.

4 Annex 5 R Periodic fees for designated professional bodies payable in relation to the period 1 April 2010 to 31 March 2011

Table of fees payable by Designated Professional Bodies

Name of Designated Professional Body	Amount payable	Due date
The Law Society of England & Wales	£34,545	30 April 2010
	£18,105 <u>£48,565</u>	1 September 2009 <u>2010</u>
The Law Society of Scotland	£13,990 <u>£14,620</u>	1 July 2009 <u>2010</u>
The Law Society of Northern Ireland	£12,990 <u>£13,380</u>	1 July 2009 <u>2010</u>
The Institute of Actuaries	£10,110 <u>£10,130</u>	1 July 2009 <u>2010</u>

The Institute of Chartered Accountants in England and Wales	£25,630 <u>£27,350</u>	1 July 2009 <u>2010</u>
The Institute of Chartered Accountants of Scotland	£11,330 <u>£11,450</u>	1 July 2009 <u>2010</u>
The Institute of Chartered Accountants in Ireland	£10,630 <u>£10,700</u>	1 July 2009 <u>2010</u>
The Association of Chartered Certified Accountants	£17,070 <u>£18,040</u>	1 July 2009 <u>2010</u>
The Council for Licensed Conveyancers	£11,090 <u>£11,290</u>	1 July 2009 <u>2010</u>
Royal Institution of Chartered Surveyors	£13,650 <u>£14,390</u>	1 July 2009 <u>2010</u>

...

4 Annex 6 R Periodic fees for recognised investment exchanges and recognised clearing houses payable in relation to the period 1 April 2010 to 31 March 2011

...

Part 1 - Periodic fees for UK recognised bodies

Name of UK recognised body	Amount payable	Due date
Euroclear UK & Ireland Limited	£277,500	30 April 2010
	£310,500 <u>£372,500</u>	1 September 2009 <u>2010</u>
ICE Futures Europe Ltd	£230,000	30 April 2010
	£267,500 <u>£280,000</u>	1 September 2009 <u>2010</u>
LIFFE Administration and Management	£325,000	30 April 2010
	£350,000 <u>£475,000</u>	1 September 2009 <u>2010</u>
LCH Clearnet Limited	£298,000	30 April 2010
	£315,000 <u>£452,000</u>	1 September 2009 <u>2010</u>

The London Metal Exchange Limited	£198,000	30 April 2010
	£211,500 <u>£277,000</u>	1 September 2009 <u>2010</u>
London Stock Exchange plc	£261,000	30 April 2010
	£252,500 <u>£409,000</u>	1 September 2009 <u>2010</u>
EDX London Ltd	£42,500	30 April 2010
	£37,000 <u>£77,500</u>	1 September 2009 <u>2010</u>
PLUS Markets Plc	£97,500	30 April 2010
	£118,000 <u>£122,500</u>	1 September 2009 <u>2010</u>
European Central Counterparty Limited	£163,500	30 April 2010
	£202,000 <u>£211,500</u>	1 September 2009 <u>2010</u>
ICE Clear Europe Limited	£184,000	30 April 2010
	£243,000 <u>£366,000</u>	1 September 2009 <u>2010</u>
...		

Part 2 - Periodic fees for overseas recognised bodies

Name of overseas recognised body	Amount payable	Due date
The Chicago Mercantile Exchange (CME) (ROIE)	£30,000 <u>£40,000</u>	1 July 2009 <u>2010</u>
Chicago Board of Trade	£30,000 <u>£40,000</u>	1 July 2009 <u>2010</u>
EUREX (Zurich)	£30,000 <u>£40,000</u>	1 July 2009 <u>2010</u>
National Association of Securities and Dealers Automated Quotations (NASDAQ)	£30,000 <u>£40,000</u>	1 July 2009 <u>2010</u>
New York Mercantile Exchange Inc.	£30,000 <u>£40,000</u>	1 July 2009 <u>2010</u>
The Swiss Stock Exchange	£30,000 <u>£40,000</u>	1 July 2009 <u>2010</u>

Sydney Futures Exchange Limited	£30,000 £40,000	1 July 2009 <u>2010</u>
ICE Futures US Inc	£30,000 £40,000	1 July 2009 <u>2010</u>
<u>NYSE Liffe US</u>	<u>£40,000</u>	<u>1 July 2010</u>
SIS x-clear AG	£60,000 £100,000	1 July 2009 <u>2010</u>
Eurex Clearing AG	£60,000 £200,000	1 July 2009 <u>2010</u>
ICE Clear US Inc	£60,000 £70,000	1 July 2009 <u>2010</u>
Chicago Mercantile Exchange (CME) (ROCH)	£60,000 £200,000	1 July 2009 <u>2010</u>
<u>European Multi-Lateral Clearing Facility</u>	<u>£100,000</u>	<u>1 July 2010</u>
<u>Cassa di Compensazione e Garanzia (CC&G)</u>	<u>£70,000</u>	<u>1 July 2010</u>
...		

4 Annex 7 R Periodic fees in relation to the Listing Rules for the period 1 April ~~2009~~ 2010 to 31 March ~~2010~~ 2011

Fee type	Fee amount
Annual fees for the period 1 April 2009 <u>2010</u> to 31 March 2010 <u>2011</u>	
Annual Issuer Fees - all <i>listed issuers</i> of <i>shares</i> , depositary receipts and <i>securitised derivatives</i> . This fee represents the total annual fee for a <i>listed issuer</i> - no additional annual fee is due under the <i>disclosure rules</i> and <i>transparency rules</i> .	<p>(1) For all <i>issuers</i> of <i>securitised derivatives</i>, depositary receipts and global depositary receipts the fees payable are set out in Table 1.</p> <p>(2) For all other <i>issuers</i>, fees to be determined according to market capitalisation, as at the last <i>business day</i> of the November prior to the <i>FSA</i> financial year in which the fee is payable, are as set out in Table 2. The fee is calculated as follows:</p> <p>...</p> <p>(3) Notwithstanding (2), <i>overseas issuers</i> with a <i>listing</i> of <i>equity securities</i> which is not a <i>primary premium listing</i> will only pay 80% of</p>

	the fee otherwise payable under (2).
...	

Table 1

Annual fees for issuers of *securitised derivatives*, depositary receipts and global depositary receipts

Issuer	Fee amount
<i>Issuers of securitised derivatives</i>	£3,425 <u>£3,700</u>
Issuers of depositary receipts and global depositary receipts	£4,110 <u>£4,440</u>

Table 2

Tiered annual fees for all other issuers

Fee payable	
Minimum fee (£)	3,425 <u>3,700</u>
£ million of Market Capitalisation as at the last <i>business day</i> of the November prior to the <i>FSA</i> financial year in which the fee is payable	Fee (£/£m or part £m of Market Capitalisation as at the last <i>business day</i> of the November prior to the <i>FSA</i> financial year in which the fee is payable)
0 - 100	0
>100 - 250	21.845700 <u>23.593356</u>
>250 - 1,000	8.737700 <u>9.436716</u>
>1,000 - 5,000	5.378413 <u>5.808686</u>
>5,000 - 25,000	0.131196 <u>0.141692</u>
>25,000	0.042386 <u>0.045777</u>

There is deducted from the fee specified in this Annex ~~6.4%~~ 0.0% of the fee payable to take into account financial penalties received by the *FSA* in the previous financial year.

...

4 Annex 8 R Periodic fees in relation to the disclosure rules and transparency rules for the period 1 April ~~2009~~ 2010 to 31 March ~~2010~~ 2011

Annual fees for the period 1 April 2009 <u>2010</u> to 31 March 2010 <u>2011</u>
...

Table 1

Annual fees for non-listed issuers of securitised derivatives, depositary receipts and global depositary receipts

Issuer	Fee amount
<i>Issuers of securitised derivatives</i>	£2,740 <u>£2,960</u>
<i>Issuers of depositary receipts and global depositary receipts</i>	£3,288 <u>£3,552</u>

Table 2

Fee payable	
Minimum fee (£)	2,740 <u>2,960</u>
£ million of Market Capitalisation	Fee (£/£m or part £m of Market Capitalisation)
0 - 100	0
>100 - 250	17.476560 <u>18.874685</u>
>250 - 1,000	6.990160 <u>7.549373</u>
>1,000 - 5,000	4.302730 <u>4.646949</u>
>5,000 - 25,000	0.104957 <u>0.113353</u>
>25,000	0.033909 <u>0.036622</u>

4 Annex 9 R Periodic fees in respect of securitised securities derivatives for the period from 1 April ~~2009~~ 2010 to 31 March ~~2010~~ 2011

Part 1

This table shows the fee amount applicable to *firms* and *market operators* in respect of certain ~~securitised~~ securitised securities derivatives.

For the purposes of this Annex, a “relevant ~~contracts~~ contract” ~~are all transactions~~ is any contract entered into or settled by firms on or through

LIFFE or Eurex Clearing AG in *securitised securities derivatives* entered into on or settled through LIFFE or Eurex Clearing AG, and the “relevant period” is 1 January ~~2008~~ 2009 to 31 December ~~2008~~ 2009 inclusive.

The fee shown in the table below for *firms* (but not *market operators*) will be subject to a deduction of ~~6.2%~~ 7.5%, as if that fee were a periodic fee charged under *FEES* 4.3.3R, and the deduction were a deduction set out in Part 2 of *FEES* 4 Annex 2 R.

...

Fee amount for <i>firms</i>	
Number of relevant contracts entered into by the <i>firm</i> during the relevant period	Fee amount
...	
101 - 1,000	£475 <u>£550</u>
1,001 - 100,000	£2,450 <u>£2,775</u>
100,001 - 1,000,000	£7,350 <u>£8,340</u>
1,000,001 - 5,000,000	£17,100 <u>£20,000</u>
5,000,001 - 20,000,000	£31,300 <u>£35,435</u>
>20,000,000	£48,800 <u>£54,000</u>
Fee amount for <i>market operators</i>	
<i>Market operators</i> providing facilities for trading in <i>securitised securities derivatives</i> that do not identify those <i>securitised securities derivatives</i> using an International Securities Identity Number	£10,000 <u>£10,300</u>

...

4 Annex 10 R Periodic fees for MTF operators payable in relation to the period 1 April ~~2009~~ 2010 to 31 March ~~2010~~ 2011

Name of <i>MTF</i> operator	Fee payable (£)	Due date
		30 April 2009 <u>1 July 2010</u>
<u>Baikal Global Ltd</u>	<u>25,000</u>	
Barclays Bank Plc	2,600 <u>3,600</u>	
BATS Trading Ltd	38,000 <u>80,000</u>	

BGC Brokers L.P	2,600 <u>3,600</u>	
Cantor Index Limited	5,600 <u>7,750</u>	
CantorCO2e Limited	2,600 <u>3,600</u>	
Chi-X Europe Limited	38,000 <u>125,000</u>	
EuroMTS Limited	20,000 <u>30,000</u>	
GFI Brokers Limited	2,600 <u>3,600</u>	
GFI Securities Limited	2,600 <u>3,600</u>	
ICAP Electronic Broking Limited	4,400 <u>6,000</u>	
ICAP Energy Limited	2,600 <u>3,600</u>	
ICAP Europe Limited	2,600 <u>3,600</u>	
ICAP Hyde Shipping Tanker Derivatives Limited	2,600 <u>3,600</u>	
ICAP Securities Limited	2,600 <u>3,600</u>	
ICAP WCLK Limited	2,600 <u>3,600</u>	
Liquidnet Europe Limited	20,000 <u>70,000</u>	
MF Global UK Limited	2,300 <u>3,300</u>	
My Treasury Limited	2,600 <u>3,600</u>	
NASDAQ OMX Europe Limited	38,000 <u>70,000</u>	
NYMEX	20,000	
<u>SmartPool Trading Limited</u>	<u>20,000</u>	
TFS-ICAP Limited	2,600 <u>3,600</u>	
Tradeweb Europe Limited	9,200 <u>12,500</u>	

Tradition (UK) Limited	2,600 <u>3,600</u>	
Tradition Financial Services Limited	2,600 <u>3,600</u>	
Tullett Prebon (Europe) Limited	2,600 <u>3,600</u>	
Tullett Prebon (Securities) Limited	2,600 <u>3,600</u>	
Turquoise Services Limited	38,000 <u>80,000</u>	
Any other <i>firm</i> whose <i>permission</i> includes <i>operating a multilateral trading facility</i> , including: (a) an <i>EEA firm</i> ; or (b) a <i>firm</i> that, during the course of the relevant financial year, receives <i>permission</i> for <i>operating a multilateral trading facility</i> or whose <i>permission</i> is extended to include this activity.	In the case of an <i>EEA firm</i> that: (a) has not carried on the activity of <i>operating a multilateral trading facility</i> in the UK at any time in the calendar year ending 31 December 2008 <u>2009</u> ; and (b) notifies the FSA of that fact by the end of March 2009 <u>2010</u> ; the fee is zero. Information required under (b) is to be treated as information required under FEES 4.4 (Information on which Fees are calculated) In any other case: 2000 <u>£3,000</u>	In the case of a <i>firm</i> that, during the course of the relevant financial year, receives <i>permission</i> for <i>operating a multilateral trading facility</i> or whose <i>permission</i> is extended to include this activity, within 30 days of receiving that <i>permission</i> or extension. In any other case, 1 July 2009 <u>2010</u>

There is deducted from the fee specified in this Annex 7.5% of the fee payable to take into account financial penalties received by the FSA in the previous financial year.

...

**4 Annex 11
R**

Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations in relation to the period 1 April 2010 to 31 March 2011

...

Part 5 - Tariff rates

Activity group	Fee payable in relation to 2010/11	
G.2	Minimum fee (£)	400
	£ million <u>or part £m</u> of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	{tariff band to follow}	{tariff rate to follow}
	<u>> 0.1</u>	<u>0.42292</u>
	<u>> 0.25</u>	<u>0.42292</u>
	<u>> 1.0</u>	<u>0.42292</u>
	<u>> 10.0</u>	<u>0.42292</u>
	<u>> 50.0</u>	<u>0.42292</u>
<u>> 500.0</u>	<u>0.42292</u>	
G.3	Minimum fee (£)	400
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	{tariff band to follow}	{tariff rate to follow}
	<u>> 0.1</u>	<u>0.48508</u>
	<u>> 0.25</u>	<u>0.48508</u>
	<u>> 1.0</u>	<u>0.48508</u>
	<u>> 10.0</u>	<u>0.48508</u>
	<u>> 50.0</u>	<u>0.48508</u>
<u>> 500.0</u>	<u>0.48508</u>	
...		

Part 6 - Permitted deductions for financial penalties pursuant to the Payment Services Regulations

Fee-paying payment service providers may make deductions as provided in this Part.

Activity group	Nature of deduction	Amount of deduction
G.2	Financial penalties received	{to follow} <u>0.0%</u>
G.3	Financial penalties received	{to follow} <u>0.0%</u>
G.4	Financial penalties received	{to follow} <u>0.0%</u>
G.5	Financial penalties received	{to follow} <u>0.0%</u>

Part 7 - This table shows the modifications to fee tariffs that apply Permitted deductions for to EEA authorised payment institutions, and full credit institutions and e-money issuers that are EEA firms.

~~Fee-paying payment service providers may make deductions as provided in this Part.~~

Activity group	Percentage deducted from the tariff payable under Part 5 applicable to the firm	Minimum amount payable
G.2	{to follow} <u>40%</u>	{to follow}
G.3 excluding the Post Office Limited	{to follow} <u>40%</u>	{to follow}

5 Financial Ombudsman Service Funding

...

5 Annex 1 R Annual Fees Payable in Relation to 2010/11

Introduction: annual budget

1. The *annual budget* for ~~2009/10~~ 2010/11 approved by the FSA is ~~£92.5m~~ £113.7m.

Part 1: General levy

2. The total amount expected to be raised through the *general levy* in ~~2009/10~~ 2010/11 will be £17.7m (net of £1.8m to be raised from consumer credit firms).

Part 2: Fee tariffs for general levy

Industry block	Tariff base	General levy payable by firm
1 –Deposit acceptors, <i>home finance providers, home</i>	...	£0.027 <u>£0.0278</u> per relevant account subject to a minimum levy of

<i>finance administrators</i> (excluding firms in block 14) and <i>dormant account fund operators</i>		£100
2-Insurers - general (excluding <i>firms</i> in blocks 13 and 15)	...	£0.126 <u>£0.108</u> per £1,000 of relevant gross premium income subject to a minimum levy of £100
3-The <i>Society</i> (of Lloyd's)	...	£28,000 <u>£20,000</u> to be allocated by the <i>Society</i>
4-Insurers - life (excluding <i>firms</i> in block 15)	...	£0.028 <u>£0.033</u> per £1,000 of relevant adjusted gross premium income subject to a minimum levy of £100
...		
8-Advisory <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	...	£45 <u>£35</u> per relevant <i>approved person</i> subject to a minimum levy of £45 <u>£35</u>
9-Advisory <i>arrangers</i> , dealers or brokers not holding and controlling <i>client money</i> and/or assets	...	£40 <u>£35</u> per relevant <i>approved person</i> subject to a minimum levy of £40 <u>£35</u>
...		
11- <i>fee-paying payment service providers</i> (but excluding <i>firms</i> in any other Industry block)	For <i>authorised payment institutions</i> , the Post Office Limited, the Bank of England, government departments and local authorities, and <i>EEA authorised payment institutions</i> relevant income as described in <i>FEES 4 Annex 11R Part 3</i>	[to follow] <u>£0.015 per £1,000 of relevant income subject to a minimum levy of £75</u>
	For <i>small payment institutions</i> and <i>small</i>	Levy of £75 as from

	<i>e-money issuers</i> a flat fee	2010/11
12-	N/A for 2009/10 <u>2010/11</u>	
...		
16- <i>Home finance providers, advisers and arrangers</i> (excluding <i>firms</i> in blocks 13, 14 & 15)	Flat fee	Levy of £70 <u>£90</u>
17-General insurance mediation (excluding <i>firms</i> in blocks 13, 14 & 15)	...	£0.175 <u>£0.31</u> per £1,000 of <i>annual income</i> (as defined in <i>MIPRU</i> 4.3) relating to <i>firm's relevant business</i> subject to a minimum levy of £80 <u>£85</u>

...

Periodic fees
(unauthorised mutual
societies registration)
(2010/11) instrument
2010

**PERIODIC FEES (UNAUTHORISED MUTUAL SOCIETIES REGISTRATION)
(2010/2011) INSTRUMENT 2010**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 156 (General supplementary powers); and
 - (2) paragraph 17 (Fees) of Schedule 1 (The Financial Services Authority).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 June 2010.

Amendments to the FSA’s rules

- D. The Unauthorised mutuals registration fees rules are amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Periodic Fees (Unauthorised Mutual Societies Registration) (2010/2011) Instrument 2010.

By order of the Board
27 May 2010

Annex

Amendments to the Unauthorised mutuals registration fees rules

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

Amend Annex 1R as shown.

ANNEX 1R

PERIODIC FEES PAYABLE FOR THE PERIOD 1 APRIL ~~2009~~ 2010 TO 31 MARCH ~~2010~~ 2011

Part 1

Periodic fee payable by Registered Societies (on 30 June ~~2009~~ 2010)

This fee is not payable by a *credit union*.

Transaction	Total assets (£'000s)	Amount payable (£)
Periodic fee	0 - 50	55
	> 50 to 100	110
	> 100 to 250	180
	> 250 to 1,000	235
	> 1,000	425

Part 2

Methods of payment of periodic fees

A periodic fee must be paid using either direct debit, credit transfer (BACS/CHAPS), cheque, switch or by credit card (Visa/Mastercard only). Any payment by permitted credit card must include an additional 2% of the sum paid.

Fees (CFEB Levy) Instrument 2010

FEES (CFEB LEVY) INSTRUMENT 2010

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 156 (General supplementary powers);
 - (2) section 157 (Guidance); and
 - (3) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the consumer financial education body).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 June 2010.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Fees (CFEB Levy) Instrument 2010.

By order of the Board
27 May 2010

Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical position.

<i>CFEB</i>	<i>Consumer Financial Education Body Limited.</i>
<i>CFEB levy</i>	the levy payable to the <i>FSA</i> pursuant to <i>FEES</i> 7.2.1R by the <i>persons</i> listed in <i>FEES</i> 1.1.2R(5).
<i>Consumer Financial Education Body Limited</i>	the <i>body corporate</i> established by the <i>FSA</i> under section 6A(1) of the <i>Act</i> (Enhancing public understanding of financial matters etc).

Annex B

Amendments to the Fees manual (FEES)

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

1.1 Application and Purpose

- 1.1.1 G *FEES* applies to all *persons* required to pay a fee or levy under a provision of the *Handbook*. The purpose of this chapter is to set out to whom the *rules* and *guidance* in *FEES* apply. *FEES* 2 (General Provisions) contains general provisions which may apply to any type of fee payer. *FEES* 3 (Application, Notification and Vetting Fees) covers one-off fees payable on a particular event, for example various application fees (including those in relation to authorisation, variation of *Part IV permission*, *listing* and the Basel Capital Accord) and fees relating to certain notifications and document vetting requests. *FEES* 4 (Periodic fees) covers all periodic fees and transaction reporting fees. *FEES* 5 (Financial Ombudsman Service Funding) relates to *FOS* levies and case fees, and *FEES* 6 (Financial Services Compensation Scheme Funding) relates to the *FSCS* levy. *FEES* 7 relates to the *CFEB* levy.

Application

- 1.1.2 R This manual applies in the following way:

...

(5) *FEES* 1, 2 and 7 apply to:

- (a) every person having a *Part IV permission*;
- (b) an incoming *EEA firm*;
- (c) an incoming *Treaty firm*;
- (d) the *Society*.

FEES 1, 2 and 7 do not apply to an incoming *EEA firm* or an incoming *Treaty firm* that has not established a branch in the United Kingdom.

...

2 General Provisions

...

- 2.1.4 G The purpose of this chapter is to set out the general provisions applicable to those who are required to pay fees or levies to the *FSA*, case fees to the *FOS*

Ltd or a share of the *FSCS* levy.

- 2.1.5 G Paragraph 17 of Schedule 1 to and section 99 of the *Act* and regulation 92 of the *Payment Services Regulations* enable the *FSA* to charge fees to cover its costs and expenses in carrying out its functions. The corresponding provisions for the *FSCS* levy, ~~and~~ *FOS* levies and case fees and *CFEB* levies are set out in *FEES* 6.1, ~~and~~ *FEES* 5.2 and *FEES* 7.1.4G respectively. *Fee-paying payment service providers* are not required to pay the *FSCS* levy but are liable for *FOS* levies.

...

- 2.1.7 G The key components of the *FSA* fee mechanism (excluding the ~~FSCS~~ *FSCS* levy, ~~and the *FOS*~~ *FOS* levy and case fees, and the *CFEB* levy which are dealt with in *FEES* 5, ~~and~~ *FEES* 6 and *FEES* 7) are:

...

...

Late Payments

- 2.2.1 R If a *person* does not pay the total amount of a periodic fee (including fees relating to *transaction reports* to the *FSA* using the *FSA*'s Transaction Reporting System (see *SUP* 17)), *FOS* levy or case fee, or share of the *FSCS* levy or *CFEB* levy, before the end of the date on which it is due, under the relevant provision in *FEES* 4, 5, ~~or~~ 6, or 7, that *person* must pay an additional amount as follows:

- (1) if the fee was not paid in full before the end of the due date, an administrative fee of £250; plus
- (2) interest on any unpaid part of the fee at the rate of 5% per annum above the Bank of England's repo rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

- 2.2.2 G The *FSA*, (for periodic fees, *FOS* and *FSCS* levies and *CFEB* levies), and the *FOS Ltd* (for *FOS* case fees), expect to issue invoices at least 30 *days* before the date on which the relevant amounts fall due. *FOS* case fees are invoiced on a monthly basis. Accordingly it will generally be the case that a *person* will have at least 30 *days* from the issue of the invoice before an administrative fee becomes payable.

Recovery of Fees

- 2.2.3 G Paragraph 17(4) and paragraph 19B of Schedule 1 to and section 99(5) ~~to~~ of the *Act* permit the *FSA* to recover fees (including fees relating to *payment services* and, where relevant, *FOS* levies and *CFEB* levies), and section 213(6) permits the *FSCS* to recover shares of the *FSCS* levy payable, as a debt owed to the *FSA* and *FSCS* respectively, and the *FSA* and the *FSCS*, as relevant, will consider taking action for recovery (including interest) through

the civil courts. Also, the FOS Ltd (in respect of case fees) may take steps to recover any money owed to it (including interest).

- 2.2.4 G In addition, the *FSA* may be entitled to take regulatory action in relation to the non-payment of fees, ~~and FOS levies and CFEB levies~~. ~~The FSA FSA~~ may also take regulatory action in relation to the non-payment of *FOS* case fees or share of the *FSCS* levy, after reference of the matter to the FSA by the FOS Ltd or the FSCS respectively. What action (if any) that is taken by the *FSA* will be decided upon in the light of the particular circumstances of the case.

...

- 2.3.1 R If it appears to the *FSA*, the *FSCS* (in relation to any *FSCS* levy only) or the FOS Ltd (in relation to any *FOS* case fee only), that in the exceptional circumstances of a particular case, the payment of any fee, *FSCS* levy, ~~or FOS levy or CFEB levy~~ would be inequitable, the *FSA*, the *FSCS* or the FOS Ltd, as relevant, may (unless *FEES* 2.3.2BR applies) reduce or remit all or part of the fee or levy in question which would otherwise be payable.

- 2.3.2 R If it appears to the *FSA*, the *FSCS* (in relation to any *FSCS* levy only) or the FOS Ltd (in relation to any *FOS* case fee only), that in the exceptional circumstances of a particular case to which *FEES* 2.3.1R does not apply, the retention by the *FSA*, the *FSCS*, ~~or the FOS Ltd or the CFEB~~, as relevant, of a fee, *FSCS* levy, ~~or FOS levy or CFEB levy~~ which has been paid would be inequitable, the *FSA*, the *FSCS*, ~~or the FOS Ltd or the CFEB~~, may (unless *FEES* 2.3.2BR applies) refund all or part of that fee or levy.

...

- 2.4.1 R All fees payable or any stated hourly rate under *FEES* 3 (Application, notification and vetting fees), ~~and FEES 4 (Periodic fees) and FEES 7 (The CFEB levy)~~ are stated net of VAT. Where VAT is applicable this must also be included.

...

Insert the following new chapter after *FEES* 6. The text is not underlined.

7 CFEB levies

7.1 Application and Purpose

Application

- 7.1.1 R This chapter applies to every *person* listed in *FEES* 1.1.2R(5).

Purpose

- 7.1.2 G The purpose of this chapter is to set out the requirements on the persons listed in *FEES* 7.1.1R to pay annual *CFEB levies* in order to establish and

fund the *CFEB*.

- 7.1.3 G Section 6A(1) of the *Act* (Enhancing public understanding of financial matters etc) requires the *FSA* to establish the *CFEB* in order to enhance:
- (1) the understanding and knowledge of members of the public of financial matters (including the UK financial system); and
 - (2) the ability of members of the public to manage their own financial affairs.
- 7.1.4 G Paragraph 12(1) of Part 2 of Schedule 1A to the *Act* enables the *FSA* to make *rules* requiring any *authorised persons* or *payment service providers* or class of *authorised persons* or class of *payment service providers* to pay to the *FSA* specified amounts or amounts calculated in a specified way in order to meet a proportion of:
- (1) the expenses incurred by the *FSA* in establishing the *CFEB*, whenever these were incurred; and
 - (2) the expenses incurred, or expected to be incurred, by the *CFEB* in connection with the discharge of the functions described in *FEES* 7.1.3G.
- 7.1.5 G *FEES* 7 sets out the *rules* referred to in *FEES* 7.1.4G.
- 7.1.6 G The *FSA* must have regard to other anticipated sources of funding of the costs described in *FEES* 7.1.4G when setting the *CFEB* *levy*.
- 7.1.7 G The amounts to be paid under the *CFEB* *levy* may include a component to cover the *FSA* 's expenses in collecting the payments.
- 7.1.8 G The *FSA* must pay to the *CFEB* the amounts that it receives under the *CFEB* *levy* apart from amounts in respect of its collection costs (which it may keep).
- 7.1.9 G Paragraph 7(1) of Part 1 of Schedule 1A to the *Act* requires the *CFEB* to adopt an annual budget which has been approved by the *FSA*.
- 7.1.10 G This chapter sets out the method by which the *CFEB* *levy* will be calculated. Details of the actual *levy* payable will vary from year to year, depending on the *CFEB* 's annual budget. These details are set out in *FEES* 7 Annex 1R. New details will be prepared and consulted on for each financial year.

7.2 The *CFEB* *levy*

Obligation to pay *CFEB* *levy*

- 7.2.1 R A *firm* must pay each *CFEB* *levy* applicable to it:

- (1) in full and without deduction (unless permitted or required by a provision in *FEES*); and
- (2) in accordance with the provisions of *FEES* 4.3.6R.

Calculation of CFEB levy

7.2.2 R The *CFEB* levy is calculated as follows:

- (1) identify each of the activity groups set out in Part 1 of *FEES* 7 Annex 1R that apply to the business of the *firm* for the relevant period (for this purpose, the activity groups are defined in accordance with Part 1 of *FEES* 4 Annex 1R);
- (2) for each of those activity groups, calculate the amount payable in the way set out in *FEES* 7.2.3R;
- (3) add the amounts calculated under (2);
- (4) work out whether a minimum fee is payable under Part 2 of *FEES* 7 Annex 1R and if so how much;
- (5) add together the amounts calculated under (3) and (4);
- (6) modify the result as indicated by the table in *FEES* 4.2.6R and *FEES* 4.2.7R (if applicable);
- (7) apply any applicable payment charge specified in *FEES* 4.2.4R to the amount in (6), provided that:
 - (a) for payment by direct debit, successful collection of the amount due is made at the first attempt by the *FSA*; or
 - (b) for payment by credit transfer, the amount due is received by the *FSA* on or before the due date;
- (8) make the calculations using information obtained in accordance with *FEES* 4.4.

7.2.3 R The amount payable by a *firm* with respect to a particular activity group is calculated as follows:

- (1) calculate the size of the *firm*'s tariff base for that activity group using the tariff base calculations in Part 2 of *FEES* 4 Annex 1R and the valuation date requirements in Part 3 of *FEES* 4 Annex 1R;
- (2) use the figure in (1) to calculate which of the bands set out in column 2 of the table in Part 1 of *FEES* 7 Annex 1R the *firm* falls into;
- (3) add together the fixed sums, as set out in column 3 of the table in Part 1 of *FEES* 7 Annex 1R, applicable to each band identified under

- (2);
- (4) the amount in (3) is the amount payable by the *firm* with respect to that activity group.
- 7.2.4 R For the purposes of *FEES* 7.2.3R:
- (1) a *firm* may apply the relevant tariff bases and rates to its non-*UK* business, as well as to its *UK* business, if:
- (a) it has reasonable grounds for believing that the costs of identifying the *firm's UK* business separately from its non-*UK* business in the way described in Part 2 of *FEES* 4 Annex 1R are disproportionate to the difference in fees payable; and
- (b) it notifies the *FSA* 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;
- (2) for a *firm* which has not complied with *FEES* 4.4.2R (Information on which fees are calculated) for this period, the *CFEB* levy is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10.
- 7.2.5 R The modifications in Part 3 of *FEES* 4 Annex 2R apply.
- Amount payable by the Society of Lloyd's
- 7.2.6 R The *CFEB* levy in relation to the *Society* is specified against its activity group in Part 1 of *FEES* 7 Annex 1R.
- FEES* 4 rules incorporated into *FEES* 7 by cross-reference
- 7.2.7 G The *Handbook* provisions relating to the *CFEB* levy are meant to follow closely the provisions relating to the payment of periodic fees under *FEES* 4.3.1R. In the interests of brevity, not all of these provisions are set out again in *FEES* 7. In some cases, certain *FEES* 4 rules are applied to the payment of the *CFEB* levy by individual *rules* in *FEES* 7. The rest are set out in the table in *FEES* 7.2.9R.
- 7.2.8 R The *rules* set out in the table in *FEES* 7.2.9R and any other *rules* in *FEES* 4 included in *FEES* 7 by cross-reference apply to the *CFEB* levy in the same way as they apply to periodic fees payable under *FEES* 4.3.1R.

7.2.9 R Table of rules in FEES 4 that also apply to FEES 7

<i>FEES 4 rules incorporated into FEES 7</i>	Description
<i>FEES 4.2.4R</i>	Method of payment
<i>FEES 4.2.7BR</i>	Calculation of periodic fee and tariff base for a <i>firm's</i> second financial year
<i>FEES 4.2.8R</i>	How <i>FEES 4.2.7R</i> applies in relation to an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i>
<i>FEES 4.2.10R</i>	Extension of time
<i>FEES 4.2.11R</i> (first entry only)	Due date and changes in <i>permission</i> for periodic fees
<i>FEES 4.3.7 R</i>	Groups of <i>firms</i>
<i>FEES 4.3.13R</i>	<i>Firms</i> applying to cancel or vary permission before start of period
<i>FEES 4.3.15R</i>	<i>Firms</i> acquiring businesses from other <i>firms</i>
<i>FEES 4.4.1R to 4.4.6R</i>	Information on which fees are calculated

7.2.10 G References in a *FEES 4 rule* incorporated into *FEES 7* by cross-reference to a periodic fee should be read as being to the *CFEB levy*. References in a *FEES 4 rule* incorporated into *FEES 7* to *fee-paying payment service providers, market operators, service companies, MTF operators, investment exchanges, clearing houses, designated professional bodies* or Solvency 2 Implementation fees, Solvency 2 Implementation Flat fees, Solvency 2 Special Project fees and Solvency 2 Special Project Flat fees should be disregarded.

7.2.11 G In some cases, a *FEES 4 rule* incorporated into *FEES 7* in the manner set out in *FEES 7.2.7G* will refer to another *rule* in *FEES 4* that has not been individually incorporated into *FEES 7*. Such a reference should be read as being to the corresponding provision in *FEES 7*. The main examples are set out in *FEES 7.2.12G*.

7.2.12 G Table of FEES 4 rules that correspond to FEES 7 rules

<i>FEES 4 rules</i>	Corresponding <i>FEES 7</i> rules
----------------------------	--

<i>FEES</i> 4.2.1R	<i>FEES</i> 7.2.1R
<i>FEES</i> 4.3.1R	<i>FEES</i> 7.2.2R
<i>FEES</i> 4.3.3R	<i>FEES</i> 7.2.2R
<i>FEES</i> 4.3.12R	<i>FEES</i> 7.2.5R
Part 1 of <i>FEES</i> 4 Annex 2R	Part 1 of <i>FEES</i> 7 Annex 1R

7 Annex 1 R CFEB levies for the period from 1 April 2010 to 31 March 2011

Part 1

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

Activity Group	<i>CFEB levy payable</i>	
A.1	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fixed sum (£/£m or part £m of MELs)
	> 10 – 140	3.67
	> 140 – 630	3.67
	>630 – 1,580	3.67
	>1,580 – 13,400	3.67
	>13,400	3.67
	Note 1 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%.	
A.2	Band Width (no. of mortgages and/or <i>home finance transactions</i>)	Fixed sum (£/mortgage)
	>50 – 130	0.10
	>130 – 320	0.10
	>320 – 4,570	0.10

	>4, 570 – 37,500	0.10
	>37,500	0.10
A.3	Gross premium income (GPI)	
	Band Width (£ million of GPI)	Fixed sum (£/£m or part £m of GPI)
	>0.5 – 10.5	45.21
	>10.5 – 30	45.21
	>30 – 245	45.21
	>245 – 1, 900	45.21
	>1,900	45.21
	PLUS	
	Gross technical liabilities (GTL)	
	Band Width (£ million of GTL)	Fixed sum (£/£m or part £m of GTL)
	>1 – 12.5	2.29
	>12.5 – 70	2.29
	>70 – 384	2.29
	>384 – 3,750	2.29
	>3,750	2.29
A.4	Adjusted annual gross premium income (AGPI)	
	Band Width (£ million of AGPI)	Fixed sum (£/£m or part £m of AGPI)
	>1 – 5	56.32
	>5 – 40	56.32
	>40 – 260	56.32

	>260 – 4,000	56.32
	>4,000	56.32
	PLUS	
	Mathematical reserves (MR)	
	Band Width (£ million of MR)	Fixed sum (£/£m or part £m of MR)
	>1 – 20	1.23
	>20 – 270	1.23
	>270 – 7,000	1.23
	>7,000 – 45,000	1.23
	>45,000	1.23
A.5	Band Width (£ million of Active Capacity (AC))	Fixed sum (£/£m or part £m of AC)
	>50 – 150	4.25
	>150 – 250	4.25
	>250 – 500	4.25
	>500 – 1,000	4.25
	>1,000	4.25
A.6	Flat levy	£120,590
A.7	For class 1(C), (2) and (3) <i>firms</i> :	
	Band Width (£ million of Funds under Management (FuM))	Fixed sum (£/£m or part £m of FuM)
	>10 – 150	0.68
	>150 – 2,800	0.68
	>2,800 – 17,500	0.68

	>17,500 – 100,000	0.68
	>100,000	0.68
	For <i>class 1(B) firms</i> : the <i>fee</i> calculated as for <i>class 1(C) firms</i> above, less 15%.	
	For <i>class 1(A) firms</i> : the <i>fee</i> calculated as for <i>class 1(C) firms</i> above, less 50%.	
	<i>Class 1(A), (B) and (C) firms</i> are defined in <i>FEES 4, Annex 1R</i> .	
A.9	Band Width (£ million of Gross Income (GI))	Fixed sum (£/£m or part £m of GI)
	>1 – 4.5	83.19
	>4.5 – 17	83.19
	>17 – 145	83.19
	>145 – 50	83.19
	>750	83.19
A.10	Band Width (no. of traders)	Fixed sum (£/trader)
	2 – 3	253.40
	4 – 5	253.40
	6 – 30	253.40
	31 – 180	253.40
	>180	253.40
A.12	Band Width (no. of persons)	Fixed sum (£/person)
	2 – 5	33.90
	6 – 35	33.90
	36 – 175	33.90
	176 – 1,600	33.90
	>1,600	33.90

	For a <i>professional firm</i> in A.12 the fee is calculated as above less 10%.	
A.13	For class (2) firms	
	Band Width (no. of persons)	Fixed sum (£/person)
	2 – 3	102.10
	4 – 30	102.10
	31 – 300	102.10
	301 – 2,000	102.10
	>2,000	102.10
	For a <i>professional firm</i> in A.13 the fee is calculated as above less 10%.	
A.14	Band Width (no. of persons)	Fixed sum (£/person)
	2 – 4	106.11
	5 – 25	106.11
	26 – 80	106.11
	81 – 199	106.11
	>199	106.11
A.18	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100 – 180	0.85
	>180 – 1,000	0.85
	>1,000 – 12,500	0.85
	>12,500 – 50,000	0.85
	>50,000	0.85
A.19	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100 – 325	0.20

	>325 – 10,000	0.20
	>10,000 – 50,750	0.20
	>50,750 – 250,000	0.20
	>250,000	0.20

Part 2	
(1)	This Part sets out the minimum <i>CFEB levy</i> applicable to the <i>firms</i> specified in (3) below.
(2)	The minimum <i>CFEB levy</i> payable by any <i>firm</i> referred to in (3) is £10.
(3)	A <i>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.

FEES TP 1 Transitional Provisions

FEES TP 1.1

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional Provision	(5) Transitional Provision: dates in force	(6) Handbook provision: coming into force
...					
<u>7.</u>	<u>FEES 7</u>	<u>R</u>	<u>The information on which the 2010/2011 CFEB levy is based is the information supplied under FEES 4.4 in respect of the 2010/2011 FSA fee year</u>	<u>2010/2011 FSA fee year</u>	<u>Refer to column (5)</u>

...

Schedule 4 Powers exercised

Sch 4.1G

The following powers and related provisions in or under the <i>Act</i> have been exercised by the <i>FSA</i> to make the <i>rules</i> in <i>FEES</i> :	
	...
	Paragraph 17 (Fees) of Schedule 1 (The Financial Services Authority)
	<u>Paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the consumer financial education body)</u>
	...

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