

FCA Regulated fees and levies: Rates proposals 2015/16

March 2015



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We are asking for comments on this Consultation Paper by 18 May 2015.

You can send them to us using the form on our website at:
www.fca.org.uk/your-fca/documents/consultation-papers/cp15-14-response-form.

Or in writing to:

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Canary Wharf
London E14 5HS

Telephone: 020 7066 5596
Email: cp15-14@fca.org.uk

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

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

You can download this Consultation Paper from our website: www.fca.org.uk. All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 0790 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS

Abbreviations used in this paper

AIFMD	Alternative Investment Fund Managers Directive
AFR	Annual funding requirement
ARMs	Approved reporting mechanisms
CASS	Client Money Assets sourcebook
CAB	Citizens Advice Bureau
CBTL	Consumer buy-to-let
CIS	Collective investment schemes
CJ	Compulsory jurisdiction
CP	Consultation paper
CFEB	Consumer Financial Education Body
DGPs	Designated guidance providers
DPBs	Designated professional bodies
EEA	European Economic Area
EPF	Exempt professional firm
FCA	Financial Conduct Authority
FEES	FEES manual
FPS	Financial Penalty Scheme
Ombudsman Service	Financial Ombudsman Service
FSCS	Financial Services Compensations Scheme
FSMA	Financial Services and Markets Act
FSA	Financial Services Authority
ISIN	International Securities Identification Number

LIBOR	London interbank offered rate
MCD	Mortgage Credit Directive
MFT	Managed File Transfer (IT gateway system)
MTFs	Multilateral trading facilities
NFPs	Not-for-profit bodies
OFT	Office of Fair Trading
ORA	Ongoing regulatory activity
PSR	Payment Systems Regulator
PGL	Pensions guidance levy
PGPL	Pensions guidance providers' levy
PS	Policy statement
PRA	Prudential Regulation Authority
RIEs	Recognised investment exchanges
ROIEs	Recognised overseas investment exchanges
RCBs	Regulated covered bonds
RDR	Retail Distribution Review
SPF	Special Project Fee
TPAS	The Pensions Advisory Service
UKLA	UK Listing Authority
VJ	Voluntary jurisdiction

1. Overview

Introduction

- 1.1** This CP covers the proposed 2015/16 regulatory fees and levies for the:
- Financial Conduct Authority (FCA)
 - Financial Ombudsman Service (ombudsman service) general levy, and
 - Money Advice Service
- 1.2** We also include our feedback to the responses we received to CP14/26 *Regulatory fees and levies: policy proposals for 2015/16*, published in November 2014.

Who does this consultation affect?

- 1.3** All fee-payers will be affected by this CP. We have provided three tables at the end of this chapter to help fee-payers identify what chapters in this CP are relevant to them:
- Table 1.1: Fee-payers affected by the 2015/16 fees and rates proposals in this CP
 - Table 1.2: Fee-payers affected by the feedback to CP14/26
 - Table 1.3: Fee-payers affected by the fees policy proposals in Chapter 12 of this CP

Is this of interest to consumers?

- 1.4** This CP contains no material directly relevant to retail financial services consumers or consumers groups, although, indirectly, fees are met by financial services consumers.

Context

- 1.5** Generally, our annual fees consultation follows this cycle:
- **October/November** – we consult on any changes to the policy as to how fees and levies are raised. Depending on the proposed policy change, we would expect to provide feedback on the responses received to this consultation in the following February Handbook Notice.

In the case of CP14/26 published November 2014, we are providing feedback on responses received and publishing the final rules through this CP.

- **January** – we consult on the Financial Services Compensation Scheme (FSCS) management expenses levy limit (MELL). This is a joint consultation with the Prudential Regulation Authority (PRA). We provide feedback on responses received to this consultation in the March Handbook Notice.
- **March** – we consult on FCA periodic fees rates for the next financial year (1 April to 31 March) and any proposed changes to application fees or other fees. We also consult on the ombudsman service general levy and Money Advice Service levies for the next financial year. This CP covers the March part of the annual fees consultation.
- **June/July** – we expect to publish feedback on the responses received to the March CP together with final FCA, ombudsman service and Money Advice Service fees and levies rates in a policy statement end of June or early July.

- 1.6** Further information about our approach to fees is presented in our publication available on our website, *How we raise our fees*¹, which explains how we calculate FCA, FSCS, the ombudsman service and Money Advice Service fees and levies.

FCA 2015/16 fees

- 1.7** We published our *Business Plan* 24 March 2015. The *Business Plan* sets out how we plan to promote our vision and achieve our objectives during 2015/16. The 2015/16 annual funding requirement (AFR) we will need to meet these plans is £481.6m an increase of £35.2m (7.9%) from £446.4m in 2014/15.
- 1.8** The £35.2m increase in our AFR is made up of the following year-on-year movements:
- £27m ongoing regulatory activity (ORA) increases made up of £16m staff costs (increasing our headcount to deliver our enhanced objectives and investing in our people) and £11m non-staff costs (upgrading and improving our information systems (IS) and technology platform and developing the FCA Academy, our new learning and development suite)
 - £10m (100%) reduction in underspend returned to fee-payers this year, off-set in part by a £1.8m decrease in scope change costs (41%) recoveries
- 1.9** Taking into account rebates resulting from retained financial penalties, total fees collected from fee-payers in 2015/16 will increase by £33.9m (8.3%). How we apply the financial penalty rebate is set out in Chapter 5.
- 1.10** Our approach to allocating the £481.6m AFR across fee-blocks has been to maintain an even distribution of the increase, unless there has been a material reason not to for an individual fee-block. This is the same approach we took for 2014/15 and reflects that the increase in ORA is mainly driven by additional costs which are evenly distributed across fee-blocks e.g. investing in our people and IS costs.

¹ www.fca.org.uk/your-fca/documents/how-we-raise-our-fees

- 1.11** Table 2.2 in Chapter 2 shows the movements for all fee-blocks. For most fee-blocks the movement in allocations of our AFR results in either a uniform 8.4% or 8.5% increase. Where the movement in allocations vary from these uniform amounts we provide reasons why.
- 1.12** Chapter 3 covers the proposed fee rates for authorised firms in the 'A' fee-blocks which account for 92% of our AFR (excluding consumer credit).
- 1.13** We are proposing to increase minimum fees by 8.4% in line with the distribution of the overall increase in the AFR (after adjusting for scope change). The standard minimum fee would therefore increase from £1,000 to £1,084. The other minimum fees included in the A.0 fee-block would also increase by 8.4% and these are detailed in Table 3.1 in Chapter 3.
- 1.14** We believe this proposed increase is proportionate and ensures that firms who only pay minimum fees continue to make a fair contribution to the recovery of our costs. Minimum fees have not been raised for four years, since 2010. Minimum fees were not increased, initially to shelter these small firms from the costs of implementing the step-change in FSA² regulation in the aftermath of the banking crisis and, in more recent years, pending the outcome of our reviews into how we raise our fees.
- 1.15** Firms who are small enough to fall below the minimum size thresholds for the fee-blocks they are in will only pay the minimum fee. The proportion of firms that are expected to only pay minimum fees is 38%.
- 1.16** For firms of a size that triggers variable fees in their fee-blocks, Table 3.2 in Chapter 3 sets out the year-on-year movements in the draft 2015/16 fee rates, for each fee-block. The draft fee-rates take into account movements in the number of fee-payers and tariff data from 2014/15, which can have a significant effect on the movements in the fee rates firms will pay compared to the movements in the AFR allocated to particular fee-blocks set out in Table 2.2 in Chapter 2.
- 1.17** Chapter 4 covers proposed periodic fees for other bodies (including 'B' to 'G' fee-blocks) and also shows where fee rates differ substantially from the average 8.4% increase for these fee-blocks.
- 1.18** All draft fee-rates are set out in Appendix 4.

Consumer credit fees 2015/16

- 1.19** Firms do not pay FCA periodic fees, ombudsman service or Money Advice Service levies, while they have interim permission. When a firm is authorised it does not pay a full year's fee or levy, but is charged pro-rata on the basis of the number of months remaining in the fee-year. Consequently, no firms have paid the full rate in 2014/15 and this will continue to be the case for firms that become authorised in 2015/16. It will be 2016/17 before the status of all the former OFT licensees is determined and we have a full population of consumer credit firms.
- 1.20** The cost of our regulation of consumer credit is not included in the ORA or AFR amounts set out in paragraphs 1.7 and 1.8.

² The predecessor regulator to the FCA

- 1.21** To maintain consistency over the long term, we modelled our fee and levy rates for 2014/15 on our best estimates of the number and size of firms we expect to be authorised in 2016/17.
- 1.22** We are therefore proposing that the fee and levy rates for 2015/16 are the same as 2014/15 as set out in Tables 6.1 to 6.3 in Chapter 6.

Payment Systems Regulator 2015/16 fees

- 1.23** The Payment Systems Regulator Ltd (PSR) was incorporated on 1 April 2014 as a subsidiary of the FCA, and becomes fully operational on 1 April 2015.
- 1.24** The £12.2m costs we incurred in setting up the PSR during 2014/15 and the £15.9m 2015/16 budget to cover PSR's ongoing regulatory activities (ORA) will be recovered from the payment system operators of the payment systems designated by the Treasury. These costs are ring-fenced and are also not included in the ORA or AFR amounts set out in paragraphs 1.7 and 1.8.
- 1.25** We consulted on how we should raise PSR fees in Chapter 2 of CP14/26 and in Chapter 7 of this CP we provide feedback on the responses received.
- 1.26** In Chapter 8 of this CP we consult on the fees levels we propose to recover PSR's 2015/16 £28.1m AFR.

Pensions guidance levies

- 1.27** Under the Pension Schemes Act 2015 (the Act)³ we are required to recover from authorised firms the Treasury's costs for providing pensions guidance – Pension Wise⁴, the Government's impartial guidance service to help consumers understand the greater flexibility they will have with their pension pots resulting from the pension reforms under the Act.
- 1.28** We have carried out two consultations on how we will recover these costs through the pensions guidance levy (PGL). In Chapter 9 of this CP we provide feedback on the responses to our proposals for our second consultation in Chapter 4 of CP14/26.
- 1.29** We have been notified by the Treasury to raise an estimated £39.1m in 2015/16 which includes the costs of the designated guidance providers (DGPs)⁵ and our levy collection costs of £285,000. In Chapter 10 we consult on the PGL rates for 2015/16.
- 1.30** We are also required under the Act to raise a levy from the DGPs to recover our pensions guidance costs – pensions guidance providers' levy (PGPL). For 2015/16 we are proposing to raise an estimated £600,000 which covers our 2014/15 costs of developing the guidance standards and our estimated 2015/16 costs of monitoring the meeting of these standards by the DGPs. In Chapter 10 we are consulting on recovering these costs equally across the DGPs.

³ The Act amends the Financial Services and Markets Act 2000.

⁴ www.pensionwise.gov.uk/

⁵ The Pensions Advisory Service and Citizens Advice Bureau

Ombudsman service 2015/16 general levy

- 1.31** In chapter 13 we consult on allocating the ombudsman service general levy between industry blocks. The ombudsman service has asked us to recover £23.3m by general levy (which is the same amount asked for in 2014/15) and to maintain the same proportions across the industry blocks. This reflects its forecast that complaints volumes (excluding PPI complaints) will remain broadly stable. Annually, the amounts actually payable by each block will vary to reflect changes in the proportions of cases in each block.

Money Advice Service 2015/16 levies

- 1.32** In Chapter 14 we consult on the levies proposed for the Money Advice Service. This year we propose to levy a total of £79.1m which is a 2.5% reduction on last year's levy of £81.1m. Two separate levies are being proposed to raise £34.1m for delivering money advice and £45m for the coordination and provision of debt advice. In addition the energy and water industries are voluntarily contributing £2m towards the cost of debt advice bringing the debt advice budget to £47m.

Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2015/16 – which will be made by our Board in June 2015 – could vary from those in this CP.

What do you need to do next?

- 1.33** We want to know what you think of our proposed 2015/16 fees and levies rates for the FCA periodic fees, consumer credit fees, the pensions guidance levies, PSR fees, the ombudsman service and Money Advice Service levies.
- 1.34** Please let us have your comments by **18 May 2015**.

How?

- 1.35** Use the online response form on our website or write to us at the address on page 2.

What will we do?

- 1.36** We provide a facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA, consumer credit, the pensions guidance levy, the ombudsman service and Money Advice Service consultative rates in Appendix 4 of this CP. The fees calculator will also cover PRA (where applicable) and FSCS levies. The fees calculator for 2015/16 fees and levies will be available from 26 March 2015 for firms to use.

1.37 We will consider your comments and subject to FCA Board approval in June, we plan to publish a Policy Statement, including feedback on those comments and final rules, at the end of June 2015.

1.38 Certain fee-payers have been invoiced from March 2015 for 'on-account' payments and other firms will be invoiced from July 2015, on the basis of the new fees and levies.

Table 1.1: Fee-payers affected by the 2015/16 fees and levies rates proposals in this CP

Issue	Fee-payers affected	Chapter
FCA		
Periodic fee rates	Authorised firms – the ‘A’ fee-blocks	2 and 3
	All fee-payers except authorised firms – fee-blocks B to G	2 and 4
Applying financial penalties	Fee-payers listed in table 5.1 in Chapter 5	5
Consumer credit		
FCA, ombudsman service and Money Advice Service periodic fees and levies	All firms in the consumer credit market or considering entry	6
Payment Systems Regulator		
Periodic fees	Payment Systems Operators (PSOs) and other participants in regulated payment systems	8
Pensions guidance levies		
Pensions guidance levy (PGL)	Firms in the following fee-blocks: • deposit acceptors • A.4 insurers – life • A.7 portfolio managers • A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes • A.13 advisors, arrangers, dealers or brokers	10
Pensions guidance providers’ levy (PGPL)	Designated guidance providers	
Ombudsman service		
General levy rates	Firms subject to the ombudsman service	13
Money Advice Service		
Money Advice Service levy rates	• Firms subject to money advice levies – authorised firms, payment institutions and electronic money issuers • Firms subject to debt advice levies – firms in fee-blocks A.1 (Deposit acceptors) and A.2 (Home finance providers and administrators)	14

Table 1.2: Fee-payers affected by the feedback to CP14/26

Issue consulted on	Fee-payers affected	Chapter
Payment Systems Regulator – how we raise their fees	Payment Systems Operators (PSOs) and other participants in regulated payment systems	7
Pensions Guidance Levy – how we raise this levy	Firms in the following fee-blocks: • deposit acceptors • A.4 insurers – life • A.7 portfolio managers • A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes • A.13 advisors, arrangers, dealers or brokers	9
Introducing an annual fee for maintenance of the Managed File Transfer (MFT) gateway	All firms and other entities submitting transaction reports to us, such as ARMs (approved reporting mechanisms), regulated markets, operators of multilateral trading facilities (MTFs) and third parties operating on a firm's behalf	11
Adjustments to the framework for consumer credit fees and levies	All firms in the consumer credit market or considering entry	11
Definition of income for managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes - clarification	All firms in fee-block A.9	11
Definition of income for intermediaries – clarifications	All advisers, arrangers, dealers or brokers in fee-block A13, and ombudsman service industry blocks 8 and 9, corporate finance advisers in fee-block A14, home finance providers, advisers and arrangers in fee-block A18, and general insurance mediators in fee-block A19.	11
First year fees for newly recognised investment exchanges	Any business considering applying for recognition as an investment exchange	11
Fee arrangements for second charge mortgage lenders and intermediaries following implementation of the Mortgage Credit Directive.	Any firm involved in the provision of second charge mortgages.	11
Revised charges for inspecting the Mutuals Public Register.	Anyone considering gaining access to the Register.	11
Block fees for DPBs (designated professional bodies) to take account of consumer credit.	DPBs and their members.	11

Compatibility statement

The rules we have now made do not differ in substance from those proposed in Appendix 1, 2 and 3 of CP14/26 and therefore do not alter the compatibility statements we published with CP14/26.

Annex 1 of CP 14/26 included a statement that we did not expect the proposals consulted on to have a significantly different impact on mutual societies when compared to other authorised persons. We believe this statement continues to apply.

Table 1.3: Fee-payers affected by the other proposals in Chapter 12 of this CP

Issue consulted on	Fee-payers affected
Consumer buy-to-let (CBTL): • Application and structure of periodic fees • Ombudsman service structure of annual general levy	Mortgage lenders, administrators and intermediaries (including advisors and arrangers) carrying out CBTL mortgage business
Benchmarks - application and periodic fees	Benchmark administrators
Definition of consumer credit income	All firms in the consumer credit market or considering entry
UKLA: • removing minor charges • updating the rules on periodic fees charged to standard listed issues to bring them into line with policy and practice	Listed issuers and applicants for listing

2. FCA annual funding requirement and allocation to fee-blocks

- 2.1** In this chapter we set out our annual funding requirement (AFR) for 2015/16 and allocations to fee-blocks.

AFR

- 2.2** We published our 2015/16 *Business Plan* on 24 March 2014, setting out how we plan to promote our vision and achieve our objectives during 2015/16.
- 2.3** Our 2015/16 £481.6m AFR represents a £35.2m (7.9%) increase over 2014/15 (£446.4m). The increase is driven by:
- £27m ongoing regulatory activity (ORA) increases made up of £16m staff costs (increasing our headcount to deliver our enhanced objectives and investing in our people) and £11m non-staff costs (upgrading and improving our information systems (IS) and technology platform and developing the FCA Academy, our new learning and development suite)
 - £10m (100%) reduction in underspend returned to fee-payers this year, off-set in part by a £1.8m decrease in scope change costs (41%) recoveries
- 2.4** A breakdown of the AFR and impact of the estimated 2015/16 financial penalty rebate is given in Table 2.1.

Table 2.1 AFR 2015/16

	2015/16 £m	2014/15 £m	Movement	
			£m	%
Ongoing regulatory activities (ORA)	479.0	452.0	27.0	6.0%
Underspend	(0.0)	(10.0)	10.0	-100.0%
AFR before scope change	479.0	442.0	37.0	8.4%
Recovery of scope change activities	2.6	4.4	1.8	-41.0%
AFR	481.6	446.4	35.2	7.9%
Financial Penalty Rebate (i)	(40.3)	(39.1)	1.2	3.2%
Fees payable	441.3	407.3	33.9	8.3%

Notes: (i) The £40.3m rebate represents an estimate of the 2014/15 financial penalties we can retain to cover 2014/15 enforcement costs.

- 2.5** We must pay all financial penalties received to the Treasury, net of certain enforcement costs incurred in generating these penalties, in the same year. These retained penalties are used to reduce our fees, other than to the fees levied on the penalty payer themselves. Currently, we estimate the financial penalty rebate to be £40.3m in 2015/16 (£39.1m 2014/15). Taking into account this rebate, fees collected from fee-payers in 2015/16 will increase by £33.9m (8.3%).
- 2.6** The application across fee-payers of the financial penalty rebate is set out in Chapter 5.

Consumer credit

- 2.7** The cost of our regulation of consumer credit is not included in our ORA or AFR in Table 2.1 above. We consult on 2015/16 consumer credit periodic fees in Chapter 6 of this CP.

Payment Systems Regulator

- 2.8** The Payment Systems Regulator Ltd (PSR) was incorporated on 1 April 2014 as a subsidiary of the FCA, and becomes fully operational from 1 April 2015.
- 2.9** The costs we incurred in setting up the PSR during 2014/15 and the 2015/16 budget to cover PSR's ongoing regulatory activities (ORA) will be recovered from the payment system operators of the payment systems designated by the Treasury. These costs are ring-fenced and are also not included in our 2015/16 ORA or AFR in Table 2.1. We consult on the fees to recover these 2015/16 costs in Chapter 8 of this CP.

AFR increase allocation across fee-blocks

- 2.10** We have allocated our £481.6m 2015/16 AFR across fee-blocks as set out in Table 2.2. Our approach has been to maintain an even distribution of the AFR increase, unless there has been a material reason not to for an individual fee-block. This is the same approach we took for 2014/15 and reflects that the increase in ORA is mainly driven by additional costs which are evenly distributed across fee-blocks e.g. investing in our people and IS costs.
- 2.11** We have adjusted the £35.2m (7.9%) increase in the AFR to take account of the impact of the year-on-year decrease in scope change recovery costs set out in Table 2.1. We have made this adjustment because scope change costs are one-off recoveries in a particular year. To achieve an even distribution of the AFR increase we first allocate across all fee-blocks ('A' to 'G') the before scope change AFR movement of £37.0m (8.4%), the third line in Table 2.1.
- 2.12** However, in the case of the 'A' fee-block we have made a further adjustment to take account of our proposal in Chapter 3 to also increase minimum fees by 8.4%.
- 2.13** Minimum fees are fixed amounts that each firm pays. So the amount of AFR we recover from the A.0 minimum fee fee-block depends on the number of existing firms that remain authorised at the beginning of the fee-year (1 April) and the number of new firms that become authorised during the forthcoming year. We expect the number of firms that will pay the revised minimum fees in 2015/16 will result in an AFR recovery through the A.0 fee-block of £19m. However, an 8.4% increase on the £18m allocated in 2014/15 would need £19.5m to be recovered

in 2015/16. To maintain the increase in the minimum fees to 8.4%, we aim to recover the difference of £0.5m (£19.5m - £19.0m) from the other 'A' fee-blocks, resulting in these fee-blocks seeing their increase rising from 8.4% to 8.5%. The only exception is fee-block A.6 as the Society of Lloyd's fee is set individually and is not subject to a minimum fee.

Table 2.2: AFR increase allocation across fee-blocks

AFR allocations to fee-blocks	(i)	Proposed 2015/16 £m	Actual 2014/15 £m	Movement over 2014/15
A.0 FCA minimum fee	Solo	19.0	18.0	5.3%
AP.0 FCA prudential fee (ii)	Solo	17.0	15.6	8.5%
A.1 deposit acceptors	DR	67.5	62.3	8.3%
A.2 home finance providers and administrators	Solo	17.3	16.0	8.5%
A.3 insurers – general	DR	24.7	22.8	8.5%
A.4 insurers – life	DR	41.6	38.5	8.2%
A.5 managing agents at Lloyd's	DR	0.2	0.2	8.5%
A.6 the Society of Lloyd's	DR	0.3	0.3	8.4%
A.7 portfolio managers	Solo	44.9	43.4	3.5%
A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Solo	13.0	13.4	-2.6%
A.10 firms dealing as principal (iii)	Solo & DR	50.1	46.2	8.5%
A.13 advisory arrangers, dealers or brokers	Solo	74.9	68.0	10.2%
A.21 firms holding client money or assets or both	Solo	14.6	13.4	8.5%
A.14 corporate finance advisors	Solo	13.7	12.6	8.5%
A.18 home finance providers, advisers and arrangers	Solo	17.0	15.7	8.5%
A.19 general insurance mediation	Solo	28.1	25.9	8.5%
B. recognised investment exchanges, operators of multilateral trading facilities, recognised auction platforms and service companies	Solo	7.5	6.9	8.4%
C. collective investment schemes	Solo	2.4	2.3	8.4%
D. designated professional bodies	Solo	0.2	0.2	8.4%
E. issuers and sponsors of securities	Solo	21.4	19.7	8.4%
F. unauthorised mutuals	Solo	1.8	1.6	8.4%

G. firms registered under the Money Laundering Regulations 2007 and firms covered by the Regulated Covered Bonds Regulations 2008, Payment Services Regulations 2009 and Electronic Money Regulations 2011	Solo	3.8	3.5	8.4%
H. FCA pensions guidance costs (see paragraphs 2.15 to 2.17)	N/A	0.6	--	--
Total		481.6	446.4	7.9%

Notes:

(i) Solo = FCA solo-regulated fee-block activities. DR = fee-block activities that are dual-regulated by the FCA for conduct purposes and the PRA for prudential purposes.

(ii) AP.0 FCA prudential fee-block is only recovered from FCA solo-regulated firms in proportion to the total periodic fees they pay through FCA solo-regulated fee-blocks.

(iii) Includes certain investment firms that have been designed by the PRA to be regulated by the PRA for prudential purposes. These designated firms do not pay fees in AP.0 but the remaining solo-regulated firms in A.10 do.

2.14 The reasons why the 8.5% increase varies for some 'A' fee-blocks are:

- A.7 Portfolio managers and A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes** – A.7 increase of 3.5% and A.9 decrease of 2.6%. These different levels of movement reflect adjustments for scope change relating to the Alternative Investment Fund Managers Directive (AIFMD) implementation costs not recovered in 2014/15 and completes the recovery of these costs. In 2015/16 the proposed AIFMD implementation costs to be recovered from A.7 is £1.6m (2014/15 £3.3m) and from A.9 £1.0m (2014/15 £2.2m). The variance from the 8.5% increase also reflects the reduced AFR allocation related to the introduction of the new 'H' fee-block discussed in paragraph 2.17 below.
- A.13 Advisory arrangers, dealers and brokers** – *increase of 10.2%*. The different level of movement reflects that in 2014/15 we adjusted the AFR allocation by £1.1m as we had over recovered the Retail Distribution Review (RDR) scope change costs in 2013/14 (the RDR scope change rebate). See also Table 2.3.

Table 2.3: Movement in fee-block A.13

• 2014/15 AFR allocation		£68.0m
• 2014/15 RDR scope change rebate	£1.1m	
• 2014/15 AFR allocation before RDR scope change rebate	£69.1m	
• 2015/16 8.5% increase (after A.0 adjustment) of £69.1m	£5.9m	
• 2015/16 AFR proposed allocation (£69.1m + £5.9m)		£75.0m
• Less: Adjustment for H fee-block (i)		0.1m
• 2015/16 AFR proposed allocation		£74.9m
• Movement		£6.9m +10.2%

Notes:

(i) As discussed in paragraph 2.17 this adjustment relates to the £600,000 reduced AFR allocation to the fee-blocks that contribute to the PGL. In the case of A.13 that proportion is 12% i.e. £72,000 rounded up to £0.1m for the purposes of this table.

FCA pensions guidance costs

- 2.15** The £479.0m ORA in Table 2.1 includes the estimated £600,000 2015/16 FCA pensions guidance costs which covers our 2014/15 costs of developing the guidance standards and our estimated 2015/16 costs of monitoring the meeting of these standards by the Treasury-designated guidance providers. These costs are included in Table 2.2 as a new fee-block 'H'.
- 2.16** In Chapter 10 of this CP we are consulting on the pensions guidance providers' levy (PGPL) to recover these costs from the designated guidance providers: The Pensions Advisory Service (TPAS) and the Citizens Advice Bureau (CAB). The PGPL represents a cost to the designated guidance providers and is included in the estimated £39.1m the Treasury has notified us, must be, raised from the industry through the pensions guidance levy (PGL), the rates for which we are also consulting on in Chapter 10.
- 2.17** We took the £600,000 of AFR allocated to the new 'H' fee-block from the 'A' fee-blocks in proportion to their contributions to the PGL rather than equally. Therefore we reduced the AFR allocated to A.1, A.4, A.7, A.9 and A.13, being the five fee-blocks that will pay for the £600,000 through the PGL. The impact of this allocation is that the year on year movement for these fee-blocks varies from the overall 8.5% increase. This can be seen in Table 2.2 in the case of fee-blocks A.1 and A.4 and is included in the variances for A.7, A.9 and A.13 discussed under paragraph 2.14.
- 2.18** The PGL rates, to recover the 2015/16 £39.1m requirement is consulted on in Chapter 10.

3.

FCA periodic fees for authorised firms

(FEES 4 Annex 2AR draft rules in Appendix 4)

- 3.1** This chapter sets out our 2015/16 periodic fees proposals for authorised firms in the 'A' fee-block. These fee-blocks account for 92% of our 2015/16 AFR.
- 3.2** Proposals for periodic fees payable by other bodies are in Chapter 4 of this paper.
- 3.3** Proposals for periodic fees payable by consumer credit firms are in Chapter 6 of this paper.

Proposed minimum periodic fees

- 3.4** There are around 18,200 authorised firms in the 'A' fee-block. These include banks, building societies, insurers, portfolio managers, securities firms, corporate finance advisers, managers/depositaries/operators of investment funds and intermediaries (for retail investments, mortgage and general insurance).
- 3.5** The A.0 fee-block minimum fees ensure that all firms, however small, make a contribution to the recovery of our costs. Around 38% of firms only pay the minimum fee because they fall below the size thresholds that trigger the additional variable fees in the other 15 'A' fee-blocks that are paid by the 62% of medium size and large firms that do.
- 3.6** We are proposing to increase minimum fees by 8.4% in line with the distribution of the overall increase in the AFR. The standard minimum fee would therefore increase from £1,000 to £1,084. The other minimum fees included in the A.0 fee-block would also increase by 8.4% and these are detailed in Table 3.1.
- 3.7** We believe this proposed increase is proportionate and ensures that firms who only pay minimum fees continue to make a fair contribution to the recovery of our costs. Minimum fees have not been raised for four years, since 2010. Minimum fees were not increased initially to shelter these small firms from the costs of implementing the step-change in FSA⁶ regulation in the aftermath of the banking crisis and in more recent years pending the outcome of reviews we have carried out of how we raise our fees.
- 3.8** If we keep minimum fees unchanged for a fifth year running the firms in the other 15 'A' fee-blocks will see their increase rise from 8.5% to 8.9%.

⁶ The predecessor regulator to the FCA.

- 3.9** If the standard minimum fee had increased in line with our AFR in each of the past four years it would be at £1,462 – 46% higher than now. However, medium size and large firms will have seen their fees increase in line with our AFR to differing degrees depending in which fee-blocks they pay variable fees.

Table 3.1: Proposed A.0 fee-block minimum fees 2015/16 increases

	Current fee	Increase	Proposed new fee
FCA solo-regulated firms	£1,000	£84	£1084
Dual-regulated with the PRA firms	£500	£42	£542
Dual-regulated concessionary firms:			
• smaller credit unions (depending on size)	£80 or £270	£6 or £22	£86 or £292
• smaller friendly societies	£215	£18	£233
UK insurance special purpose vehicle (flat fee)	£430	£36	£466

Notes: Dual-regulated firms pay the current levels to the FCA and the same amounts to the PRA. This reflects that at the formation of the FCA and the PRA (April 2013) the previous FSA minimum fee levels were split 50:50 between the two new regulators.

Proposed variable periodic fees

- 3.10** The AFR allocated to the 'A' fee-blocks are recovered on a 'straight line' basis (ie, in direct proportion to the size of permitted business firms undertake in these fee-blocks). Therefore, firms should pay fees that change in line with the year-on-year allocations of our AFR, as set out in Table 2.2 in Chapter 2. However, the movements in the allocations of our AFR stated in this table at a fee-block level will, in some cases, differ from the movements in the draft fee rates detailed in Appendix 4. This is due to annual changes in the number of fee-payers and amount of tariff data in each fee-block.
- 3.11** Table 3.2 sets out the number of fee-payers and the total tariff data that has been used to calculate the draft 2014/15 fee rates in Appendix 4 and compares them to the data used to calculate 2013/14 fee rates showing the level of year-on-year movements. To show the effect of these movements on the fees firms will pay, compared to the movements in the allocations of our AFR, we also include the year-on-year movements in fee-rates.

Table 3.2: Data used to estimate 2015/16 periodic fee rates for consultation

Fee-block	Tariff base	Number of firms in fee-blocks			Tariff data			Change in fee rates
		2015/16 Estimated	2014/15 Actual (i)	Change	2015/16 Estimated	2014/15 Actual	Change	
A.1	Modified eligible liabilities	889	895	-0.7%			0.0%	8.4%
A.2	Number of mortgages or other home finance transactions	313	307	2.0%	£7.3bn	£7.4m	-0.2%	8.3%
A.3	Gross premium income	364	370	-1.6%	£66.6bn	£65.9bn	1.0%	7.6%
	Gross technical liabilities				£135.2bn	£135.8bn	-0.4%	9.2%
A.4	Adjusted gross premium income	200	204	-2.0%	£60.1bn	£62.1bn	-3.2%	12.0%
	Mathematical reserves				£889.4bn	£893.4bn	-0.5%	8.8%
A.5	Active capacity	62	61	1.6%	26.8bn	£26.4bn	1.4%	8.0%
A.7	Funds under management	2,706	2,548	6.2%			4.3%	1.8%
A.9	Gross income	1,223	784	56.0%	£11.0bn	£9.4bn	16.5%	-8.8%
A.10	Traders	430	429	0.2%	9,833	9,826	0.1%	7.3%
A.13	Annual income	9,204	8,846	4.0%	£25.1bn	£25.2bn	-0.5%	10.3%
A.14	Annual income	775	766	1.2%	£5.7bn	£5.4bn	6.2%	7.0%
A.18	Annual income	5,097	5,036	1.2%	£1.2bn	£1.0bn	16.7%	-3.0%
A.19	Annual income	12,677	12,527	1.2%	£15.6bn	£15.2bn	2.6%	5.6%
A.21	Client money	991	927	6.9%	£133.5bn	£153.6bn	-13.1%	22.4%
	Assets held						5.8%	2.6%

Notes: (i) 'Actual' refers to the data as set out in Table 2.2 of the 2014/15 policy statement PS14/11 published July 2014

3.12 The estimated data for 2015/16 in Table 3.2 may change between now and June, when the data will be used to calculate the final fee rates. This is because we calculate the draft fee rates a few weeks before this CP is published and, therefore the population of fee-payers as at 1 April 2015 is estimated. Also, the collection and validation of tariff data is not completed until the end of April.

Moderation framework

- 3.13** In exceptional cases, we apply our moderation framework, which allows our straight-line recovery policy to accommodate a targeted recovery of costs within a fee-block, 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 a moderated fee-block.

A.1 fee-block (Deposit acceptors)

- 3.14** The A.1 fee-block (Deposit acceptors) is an 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 supervision to the high-impact, systemically important firms in this sector.
- 3.15** We apply a premium of 25% and 65% to the fee rates for firms in the medium-high and high-impact bands of the A.1 fee-block.

A.21 fee-block (Firms holding client money or assets or both)

- 3.16** We use bandings within the A.21 fee-block based on the risk classifications we apply to firms in the CASS sourcebook. This enables us to align where we apply our resources to the fees we charge firms.
- 3.17** The bandings and level of moderation we have applied to the tariff data for both client money and assets held are set out in Table 3.3. The outcome of this moderation is that the 2015/16 £14.6m AFR is distributed as follows:
- CASS large firms 73.15%
 - CASS medium firms 26.82%
 - CASS small firms 0.03%

Table 3.3: bandings and level of modification

Client money	CB01 CASS small firms	CB02 CASS medium firms	CB03 CASS large firms
Band width	0 -1,000,000	>1,000,000 – 1,000,000,000	>1,000,000,000
Moderation	0%	-25%	-50%
Assets held	CB01 CASS small firms	CB02 CASS medium firms	CB03 CASS large firms
Band width	0 – 10,000,000	>10,000,000 – 100,000,000,000	>100,000,000,000
Moderation	0%	-25%	-50%

European Economic Area (EEA) branches – fees discounts

- 3.18** The FCA, as the host state conduct regulator, is primarily responsible for the conduct regulation of the incoming EEA branch. The discounts reflects the degree that our supervisory responsibilities for EEA incoming branches (passported in to the UK), in relation to systems and controls and approved persons, are less than for UK-based firms carrying on the same regulated activities.
- 3.19** We apply the discounts as set out in Appendix 4.

Online fees calculator

- 3.20** We provide a facility on our website to enable firms to calculate their periodic fees for the forthcoming year based on the draft FCA, the Financial Ombudsman Service, Money Advice Service and pensions guidance levy consultative rates in Appendix 4 of this CP. The fees calculator will also cover PRA (where applicable) and FSCS levies.
- 3.21** The fees calculator for 2015/16 fees and levies will be available from 26 March 2015 for firms to use.

Q1: Do you have any comments on the proposed FCA 2015/16 minimum fees and variable periodic fee rates for authorised firms?

We must receive any responses by 18 May 2015.

Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2015/16 – which will be made by our Board in June 2015 – could vary from those in this CP.

4.

FCA periodic fees for other bodies

4.1 This chapter sets out the proposed periodic fees for fee-payers in fee block:

- B, market infrastructure providers
- C, collective investment schemes
- D, designated professional bodies
- E, issuers and sponsors of securities (UK Listing Authority – UKLA)
- F, unauthorised mutual, and
- G, firms registered under the Money Laundering Regulations 2007 and firms covered by the Regulated Covered Bonds Regulations 2008, the Payment Services Regulations 2009 and the Electronic Money Regulations 2011

4.2 The proportion of the 2015/16 AFR increase allocated to fee-blocks 'B' to 'G' is detailed in Chapter 2. In this chapter, we only comment where year-on-year movements for sub-sets of fee-payers are substantially different than the average 8.4% increase explained in Chapter 2. In line with our approach for the 'A' fee-block we are proposing to increase minimum fees and flat fees across the 'B' to 'G' fee-blocks by 8.4%.

4.3 In this chapter we are also consulting on the 215/16 fees for IT gateway maintenance fees for entities that provide transaction reports directly to the FCA and fees for advising on investments exclusion certificates.

4.4 In Chapter 12 of this CP we are also consulting on:

- periodic fees and application fees relating to benchmark administrators that fall within the 'B' fee-block and
- updating the rules on periodic fees charged to standard listed issuers to bring them into line with policy and practice that fall within the 'E' fee-block

4.5 The consultation on the levies for the new 'H' fee-block to recover the FCA pensions guidance costs is covered in Chapter 10 of this CP.

4.6 The periodic fees for the fee-payers in the 'A' fee-block are discussed in Chapter 3.

Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2015/16 – which will be made by our Board in June 2015 – could vary from those in this CP.

Fee-block B: Market infrastructure providers

Recognised investment exchanges (RIEs) (FEES 4 Annex 6R Part 1 – draft rules in Appendix 4)

- 4.7** We are continuing to set the fees for RIEs individually. They are calculated from our records of the resources put into supervising each one over the previous year and the projected level of supervisory intensity over the coming year.

Table 4.1: Proposed periodic fees for RIEs

Name of RIE	Proposed 2015/16 fee (£)	Actual 2014/15 fee (£)	Variance
BATS Trading Limited	515,000	475,000	8.4%
CME Europe Ltd	400,000	300,000	33.3%
Euronext London Limited	330,000	300,000	10.0%
ICAP Securities & Derivatives Exchange Limited (RIE)	340,000	315,000	7.9%
ICE Futures Europe Ltd	1,300,000	890,000	46.1%
LIFFE Administration and Management	300,000	890,000	-66.3%
London Metal Exchange	700,000	645,000	8.5%
London Stock Exchange plc	1,000,000	870,000	14.9%
Any other RIE	300,000	300,000	0.0%

- 4.8** If you have any questions about these fees please contact your relationship manager.

Recognised auction platforms (FEES 4 Annex 6R Part 1A – draft rules in Appendix 4)

- 4.9** We propose a flat fee of £54,200 for 2015/16 an increase of 8.4% compared to 2014/15.

Recognised overseas investment exchanges (ROIEs) (FEES 4 Annex 6R Part 2 – draft rules in Appendix 4)

- 4.10** We propose a flat fee of £63,000 for 2015/16 an increase of 8.6% compared to 2014/15.

Multilateral trading facilities (MTFs)
(FEES 4 Annex 10R – draft rules in Appendix 4)

- 4.11** MTFs are levied flat fees based on the regulatory categories they have been assigned to on the 1 April of the relevant fee-year. We are proposing the fees set-out in Table 4.2.

Table 4.2: Proposed MTF fees

	Proposed 2015/16 fee (£)	Actual 2014/15 fee (£)	Variance
Category 1	300,000	300,000	0.0%
Category 2	63,000	58,000	8.6%
Category 3	19,000	17,500	8.6%

- 4.12** Category 1 MTF not increased to keep in line minimum RIE.

Service companies
(FEES 4 Annex 2R Part 1 – draft rules in Appendix 4)

- 4.13** Service companies are levied a flat fee based on level of their income. We are posing the fees set-out in Table 4.3.

Table 4.3: Proposed service companies fees

	Proposed 2015/16 fee (£)	Actual 2014/15 fee (£)	Variance
Income up to an including £100,000	1,084	1,000	8.4%
Income over £100,000 up to and including £1m	11,000	10,000	10.0%
Income over £1m	49,000	45,000	8.9%

- 4.14** The increase in the fees of service companies reflects overall 8.4% increase with rounded figures.

Fee-block C: collective investment schemes (CIS)

(FEES 4 Annex 4R – draft rules in Appendix 4)

- 4.15** The proposed CIS fee rates for 2015/16 are detailed in Table 4.4, which have decreased from 2014/15 by 14.7% or 14.6% compared to the 8.4% increase in AFR allocation for these fee-blocks. The AFR allocated to the CIS fee-block is recovered from fee-payers in proportion to the number of funds or sub-funds operated. The total number of funds/sub-funds reported by fee-payers, including those relating to Alternative Investment Funds (AIFs), for 2015/16 has increased compared to 2014/15. Therefore, the fee-rates per fund/sub-fund have decreased.

- 4.16** We are not proposing to change the periodic fees for AIFs marketed in the UK or small registered UK AIFMs (Alternative Investment Fund Managers) as detailed in Part 2 and 3 of FEES 4 Annex4R.

Table 4.4: Proposed CIS periodic fees

Scheme type	Total aggregate number of funds/sub-funds	Proposed 2015/16 fee-rate (£)	Actual 2014/15 fee-rate (£)	Variance
ICVC, AUT, ACS - Section 264 of FSMA or Schemes other than non-EEA AIFs recognised under section 272 of FSMA	0-2	610	715	-14.7%
	3-6	1,525	1,788	-14.7%
	7-15	3,050	3,575	-14.7%
	16-50	6,710	7,865	-14.7%
	>50	13,420	15,730	-14.7%
Non-EEA AIFs, recognised under section 272 of FSMA	0-2	2,485	2,910	-14.6%
	3-6	6,213	7,275	-14.6%
	7-15	12,425	14,550	-14.6%
	16-50	27,335	32,010	-14.6%
	>50	54,670	64,020	-14.6%

Fee-block D: designated professional bodies (DPBs)
(FEES 4 Annex 5R – draft rules in Appendix 4)

- 4.17** We set individual periodic fees for each DPB, based on an estimated number of exempt professional firms in each body. Every DPB pays £10,000 for its first exempt professional firm, which recovers £100,000 of the allocation to this fee-block. The remaining amount allocated to this fee-block is then recovered in proportion to the exempt professional firms reported by each DPB. The proposed periodic fees are detailed in Table 4.5. The variances differ from the 8.4% increase in the AFR allocation to this fee-block because of the projected movements in exempt professional firms reported for 2015/16 compared to 2014/15.
- 4.18** DPB's should also refer to Chapter 11 in which we report on the outcome of our consultation, through CP14/26, on our proposals at that time to restructure their fees to take account of new exempt professional firms undertaking consumer credit business.

Table 4.5: Proposed DPB periodic fees

DPB	Proposed 2015/16 fee (£)	Actual 2014/15 fee (£)	Variance
The Law Society of England and Wales	49,480	85,910	-42.4%
The Law Society of Scotland	12,720	14,690	-13.4%
The Law Society of Northern Ireland	12,040	13,690	-12.1%
The Institute of Actuaries	10,070	10,130	-0.6%
The Institute of Chartered Accountants in England and Wales	59,390	27,490	116.0%
The Institute of Chartered Accountants of Scotland	13,890	11,410	21.7%
The Institute of Chartered Accountants in Ireland	17,090	10,750	59.0%
The Association of Chartered Certified Accountants	38,890	18,480	110.4%
Council for Licensed Conveyancers	10,850	11,550	-6.1%
Royal Institute of Chartered Surveyors	12,600	14,620	-13.8%

Fee-block E: sponsors and issuers of securities (UKLA)

(FEES 4 4.2.11R Table of periodic fees and FEES 4 Annex 7R and 8R – draft rules in Appendix 4)

Sponsors

4.19 Sponsors fee for 2015/16 is £27,100 an increase of 8.4% compared to 2014/15.

Annual listed issuer fees

4.20 This fee represents the total annual fee for a listed issuer - no additional annual fee is due under the disclosure rules and transparency rules. The annual 2015/16 issuer fees for listed issuers of shares, depositary receipts and securitised derivatives is as follows:

- for issuers of securitised derivatives £5,150 an increase of 8.4% compared to 2014/15
- for issuers of global depositary receipts and issuers with a standard listing of shares – as set out in Table 4.5 below
- for all other issuers – as set out in Table 4.6 below

4.21 The variance of 5.4% in Tables 4.5 and 4.6 reflects the impact of the 8.4% increase in minimum fees and the higher market capitalisation, used as tariff data (measure of size) to calculate the fees rates for 2015/16, compared to that used for 2014/15 fees rates.

Table 4.5: Tiered annual fees for issuers of global depositary receipts and issuers with a standard listing of shares

	Proposed 2015/16 fee	Actual 2014/15 fee	Variance
Minimum fee	4,120	3,800	8.4%
£ million of market capitalisation	Fee-rate (£)	Fee-rate (£)	
0-100	0	0	N/A
> 100 – 250	24.008885	22.778828	5.4%
> 250 – 1,000	9.602917	9.110927	5.4%
> 1000 – 5,000	5.910990	5.608150	5.4%
> 5,000 – 25,000	0.144187	0.136800	5.4%
> 25,000	0.046583	0.044197	5.4%

Table 4.6: Tiered annual fees for all other issuers

	Proposed 2015/16 fee	Actual 2014/15 fee	Variance
Minimum fee	5,150	4,750	8.4%
£ million of market capitalisation	Fee-rate (£)	Fee-rate (£)	
0-100	0	0	N/A
> 100 - 250	30.011106	28.473535	5.4%
> 250 – 1,000	12.003646	11.388659	5.4%
> 1000 – 5,000	7.388737	7.010187	5.4%
> 5,000 – 25,000	0.180234	0.171000	5.4%
> 25,000	0.058229	0.055246	5.4%

Annual non-listed issuer fees

4.22 This represents the fee payable by non-listed issuers in relation to the disclosure and transparency rules. The annual 2015/16 non-listed issuer fees for issuers of shares, depositary receipts and securitised derivatives is as follows for:

- issuers of securitised derivatives £4,120 an increase of 8.4% compared to 2014/15
- issuers of depositary receipts and global depositary receipts £3,295 an increase of 8.4% compared to 2014/15
- all other non-listed issuers – as set out in Table 4.7

4.23 The variance of 5.4% in Table 4.7 reflects the impact of the 8.4% increase in minimum fees and the higher market capitalisation, used as tariff data (measure of size) to calculate the fees rates for 2015/16, compared to that used for 2014/15 fees rates.

Table 4.7: Tiered annual fees for all other non-listed issuers

	Proposed 2015/16 fee	Actual 2014/15 fee	Variance
Minimum fee	4,120	3,800	8.4%
£ million of market capitalisation	Fee-rate (£)	Fee-rate (£)	
0-100	0	0	N/A
> 100 – 250	24.008885	22.778828	5.4%
> 250 – 1,000	9.602917	9.110927	5.4%
> 1000 – 5,000	5.910990	5.608150	5.4%
> 5,000 – 25,000	0.144187	0.136800	5.4%
> 25,000	0.046583	0.044197	5.4%

4.24 Issuers should also refer to the consultation in Chapter 12 of this CP under UKLA fees.

Fee-block F: unauthorised mutual

(FEES App1 - draft rules in Appendix 4)

4.25 The proposed fees are detailed in Table 4.8. Increases are in line with overall 8.4% increase, rounded to nearest £5.00.

Table 4.8: Proposed periodic fees for unauthorised mutual

Total assets (£'000)	Proposed 2015/16 fee-rate (£)	Actual 2014/15 fee-rate (£)	Variance
0 – 50	60	55	9.1%
> 50 - 100	120	110	9.1%
> 100 - 250	195	180	8.3%
> 250 - 1,000	255	235	8.5%
> 1,000	460	425	8.2%

Fee-block G:

Fee-block G: Firms registered under the Money Laundering Regulations 2007

4.26 We are proposing that the annual fee for firms registered with us under the money laundering regulations should be £433 for 2015/16, an 8.3% increase on 2014/15. (Fee-block G.1).

**Fee-block G: Firms covered by the Payment Services Regulations (PSRs) 2009
(FEES 4 Annex 11R – draft rules in Appendix 4)**

- 4.27** The proposed fee rates are detailed in Tables 4.9 and 4.10. The variance of 4.7% in Table 4.9 and 4.10 reflects the impact of the 8.3% increase in minimum fees and the higher tariff data (measure of size) used to calculate the fees rates for 2015/16, compared to that used for 2014/15 fees rates.

**Table 4.9: Certain deposit acceptors (includes banks and building societies)
[G.2 fee-block]**

	Proposed 2015/16	Actual 2014/15	Variance
Minimum fee (£)	433	400	8.3%
£ million or part £m of modified eligible liabilities (MELS)	Fee-rate		
	Proposed 2015/16	Actual 2014/15	Variance
> 0.1	0.28750	0.27450	4.7%

Table 4.10: - Large payment institutions and other institutions (G3. And G.5 fee-blocks)

	Proposed 2015/16	Actual 2014/15	Variance
Minimum fee (£)	433	400	8.3%
£ thousands or part £ thousands of relevant income	Fee-rate		
	Proposed 2015/16	Actual 2014/15	Variance
> 100	0.19330	0.018470	4.7%

- 4.28** We propose that the annual fee for small payment institutions regulations should be £433 for 2015/16, an 8.3% increase on 2014/15. (Fee-block G.4)

Fee-block G: Firms subject to the Electronic Money Regulations 2011 (EMRs)

(FEES 4 Annex 11R – draft rules in Appendix 4)

- 4.29** The proposed fee rates for large electronic money institutions (EMIs) under the EMRs are set out in Table 4.11. Increase in minimum fee is in line with overall 8.4% increase. However, due to a greater amount of tariff data (measure of size) reported by firms for 2015/16 compared to last year the variable fee rate is unchanged from 2014/15.

Table 4.11: Large electronic money institutions (Fee-block G.10)

	Proposed 2015/16	Actual 2014/15	Variance
Minimum fee	£1,626	£1,500	8.4%
£m or part £m of average outstanding electronic money (AOEM)			
> 5.0	200.00	200.00	0.0%

- 4.30** We propose that the annual fee for small EMLs should be £1,084 for 2015/16, an 8.4% increase on 2014/15.

Fee-block G: firms subject to the Regulated Covered Bonds Regulations 2008 (Fee-block G.15)

(FEES 4 Annex 11R – draft rules in Appendix 4)

- 4.31** The AFR allocated to this fee-block is recovered through two levels of flat minimum fees based on the number of registered programmes and a variable fee which takes into account the number of issuances made (market activity). The proportion recovered through the minimum fees is 90% and 10% through the variable fee. The proposed fees for 2015/16 are set out in Table 4.11. The reduction in the variable fee is due to the increased number of issuances made during 2014/15 (up to end December) compared to the previous year.

Table 4.11: Proposed periodic fees

	Proposed 2015/16	Actual 2014/15	Variance
Minimum fee for the first registered programme	91,531	84,439	8.4%
Minimum fee for all subsequent registered programmes	75% of first registered programme	75% of first registered programme	Unchanged
Variable periodic fee - £m or part £m of RCBs issued in the 12 months ending on valuation date	12.07	86.22	-86.0%

Managed File Transfer (MFT) gateway maintenance fees

- 4.32** As explained in chapter 11, we have introduced charges to recover the costs of using the secure data transmission portal between industry and the FCA (the MFT portal). These are payable by firms, third parties acting on a firm's behalf, ARMs, regulated markets and operators of MTFs. There is an annual fixed rate of £8,750 to recover the basic costs of being connected to the MFT and a variable rate of £6.00 per 100,000 transactions. The charges are calculated from our contractual payments and the previous year's data submissions. The fixed rate is made up of two components – maintaining the testing environment (£3,750) and technical support (£5,000).

Advising on investments – exclusion

- 4.33** Advising on investments is a regulated activity under article 53 of the Regulated Activities Order. Under article 54, advice is excluded from the regulated activity of advising on investments if (1) the advice is given in a publication or service that is in one of three formats and (2) the principal purpose of the particular format is neither to give advice nor to lead to, or enable, certain transactions to be carried out.
- 4.34** Article 54 provides that if a person is advising on investments, the FCA may, on the application of the person concerned, certify that the exclusion applies. However, a certificate is not needed to get the benefit of the exclusion. It will frequently be clear that the exclusion in article 54 applies and a certificate is not called for. A certificate may be appropriate, however, where the exclusion appears to apply but there may be an element of doubt. The granting of a certificate removes any such doubt.
- 4.35** We are proposing to increase the fee for this certification by 8.4% from £1,000 to £1,084.

Q2: Do you have any comments on the proposed FCA 2015/16 minimum fees and periodic fee rates for fee-payers other than authorised firms?

We must receive any responses by 18 May 2014.

5. Applying financial penalties

- 5.1** This chapter is relevant to all fee-payers that fall within the fee-blocks set out in Table 5.1.

Financial penalty scheme

- 5.2** Paragraph 21 of Schedule 1ZA of the Financial Services and Markets Act 2000 (FSMA) (as amended by the 2012 Act and the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013) sets out how we should treat financial penalties we impose on regulated persons (firms). The scheme does not apply to revenue from penalties imposed on firms in the 'G' fee-blocks under regulations applying European Union Directives, all of which is paid to HM Treasury. The key requirements are set out below.
- The financial penalties we receive must be paid to the Treasury net of certain enforcement costs incurred in the financial year in which the penalties were received. These enforcement costs, which are defined in the legislation and subject to a power of direction by the Treasury, represent the 'retained penalties'.
 - For retained penalties, we must prepare and operate a scheme (the Financial Penalty Scheme (FPS)) for ensuring that retained penalties are applied for the benefit of firms.
 - Firms that have become liable to pay any penalty to us in any financial year, do not receive any benefit from any penalty imposed on any firm under the scheme in the following year.
- 5.3** Under our FPS we apply retained penalties, received in any financial year, as a rebate to the periodic fees paid in the following financial year by firms in the fee-blocks set out in Table 5.1.
- 5.4** The total retained penalties from any financial year will be allocated across these fee-blocks in proportion to the allocation of the enforcement budgeted costs for the following financial year. This will target the benefit from retained penalties to the fee-blocks that are paying for enforcement costs.
- 5.5** Enforcement costs are not allocated to the A.0 minimum fee fee-block. Therefore, retained penalties are not allocated to this fee-block.
- 5.6** The firms on which any penalty was imposed in a financial year will not receive any rebate to their periodic fees paid, for any retained penalties, in the following financial year.

5.7 Each year we publish a schedule setting out the:

- total retained penalties in the previous financial year
- amount of retained penalties allocated to each fee-block, and
- percentage rebate that will be applied in the following financial year to the periodic fees paid by the firms in those fee-blocks

5.8 A draft of this schedule is published in our annual fees rates CP in March; the final schedule is published in the subsequent policy and feedback statement to that consultation in June.

Financial penalty rebates for 2015/16

5.9 We currently estimate the retained penalties for 2014/15 to be £40.3m (£39.1m 2013/14). In addition we are including £3.5m relating to an under application from 2014/15. The amount of the estimated retained penalties and additional amount, total £43.8m, allocated to each fee-block and the estimated percentage rebates that will be applied to the 2015/16 periodic fees paid by the firms in those fee-blocks is set out in Table 5.1. The final rebates will be published in the June 2014 policy and feedback statement to this CP.

Table 5.1: Draft schedule of application of 2014/15 retained penalties in 2014/15

Fee-block	2014/15 Retained penalties to be applied to benefit of fee-payers £m	Rebate applied to 2015/16 fees
AP.0 FCA prudential	0.0	0.0%
A.1 deposit acceptors	6.9	12.6%
A.2 home finance providers and administrators	0.7	5.0%
A.3 insurers – general	1.4	6.9%
A.4 insurers – life	2.5	7.4%
A.5 managing agents at Lloyd's	0.0	0.0%
A.6 the Society of Lloyd's	0.0	0.0%
A.7 portfolio managers	10.2	28.0%
A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	1.6	15.4%
A.10 firms dealing as principal	5.6	13.7%
A.13 advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	3.7	6.1%
A.14 corporate finance advisors	1.7	15.4%
A.18 home finance providers, advisers and arrangers	2.8	20.6%
A.19 general insurance mediation	2.5	11.1%
A.21 firms holding client money or assets or both	2.9	24.3%
B. recognised investment exchanges and operators of multilateral trading facilities (only)	0.0	0.0%
CCC.1 consumer credit – limited permission	0.0	0.0%
CCC.2 consumer credit – full permission	0.0	0.0%
E. issuers and sponsors of securities	1.3	7.5%
Total	43.8	

6. Consumer credit periodic fees

(Fees 4 Annex 2AR draft rules in Appendix 4)

- 6.1** In this chapter we set-out the 2015/16 consumer credit periodic fees and levies for the FCA, the Financial Ombudsman Service (ombudsman service) and the Money Advice Service.

Consumer credit periodic fees levies for 2015/16

- 6.2** Firms do not pay FCA periodic fees, ombudsman service or Money Advice Service levies, while they have interim permission. There has been a flow of firms into the consumer credit regime throughout 2014/15, as from 1 April 2014, we started accepting new applications and applications from firms with interim permission that we have asked to apply for full authorisation. When a firm is authorised it does not pay a full year's fee or levy, but is charged pro-rata on the basis of the number of months remaining in the fee-year. Consequently, no firms have paid the full rate in 2014/15 and this will continue to be the case for firms that become authorised in 2015/16. It will be 2016/17 before the status of all the former OFT licensees is determined and we have a full population of consumer credit firms.
- 6.3** To maintain consistency over the long term, we modelled our fee and levy rates for 2014/15 on our best estimates of the number and size of firms we expect to be authorised in 2016/17.
- 6.4** We are therefore proposing that the fee and levy rates for 2015/16 are the same as 2014/15 as set out in Tables 6.1 to 6.3.

Q3: Do you have any comments on the proposed Consumer Credit fees for the FCA, ombudsman service and Money Advice service for 2015/16?

We must receive any responses by 18 May 2015

Table 6.1: Proposed FCA periodic fee rates for consumer credit, 2015/16

Type of firm	Minimum annual fee		Variable annual fee on income above £250,000
	Income band	Fee	
Limited Permission: fee-block CC1	Up to £10,000	£100	£500 + £0.40 per £1,000
	Over £10,000 to £50,000	£250	
	Over £50,000 to £100,000	£400	
	Over £100,000 to £250,000	£500	
Full Permission: fee-block CC2	Up to £50,000	£300	£1,000 + £0.78 per £1,000
	Over £50,000 to £100,000	£500	
	Over £100,000 to £250,000	£1,000	

Table 6.2: Proposed ombudsman service levy rates for consumer credit, 2015/16

Type of firm	Minimum annual fee		Variable annual fee on income above £250,000
	Income band	Fee	
Limited permission - industry block 19	For not-for-profit debt advice bodies, a flat fee	£0	N/A
	For all other firms with a limited permission, a flat fee	£35	N/A
Full Permission – industry block 20	Up to £250,000	£35	£35 + £0.02 per £1,000

Table 6.3: Proposed Money Advice Service levy rates for consumer credit, 2015/16

Type of firm	Minimum Annual Fee		Variable annual fee on income above £250,000
	Income band	Fee	
Limited Permission: fee-block CC1	Up to £250,000 (i)	£10	£10 + £0.37 per £1,000
Full Permission: fee-block CC2	Up to £250,000	£10	£10 + £0.37 per £1,000

Notes:

(i) In Chapter 10 of CP14/26 (November 2014) we consulted on introducing a variable fee for limited permission firms with over £250,000 of consumer credit income, and charge the same rates to firms in both fee-blocks. In Chapter 11 of this CP we feed back on those proposals.

7.

Payment Systems Regulator – feedback on Chapter 2 CP14/26

(FEES 9 final rules in Appendix 1)

- 7.1** In this chapter we give feedback on the responses to our proposals, set out in Chapter 2 of CP14/26, for how fees will be levied from Payment Systems Operators (PSOs) which were expected to be designated by the Treasury at that time to fund the Payment Systems Regulator (PSR). In total we received ten responses.
- 7.2** Since the publication of CP14/26 the Treasury has designated eight payment systems for regulation by the PSR (with effect from 1 April 2015): Bacs; Northern Ireland Cheque Clearing (NICC); CHAPS; Cheque and Credit (C&C); Faster Payments Scheme (FPS); LINK; MasterCard; and Visa Europe (Visa).
- 7.3** In Chapter 8 we consult further on the fees to recover the £28.1m 2015/16 annual funding requirement (AFR) of the PSR.

Recovering set-up costs

- 7.4** Our policy proposal was for a one-year recovery period for set-up costs. This was because deferring the recovery of set-up costs would trigger additional costs due to the need to fund a longer recovery period.
- 7.5** We asked:
- Q1: *Should the PSR set-up costs be recovered over one or three years?***
- 7.6** Seven respondents expressed a preference for a one-year recovery period and two respondents preferred a three-year recovery period.
- 7.7** Those asking for a three-year recovery believed this would:
- minimise (annual) costs for their members
 - enable set-up costs to be shared proportionately among all designated payment systems and
 - result in little or no extra cost

Our response

There was widespread support for a one-year recovery period.

Overall set-up costs would be higher if the recovery period was set at three years, because of the additional interest payable which would become due as a result of the longer period over which the PSR would have to use lending facilities. For this reason, we believe that a one-year recovery period is consistent with minimising costs overall for designated systems.

We are also aware that costs will be recovered by payment systems from their direct participants. Some of our policy proposals are specifically intended to make it easier for PSPs to obtain direct access to payment systems; recovering set-up costs over one year avoids the risk of PSPs delaying seeking direct access to payment systems for several years simply to avoid contributing to set-up costs.

We have therefore decided that a one-year recovery period remains appropriate.

Calculating PSR periodic fees

Allocation, outliers and adjustments

7.8 Our policy proposal was for an equal allocation of 2015/16 PSR fees between PSOs, subject to two proposed adjustments for 'outliers'. These were:

- *Geographic coverage*, which would apply to C&C (which operates only in Great Britain) and NICC (which operates only in Northern Ireland). We proposed treating C&C and NICC as a single payment system for the purposes of allocating fees.
- *Significantly lower transaction volumes*, which would apply to CHAPS. We proposed an adjustment to ensure that the implied PSR fee per transaction for 'outlier' payment system(s) (in terms of significantly lower transaction volumes) would be no higher than the highest level that results from the equal allocation approach for other payment systems.⁷

7.9 To calculate fees taking into account the two adjustments above resulted in the following proposed approach:

The PSR Annual Funding Requirement (AFR) would be allocated equally to the seven PSOs (i.e. the eight designated payment systems less one for the proposed treatment of C&C/NICC as a single payment system for PSR fee allocation purposes).

Then, using an iterative process, the CHAPS allocation would be adjusted downwards so that the CHAPS implied PSR fee per transaction (based on CHAPS retail transaction volumes only) would be aligned to the highest PSR fee per transaction in the wider group (as part of this iterative process, the amounts allocated to other PSOs would be increased to maintain the same total PSR AFR and the equal allocation across other PSOs).

⁷ FCA Regulatory Fees and Levies Consultation Paper, November 2014, paragraphs 2.17-2.22

7.10 We asked:

Q2: *Do you agree with the outliers for PSR fees we have identified and the proposed adjustments to address them? If you do not agree, please give your reasons.*

Q3: *Do you believe there should be other outliers for PSR fees? If you do, please give your reasons and the adjustments you consider should be made to address them and the justification for those adjustments.*

7.11 Three respondents were broadly in agreement with our proposals. All respondents made comments on our proposed allocation methodology and/or outliers – the detail is provided below.

7.12 Five respondents did not identify any additional PSOs to be treated as outliers. LINK did not comment on the outliers we identified, although it argued that it should also be included as an outlier.

General comments

7.13 Five respondents said that PSR fees would result in a significant increase in their payment system operating costs.

7.14 **C&C** proposed adopting a different allocation for each of set-up costs and the Ongoing Regulatory Activities (ORA) costs.⁸ While it agreed that set-up costs should be allocated equally it said that the ORA costs should be charged on an activity-based (time and resources) measure. It noted a number of inequalities brought about by the equal sharing of the ORA costs, including for example as a result of the continuing decline of cheque volumes; and the high implied PSR fees per transaction for C&C and CHAPS as compared to Bacs and Visa.

7.15 **LINK** considered that the existing proposals were burdensome and unfair on it and that it should also be treated as an outlier. It said that, unlike Bacs, CHAPS and Faster Payments, it operated in a competitive market. It said that its competitors, MasterCard and Visa, were both substantial organisations which could seek to use PSR fees as a source of competitive advantage. It recommended an adjustment across the 'competitive' systems to reflect the relative scales of their businesses and hence ensure that there is a level playing field. LINK considered the proposed allocation to be disproportionately burdensome and as raising 'questions about how LINK Scheme raises funds and deals with contingency in a competitive marketplace'.⁹

7.16 **NICC** said that its charge should be discounted because it was currently excluded from the PSR's proposals on Governance and Access. In addition, NICC argued that the development of cheque imaging means there will be few opportunities for further innovation in cheque processing over the next few years.

7.17 **RBS** noted that the level of PSR fees passed on by the PSOs could in future be a potential influencing factor for (particularly) smaller/medium sized PSPs when deciding which PSOs to use.

7.18 Finally, one respondent said that payment systems should have freedom in the way they apportion allocated costs.

⁸ In its response, C&C may have confused AFR with ORA costs (2015/16 AFR = ORA cost + set-up costs). We have assumed it is referring to ORA cost.

⁹ LINK response to FCA *Regulatory fees and levies: policy proposals for 2015/16 - CP14-26*, page 4.

On the general question of having outliers

- 7.19** **FPS** disagreed with the creation of any outliers. In its view the Treasury designation process has considered these factors when determining whether the designated PSOs are significant enough to be regulated, and no other consideration of values or volumes was needed beyond this.

On the question of having outliers for geographic outliers

- 7.20** **Bacs, C&C** and **NICC** agreed with our proposed geographic outlier approach. Other than FPS, no-one disagreed with this proposal.

On the question of outliers for low volumes

- 7.21** Several respondents commented both on the question of whether low volumes was an appropriate consideration justifying special treatment, and whether other considerations such as transaction value and/or PSR time and resource should be taken into account.
- 7.22** **Bacs** did not agree with the designation of CHAPS as an outlier. In its view any allocation should not be based on a sub-set of transactions and should also take into account the systemic importance of CHAPS (with regard to financial stability). It was concerned that the volume adjustment may result in unintended consequences in that the remit of the PSR and the fulfilment of its objectives are incorrectly calibrated in relation to the proportion of the fees attributed to the PSO.
- 7.23** **CHAPS** said that the volume adjustment we proposed should also consider the following:
- 25% of its volume derives from non-domestic commercial and retail correspondent banking.¹⁰ In its view, due to the domestic nature of the PSR and the fact that it is not focusing on indirect participation arising from international correspondent banking, these volumes should be excluded from the calculation mechanism.
 - The 28 million CHAPS (retail only) transactions used in our calculations actually included both retail and commercial transactions.¹¹ CHAPS said that while it has not seen the underlying detail of transaction data, logic would state that most transactions in this category above £1 million would be in the larger commercial rather than retail space. So it suggested we exclude these transactions from the calculation mechanism.
 - We should add an extra decimal point to the transaction volume figures used in the calculation.
- 7.24** **C&C** said that wholesale CHAPS transactions should only be excluded if there is no benefit from the actions of the PSR to those using CHAPS wholesale payments. It asserted that CHAPS PSPs have a greater ability to recover the PSR's costs than C&C PSPs. In its view CHAPS should bear an equal share of the PSR's AFR. It also noted the need for a regular review of the allocation methodology.
- 7.25** **MasterCard** suggested allocation should be on a time and resources basis. However, if this was not considered practicable, it suggested a more holistic approach to allocation. This would include considering transaction values, which in its view would be a more reliable indicator of PSR time and resource costs expended regulating a given system.

¹⁰ Based on data from its Direct participants

¹¹ SWIFT MT103 Payment Instructions

- 7.26** It also said the current proposals potentially undermine the PSR's competition objective by prejudicing smaller participants and new entrants that do not benefit from an outlier adjustment. In its view this would particularly be the case for systems with lower transaction volumes and lower transaction values.
- 7.27** **NICC** disagreed with the equal allocation of costs across PSOs. It said this is because the combined transaction volumes of C&C and NICC equate to less than 3% of overall payment volumes yet under the policy proposal they are being asked to contribute 16.5% of costs. It said this issue will be exacerbated in the future because cheque volumes are declining at the rate of around 10% a year.
- 7.28** It also said that the CHAPS allocation failed to recognise the systemic importance of that system and the income derived by CHAPS members from CHAPS payments. In its view the fairest way to allocate the PSR costs would be to develop some form of weighted ranking which takes account of volumes, values, payment system turnover, systemic importance and a PSR ranking of where they believe their resources will be applied over the next three years.

Our response

General comments

There was a mixed response to our policy proposals in this area. Three respondents were supportive while six respondents raised issues with regard to our proposed allocation methodology and/or our selection of 'outliers'.

Of these six respondents, one believed it should be classified as an additional outlier; one said there should be no outliers; and two suggested the allocation was unfair on them. Some respondents questioned whether smaller payment systems which were not classified as outliers would suffer a negative competitive impact from our proposals; a 'time and resources' driven approach to allocation was also favoured by a few respondents. Respondents also suggested we should place greater emphasis on the value of payments and the systemic importance of CHAPS as a payment system.

A number of respondents said that PSR fees would result in a significant increase in their payment system operating costs. However, we note that the direct operating costs of the systems represent a small fraction of the overall costs of payment services. The vast majority of the costs of running a payment system are incurred outside of direct operating costs of the payment system operator (for example, infrastructure costs).

We do not consider that the fact that allocating PSR fees to a PSO will result in a significant increase of PSO costs to be a reason to allocate PSR fees differently. When recovering their costs from direct members/participants, PSOs are able to identify PSR fees separately so that direct members/participants can monitor how other PSO costs are trending.

On how payment systems should recover PSR fees allocated to them, we note that we have not been prescriptive although we did indicate in the consultation¹² that each PSO would be *'recovering PSR fees from the direct participants in its payment system as each PSO saw appropriate (typically by using the volume of*

¹² FCA Regulatory Fees and Levies Consultation Paper, November 2014, paragraphs 2.12 and 2.25.

transactions to distribute the recovery of PSR fees across their direct participants/members'. In this context, it should be noted that under section 42(8) FSBRA, the Bank of England is not a participant within the meaning of section 42 FSBRA, and accordingly PSOs on whom fees are levied should not seek to pass on any liability for fees to the Bank of England, whether directly or indirectly as a cost recoverable from the Bank.

Allocation using an activity-based measure

Turning to the other comments made by respondents, we first considered the suggestion that our fees should be allocated on some kind of an activity-based measure.

C&C and MasterCard suggested the use of an activity-based measure to allocate fees, while CHAPS and NICC both argued that the initial focus of the PSR's work should result in a discount to their fees.¹³

We therefore considered again the case for allocating fees using an activity-based measure and also whether we should adjust fees on the basis of our announced programme of work. We decided that, for the reasons set out in paragraph 2.16 of our Consultation Paper¹⁴, an activity-based measure continues to be an inappropriate approach at this time.

Outliers

We then considered whether there should be any outliers, taking into account FPS's submission that all systems should be treated the same once designated, as designation meant that Treasury considered that each system was sufficiently important on its own right.

On the question of outliers due to geographic coverage, other than FPS, all other respondents were either supportive or neutral. We continue to believe it would be unfair and inappropriate to treat the two cheque systems in the same way as pan-UK systems given their limited geographic scope. So we have concluded that we will implement the geographic scope outlier exception to C&C and NICC, as set out in our consultation, and C&C and NICC will be treated as a single PSO for the purpose of allocating PSR fees.

We then considered both whether there should be any other outliers, and whether low transaction volumes are a relevant metric for outlier treatment.

Other than CHAPS, no other respondent supported the proposal to treat a PSO as an outlier simply because of low transaction volumes.

Three respondents believed that we should place greater emphasis on the value of transactions and also the systemic importance of the CHAPS system. C&C asserted that CHAPS PSPs have a greater ability to recover the PSR's costs than C&C PSPs.

¹³ NICC argued that its charge should be discounted because it was currently excluded from the PSR's proposals on Governance and Access; CHAPS argued due to the domestic nature of the PSR and the fact that the PSR is not focusing on Indirect Participation arising from Correspondent Banking, these volumes should be excluded from the calculation mechanism

¹⁴ FCA Regulatory Fees and Levies Consultation Paper, November 2014, paragraphs 2.16. It would involve high administration costs; it would not reflect our focus on a framework for the industry as a whole; and it could disincentivise PSO's from engaging with us

We are mindful that although CHAPS non-wholesale transaction volumes are significantly lower than those realised by any other pan-UK PSO, the average transaction value for CHAPS is significantly higher than for any other pan-UK PSO (see tables 7.1 and 7.2 below). As a result, even if CHAPS were not treated as an outlier, the implied PSR AFR per transaction would still represent a significantly lower percentage of the average transaction value than for other PSOs (see table 7.1 below). Considering this from the point of view of service-users, they are unlikely to decide not to use CHAPS for a transaction as a result of an increase in costs amounting to 0.000027% of average (retail) transaction values.

We are also mindful of the concerns expressed by several respondents about possible inadvertent consequences for smaller systems that do not benefit from a volume (or other) outlier adjustment, and on whom there might be a negative competitive impact.¹⁵

Our interim conclusion, subject to the points which follow, is therefore that an outlier exception based solely on low volumes does not seem appropriate or proportionate at this point in time. We have taken into account FPS's submission that the Treasury has deemed all systems important by virtue of their designation, and the comments of several respondents on the transaction values and the systemic importance of CHAPS within UK payment systems. We have therefore decided that we will not implement an outlier exception based solely on low volumes at this point in time.

We have also considered the case made by LINK to be treated as an outlier (see paragraph 7.15 above). We do not agree with its proposal that there should be an adjustment across 'the competitive systems.' At this point in time, we do not consider that the size or type of the organisation which ultimately owns a payment system, or its type of activities (e.g. cheques, cards), is a relevant consideration in setting fees. We note also that our decision to not implement an outlier exception based solely on volumes at this point in time will result in the allocation of PSR fees to other PSOs being reduced, including for LINK.

We have noted RBS's comment that the level of PSR fees passed on by the PSOs could **in future** be a potential influencing factor for (particularly) smaller/medium sized PSPs when deciding which PSOs to use. We therefore propose to monitor this going forward. We anticipate that implementing our different policy proposals on direct and indirect access, as well as the market review we have announced into indirect access, will also provide us with useful insight.

It is worth noting that the allocation of PSR fees is being set for 2015/16, and we will consult again on the fees rates for 2016/17. It is therefore open to LINK and other respondents to submit further evidence and arguments in the future supporting a different allocation methodology. However, at this point in time, we have not been presented with compelling enough reasons to include additional outliers or to make additional adjustments at this stage. So we have decided not to make any individual adjustment for LINK as an outlier at this time.

¹⁵ MasterCard, NICC and RBS. C&C also questioned per transaction fees resulting from the allocation.

In light of the above, our decision is therefore to adopt only a geographic scope outlier exception, as a result of which C&C and NICC will be treated as a single pan-UK cheque clearing PSO for fee allocation purposes. Beyond that, the seven PSOs will be treated equally and PSR fees will be allocated equally across them, as set out in table 7.2 below. Table 7.2 also reflects up-to-date figures for the PSR AFR. For purposes of comparison we also show in table 7.3 below our previous allocation methodology (in which CHAPS was also treated as an outlier).

Our revised approach means that, with the exception of allocating fees between C&C and NICC, transaction volumes will not be used for allocating fees to PSOs at this time, although we have for information included some volume and value data in tables 7.2 & 7.3 below.

However, for completeness we are responding to some points raised by CHAPS about volumes (see paragraph 7.23 above):

- CHAPS' suggestion to add a decimal point in our iterative calculation is no longer relevant given the approach we are adopting for fee allocation for 2015/16.
- CHAPS argued that the transactions data we had used included both retail and commercial transactions, although it was not possible to distinguish between the two. It said that logic would dictate that transactions greater than £1 million were commercial rather than retail. We think CHAPS is confusing its categorisation of retail and commercial, with our intention to distinguish between retail and wholesale activities.
- We had therefore excluded MT202 transaction volumes, which are wholesale transactions, in order to make this distinction. We had, however, included MT103 transactions, which are both retail and commercial transactions (and where no distinction is made between retail and commercial transactions), because we consider both to be 'non-wholesale' transactions. We also consider that CHAPS' statement that 'logic would dictate that transactions greater than £1 million were commercial rather than retail' is not supported by evidence. CHAPS is used among others to transfer funds to purchase houses and businesses, and those transfers may well be above £1 million, but they are still clearly retail (non-wholesale) transactions. We therefore disagree with CHAPS' comments.

We reiterate that this is the first fees consultation process and we will keep our methodology on allocation and outliers under review.

Approach to the designation of additional payment systems

- 7.29** Our policy proposal was that if additional payment systems were designated we would calculate the applicable fee payable by that system using the same methodology.
- 7.30** For systems designated before 30 April 2015¹⁶ we would charge a full fee; for systems designated after this date a pro-rate reduction would be applied.

¹⁶ Systems designated before 1 April 2015 would be subject to a full fee (recalculated using the same methodology); in addition systems designated between 1 April 2015 and 30 April 2015 would not qualify for any pro-rata reduction (paying 12/12ths of the AFR using the same methodology)

- 7.31** This fee would be based on the AFR and therefore include a recovery of set-up costs and ongoing year one costs.
- 7.32** Any fee income collected in this way from additionally designated systems would be used to reduce the PSR's 2016/17 AFR (rather than recalculating and reducing the 2015/16 AFR recovery from existing PSOs).
- 7.33** We asked:
- Q4:** *Do you have any comments on our proposals for calculating fees if additional payment systems are designated?*
- 7.34** Four respondents were supportive of our proposal.
- 7.35** One respondent said that any future PSOs which were designated should be treated on an equal basis.
- 7.36** Another said that any payment system designated after the Treasury's initial designation should also contribute towards set-up costs, with its contribution being equal to the amount it would have been required had it been initially designated (and with an adjustment / rebate for those which were initially designated).

Our response

Respondents were broadly supportive of our proposal.

We considered whether any new system which was designated should contribute towards set-up costs as if it had been initially designated, as suggested by two respondents.

Our assessment was that the further away from 1 April 2015 we get, the less directly relevant PSR start-up costs are to a newly designated system. We therefore believe that our proposal, under which the allocation of start-up costs gradually reduces for a newly designated system over the course of 2015/16, is a fair and proportionate way in which to allocate start-up costs.¹⁷ We have therefore decided to maintain our policy proposal in this area.

Tariff data – volume of transactions

- 7.37** Our policy proposal was to collect tariff data which comprised the total volume of transactions for the 12 months ending 31 December in the calendar year before a fee-period (1 April to 31 March). For the fee period 2015/16 this would mean collecting tariff data for the period 1 January 2014 – 31 December 2014.
- 7.38** We asked:

Q5: *Do you have any comments on our proposals for collecting and using the volume of transactions as the tariff data for the purpose of calculating PSR fees?*

¹⁷ We note that the proportion will depend on when the new system is designated and whether it has 'outlier' status.

- 7.39** Three respondents were supportive of our proposed approach. Two respondents suggested we should also collect values data to inform our regulatory approach to fees.
- 7.40** Another respondent said that it was keen to work with the PSR/FCA to develop a suitable protocol and framework to ensure equitable, accurate and reliable methodology with regard to reporting volumes of transactions.

Our response

We agree with the suggestion that we should also collect values data.

We will collect volume and value transactions data, as well as any other data that we consider may be relevant in helping us to determine a fair and appropriate allocation of fees. We may, in particular, decide to collect additional data to enable us to monitor trends over time.

Applying certain existing FCA fees rules to PSR fees

- 7.41** Our policy proposal was to apply existing FCA fees rules and guidance to PSR fees for:

- **On account payments** – PSOs whose previous year's fee is at least £50,000 will be required to pay 50% of that amount 'on account' against their fee in the following year. This will provide the PSR with cash-flow for the first part of that fee-year. This rule will first apply for 2016/17.
- **Method of payment** – PSOs will generally pay their fees by electronic credit transfer.
- **Late payment** – where a PSO does not pay its PSR fee by the due date, we will levy a £250 administrative fee, and from the due date, we will start to charge interest on any unpaid fee amount at 5% per year above the Bank of England's Official Bank Rate.
- **Relieving provisions** – where it appears to the FCA, in consultation with the PSR, that in the exceptional circumstances of a particular case the payment of a PSR fee would be inequitable, the FCA may reduce/refund the fee that would be payable/has been paid.

- 7.42** We asked:

Q6: *Do you have any comments on the proposed application of certain existing FCA fees rules and guidance to PSR fees?*

- 7.43** We received no comments from respondents on applying these FCA fees rules to PSR fees. So we have included them in the final FEES 9 rules in Appendix 1 of this CP.
- 7.44** However, four respondents asked us to clarify the:
- VAT treatment of the fees charged by the PSR to PSOs and
 - the taxation implications of such treatment in respect of PSOs recovering the PSR related fees from its membership

- 7.45** One of these four respondents noted their anticipation that PSR fees would be charged without the application of VAT to PSOs. So they were concerned that our proposal to collect fees from PSOs (for administrative ease), rather than directly from participants, that onward apportionment of the PSR fees to direct participants may trigger the charging of VAT. As the bulk of that VAT would be unrecoverable by participants, due to the nature of their banking business, this would represent a further significant increase in the management costs of their scheme.

Our response

The PSR fees levied by the FCA will recover the funding required by the PSR to regulate designated payment systems. PSR is a regulatory body, acting under a statutory power when regulating payment systems. When a body governed by public law engages in activities or transactions as public authority, they do not qualify as taxable persons even when they collect fees in connection with those activities or transactions. The regulatory activities of the PSR for which the FCA levies fees therefore fall outside the scope of VAT and no VAT will apply.

In the final FEES 9 rules in Appendix 1 we have included the standard rule from FEES 2.4 noting that these fees are stated net of VAT.

The VAT treatment of the recovery of these fees by PSOs from participants in the payment systems they operate will depend on the tax position of each PSO, so PSOs should discuss their VAT arrangements with their fiscal advisers.

Table 7.1: 2014 Average Transaction values and AFR per Transaction

2014		
	Average transaction value	AFR per Transaction
	£	% of average transaction value
Bacs	757	0.000091%
C&C/NICC	1,056	0.000741%
CHAPS (retail)*	518,905	0.000027%
FPS	821	0.000444%
LINK	61	0.003202%
MasterCard	53	0.004219%
Visa	47	0.000982%

* Retail transactions (MT103) only

Notes: This table assumes that there is no low volume outlier adjustment i.e. fees are split equally between seven PSOs (with C&C / NICC being treated as a single system). AFR per transaction is the implied PSR AFR per transaction, as a percentage of the average transaction value for each PSO.

Table 7.2: Proposed revised allocation between PSOs**2014**

	Transaction volume 000s	Transaction value £m	Average transaction value £	Allocation %	Allocation £m	Allocation per transaction pence
Bacs	5,841,230	4,420,546	757	14.3%	4.01	0.069
C&C/NICC	513,207	541,895	1,056	14.3%	4.01	0.782
CHAPS retail)*	28,689	14,886,852	518,905	14.3%	4.01	13.992
FPS	1,100,930	903,794	821	14.3%	4.01	0.365
LINK	2,046,831	125,384	61	14.3%	4.01	0.196
MasterCard	1,801,665	95,140	53	14.3%	4.01	0.223
Visa	8,634,894	408,633	47	14.3%	4.01	0.046
Total				100.0%	28.10	
C&C	499,284	519,926	1,041	97%	3.91	0.782
NICC	13,923	21,969	1,578	3%	0.11	0.782
C&C/NICC	513,207	541,895	1,056			

* Retail transactions (MT103) only

Table 7.3: Previous allocation between PSOs**2014**

	Transaction volume 000s	Transaction value £m	Average transaction value £	Allocation %	Allocation £m	Allocation per transaction pence
Bacs	5,841,230	4,420,546	757	16.5%	4.64	0.079
C&C/NICC	513,207	541,895	1,056	16.5%	4.64	0.904
CHAPS retail)*	28,689	14,886,852	518,905	0.9%	0.26	0.904
FPS	1,100,930	903,794	821	16.5%	4.64	0.421
LINK	2,046,831	125,384	61	16.5%	4.64	0.227
MasterCard	1,801,665	95,140	53	16.5%	4.64	0.258
Visa	8,634,894	408,633	47	16.5%	4.64	0.054
Total				100.0%	28.10	
C&C	499,284	519,926	1,041	97%	4.51	0.904
NICC	13,923	21,969	1,578	3%	0.13	0.904
C&C/NICC	513,207	541,895	1,056			

* Retail transactions (MT103) only

Notes: For the purpose of effective comparison between our revised approach and our previous approach both are calculated using 2014 transaction volumes and the finalised 2015/16 AFR of £28.1m.

8. Payment Systems Regulator – periodic fees

(FEES 9 draft rules in Appendix 4)

- 8.1** In this chapter we set out our proposed periodic fees to fund the Payment Systems Regulator in 2015/16.

Introduction

- 8.2** The Payment Systems Regulator Ltd (PSR) was incorporated on 1 April 2014 as a subsidiary of the FCA, and will become fully operational in April 2015.
- 8.3** When money moves between individuals, businesses and government – for example, when buying goods and services, receiving income or paying taxes – the transfers of funds are made through payment systems. In 2013, payment systems in the UK handled more than 21 billion transactions worth over £75 trillion.
- 8.4** The FCA can raise fees from participants in regulated payment systems to fund the expenses of establishing and operating the PSR (including the cost of collecting fees on behalf of the PSR). We are raising fees on the payment system operators (PSOs) of the designated payment systems.
- 8.5** The Treasury has designated eight payment systems for regulation by the PSR (with effect from 1 April 2015): Bacs; Northern Ireland Cheque Clearing (NICC); CHAPS; Cheque and Credit (C&C); Faster Payments Scheme (FPS); LINK; MasterCard; and Visa Europe (Visa).
- 8.6** In Chapter 2 of CP14/26¹⁸ we set out our proposals on how we will raise fees on the PSOs and in Chapter 7 of this CP we provide feedback on responses to those proposals. We calculated the proposed 2015/16 periodic fees in this chapter on the basis of the outcome of that consultation.

PSR periodic fees 2015/16

PSR 2015/16 annual funding requirement

- 8.7** The PSR published its 2015/16 annual plan on 25 March 2015.¹⁹ The annual plan set out the annual funding requirement (AFR), set out in Table 8.1 below, the PSR will need to fulfil that plan.

¹⁸ www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf

¹⁹ See PSR 2015/16 Annual Plan and Budget, published at www.psr.org.uk/psr-publications/annual-plans-and-reports

Table 8.1: PSR 2015/16 AFR

	£m
Ongoing regulatory activity (ORA) 2015/16 budget	15.9
PSR set-up costs before launch (2014/15)	12.2
Total AFR	28.1

Allocation of PSR 2015/16 AFR

- 8.8** The allocation of the 2015/16 £28.1m PSR AFR across the PSOs of the payment systems designated by the Treasury with effect from 1 April 2015 are set out in Table 8.2.

Table 8.2: Allocation of PSR 2015/16 AFR across PSOs

PSO	£m	%
Bacs	4.01	14.3
CHAPS	4.01	14.3
Cheque and Credit (C&C) £3.91m 97%	4.01	14.3
Northern Ireland Cheque Clearing (NICC) £0.11m 3%		
Faster Payments Scheme (FPS)	4.01	14.3
LINK	4.01	14.3
MasterCard	4.01	14.3
Visa Europe (Visa)	4.01	14.3
Total	28.10	100.0

Notes: Figures may not sum due to rounding.

- 8.9** The allocation is based on an equal distribution other than in the case of C&C and NICC, which are treated as an outlier due to their geographic coverage. So C&C and NICC are treated as a single PSO for the purposes of allocating the PSR AFR.

Payment systems designated during 2015/16 – our policy approach

- 8.10** PSOs of payment systems designated on or after 1 April 2015 will pay 1/12th of £4.01m for the calendar month it was designated and for each of the following months up to and including March 2016.
- 8.11** Any fees collected from the PSOs of additionally designated payment systems during 2015/16 will be used to reduce the 2016/17 PSR AFR. The fees for the PSOs of the payment systems designated before 1 April 2015 will not be recalculated and reduced.

- 8.12** Should any payment system be designated during 2015/16 we will conduct a separate consultation on the amount of the 2015/16 fee, based on the above policy approach, that we propose to levy on the PSO of the newly designated payment system.

Appendix 5

- 8.13** The proposed fees rates rules (invoice amounts) are set out under Appendix 5 of this CP.

Q4: Do you have any comments on the proposed 2015/16 PSR periodic fees?

Next steps

- 8.14** Please let us have any comments by **18 May 2015**.
- 8.15** We will consider your comments and, subject to PSR and FCA Board approval in June, we will publish a Policy Statement, which will include feedback on those comments and final rules, at the end of June 2015.
- 8.16** Invoices will be issued from July 2015.

9.

Pensions guidance levy – feedback on Chapter 4 CP14/26

(FEES 10 final rules in Appendix 2)

- 9.1** In this chapter we give feedback on the responses we received to our proposals, set out in Chapter 4 of CP14/26²⁰, for how we should raise the pensions guidance levy (PGL).
- 9.2** Those proposals were informed by the responses we received to our provisional consultation in Chapter 3 of CP14/11.²¹ We provided feedback on the responses to that consultation in Chapter 3 of CP14/26.
- 9.3** The PGL will fund the provision of pensions guidance – Pension Wise²², the Government’s impartial guidance service to help consumers understand the greater flexibility they will have with their pension pots resulting from the pension reforms under the Pension Schemes Act 2015.
- 9.4** In Chapter 10 of this CP we consult on the 2015/16 PGL rates and the levy rates to recover the FCA’s pensions guidance costs. In Chapter 10 we are proposing a different distribution basis for allocating pensions guidance costs across the five PGL fee-blocks than was proposed in CP14/26, the responses to which and our feedback is discussed below.

Summary of proposals

Using our existing ‘A’ fee-block framework

- 9.5** We proposed using the existing ‘A’ fee-block periodic fees framework as it is the most efficient and economical way of collecting the PGL. Alternative ways would mean collecting additional data from firms, requiring us to change our operational systems to accommodate the new data. This will also be more proportionate for firms, as it avoids the additional burden that will arise from them having to change their systems and processes to provide us with the new data.

Targeting recovery of the levy through the most appropriate fee-blocks

- 9.6** The range of retirement financial products and services that consumers could purchase after using Pension Wise is wide and includes cash savings accounts, annuities, investment funds/

²⁰ www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf

²¹ www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf

²² www.pensionwise.gov.uk/

schemes, other income-generating guaranteed products that may emerge, as well as the services of financial advisers and managers of investments.

- 9.7** The firms that contribute to the PGL should, as far as possible, be those that could benefit if consumers who use Pension Wise go on to purchase the financial products and services supplied by them. So we proposed limiting raising the levy to five 'A' fee-blocks (out of 16) listed in Table 9.1 below. This enables the burden of the levy on firms to be more proportionate to the benefit generally expected to result from Pension Wise.
- 9.8** We highlighted in both consultations that there will be some firms in the PGL fee-blocks that will not currently provide retirement financial products or services. This reflects that the fee-blocks represent broad groupings of different firms and also acknowledges that some of these firms may change from this position in the future.

Table 9.1: PGL fee-blocks and allocation proportions

PGL fee-blocks		Allocation
A.1	deposit acceptors	22%
A.4	insurers – life	22%
A.7	portfolio managers	22%
A.9	managers and depositaries of investment funds, and operators of collective investment schemes or pensions schemes	22%
A.13	advisory arrangers, dealers or brokers	12%
		100%

Notes:

(i) In CP14/26 we consulted on this distribution basis for allocating the pension guidance costs. At that time (27 November 2014) the Treasury had not advised how much was required to fund Pension Wise in 2015/16. On 12 January 2015 the Treasury published an indicative amount of £35m.

Allocation of costs across PGL fee-blocks

- 9.9** The Pension Wise costs should be allocated equally across the five PGL fee-blocks with a 50% reduction for A.13 – as set out in Table 9.1 above. We proposed this for the following reasons:
- There is no current data available on what retirement financial products and services consumers will be choosing as a result of the pensions reforms. Such data could enable the allocation to better reflect the potential benefit of Pension Wise to the firms within the five fee-blocks.
 - An allocation in line with the proportion of our annual funding requirement represents the proportion of our resources applied to meet our statutory objectives in relation to the regulated activities covered by these fee-blocks. We do not believe it is a reasonable proxy for the potential benefit of Pension Wise to the firms within the five fee-blocks.
 - In the absence of the appropriate data on consumer outcomes from the pensions reforms and Pension Wise, we believed an equal allocation across the four product provider and investment management services fee-blocks was a reasonable starting position.
 - Firms in A.13 that provide financial advice will only benefit if, after using Pension Wise, consumers seek advice from regulated financial advisers. However, the firms in the other four product provider/investment management services fee-blocks will more likely benefit

as the monies released through greater pension flexibility, if used for investment, will be distributed amongst them. The 50% reduction in the allocation for A.13 is intended to make an initial allowance for this difference. This level will be reviewed when the above data on consumer outcomes is available.

No minimum PGL

- 9.10** For firms that undertake regulated business that falls below the minimum thresholds in all the PGL fee-blocks we proposed they would not pay any levy. We do not believe setting a fixed minimum levy would be proportionate to the benefit that such small firms may receive from the provision of Pension Wise.

Adjustments within the five PGL fee-blocks

- 9.11** We proposed making the following adjustments:

- **A.4 fee-block (life insurers)** – only use the adjusted gross premium income (AGPI) part of the tariff base for recovering from these firms the proportion of the pensions guidance costs allocated to it. This will focus the recovery on a measure of new business.
- **A.7 fee-block (portfolio managers)** – exclude in-house managed Occupational Pension Schemes. Such schemes are not behaving as product providers in the retirement financial products market and will not be competing for or receiving any external business – they are not allowed to take on third-party customers.
- Some firms in A.7, class (1) B firms, who do not hold and control client money, receive a 15% discount to reflect the lower regulatory risk they represent. The tariff base for A.7 is funds under management (FuM) and, for the purposes of the PGL, should be the measure used for all firms in A.7. So the 15% discount for class (1) B firms will not be applied for in the case of the PGL.

- 9.12** We can accommodate these adjustments within our existing fee collection operational systems and processes with only marginal additional cost.

European Economic Area (EEA) branches in the UK – fees discount

- 9.13** For our fees purposes, these firms receive a 10% discount to reflect that our conduct regulatory responsibilities, as the Host State, are less than those of UK-based firms as their regulation is shared with the Home State. We proposed not to apply this discount to the PGL as the level of potential benefit that such firms may gain from Pension Wise will not be less than for UK-based firms.

Other proposals

- 9.14** In line with the overall approach of using our existing 'A' fee-block framework for collecting the pensions guidance levy we proposed applying to the PGL the existing rules that relate to the collection of tariff data (measures of size), payment time/methods, provisions for newly authorised firms/firms varying their permission and firms cancelling their permissions, non-payment of fees and relieving provisions.

- 9.15** We asked:

Q7: *Do you agree with our proposals for how the pensions guidance levy should be raised? If you do not agree please give your reasons.*

Responses to our proposals

- 9.16** We received 13 responses, made up of nine trade bodies and professional bodies and four individual firms.
- 9.17** The non-confidential respondents are listed in Annex 4.
- 9.18** Three trade/professional bodies representing pension funds and mortgage intermediaries supported our proposals.
- 9.19** The issues raised by other respondents fall under four areas:
- credit unions should be exempt from the PGL
 - wholesale market brokers should be exempt from the PGL
 - financial advisers should contribute less to the PGL and
 - allocation in line with the consumer's retirement choices
- 9.20** We set out these below and our response to them.
- 9.21** A not-for-profit membership association operating within the financial services industry proposed an alternative way of funding Pension Wise. They suggested that a small deduction from the capital value of all the monies crystallised to provide benefits to fund the Guidance Guarantee. HMRC²³ can then collect the amounts through the Pension Scheme tax receipt processes already in existence with each registered approved scheme. This is a matter for the Government to consider and we have passed on this response to the Treasury.

Credit unions should be exempt from the PGL

- 9.22** The trade body representing credit unions proposed that they should be exempt from paying the PGL because they are restricted in relation to the level of deposits they are able to accept from individual depositors – 1.5% of total shareholdings (i.e. deposits). They believe that, in many cases, for those credit unions with more than £10m MELs²⁴ the amount of individual deposits they can receive is likely to be well under £100,000 per depositor, strictly limiting the market for credit unions in serving those who choose to withdraw their pension pot in cash.
- 9.23** Credit unions fall into the A.1 fee-block (Deposit acceptors).

Wholesale brokers should be exempt from the PGL

- 9.24** We received a joint response from two trade bodies whose members include wholesale market brokers in the financial, energy, commodity and emissions, markets and their traded derivatives. They highlighted that their members deal only in wholesale markets and being Limited Licence /Limited Activity firms they do not hold the FCA permissions to deal with retail clients and do not interact or generate order flow from the retail sector. So they proposed that their members should be exempt from the PGL.
- 9.25** Two individual institutional broker firms also highlighted that they do not provide any advisory services and do not have permission to provide their equity research and intermediary brokerage services to retail customers. y similarly proposed that they should be exempt from the PGL.

²³ Her Majesty's Revenue and Customs

²⁴ Modified Eligible Liabilities (essentially UK deposits) – the measure of size for all firms in the A.1 (deposit acceptors) fee-block.

- 9.26** The above types of firm fall under the A.13 fee-block (advisory arrangers, dealers or brokers).

Financial advisers should contribute less to the PGL

- 9.27** The trade body representing financial advisers welcomed the lower allocation of the Pension Wise costs to the A.13 fee-block that covers their members (12% as opposed to 22% for the other four). However, they do not believe that financial advisers will benefit to the extent that warrants even this level of allocation. Their main arguments being that the vast majority of pension pots (75% to 80%) are below £50,000 and therefore paying for full advice is unlikely to be economic for most consumers and/or profitable for the firm. Further, there is an increasing trend of people making their own investment and pension decisions, with fewer people seeking regulated advice and that the appetite for seeking regulated advice after a 'guidance guarantee session' is limited. They proposed that the allocation to A.13 should be 5%.

- 9.28** While welcoming the reduced allocation to A.13, a financial adviser firm proposed that initially the levy should rest with the fee blocks representing those groups which will clearly benefit from pensions flexibility – those firms that will be receive the accumulated funds, such as annuity providers, portfolio/fund managers and deposit acceptors. We could then do a review once it was clearer which parties are benefiting.

Allocation in line with the consumer's retirement choices

- 9.29** A trade body representing authorised depositaries expressed disappointment that we had continued to include these firms for PGL purposes even though the benefit to them from the pensions reforms would be limited. They also highlighted that whilst appreciating that equal allocation of pensions guidance costs across the PGL fee-blocks was appropriate, given the short timeframe, the best longer term solution was Option 3 discussed in Chapter 3 of CP14/11²⁵. Option 3 was to base the allocation on consumer's retirement choices. They wanted us to commit to a review of the application of the PGL within two years of implementation, when more information should be available on the impact of the pensions reforms, with view to implementing Option 3 or an alternative method apportioning the PGL towards firms who are benefiting most from the reform

Our response

Credit unions should be exempt from the PGL

Credit unions receive concessions on FCA minimum fees as we recognise they offer basic savings and loan facilities to their members, many of which cannot obtain such services from mainstream banks or building societies. These concessions are funded by banks and building societies.

Over 96% of credit unions will not pay any PGL because they fall below the minimum size threshold of £10m MELs (essentially UK deposits). The 4% (20 firms out of 543) of credit unions that will pay the PGL will pay a total of £834 out of the £9.4m allocated to the A.1 fee-block. The largest of the 20 credit unions would pay £257 and has deposits in excess of £100m and is able to accept individual deposits of £1.6m.

So the restriction on size of deposits does not prevent the 4% of credit unions large enough to exceed the £10m MELs threshold from potentially benefiting from the provision of Pension Wise. Small building societies that also exceed the

²⁵ www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf

threshold will be paying the PGL and it would be unfair on them to fund the shortfall in recovery if credit unions of a similar size were exempt. Therefore, we are not exempting credit unions from the PGL.

Wholesale brokers should be exempt from the PGL

Retail clients are one of three client categories which firms can be permitted to act for. The other two, eligible counterparties and professional clients both include: credit institutions (e.g. banks); investment firms; insurance companies; and management companies of collective investment schemes. These regulated firms, as eligible counterparties and professional clients, fall within the other four PGL fee-blocks as potential beneficiaries of Pension Wise.

We accept that wholesale market brokers do not supply products or services directly to retail clients who use Pension Wise and therefore will not benefit from the pensions reforms in this way. However, we believe that as long as they participate in transactions in the financial markets they could potentially benefit from the reallocation of capital to a wider range of investments that will result from the pensions reforms. So we think that all firms in A.13 should pay the PGL, including wholesale firms.

As discussed below, we applied the lower allocation of Pension Wise costs to A.13 in recognition of the position of some financial advisers. However, this will also mean that wholesale firms will be contributing to a lower proportion of the overall costs than the professional clients and eligible counterparties they will be transacting business with.

In the case of the 106 limited licence/limited activity firms in A.13 we estimate they will contribute £0.3m (6.3%) of the £4.7m Pension Wise costs allocated to A.13.

Financial advisers should contribute less to the PGL

We applied the lower allocation of Pension Wise costs to A.13 proposed in CP14/26 in recognition that financial adviser firms will only benefit if, after using Pension Wise, consumers seek advice from regulated financial advisers. However, the firms in the other four PGL fee-blocks will more likely benefit as the monies released through greater pension flexibility, if used for investment, will be distributed among them.

The other four fee-blocks covering cash deposits, insurance and investment products (and related services), investment management services and pension services. The lower allocation to A.13, compared to these other four fee-blocks, is intended to make an initial allowance for this difference. This level will be reviewed when data on consumer outcomes following their use of Pension Wise is available.

We also acknowledged in CP14/26 there will be firms in A.13 that will not benefit from Pension Wise. This is the same as for other fee-blocks, e.g. private client investment managers in A.7 (portfolio managers) who may not find it profitable to provide their services for consumers with pension pots under a certain size. This reflects that the fee-blocks represent broad groupings of different firms with different business models.

We estimate that around 2,778 financial advisers, whose main business is providing advice on retail investment products, will contribute £400,000 (8.5%) of the £4.7m Pension Wise costs allocated to this fee-block. The amount they will pay will be in proportion to the amount of their annual income above £100,000 minimum size threshold. If such financial advisers' income is below £100,000 they will not pay any levy.

We would also highlight that the A.13 fee-block covers a very diverse spread of types of firms. Apart from financial advisers and wholesale markets it also includes banks, insurance companies and securities brokers who act for retail clients.

Allocation in line with the consumer's retirement choices

We acknowledged in CP14/26 that the majority of respondents to CP14/11 favoured an allocation basis that would reflect what retirement financial products and services consumers would be choosing but also that such data is not available at this time and is likely to be challenging to obtain in the future. If such data does become available we will consider how efficiently and effectively it could be used to better align the allocation of the PGL to the firms that could benefit most.

Notes: All the above figures relating to the proportion of Pension Wise costs paid by certain sectors are based on the total amount to be raised in 2015/16 and the allocation proportions consulted on in Chapter 10 of this CP.

10. Pensions guidance levy rates

(FEES 10 draft rules in Appendix 4 and 6)

10.1 In this chapter we set out our proposed 2015/16:

- pensions guidance levy rates and
- pensions guidance providers' levy rates

Introduction

Pensions guidance levy

10.2 Under the Pension Schemes Act 2015 (the Act)²⁶ we are required to recover from authorised firms the Treasury's costs for providing pensions guidance – Pension Wise²⁷, the Government's impartial guidance service to help consumers understand the greater flexibility they will have with their pension pots resulting from the pension reforms under the Act.

10.3 We have carried out two consultations on how we will recover these costs through the pensions guidance levy (PGL). In Chapter 9 of this CP we provide feedback on the responses to our proposals in Chapter 4 of CP14/26.²⁸ Those proposals were informed by the responses we received to our provisional consultation in Chapter 3 of CP14/11.²⁹ We provided feedback on the responses to that consultation in Chapter 3 of CP14/26.

10.4 The Act requires us to consult the Treasury on draft PGL rules ahead of consultation with the industry and to obtain the Treasury's consent to make the final rules. We may retain an amount from the PGL raised to cover our collection costs.

Pensions guidance providers' levy

10.5 The Act also requires us to recover our pensions guidance costs from the designated guidance providers (DGPs). These can include our costs of setting the standards for the giving of pensions guidance by the DGPs and the monitoring of their compliance with meeting those standards. We are required to consult the Treasury on the draft rules ahead of consultation.

10.6 The DGPs are listed in Table 10.4 and we are referring to this levy as the pensions guidance providers' levy (PGPL).

²⁶ The Act amends the Financial Services and Markets Act 2000.

²⁷ www.pensionwise.gov.uk/

²⁸ www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf

²⁹ www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf

PGL 2015/16 rates

- 10.7** The Treasury have notified us that their costs for providing Pension Wise in 2015/16 will be £39.1m. This is an estimate and may be revised when the PGL rates are finalised in June. Further detail on these costs will be published by the Treasury in due course. Table 10.1 provides a breakdown of how much we will be retaining from the PGL.

Table 10.1: PGL breakdown

Costs	£m
Pension Wise	38.8
FCA budgeted collection costs which includes £200,000 set-up costs for changes to our fees collection systems to accommodate the raising of the PGL	0.3
Total	39.1

Allocation across PGL fee-blocks

- 10.8** We are proposing to allocate the £39.1m across the five PGL fee-blocks as set out in column (1) in Table 10.2. This is a different distribution than proposed in CP14/26, column (2).

Table 10.2: PGL allocation for 2015/16 pensions guidance costs

PGL fee-blocks		(1) Proposed allocation		(2) CP14/26
A.1	deposit acceptors	£9.4m	24%	22%
A.4	insurers – life	£9.4m	24%	22%
A.7	portfolio managers	£9.4m	24%	22%
A.9	managers and depositaries of investment funds, and operators of collective investment schemes or pensions schemes	£6.2m	16%	22%
A.13	advisory arrangers, dealers or brokers	£4.7m	12%	12%
		£39.1m	100%	100%

First adjustment from an equal allocation

- 10.9** The CP14/26 allocation was based on an equal distribution across the four product provider/ investment management services fee-blocks with a reduced allocation for A.13. The A.13 fee-block includes firms that provide financial advice who will only benefit if, after using Pension Wise, consumers seek advice from regulated financial advisers. However, firms in the other four fee-blocks will more likely benefit as the monies released through greater pension flexibility, if used for investment, will be distributed amongst them.
- 10.10** The reduced allocation to A.13 is intended to make an allowance for this difference. This level will be reviewed when data is available on what retirement financial products and services consumers will be choosing as a result of the pension reforms and availability of Pension Wise.
- 10.11** As we discussed in Chapter 9, this lower allocation also means that wholesale firms will be contributing to a lower proportion of the overall costs than the professional clients and eligible counterparties, in fee-blocks A.4 and A.7, they will be transacting business with.

Second adjustment from an equal allocation

10.12 Fee-block A.7 and A.9 include firms undertaking a number of regulated activities some of which only relate to A.7 or A.9 and others that fall within both as summarised in Table 10.3.

10.13 Managing an AIF or UCITS are the regulated activities that are common to both fee-blocks because no single fee-block adequately captures the scope of these activities for our regulatory purposes. The amount of our annual funding requirement allocated to each fee-block reflects the resources we apply to meeting our statutory objectives in relation to the regulated activities covered by each fee-block.

Table 10.3: Regulated activities across A.7 and A.9 fee-blocks

	A.7 Portfolio managers	A.9 Managers and depositaries of investment funds, operators of collective investment schemes or pensions schemes
Regulated activities	managing investments	- trustee or depositary of a UCITS or an AIF - establishing, operating or winding up a collective investment scheme - establishing, operating or winding up a personal pensions scheme or stakeholder pension scheme
Benefit	<i>Charges by the firm relate to the above regulated activities</i>	<i>Charges by the firm relate to the above regulated activities</i>
PGL	<i>PGL paid by firm is based on funds under management (FuM)</i>	<i>PGL paid by firm is based on gross income</i>
Regulated activities	managing an AIF or UCITS	managing an AIF or UCITS
Benefit	<i>Charges by the firm for a 'managing a fund' relate to both A.7 and A.9 regulated activities</i>	
PGL	<i>PGL paid by firm is based on funds under management (FuM)</i>	<i>PGL paid by firm is based on gross income</i>

i) UCITS: Undertaking for collective investment in transferable securities

(ii) AIF: Alternative Investment Fund

(iii) Full definition of all regulated activities covered in fee-blocks A.7 and A.9 contained in FEES4 Annex1A Part 1¹⁸

(iv) The tariff base (measure of size) for A.7 is funds under management and for A.9 it is gross income

³⁰ <http://fshandbook.info/FS/html/FCA/FEES/4/Annex1A>

- 10.14** The firms that contribute to the PGL should, as far as possible, be those that could benefit if consumers who use Pensions Wise go on to purchase the financial products and services supplied by them. In using our existing fees framework we have therefore limited the raising of the levy from the five PGL fee-blocks listed in Table 10.2 including A.7 and A.9.
- 10.15** In the case of firms managing an AIF or UCITS the potential benefit is the additional charges they receive from enlarged funds if consumers invest their pension pots directly or indirectly in the AIFs or UCITS they are managing. This benefit relates to the same regulated activity of managing a AIF or UCITS but they can pay the PGL in both A.7 and A.9 as shown in Table 10.3. This situation does not occur for the regulated activities covered by the other PGL fee-blocks.
- 10.16** We therefore believe that a second adjustment from the equal allocation of the pensions guidance costs needs to be made aimed at striking a balance between recognising that:
- firms managing an AIF or UCITS can pay the PGL in both A.7 and A.9, but also,
 - any deduction to the amount allocated to A.7 and/or A.9 will increase the proportion of the PGL paid for by other firms across the PGL fee-blocks, and
 - any deduction to the amount allocated to A.7 and/or A.9 will reduce the proportion of the PGL paid for by firms in these fee-blocks that do not pay the PGL in both fee-blocks.
- 10.17** We are proposing a reduced allocation to the A.9 fee-block of 16%. While firms in both A.7 and A.9 form 67% of the total population of PGL payers in A.9, the same firms form only 5% of PGL fee payers in A.7 (which account for 38.4% and 14.9% of the tariff data respectively). Therefore a reduction in the allocation of pensions guidance costs to A.7 would have a more significant impact on firms not directly affected by this issue. Reducing the allocation to A.9 to 16% results in an average increase for firms in A.7 of £363 per firm, a reduction in A.7 to 16% would result in an average increase per firm in A.9 of £11,056. So a reduction in the allocation of pensions guidance costs to A.7 would have a much greater impact on firms that do not manage an AIF or a UCITS than a reduction to A.9.
- 10.18** We continue to highlight that there will be some firms in the PGL fee-blocks that will not currently provide retirement financial products or services. This reflects that the PGL fee-blocks represent broad grouping of different firms and also acknowledges that some of these firms may change from this position in the future.
- Online fees calculator**
- 10.19** We provide a facility on our website to enable firms to calculate their 2015/16 PGL based on the draft consultative rates in Appendix 4 of this CP.
- 10.20** The fees calculator also enables firms to calculate their 2015/16:
- periodic fees based on the draft FCA, the Financial Ombudsman Service and Money Advice Service consultative rates also in Appendix 4 of this CP and
 - periodic fees for the PRA (where applicable) and FSCS levies
- 10.21** The fees calculator will be available from 26 March 2015 for firms to use.

Q5: Do you have any comments on the proposed 2015/16 pensions guidance levy (PGL) rates?

Fee-payers should be aware that the draft PGL rates in Appendix 6 are calculated using estimated fee-payer populations and tariff data. This means that final PGL rates for 2015/16 – which will be made by our Board in June 2015 – could vary from those in this CP.

PGPL 2015/16 rates

10.22 Our 2015/16 annual funding requirement (AFR) discussed in Chapter 2 of this CP includes our budgeted pensions guidance costs of £600,000 made up of:

- £100,000 to cover our 2014/15 costs for setting the standards for the giving of pensions guidance and
- £500,000 to cover our estimated costs for monitoring their compliance with meeting those standards during 2015/16

10.23 We have introduced a new fee-block 'H' to show these costs separately within the breakdown of our total AFR set out in Table 2.2 of Chapter 2.

10.24 We are proposing to allocate our pensions guidance costs equally across the four DGPs as set out in Table 10.4. At this stage we have no experience of monitoring the DGPs or data on the extent that usage by consumers of each will vary. We therefore believe an equal allocation in the first year is appropriate.

Table 10.4: Allocation across DGPs

Designated guidance providers	£
Pensions Advisory Service Limited	150,000
National Association of Citizens Advice Bureaux	150,000
Scottish Association of Citizens Advice Bureaux	150,000
Northern Ireland Association of Citizens Advice Bureaux	150,000
Total	600,000

10.25 We will invoice the DGPs these amounts from July. The £600,000 total levy represents part of the Treasury's estimated £38.8m costs of providing Pension Wise in Table 10.1.

Application of certain other FCA fees rules

10.26 In Appendix 6 we set out the rules and/or guidance, which we apply to other fees and levies, to the PGPL relating to:

- obligation to pay
- time and method of payment
- late payment and unpaid levies

- revocation of DGPs
- becoming a DGP
- VAT treatment of levies

Q6: Do you have any comments on the proposed 2015/16 pensions guidance providers' (PGPL) rates and application of certain other FCA fees rules?

11.

Feedback on other proposals from CP14/26

- 11.1** This chapter presents feedback on the fees proposals in CP14/26 that did not relate to Pensions Guidance or the Payment Systems Regulator:
- Rules we are making as proposed in the consultation;
 - Rules to be made subject to parliamentary approval of the Mortgage Credit Directive (MCD) Order 2015; and
 - Proposals whose implementation is being deferred.

Rules made as proposed in the consultation

(Made rules in Appendix 3)

- 11.2** We set out below the topics for which we are making the rules as consulted on.

IT gateway maintenance fees for entities that provide transaction reports directly to the FCA

(FEES 3, Annex 7, FEES 4.2.11R, FEES 4 Annex 3AR)

- 11.3** When in October 2013 we published our original proposals for introducing charges to recover the maintenance and administration costs of using the secure data transmission portal between industry and the FCA (the Managed File Transfer (MFT) gateway), we received 13 responses. Because several raised important questions about our proposed methodology, we deferred implementation so we could review our approach. The revised methodology we published in November 2014 generated only two responses. One was supportive and the other raised operational questions not directly related to fees. We have discussed these directly with the firm concerned rather than responding through consultation feedback. We have accordingly decided to proceed with the proposals as consulted on last November.
- 11.4** Our charges replace the one-off fees chargeable under FEES 3 Annex 7 when changes are made to firms' transaction reporting systems and the FCA is asked that these systems remain compatible with FCA's IT system. They seek to recover the maintenance costs associated with the proportion of MFT usage that results from transaction reporting only, with the remainder continuing to be met by the general population of FCA firms. We are setting an annual fixed rate to cover the basic costs of being connected to the MFT (i.e. maintaining the testing environment and technical support), and then a variable rate based on the number of transactions to take account of each entity's use of the system. The charges are calculated from our contractual payments and the previous year's data submissions.
- 11.5** Now that we have the final figures for 2014, we have been able to reduce the indicative fee rates we quoted last November. The rates we are consulting on in chapter 4 of this CP are (November rates in brackets):

- MFT testing environment – fixed fee: £3,750 (£4,200)
- MFT technical support – fixed fee: £5,000 (£5,700) and
- MFT maintenance – variable fee: £6.00 per 100,000 transaction reports (£6.57)

Other proposals to be implemented unchanged

11.6 The remaining proposals in CP14/26 that we are implementing received one or two supportive statements with no substantive comments:

- ***Consumer credit firms with limited permission seeking to change their legal status (FEES 3.2.7(a))***

We are extending to these firms the 50% discount applicable when an application for a simple change in legal status is categorised as a straightforward or moderate case.

- ***Incorporate consumer credit into the FCA financial penalty scheme***

We are adding the two consumer credit fee-blocks, CC1 and CC2, to the list of relevant fee-blocks so that penalties are applied for the benefit of consumer credit firms on exactly the same basis as other FSMA penalties.

- ***Money Advice Service (MAS) single levy for consumer credit (FEES 7 Annex 1 Part 1)***

We are introducing a variable rate levy for limited consumer credit permission firms which had previously been subject to a flat rate of £10. This brings it into line with fees for fully authorised firms and ensures large limited permission firms make a fair contribution towards cost recovery.

- ***Clarification: projected income as basis for calculating second and subsequent-year consumer credit fees (FEES 4.2.7B)***

We are using projected income data in the second year of authorisation for consumer credit firms that were authorised before FCA systems were in place to enable them to report their actual income data.

- ***Fee-block A9: Managers and depositaries of investment funds and operators of collective investment schemes or pension schemes (FEES 4 Annex 1A Part 3)***

We are making our definition of gross income clearer to ensure consistent reporting when firms make a business decision to waive, discount or rebate front end or exit charges.

- **Intermediaries and consumer credit firms: fee-block A13 (Advisers, arrangers, dealers and brokers) and fee-blocks CC1 and CC2 (Consumer credit firms) (FEES a Annex 11AR, Annex 11BR, Annex 13G)**

We are clarifying the definition of income to ensure firms report income from their appointed representatives.

- **Recognised investment exchanges (RIEs) (FEES 4.2.6R)**

We are treating RIEs consistently with all other firms by charging them a pro-rata fee during their first year of authorisation, based on the number of months remaining in the fee-year. Our current rule requires RIEs to pay a full year's fee, even if they were not authorised until the final month of the fee-year.

Rules to be made subject to parliamentary approval of the Mortgage Credit Directive (MCD) Order 2015

- 11.7** Two of our proposals relate to new activities which will be brought into scope by the MCD Order. At the time of writing this paper, the Order had been laid before Parliament but not yet approved. Subject to parliamentary approval of the Order, we will include the instrument relating to these fees proposals in the subsequent policy statement on the MCD.

Fees for second charge mortgage lenders and intermediaries (FEES 4, Annex 1A)

- 11.8** The Mortgage Credit Directive will bring firms dealing with second charge mortgages into the existing mortgage regime from 21 March 2016 and so we are updating our definitions to accommodate them.

Application fee for new consumer credit activity of advising on regulated credit agreements for the acquisition of land (FEES 3 Annex 1 Part 3)

- 11.9** We received only one comment, from a trade body, on our proposal to charge a straightforward application fee for this new activity to be introduced under the MCD. While supporting our proposal, the respondent stressed that 'this is another example of how firms might feel the need to hold consumer credit permission for a very occasional event' and suggested that firms should only pay the consumer credit annual fee if they have eligible income.
- 11.10** We agree that this permission is unlikely to be widely used, and that it is theoretically possible that a firm might seek FCA authorisation for no other reason than to maintain this single permission as a contingency in case it ever needed to undertake the activity. The minimum annual fee is payable if a firm's income falls below the appropriate threshold for the fee-block concerned, even if it has no income. So a firm with no consumer credit income would pay £100 for limited permission or £300 for full authorisation. The minimum fees are intended to recover our basic costs in engaging with firms. Once a firm is authorised, we are required to supervise it and collect regulatory data from it even if it transacts no business. If a firm makes no reports to us, then we have no way of knowing the scale of its activity. If we do not charge it, then other firms will be paying its costs.

Implementation deferred

11.11 We are deferring implementation of our proposals for:

- charges for inspecting the mutuals public register; and
- revised structure of fees for designated professional bodies

Inspecting the mutuals public register

11.12 The FCA is the registering authority for mutual societies. These include:

- co-operatives and community benefit societies (before 1 August 2014, Industrial and provident societies)
- credit unions
- building societies
- friendly societies (including working men's clubs and benevolent societies)

11.13 As part of our registration function we make documents such as annual returns, governing documents, charges, and society rule changes available to the public for a fee through the Mutuals Public Register. The fees are intended to cover our costs. In CP14/26, we proposed a revised charging structure to encourage greater use of online search facilities.

Consultation responses

11.14 We received 20 comments, only one of which offered unqualified support for our proposals. The main concerns expressed were:

- While welcoming the proposals in principle, five respondents questioned the capacity of our current system to provide an acceptable online service. Their views reflected their recent experience of using the register.
- We had proposed reducing the fee for online inspection from £12 to £1. Fourteen respondents urged us to follow the lead of Companies House and offer free access to the register as part of a wider commitment among public bodies to improve access to data.

Our feedback

11.15 Due to an unforeseen increase in online usage of the register and doubts raised by respondents about the capacity of our current system, we have decided to defer implementation of these proposals.

Designated professional bodies (DPBs)

11.16 To save professional firms, such as solicitors and accountants, having to take up full authorisation when they carry out regulated activities incidentally to the professional services they undertake for their clients, we have agreed that their professional bodies can oversee their conduct as part of their core function of maintaining their professional standards. To cover our costs, these DPBs pay us fees which are partly determined by the number of exempt professional firms (EPFs) they have reported to us. In CP14/26, we consulted on restructuring DPB fees to take account of the expected influx of new EPFs undertaking consumer credit business.

- 11.17** We received responses to our proposal from five of the ten DPBs. Our proposals were broadly supported by three of them but criticised by two, which considered we had not achieved a fair balance in the distribution of costs.
- 11.18** Our costs are calculated to ensure the ongoing maintenance of the DPB regime, based on our best estimates and knowledge and experience of staff involvement across the FCA, including their liaison with other relevant external bodies. We have not increased our charges to reflect the significant work we have undertaken to absorb the transfer of consumer credit, and have managed to constrain the costs charged to DPBs within the overall FCA increase of 8.4%. Although the balance of opinion from DPBs supported our fees proposals, we have decided to defer implementation for the time being and maintain the present methodology which DPBs are familiar with. This is because the overall position on the number of EPFs which ought to be included in the consumer credit regime is not yet as clear as we expected when we consulted.
- Legislation exempting from regulation interest-free consumer credit agreements payable in no more than 12 instalments over a year may take many professional firms out of the consumer credit regime, reducing the number of EPFs some DPBs report. This legislation did not come into effect until March 2015, so we do not yet know the impact.
 - Further legislation is anticipated which may take some solicitors out of our regulatory scope for consumer credit.
 - We have not yet reached agreement on the rules of some DPBs, which is a requirement under FSMA. This might also affect the number of EPFs reported to us.
 - Some DPBs are still considering whether to participate in the DPB regime for consumer credit.
- 11.19** We will review the position when the DPB regime is more settled, and consult on a new fees structure if that seems appropriate.

12.

Fees policy proposals for consultation

(Draft rules in Appendices 4 and 5)

- 12.1** This chapter presents proposals for consultation on:
- Consumer buy-to-let (CBTL): application fees and structure of periodic fees for mortgage lenders, administrators and intermediaries (including advisors and arrangers) carrying out CBTL mortgage business, including a joint consultation with the Financial Ombudsman Service on the structure of the annual general levy;
 - Benchmark administrators: a revised structure of fees for administrators of regulated benchmarks;
 - Consumer credit income: definition of proxy measure for retail firms; and
 - UK Listing Authority fees: modifications to the fees we charge in relation to the Listing and Prospectus Rules.
- 12.2** The proposed amendments to the fees rules are set out in Appendix 4, except for the CBTL rules which are in Appendix 5. FCA application fees are covered in FEES 3 of the handbook, periodic fees in FEES 4 and ombudsman service fees in FEES 5.
- 12.3** We are also giving notice of an amendment that may be made to a rule we share with the Prudential Regulation Authority (PRA), following a consultation being undertaken by the PRA.

Consumer buy-to-let (CBTL)

(Appendix 5: FEES 3.2.7, FEES 3 Annex 10A, FEES 4 Annex 11 Part 2B, FEES 5 Annex 1R)

- 12.4** The Mortgage Credit Directive Order 2015, which comes into force from 21 March 2016, will give us powers to register, supervise and enforce against CBTL firms. As with other EU directives (eg payment services, e-money), CBTL firms will not be authorised under FSMA but registered under the MCD Order. We consulted on the proposed regulatory regime in February 2015 (CP15/3: *Buy-to-let mortgages: implementing the Mortgage Credit Directive Order 2015*). In CP15/3, we stated that we would be consulting on the fees separately.
- 12.5** To enable firms to become registered, we expect to allow applications six months in advance, from 21 September 2015, so that firms are able to register in time for the new legislative regime. So we are consulting now on the application charges and the framework for periodic fees and the ombudsman service general levy. Firms will start paying periodic fees and the levy from 2016/17. We will not charge them for the few days they are registered in March 2016.

We will consult on our periodic fees and, jointly with the ombudsman service, the levy rates in March 2016 as part of our annual consultation on fee and levy rates.

- 12.6** CBTL firms will not be subject to the Financial Services Compensation Scheme or the Money Advice Service levies.

Application fees

- 12.7** Some CBTL firms are already authorised by us, so we have regulatory information about them on record. We will have to undertake additional checks on firms that are new to our supervisory regimes. To reflect the lesser amount of work involved, we will accordingly charge a lower fee from applicants that are currently authorised by us.

- 12.8** The CBTL registration fees we propose are:

- firm with existing Part 4A or interim consumer credit permissions: £100
- firm without existing FCA permissions or whose CBTL registration has previously been revoked (by request or otherwise): £500

- 12.9** Firms applying for more than one FCA permission pay only one fee – the highest of the relevant charges. We are proposing to apply the same principle to CBTL applications. So a firm applying for both Part 4A authorisation and CBTL registration at the same time will only pay the highest applicable fee.

- 12.10** At present, firms broking buy-to-let mortgages must have interim consumer credit permissions. When the MCD Order comes into force, they will need to register under the new regime, not the consumer credit regime, so they will have to apply for CBTL registration.

- 12.11** We are asking:

Q14: Do you agree with our proposed application fees for CBTL firms?

Framework for FCA periodic fees

- 12.12** When they register, we propose to allocate firms to one of two categories, and place them into new fee-blocks:

- *Fee-block G20*: CBTL lenders
- *Fee-block G21*: CBTL arrangers and advisers

- 12.13** Firms will start paying periodic fees from the 2016/17 fee-year and we propose to consult on the rates as part of our wider consultation on fee and levy rates for 2016/17 in March 2016. We anticipate charging fixed fees in both fee-blocks. We do not yet know how many firms will register for CBTL. On the basis of our initial analysis of implementing similar legislative regimes and the costs involved in supervising these markets, we would not expect fees to exceed £500 for lenders in fee-block G20 and £250 for arrangers and advisers in fee-block G21.

- 12.14** Once we have greater experience of the CBTL regime, we may in the future, after 2016/17, consider the introduction of variable fees calculated from appropriate measures of regulatory activity. If so, we will consult on proposals in the usual way through an October fees policy CP.

- 12.15** We are asking:

Q15: Do you agree with our proposed structure of separate fee-blocks for CBTL lenders and CBTL arrangers/advisers?

Framework for Financial Ombudsman Service general levy

- 12.16** We are consulting jointly with the ombudsman service on the structure of the general ombudsman service levy from 2016/17. Some of the powers to make rules in FEES 5 relating to the Financial Ombudsman Service are shared between our two organisations.
- 12.17** We are proposing to structure the general levy on the same basis as the FCA fees, with two new industry blocks – G20 for CBTL lenders and G21 for CBTL arrangers and advisors. We will consult on the levy rate in March 2016, but we would not expect it to exceed £100 per registered firm.
- 12.18** We are asking:

Q16: Do you agree with our proposed structure of separate ombudsman service activity groups for CBTL lenders and CBTL arrangers/advisors?

Benchmark administrators

(Appendix 4: FEES 3.2.7, FEES 3 Annex 3R, FEES 4 Annex 1AR)

- 12.19** In response to the Fair and Effective Markets Review recommendations, the Treasury has announced seven new benchmarks will be regulated by us from 1 April 2015. At present, LIBOR (London Interbank Offered Rate) is the only regulated benchmark. We consulted on the new regulatory regime in December 2014 (CP14/32: *Bringing additional benchmarks into the regulatory and supervisory regime*) and so we are now consulting on fees to recover our costs.

Interim permissions

- 12.20** Under the Treasury proposals, persons who on 31 of March 2015 are not authorised but on 31 March 2015 are administering one or more of the seven benchmarks will be given interim permissions from 1 April 2015 so they can continue their activity until they apply for full authorisation. At that point firms with an interim permission will also have to pay the relevant application fee. However, if the full authorisation is granted they will be deemed to have been authorised from 1 April. This means they will be liable for the full-year's periodic fee for 2015/16.

Variations of permissions

- 12.21** Under the Treasury proposals, persons who are authorised and on 1 April 2015 will be administering one or more specified benchmarks will be subject to the transitional fees rules set out in the policy statement we published at the beginning of March 2015 (PS15/6: *Bringing additional benchmarks into the regulatory and supervisory regime*). They will pay the application fee 30 days after 1 April 2015. For the avoidance of doubt, since these firms will have been administering a specified benchmark from or before 1 April 2015, they will be liable for the full-year's periodic fee for 2015/16.

Comments on fees in the course of consultation on regulation

12.22 Although we did not consult on fees in CP14/32, some respondents did provide comments. Two suggested that the administrator fee should be split when there was more than one administrator, with one suggesting a pro rata split, based on the relative resources each administrator intended to put into administration. Several respondents commented that the fees were disproportionately high compared to other permissions. One asked whether we had considered the potential impact of upcoming EU Benchmark regulation.

12.23 These comments were extremely helpful. Since we did not consult on fees, we are not providing formal feedback, but our conclusions for the 2015/16 year are:

- **Splitting the fee:** Pro-rating is attractive and would be feasible if we anticipated a consistent model under which two or more administrators shared the operation of a single benchmark, with no involvement in any other benchmark. We are expecting that some benchmarks will be operated by more than one administrator, but it has become clear that some administrators will operate more than one benchmark. This may require some of them to undertake a mixture of administration activities.

For example, an administrator might act as the principal administrator for one or more benchmarks, taking the lead role in administering the arrangements to determine a benchmark, while supporting another principal administrator in a more restricted role on another benchmark, for instance by limiting itself to collecting and analysing information. In addition, we know of at least one administrator which will probably not take on any principal role but will provide support only on the benchmarks it is involved with.

With so many potential permutations, and so few administrators, attempting to pro-rate fees could be disproportionately complex. However we apportion the fees, we will recover them from the same handful of administrators.

- **Costs:** We set our fees to recover our regulatory costs. It is not yet clear what resources we will need, especially since we are not sure how many administrators there will be or how they will divide their work between them. For example, we do not know whether it is more or less expensive to supervise two administrators which are jointly operating a single benchmark, as opposed to two administrators which are each operating a single benchmark independently. Our fee rates will be determined by our best estimate of our costs.
- **EU regulation:** We are aware of impending EU benchmark regulation, which might eventually bring a large number of benchmarks into scope, though the timing is not yet clear. As far as possible, we are keen to establish a robust and sustainable fees model for the few benchmarks now under consideration, which can readily be adapted to developments in the future.

Fees proposals for 2015/16

12.24 With so many uncertainties, we wish to keep modifications to the current structure of fees to the minimum for the first year of the new regime, with a view to consulting on a long-term structure in October 2015 when we have practical experience both of the market that is emerging and the resources we need to supervise it.

12.25 Our experience of supervising LIBOR since 2013 confirms that the current rate of £175,000 per benchmark administrator per year is appropriate for regulating a single benchmark. Fees are being uplifted by 8.4% across the FCA as a whole, so the fee would have risen to about

£190,000 if there had been no change in our scope. If four or five additional administrators are to be authorised, then bringing the rate up to £200,000 makes a fair contribution towards our best estimate of the additional costs of setting up the new regime.

12.26 However, we recognise the strength of the argument that there should be a concession on fees where an administrator does not undertake the full range of work. We accordingly propose a reduced fee of £50,000 for firms which do not carry out the principal role of administering the arrangements for determining a benchmark.

12.27 Given our present understanding of the number of firms likely to apply to become principal and restricted permission benchmark administrators, these fees would make a substantial contribution towards recovery of our best estimate of our regulatory costs for 2015/16, without setting up an unnecessarily complex structure and without disproportionately increasing the cost assumptions firms will have been using in their business planning. We must stress that this structure may not cover the full cost of regulating benchmarks. We will be able to target our cost recovery more precisely when we review the structure for 2016/17 onwards.

12.28 We propose to retain the current application fee of £25,000 for principal administrators, with a lower rate of £5,000 for firms applying for restricted permission. The full application fee will be paid each time an administrator varies its permission to administer a specified benchmark. This includes adding a new specified benchmark to its portfolio.

12.29 In summary, our proposals are:

	Application fee	Periodic fee
Principal benchmark administrator (administers the arrangements for determining one or more specified benchmarks)	£25,000	£200,000
Benchmark administrator (does not administer the arrangements for determining one or more specified benchmarks)	£5,000	£50,000

12.30 We are asking:

Q17: Do you agree with our proposed structure of fees for benchmark administrators for 2015/16?

Future consultation on long-term fees proposals for benchmark administrators

12.31 At this stage, we cannot anticipate what fees structure we will be proposing for 2016/17 onwards. It may be that our experience in 2015/16 will demonstrate that the structure we are setting up now is fit for purpose for the long term. Or it may be that we are able to calibrate it to take account of the different roles of benchmark administrators and the relationships between benchmarks and administrators – for example by factoring in costs per benchmark as well as per administrator. We would welcome suggestions on the fees structures we might consider for future cost recovery, to inform our thinking as we prepare for consultation in October 2015.

Consumer credit income: definition of proxy measure for retail firms

(Appendix 4: FEES 4 Annex 11BR and Annex 13 Table 2)

- 12.32** We have identified a gap in our definition of annual income for regulated credit related activities for retail firms.

Credit broking and regulated consumer credit agreements as lender

- 12.33** When retailers arrange loans to enable their customers to purchase goods, it is unusual for them to receive commission as credit brokers. On the contrary, they are often charged by the lender and so we ask them to report the deduction as the 'lender's credit broking charge' as set out at FEES 4, Annex 11BR(d). This is a proxy measure for the regulated activity they have undertaken. Our experience of the first year of validating consumer credit income returns has revealed that, where retailers receive the full amount of the loan without any deduction or commission, our rules as currently drafted allow them to report zero income. This is because they do not receive income of the types defined in FEES 4, Annex 11BR(a) to (c). They are not in a position to estimate a 'fair value' equivalent since they do not have an average commission on which to base the calculation.
- 12.34** The same issues arise where retailers provide their own interest-free loans without relying on third-party lenders or sell goods under hire-purchase agreements without charging interest. Since these retailers do not lend money at commercial rates as part of their normal business, they have no basis for estimating a 'fair value' interest-rate that they would have charged other customers. In these scenarios, our rules as currently drafted do not require these firms to contribute towards cost recovery and so other firms have to pick up their charges. The issue does not arise when lenders offer interest-free loans because the rules require them to make 'fair value' estimates on the basis of their normal lending rates (as described in FEES 4 Annex 11 BR (c)).
- 12.35** So, where retailers receive no consumer credit income of the types defined in FEES 4, Annex 11BR(a) to (c), from either credit broking or entering into a regulated credit agreement as lender, we propose to ask them to report a fixed proportion of the value of the loan as a measure of regulatory activity.
- 12.36** This formula will replace the lender's credit-broking charge at FEES 4, Annex 11BR(d), where we ask firms to report the amount that has been deducted from the loan by the lender. This was also intended as a proxy for regulated activity, but it is counter-intuitive and it has proved difficult to explain it to firms. A standard proxy measure, using a fixed proportion of the value of the loan, is easier to calculate and more straightforward to justify. It also ensures consistent reporting. The measure will affect 2016/17 fees, which will be based on firms' reports for their financial years ending during 2015. So it will not affect 2015/16 fees which are based on reports already submitted to us.
- 12.37** Our proposal is to ask retailers with no consumer credit income of the type in FEES 4, Annex 11BR(a) to (c), to multiply the gross value of loans either brokered or entered into as lender by the Bank of England base rate prevailing in the final month of their reporting year plus 5%. We understand that current lender broking charges range between 5%-17% and we have selected a 5% uplift on the base rate to reflect the scale of regulated activity. Including the base rate in the calculation means we will not need to consult again whenever interest rates change. We would welcome comments on whether 5% is the appropriate uplift figure. We will include in our fees web-pages on the FCA website a link to the Bank of England listing of historical interest rates.³¹

³¹ www.bankofengland.co.uk/statistics/Documents/rates/baserate.pdf

- 12.38** Our draft rule refers to retailers who do not receive income of the types defined in FEES 4, Annex 11BR(a) to (c) and either carry on credit broking or enter into regulated credit agreements as lender. It applies to firms whose main business is to sell goods or supply services. Consumer credit is ancillary to their main business. They become involved in credit-related regulated activities in order to facilitate sales.

Regulated consumer hire agreements as owner

- 12.39** As drafted, the rule excludes regulated consumer hire agreements as owner and credit broking carried on in relation to such agreements. Under a consumer hire agreement, the customer is not borrowing money to purchase goods. Instead, the customer is buying the use of the goods over a period, often with a service contract included, but has no right to buy the goods themselves. Ownership remains with the retailer. In this model, there is no loan and so no equivalent of an interest charge on borrowing which is clearly distinct from the price of the retail goods.

- 12.40** We believe that we could create a proxy for consumer hire by adapting the formula we have developed for retailers carrying on credit broking or entering into regulated credit agreements. We would base the calculation on the value of the goods on hire as recognised in the firm's accounts. So the definition would be the gross value of the goods on hire, multiplied by the Bank of England base rate plus 5%. We would welcome views on this formula so we can incorporate regulated consumer hire agreements offered by retailers into the definition when we publish the final rules in June.

Other regulated credit activities

- 12.41** If retailers are aware of any other regulated credit activities where similar issues might arise, please let us know by providing worked examples to illustrate the issues.

Question on consumer credit income

- 12.42** We are asking:

Q18: Do you agree with our proposed formula for retailers to report a proxy measure of regulated activity where they have no consumer credit income?

UK Listing Authority (UKLA) fees

(Appendix 4: FEES 3.2.7, FEES 3 Annex 4, FEES 4 Annex 7)

- 12.43** We are proposing two sets of amendments to the fees we charge in relation to the Listing and Prospectus Rules. These arise out of a review of UKLA charges and revenues we have carried out in preparation for a discussion paper we issued in February 2015 (DP15/1: *UK Listing Authority fees: covering the cost of regulation*). The amendments involve:

- removing minor charges and
- updating the rules on periodic fees charged to standard listed issuers to bring them into line with policy and practice

Removing minor charges

- 12.44** We charge £225 for a new listing of securities with its own International Securities Identification Number (ISIN) or for an amendment to the Official List, and £100 for any additional issue of

securities or change to the Official List with its own ISIN. Our review of UKLA charges and revenues found that the income generated by these charges is partly offset by the cost of our processes for collecting the fees and chasing debts, while the complexity of the additional steps involved in making and clearing a payment is disproportionate in relation to the sums raised.

- 12.45** We believe that removing these minor charges would create efficiency gains both for the UKLA and issuers. We are proposing to make the amendments to the rules as soon as possible after consultation, from 1 July 2015.

Updating rules on periodic fees

- 12.46** The periodic fees charged to standard listed issuers have been calculated in practice at 80% of the rates for premium listed issuers since tiered UKLA fees were introduced in 2005/06. However, in the course of our review of charges and revenues, we identified that the rules as currently drafted only apply this 20% reduction on the rates for premium listed issuers to overseas standard listed issuers. We believe the rules should therefore be adjusted to reflect our practice and policy intention that standard listed issuers should pay less than premium listed issuers who put greater demands on UKLA resources

- 12.47** So we propose bringing the rules into line with our practice from 2015/16 by setting the rates applicable to all standard listed issuers at 80% of the rate payable by premium issuers.

- 12.48** This would not affect the fees we charge issuers. It would merely bring the rules into line with our practice and policy intention.

Question on UKLA fees

- 12.49** We are asking:

Q19: Do you agree with our proposals for UKLA fees?

Amendment to shared rule following PRA consultation

(FEES 3 Annex 9)

- 12.50** The PRA is consulting on changes to its hourly rates for Special Project Fees (SPFs) (PRA CP 11/15: *Regulated fees and levies: rates proposals 2015/16*). Since this affects a shared rule (FEES 3 Annex 9), the annex will be updated whenever, subject to the outcome of consultation, the PRA implements the rule. We are not proposing any changes to the FCA rates.

13.

Financial Ombudsman Service General Levy 2015/16

(FEES 5 Annex 1R – draft rules in Appendix 4)

- 13.1** In this chapter, we consult on the 2015/16 fee rates for firms in the compulsory jurisdiction (CJ) of the Financial Ombudsman Service (ombudsman service). In Annex 2 we set out the proposed fee rates for firms in each industry block.³² In Appendix 5 we set out the draft rules for FEES 5.
- 13.2** Under FSMA, the ombudsman service's 2015/16 budget must be set before the financial year begins on 1 April 2015. The ombudsman service's consultation³³ on its draft budget and corporate plan began on 6 January and ended on 16 February 2015. In March, the ombudsman service presented a final budget to the FCA Board, which approved its total annual budget of £270.3m for 2015/16, including the general levy, case fees and the number of free cases. The final plan and budget is available at: www.financialombudsman.org.uk/publications/plan-budget.htm
- 13.3** The FCA Board will make rules setting the CJ general levy fee rates in June following this consultation.

Budget and funding

- 13.4** The ombudsman service must budget separately for the compulsory jurisdiction (CJ) and the voluntary jurisdiction (VJ). Each of these jurisdictions is funded by a combination of annual fees (levies) and case fees - with the majority coming from case fees (which are currently invoiced and collected once cases have been resolved or collected via the group account case fee arrangement).³⁴
- 13.5** Case fees are paid by those authorised firms, electronic money issuers and payment service providers covered by the CJ³⁵ and financial businesses covered by the VJ that have cases referred to the ombudsman service.
- 13.6** The CJ levy (which is raised and collected by the FCA) is payable by all firms authorised or registered by the FCA (as well as electronic money issuers and payment service providers)³⁶,

³² The ombudsman service general levy is calculated using 'industry blocks' which are similar to (but not identical) to the FCA '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).

³³ www.financial-ombudsman.org.uk/publications/our-plans-2015-16.pdf

³⁴ The FCA's power to raise the general levy from authorised firms arises from section 234 of the Financial Services and Markets Act 2000 (FSMA). The ombudsman service's power to charge case fees in relation to the VJ is in Schedule 17 paragraph 18 of FSMA. The rules on funding are in Chapters 1, 2 and 5 of the FEES manual (FEES) in the FCA Handbook.

³⁵ See section 226(1) and (2), and Schedule 17 paragraph 15 of FSMA

³⁶ See section 234 of FSMA

including those that have not had any cases referred to the ombudsman service, unless they have notified us that they do not deal with retail customers and are exempt.³⁷

CJ levy for 2015/16

Apportionment among fee blocks

13.7 The focus of this consultation chapter is the proposed amounts payable towards the 2015/16 CJ levy by firms in the various fee blocks. Table 13.1 shows the proportions in which the CJ levy would be distributed across the fee blocks.

13.8 In line with FEES 5.3.3G, this is based on the ombudsman service's forecasts for the proportion of resources it expects to devote in 2015/16 to cases from firms in each sector. The total amount to be collected from the industry is then allocated across the respective industry blocks to inform the final tariff rate.³⁸

Table 13.1 Distribution of CJ levy based on the 2015/16 forecast of relevant business

Industry Block	Description	Proportion of total CJ levy (%)
I001	Deposit acceptors, home finance lenders and administrators	49.6%
I002	Insurers – General	15.1%
I003	The Society of Lloyds	0.1%
I004	Insurers – Life	4.2%
I005	Fund managers	1.0%
I006	Operators, trustees and depositaries of collective investment schemes	0.1%
I007	Dealers in principal	0.1%
I008	Advisory arrangers, dealers or brokers (holding client money)	2.1%
I009	Advisory only firms and advisory arrangers, dealers, or brokers (not holding client money)	2.1%
I010	Corporate finance advisers	0.1%
IA11	Authorised payment service providers	0.1%
IS11	Small payment institutions and small e-money issuers	0.1%
I013	Cash plan health providers	0.0%
I014	Credit unions	0.1%
I015	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	0.0%
I016	Home finance lenders, advisers and arrangers	2.0%
I017	General insurance mediation	23.2%
IA18	Authorised electronic money institutions	0.0%
IS18	Small electronic money institutions	0.0%

³⁷ See DISP 1.1.12R

³⁸ FEES 5.3.3G. The general levy for the ombudsman service is payable across industry blocks. The amount raised from each industry block is based on the budgeted costs and numbers of ombudsman service staff required to deal with the volume of complaints expected about the firms in respect of their relevant business activity in each of those blocks. (Fees manual Chapter 5 (FEES 5)).

- 13.9** The ombudsman service has asked us to recover £23.3m by general levy (which is the same amount asked for in 2014/15) and to maintain the same proportions across the industry blocks. This reflects its forecast that complaints volumes (excluding PPI complaints) will remain broadly stable. Annually, the amounts actually payable by each block will vary to reflect changes in the proportions of cases in each block.

Apportionment of the CJ levy within fee blocks

- 13.10** Annex 2 sets out the proposed allocation of the CJ levy for 2015/16 within each industry block. The rates for 2014/15 are also included for comparison.
- 13.11** There is a minimum levy in each industry block and, in most cases, the levy then increases in proportion to the amount of 'relevant business' (ie business done with private individuals) each firm does.
- 13.12** For 2015/16, it is estimated that 85.9% of firms will only pay the minimum levy for their block.
- 13.13** Individual firms can calculate the impact of the proposed fees and levies using our online fees calculator.³⁹
- 13.14** The general levy tariff rates will be finalised in June 2015 for the 2015/16 fee period.

Q20: Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?

³⁹ www.fca.org.uk/firms/being-regulated/fees/calculator

14.

Money Advice Service levies 2015/16

(FEES 7 Annex 1R - draft rules in Appendix 4)

- 14.1** In this chapter we consult on the levies proposed for the Money Advice Service⁴⁰ for 2015/16.
- 14.2** We propose two separate levies for the Money Advice Service in this consultation:
- the delivery of money advice, to raise £34.1m in 2015/16 (£43m in 2014/15 although only £42.2m was raised from the industry)
 - the coordination and provision of debt advice, to raise £45m in 2015/16 (£38.1m in 2014/15)
- 14.3** In addition, the energy and water industries are voluntarily contributing £2m towards the cost of debt advice in 2015/16 making a total of £47m.
- 14.4** The overall budget which was approved by the FCA Board for money and debt advice for 2015/16 will be held at £81.1m and absorbed within this the additional one-off cost over the coming year of providing important transitional debt services to help impacted clients of debt management firms. This means that the Money Advice Service will be delivering more services on a flat budget and as only £79.1m will be levied this represents a decrease of 2.5% to levy payers from last year.
- 14.5** Under FSMA schedule 1A, para 12(2) the FCA must have regard to other anticipated sources of funding of the “relevant costs” relating to the Money Advice Service. This year the FCA has taken into account the voluntary contribution of £2m from the energy and water industries when approving the budget.
- 14.6** Chapter 6 sets out how consumer credit firms will contribute to the levy for both money and debt advice.

Funding and budget for money advice

- 14.7** The total budget for delivering the money advice function in 2015/16 will be £34.1m. The Money Advice Service is due to publish its business plan and budget at the end of March 2015, including a breakdown of expenditure and its strategic themes for 2015/16.
- 14.8** To fund an increase in debt work, the annual money advice budget has gone down by £8.9m to £34.1m, a decrease of 21% from 2014/15. This has been enabled by efficiencies, cuts to some budget lines such as printing, and reductions in above-the-line marketing (eg TV, radio).

⁴⁰ The Money Advice Service is referred to in the Financial Services and Markets Act 2000 and our FEES manual as the Consumer Financial Education Body (CFEB)

Allocation and recovery for money advice funding

14.9 The Money Advice Service's 2015/16 funding for money advice will come from levies raised from FSMA-authorised firms, payment institutions and electric money issuers. We propose to allocate the money advice budget on the same basis as last year, based on three components that will carry equal weighting:

- How consumers use the four channels of the Money Advice Service (web, telephone, face-to-face and printed literature), which will be weighted by the different costs of the relevant channels.
- Mapping the five Money Advice Service's outcomes, in its previous and 2015/16 business plans, to appropriate fee-blocks. These outcomes are: budgeting to live within means, managing debt well, saving regularly, saving for retirement, and protecting assets/making provisions for dependants.
- A levy based on our own allocation for 2015/16.

14.10 Table 14.1 sets out how the allocation method is reflected across fee-blocks and the movement between the amounts allocated to each fee block in 2015/16 compared to 2014/15. The majority of fee blocks will see a decrease in their levy in respect of money advice costs although A13 and G fee blocks will see an increase due to consumer demand for products and services provided by these fee blocks.

14.11 We are proposing to maintain the minimum fee at £10 for 2015/16.

Table 14.1 Proposed money advice allocation method 2015/16

Fee-Block	2014/15 Allocation £m	2015/16 Allocation £m using Usage/Levy/Outcomes			2015/16 Allocation under new proposals £m	Movement
Money advice levy:						
		Usage	Levy	Out comes		
A.0 Minimum fee	0.2	0.0	0.1	0.0	0.1	0.0%
A.1 Deposit acceptors	10.0	2.9	1.8	3.4	8.2	-18.4%
A.2 Home finance providers and administrators	7.1	3.6	0.5	1.1	5.2	-26.3%
A.3 Insurers - general	3.8	0.2	0.7	2.3	3.2	-16.2%
A.4 Insurers - life	6.2	1.8	1.1	2.8	5.8	-6.3%
A.5 Lloyd’s managing agents	<0.1	0.0	0.0	0.0	0.0	-100.0%
A.6 The Society of Lloyds’	<0.1	0.0	0.0	0.0	0.0	-100.0%
A.7 Fund managers	2.4	0.1	1.2	0.6	1.9	-20.1%

A.9 Operators, trustees and depositaries of collective investment schemes etc	1.2	0.0	0.3	0.6	0.9	-23.4%
A.10 Firms dealing as principal	2.4	0.0	1.4	0.6	1.9	-20.5%
A.13 Advisers, arrangers, dealers or brokers	3.6	1.9	2.3	0.0	4.2	16.0%
A.14 Corporate finance advisers	0.5	0.0	0.3	0.0	0.3	-25.5%
A.18 Home finance providers, advisers and arrangers	2.1	0.8	0.5	0.0	1.2	-41.5%
A.19 General insurance mediation	1.1	0.0	0.7	0.0	0.7	-36.9%
A.21 Firms holding client money or assets	1.6	0.0	0.3	0.0	0.3	-78.9%
G Firms covered by Payment Services Regulations 2009 (PSRs) and Electronic Money Regulations 2011 (EMRs)	0.1	0.0	0.1	0.0	0.1	32.3%
Total	42.2	11.4	14.3	14.3	34.1	-19.2%

Q21: Do you have any comments on the proposed 2015/16 Money Advice Service levy rates for money advice?

We must receive any responses by 18 May 2015.

Debt advice funding and budget

- 14.12** The Money Advice Service took on the responsibility for coordinating debt advice in April 2012 and £38.1m was provided for this activity in 2014/15. The Money Advice Service set up three-year funding arrangements with debt providers in England and Wales which commenced in October 2014, aiming to serve more customers through more channels in a consistent way.
- 14.13** This year we are pleased to announce that £2m from energy and water industries will contribute to debt advice making a total budget of £47m for this work. We hope utility companies will continue to make appropriate contributions yearly, which will be set in due course at a level that broadly reflects the importance of debts owed to utility providers.
- 14.14** Raising levy funding of £45m, plus £2m from the utilities companies, in 2015/16 will enable the Money Advice Service to continue to finance more free debt advice and improve the quality, effectiveness and efficiency of the debt advice sector.
- 14.15** Within the budget of £47m for debt advice the Money Advice Service aim to help a number of clients who may be impacted by the possible market exit of some debt management companies who may not gain authorisation by the Financial Conduct Authority. These clients will receive advice via the web, the telephone or face to face services.
- 14.16** For more details on the role of the Money Advice Service and a full breakdown of its debt advice budget, see its 2015/16 Business Plan which will be published on its website.

Allocation of debt advice funding

- 14.17** We propose to allocate the debt advice budget on the same basis as last year – between the A1 and A2 blocks, using a model that takes account of both total lending and write-off levels, on a 50% basis for each, based on Bank of England data. We consider this model reflects the difficulties that can occur during the lending process.
- 14.18** We will continue to make appropriate concessions for credit unions in respect of the debt advice levy. We propose that credit unions will operate on a tiered system so that smaller firms with unsecured debt less than £250,000 will not have to contribute while those with unsecured debt of over £250,000 will pay on the value of unsecured debt above this threshold. This will be at the same rate as all other firms in that fee-block.
- 14.19** We do not levy a debt advice minimum fee.
- 14.20** Table 14.2 sets out the 2015/16 allocation of debt advice funding, including the funding for impacted clients, compared to 2014/15.

Table 14.2 Proposed allocation of 2015/16 debt advice funding to fee-blocks compared to 2014/15.

Debt advice levy:	Allocation 2014/15 based on 50% lending	Allocation 2015/16 based on 50% lending	Allocation 2015/16 based on 50% Write Offs	2015/16 Allocation £m	Movement
A.1 Deposit acceptors	18.8	2.5	19.8	22.2	18.0%
A.2 Home finance providers and administrators	19.2	20.0	2.7	22.7	18.0%
Total	38.1	22.5	22.5	44.9	18.0%

Q22: Do you have any comments on the proposed 2015/16 Money Advice levy rates for debt advice?

We must receive responses by 18 May 2015.

- 14.21** Fee-payers should be aware that the draft fee rates and levies in Appendix 4 are calculated using estimated fee-payer populations and tariff data. This means that final periodic fee rates and levies for 2015/16 – which will be made by our Board in June 2015 – could vary from those in this CP.

Annex 1

List of questions

Chapter 3

- Q1:** Do you have any comments on the proposed FCA 2015/16 minimum fees and variable periodic fee rates for authorised firms?

Chapter 4

- Q2:** Do you have any comments on the proposed FCA 2015/16 minimum fees and periodic fee rates for fee-payers other than authorised firms?

Chapter 6

- Q3:** Do you have any comments on the proposed Consumer Credit fees for the FCA, ombudsman service and Money Advice service for 2015/16?

Chapter 8

- Q4:** Do you have any comments on the proposed 2015/16 PSR periodic fees?

Chapter 10

- Q5:** Do you have any comments on the proposed 2015/16 pensions guidance levy (PGL) rates?
- Q6:** Do you have any comments on the proposed 2015/16 pensions guidance providers' levy (PGPL) rates and application of certain other FCA fees rules?

Chapter 12

- Q7:** Do you agree with our proposed application fees for CBTL firms?
- Q8:** Do you agree with our proposed structure of separate fee-blocks for CBTL lenders and CBTL arrangers/advisers?
- Q9:** Do you agree with our proposed structure of separate ombudsman service activity groups for CBTL lenders and CBTL arrangers/advisers?
- Q10:** Do you agree with our proposed structure of fees for benchmark administrators for 2015/16?
- Q11:** Do you agree with our proposed formula for retailers to report a proxy measure of regulated activity where they have no consumer credit income?
- Q12:** Do you agree with our proposals for UKLA fees?

Chapter 13

- Q13:** Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?

Chapter 14

- Q14:** Do you have any comments on the proposed 2015/16 Money Advice Service levy rates for money advice?
- Q15:** Do you have any comments on the proposed 2015/16 Money Advice levy rates for debt advice?

Annex 2

Compatibility with the general duties of the FCA

1. This annex explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA), as amended by the 2012 Act and the Financial Services (Banking Reform) Act 2013 (FSBRA). Under section 138I of FSMA, the FCA, the ombudsman service and the Money Advice Service are exempt from the requirement to carry out and publish a cost benefit analysis regarding such proposals. The FCA is also exempt from the obligation to carry out a cost benefit analysis in relation to PSR fees rules.⁴¹
2. When consulting on new rules, we are required by section 138I(2)(d) FSMA to explain why we believe making the proposed rules is compatible with our strategic objective, advances one or more of our operational objectives, and has regard to the regulatory principles in s.3B FSMA. We are also required by s.138K(2) FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This annex also sets out our view of how the proposed rules are compatible with the duty on us to discharge our general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.
4. This annex further includes our assessment of the equality and diversity implications of these proposals.

Our objectives and regulatory principles

5. Our proposals set out in this consultation are not intended in themselves to advance our operational objectives. However, they will enable us to fund the activities it needs to undertake in 2015/16 to meet its responsibilities under FSMA. Therefore, these proposals will indirectly advance our operational objectives of:
 - Delivering consumer protection – securing an appropriate degree of protection for consumers.
 - Enhancing market integrity – protecting and enhancing the integrity of the UK financial system.
 - Building competitive markets – promoting effective competition in the interests of consumers.

⁴¹ FSBRA Schedule 4, para 9(9).

6. We also consider that these proposals are indirectly compatible with our strategic objective of ensuring that the relevant markets function well because they will again enable us to fund the activities to meet this strategic objective. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F FSMA. In the rest of this annex, reference to objectives means both our strategic objective and operational objectives.
7. In the case of the ombudsman service, the proposals in this consultation to raise the general levy to fund its activities in 2015/16 will indirectly meet its statutory function of providing a scheme for the quick and informal resolution of disputes between financial services firms and their customers. The proper functioning of the ombudsman service also helps us to meet our consumer protection objective.
8. In the case of the Money Advice Service, the proposals in this consultation to raise the levies to fund its activities in 2015/16 will indirectly meet its statutory objectives of enhancing the understanding and knowledge of financial matters by members of the public, improve people's ability to manage their own financial affairs, and assist the public with debt management, with a view to improving the availability, quality and consistency of debt advice services across the UK.
9. In the case of PSR, the proposals in this consultation aim to raise fees to fund its activities in 2015/16 to enable the PSR to meet its statutory objectives:
 - to promote effective competition in the markets for payment systems and the services provided by payment systems, in the interests of service-users
 - to promote the development of and innovation in payment systems, including in infrastructure used for the purpose of operating payment systems, in the interests of service-users
 - to ensure payment systems are operated and developed in a way that takes account of and promotes the interests of service-users

The proposals also aim to raise fees to fund the PSR's other objectives, functions and duties under other legislation for which the PSR is responsible or is the competent authority, as well as the PSR's requirements under FSBRA to have regard to:

- the importance of maintaining the stability of, and confidence in, the UK financial system
 - the importance of payment systems in relation to the performance of functions by the Bank of England in its capacity as a monetary authority, and
 - the regulatory principles in section 53 FSBRA.
10. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s.3B FSMA. The most relevant regulatory principles are considered below:

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

- Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We endeavour to carry out this work in the most efficient and economical way possible, concentrating on the areas of activity that pose the greatest risk to our objectives.
- Our priorities for each financial year are set out in our annual Business Plan, which for 2015/16 was published on 24 March 2015. Our Business Plan includes our budget, which is the basis of the £481.6m annual funding requirement (AFR), which we need to achieve our

objectives in 2015/16. This represents an increase of £35.2m (7.9%) from 2014/15, which is explained in Chapter 2.

- The ombudsman service and the Money Advice Service are operationally independent, but accountable to us, which means that our resources are not directly involved in carrying out their activities. The PSR is also operationally independent of us.
- The outcome from using our existing periodic fees framework to raise the pensions guidance levy (PGL) is the efficient and economical administration of collection. We believe the amount we will retain from the amount of set out in Chapter 10, to cover our collection costs, is in line with meeting this outcome.

The principle that a burden or restriction should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction

FCA

- The underlying rules for how we raise fees from fee-payers has been consulted on previously.
- Our fees are necessary for us to meet our objectives. As outlined above we take steps to use our resources in the most efficient and economic way, while delivering benefits to UK consumers, through our regulatory activities.
- In allocating our costs across the various fee-blocks (regulatory activities) we take into account the risks each fee-block poses to our objectives. This also reflects the resources we apply to these activities. As such, we consider the allocation of the overall 7.9% increase in our AFR outlined in Chapter 2 achieves a proportional approach to our funding allocation. In addition, within individual fee-blocks, we consider firm size, to ensure proportionality.
- In Chapter 12 we consult on:
 - i. Removing some minor UKLA transaction charges, which present a disproportionate administrative barrier to conducting business with us. They complicate what would otherwise be a smooth process without generating material revenue to offset the inconvenience.
 - ii. Modifying our structure of charges for benchmark administrators to recognise that some will not undertake the full range of responsibilities.
 - iii. Improving our definition of consumer credit income in light of our experience of the first year of data validation to ensure that retail firms with no direct income from credit-related activities pay their fair share of the costs of regulation. The intention is to avoid passing the charges on to other firms.
 - iv. Merging firms involved in second charge mortgage business into the existing mortgage regime without creating a new charging structure for them.

Pensions guidance levies

- Overall, using the five pensions guidance fee-blocks enables the burden of the levy on 'A' fee-block firms to be more proportionate to the benefit generally expected to result from the pensions reforms/consumers using Pensions Wise. Within the five pensions guidance fee-blocks the amounts allocated will be recovered in proportion to the size of the firms business as a proxy for the benefit that these firms may derive.

PSR

- Our proposed approach to PSR fees is based on an equal allocation with an adjustment to prevent our fees from being disproportionate for certain payment systems due to their more limited geographic coverage. This approach reflects the fact that, as a new regulator, the PSR's initial efforts are focused on understanding all designated payment systems, adopting policies, directions and guidance and a regulatory framework applicable across the industry. The PSR will also be launching a work programme that includes two market reviews (into indirect access, and the ownership and competitiveness of infrastructure provision), a programme of work on card systems, a Payments Strategy Forum, and various other work packages across the payment systems industry.

The ombudsman service

- Fees collected to fund the ombudsman service enable it to carry out its statutory functions, broadly to provide access to an independent, quick and informal scheme for dispute resolution. The proper functioning of the ombudsman service helps us to meet our consumer protection objective. The ombudsman service's general levy is calculated using '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. The proportion is called 'tariff rate'. The proportions in which the CJ levy are distributed across the fee blocks are based on the ombudsman service's forecasts for the proportion of resources it expects to devote in 2015/16 to cases from firms in each sector.

Money Advice Service

- Fees collected to fund the Money Advice Service allows it to meet its objectives, providing information and support to consumers to help them play their part in driving effective competition in markets where FCA-regulated firms operate, which should help deliver better market outcomes for everyone.
- The allocation of the money advice levy is based on three equal components; how consumers currently use the Money Advice Service, the service's business strategy and a levy based on our own allocation.
- For debt advice the allocation is based on total lending and write off levels on a 50% basis for each based on Bank of England data and allocated between A1 and A2 fee-blocks.

The desirability of exercising our functions that recognises differences in the nature of the businesses carried on by different persons we regulate**FCA**

- The allocation of our AFR in Chapter 2, recognises the differences in the nature of the businesses carried on by the different persons we regulate:
 - i. fee-blocks are defined by reference to related types of permitted business fee-payers can undertake
 - ii. the proportion of our funding requirement allocated to each-fee-block represents the resources we will apply to mitigate risks to our objectives
 - iii. subject to minimum thresholds of size and minimum fees, fee-payers pay fees in each fee-block in line with the scale of the business they undertake in each fee-block
- Two of our proposals in Chapter 12 adjust our existing fees framework to take account of the differences between firms:

- i. While preparing to bring new regulated benchmarks into scope, we realised that some administrators were planning to take on more specialist roles than others and so the current model of a standard fee would not be appropriate. We may consider further modifications to the structure in the future as we gain experience of working with a variety of benchmarks and administrators.
- ii. When we introduced our definition of consumer credit income last year, we recognised that some retail firms did not fit the standard model because they had no direct consumer credit income. We devised a proxy measure to take account of their circumstances. Our experience of validating the first year's data revealed the need for further thinking in this area and we present our proposals for consultation.

Pensions guidance levies

- The 18,200 firms in the 'A' fee-block, as a whole, undertake a very wide range of financial services business. We believe that by using the five pensions guidance fee-blocks and not the other 11 we are recognising these differences.

PSR

- By making certain adjustments to reflect circumstances unique to different payment systems, our proposed approach is consistent with the exercising of our functions in a way that recognises differences in the nature of the businesses carried on by different persons we regulate.

The principle that we should exercise our functions as transparently as possible

- For transparency, the FCA, the ombudsman service, the PSR and the Money Advice Service set out each year an explanation of any changes in fees or levy rates and the key drivers of those changes. We also publish a paper that explains the methodology used to calculate fees and levies, *How we raise our fees*⁴², and provide an online facility to help firms calculate their likely periodic fees or levies for the forthcoming year (fees calculator⁴³)

11. The proposals set out in this CP enable us to fund the activities we need to undertake in 2015/16. These activities include taking action intended to minimise the extent to which it is possible for a business carried on: (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s.1B(5)(b) FSMA).

Expected effect on mutual societies

12. We do not expect the proposals in this paper to have a significantly different impact on mutual societies. The impact of the fees and levy rates proposed for 2015/16 for the FCA, the ombudsman service, the Money Advice Service and the pensions guidance levy on authorised firms that are mutual societies is not significantly different from the impact on other authorised firms.

⁴² www.fca.org.uk/static/documents/how-we-raise-our-fees.pdf

⁴³ www.fca.org.uk/firms/being-regulated/fees/calculator

Compatibility with the duty to promote effective competition in the interests of consumers

13. The proposals set out in this consultation enable us to fund the activities we need to undertake in 2015/16. These activities include meeting our duty to promote effective competition in the interests of consumers.
14. Additionally, the levels of fees set for different types of firms support our objective of promoting effective competition. For example, the allocation of our AFR to fee-blocks on which the fee rates are based takes account of the aggregate riskiness of the sector they represent and the recovery of allocations within the fee-blocks is based on the size of business undertaken by the individual firms.
15. The pensions guidance levy is raised from a subset of our 'A' fee-blocks. This approach has been adopted as we consider that this incorporates the wider range of products and services that consumers could purchase following using the pension guidance (and, therefore, the range of firms that could compete for those consumers' business). We consider that our proposals on allocation of costs across the fee-blocks are a reasonable starting position particularly given that there is no current data available on the financial products and services consumers will choose following using the pension guidance service. If future data indicates that the competition between firms for these consumers means this starting position is no longer reasonable or proportionate, then we are able to review our position accordingly.
16. The PSR has an objective to promote effective competition in the markets for payment systems and services provided by payment systems. In setting our methodology for raising fees to fund the PSR, we have had regard to this objective.
17. By making a geographic outlier adjustment to reflect circumstances which are unique to two payment systems, our approach seeks to avoid creating a disproportionate burden for these PSOs. We are of the view that the flexibility this demonstrates will reduce concerns of other, non-designated payment systems regarding the potential direct financial cost if they were to be designated in future.
18. In setting our methodology we have sought to avoid favouring a particular system or technology, for example by placing undue emphasis on transaction volumes or transaction values. We have also sought to avoid favouring a particular size of system or corporate structure. As such we have tried to make our methodology competitively neutral amongst regulated payment systems.

Equality and diversity

19. We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment (EIA) to ensure that the equality and diversity implications of any new policy proposals are considered.
20. We believe the proposals in this CP do not raise equality or diversity questions.
21. However, we would welcome comments on any equality and diversity issues you believe may arise from our proposals.

Annex 3

Financial Ombudsman Service general levy – overview and industry blocks

2015/16

Industry Block	Description	Tariff Base	Consultation 2015/16 tariff rate (£)	Actual 2014/15 tariff rate (£)	Consultation 2015/16 minimum levy per firm (£)	Actual 2014/15 minimum levy per firm (£)	Consultation 2015/16 gross total	Actual 2014/15 gross total	Consultation 2015/16 contribution by block	Actual 2014/15 contribution by block
I001	Deposit acceptors, home finance lenders and administrators	Per relevant account	0.04335	0.04335	100	100	£11,551,793	£11,551,793	49.6%	49.6%
I002	Insurers - General	Per £1,000 of relevant annual gross premium income	0.1319	0.1319	100	100	£3,516,776	£3,516,776	15.1%	15.1%
I003	The Society of Lloyds	Flat fee	N.A.	N.A.	25,989	25,989	£25,989	£25,989	0.1%	0.1%
I004	Insurers - Life	Per £1,000 of relevant adjusted annual gross premium income	0.0165	0.0165	130	130	£978,176	£978,176	4.2%	4.2%
I005	Fund managers	Flat Fee	N.A.	N.A.	275	275	£232,899	£232,899	1.0%	1.0%
I006	Operators, Trustees and Depositories of collective investment schemes	Flat Fee	N.A.	N.A.	60	60	£23,290	£23,290	0.1%	0.1%
I007	Dealers as principal	Flat Fee	N.A.	N.A.	75	75	£23,290	£23,290	0.1%	0.1%
I008	Advisory arrangers, dealers or brokers (holding client money)	Per £1000 of annual income	0.149	0.16	45	45	£489,088	£489,088	2.1%	2.1%
I009	Advisory only firms and advisory, arrangers, dealers, or brokers (not holding client money)	Per £1000 of annual income	0.1	0.1085	45	45	£489,088	£489,088	2.1%	2.1%
I010	Corporate finance advisors	Flat Fee	N.A.	N.A.	55	55	£23,290	£23,290	0.1%	0.1%

Industry Block	Description	Tariff Base	Consultation 2015/16 tariff rate (£)	Actual 2014/15 tariff rate (£)	Consultation 2015/16 minimum levy per firm (£)	Actual 2014/15 minimum levy per firm (£)	Consultation 2015/16 gross total	Actual 2014/15 gross total	Consultation 2015/16 contribution by block	Actual 2014/15 contribution by block
IA11	Authorised payment service providers	Per £1,000 of relevant Income	0.0007	0.0007	75	75	£23,290	£23,290	0.1%	0.1%
IS11	Small payment institutions and small e-money issuers	Flat Fee	N.A.	N.A.	35	35	£23,290	£23,290	0.1%	0.1%
IO13	Cash plan health providers	Flat Fee	N.A.	N.A.	65	65	£780	£780	0.0%	0.0%
IO14	Credit unions	Flat Fee	N.A.	N.A.	55	55	£23,290	£23,290	0.1%	0.1%
IO15	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	Flat Fee	N.A.	N.A.	65	65	£3,640	£3,640	0.0%	0.0%
IO16	Home finance lenders, advisers and arrangers	Flat Fee	N.A.	N.A.	90	90	£465,798	£465,798	2.0%	2.0%
IO17	General insurance mediation	Per £1,000 of relevant business annual income	0.467	0.4852	100	100	£5,403,258	£5,403,258	23.2%	23.2%
IA18	Authorised electronic money institutions	Per average outstanding electronic money	0.0016	0.0016	75	75	£2,500	£2,500	0.0%	0.0%
IS18	Small electronic money institutions	Flat Fee	N.A.	N.A.	50	50	£475	£475	0.0%	0.0%
IO19	Consumer Credit - Limited	Flat Fee	N.A.	N.A.	35	35	N.A.	N.A.	N.A.	N.A.
IA19	Consumer Credit - Limited - Not for Profit	Flat Fee	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
IO20	Consumer Credit - Full	Per £1000 of Consumer Credit income	0.02 (on income over £250,000 plus minimum fee)	0.02 (on income over £250,000 plus minimum fee)	35	35	N.A.	N.A.	N.A.	N.A.
Total - all blocks							£23,300,000	£23,300,000	100.0%	100.0%

Annex 4

List of non-confidential respondents to CP14/26

Agile Collective

Association of British Credit Unions Limited

Association of Chartered Certified Accountants

Association of Mortgage Intermediaries

Association of Professional Financial Advisers

BACS Payment Schemes Ltd

B & C E Financial Services Limited

Calverts North Star Press Ltd

CHAPS Clearing Company Ltd

Belfast Bankers' Clearing Company Ltd

Chartered Accountants Regulatory Board

Cheque & Credit Clearing Company Ltd

Consumer Finance Association

Co-operative Assistance Network Limited

Co-operative and Mutual Solutions Limited

Co-operative Futures

Co-operatives UK

Co-operatives Yorkshire and the Humber

Depository and Trustee Association

Essential Trading Co-operative Ltd

Faster Payments Scheme Ltd

Infinity Foods Co-operative Limited

Institute of Chartered Accountants of England and Wales

Institute of Chartered Accountants of Scotland

Investment Association

Johnny Denis and Associates

L & A Agency Services

Law Society of Northern Ireland

LINK Scheme

London Energy Brokers' Association

London Stock Exchange

MasterCard

National Association of Pension Funds

Plunkett Foundation

SD Club Development

Shared Interest Society Ltd

Stanley Davis Group Limited

Suma Wholefoods

The Phone Co-op Limited

threesixty Services LLP

TISA

TRAX

Virgin Money plc

Royal Bank of Scotland plc

Wales Progressive Co-operators

Whistlewood Common Ltd

Wholesale Markets Brokers' Association

Winckworth Sherwood

Appendix 1

Fees (Payment Systems Regulator)

Instrument 2015 [made rules]

FEES (PAYMENT SYSTEMS REGULATOR) INSTRUMENT 2015

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the powers in paragraph 9 (Funding) of Schedule 4 (The Payment Systems Regulator) of the Financial Services (Banking Reform) Act 2013 (“FSBRA”); and
 - (2) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137T (General supplementary powers);
 - (b) section 139A (Power of the FCA to give guidance); and
 - (c) paragraph 23 of schedule 1ZA (Fees).
- B. The rule-making powers listed above are specified for the purpose of paragraph 9 of schedule 4 to FSBRA and section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 April 2015.

Amendments to the FCA 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.

Notes

- F. In the Annexes to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the Fees (Payment Systems Regulator) Instrument 2015.

By order of the Board of the Financial Conduct Authority
24 March 2015

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>FSBRA</i>	(in <i>FEES</i> 9) the Financial Services (Banking Reform) Act 2013.
<i>payment system</i>	(a) (in accordance with section 41 of <i>FSBRA</i>), a system which is operated by one or more <i>persons</i> in the course of business for the purpose of enabling <i>persons</i> to make transfers of funds, and includes a system which is designed to facilitate the transfer of funds using another payment system; (b) but “payment system” does not include: (i) any arrangements for the physical movement of cash; (ii) a system which does not make any provision for the transfer of funds by payers, or to recipients, in the <i>United Kingdom</i>; (iii) a securities settlement system operated by a <i>person</i> approved under regulations made under section 785 of the Companies Act 2006 (provisions enabling procedures for evidencing the transferring title); (iv) a system operated by a <i>recognised clearing house</i>; (v) any other system whose primary purpose is not that of enabling <i>persons</i> to transfer funds.
<i>PSR</i>	Payment Systems Regulator, the <i>body corporate</i> established by the <i>FCA</i> under section 40(1) of <i>FSBRA</i> .
<i>PSR fee</i>	the fee payable to the <i>FCA</i> by an <i>operator</i> of a <i>regulated payment system</i> under <i>FEES</i> 9.2.1R.
<i>regulated payment system</i>	a <i>payment system</i> designated by HM Treasury under section 43 of <i>FSBRA</i> .

Amend the following definition as shown.

operator

...

- (3) (in FEES 1 and 9), any *person* with responsibility under a *payment system* for managing or operating it; and any reference to the operation of a *payment system* includes a reference to its management.

[Note: section 42(3) of FSBRA]

...

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 Fees Manual

1.1 Application and Purpose

...

1.1.1B G FEES 9 (Payment System Regulator Funding) relates to PSR fees.

...

Application

...

1.1.2A R FEES 1 and 9 apply to an operator of a regulated payment system.

...

2 General Provisions

2.1 Introduction

...

2.1.1A R This chapter does not apply in relation to:

(1) FEES 5.5A; or

(2) FEES 5 Annex 2R; or

(3) FEES 5 Annex 3R; or

(4) a PSR fee.

...

After FEES 8 insert the following new chapter. The text is not underlined.

9 Payment Systems Regulator funding

9.1 Application and purpose

Application

- 9.1.1 R This chapter applies to an *operator* of a *regulated payment system*.

Purpose

- 9.1.2 G This chapter sets out the fee payable by an *operator* of a *regulated payment system* to establish and fund the *PSR*.

Introduction

- 9.1.3 G Section 40(1) of *FSBRA* (The Payment Systems Regulator) requires the *FCA* to establish the *PSR*.

- 9.1.4 G (1) Paragraph 9 of Schedule 4 of *FSBRA* allows the *FCA* to make *rules* requiring participants in *regulated payment systems* to pay the *FCA* specified amounts or amounts calculated in a specified way to:
- (a) meet the relevant costs referred to in (2) below; and
 - (b) enable the *PSR* to maintain adequate reserves.
- (2) The relevant costs in (1)(a) means:
- (a) the expenses incurred, or expected to be incurred, by the *PSR* in connection with the discharge of its functions;
 - (b) the expenses incurred by the *FCA* in establishing the *PSR*;
 - (c) any other expenses incurred by the *FCA* in connection with the discharge of its functions under Part 5 of *FSBRA*; and
 - (d) any expenses incurred, or expected to be incurred, by the *FCA* in connection with the discharge of the *PSR*'s functions by an officer or member of staff of the *FCA* under arrangements made under paragraph 5 of Schedule 4 of *FSBRA*.
- (3) The amounts in (1) may include the expenses of the *FCA* in collecting *PSR fees*.

- 9.1.5 G *FEES* 9 sets out the *rules* referred to in *FEES* 9.1.4G

- 9.1.6 G The *FCA* must pay to the *PSR* the amounts that it receives as *PSR fees*, apart from the following amounts (which it may keep):

- (1) expenses under *FEES* 9.1.4G(2)(b) to (d); and
- (2) collection costs, referred to in *FEES* 9.1.4G(3).

Annual budget and annual plan

- 9.1.7 G (1) Paragraph 4(1) of Schedule 4 of *FSBRA* requires the *PSR* to adopt an annual budget which has been approved by the *FCA*.
- (2) Paragraph 6(1) of Schedule 4 of *FSBRA* requires the *PSR* to prepare an annual plan which has been approved by the *FCA*.
- 9.1.8 G (1) *PSR fees* will vary from year to year, depending on the *PSR*'s annual plan and budget.
- (2) These details are in *FEES* 9 Annex 1R.
- (3) The *FCA* will prepare and consult on new details for each *fee year*.

9.2 PSR fees

Obligation to pay PSR fees

- 9.2.1 R An operator of a *regulated payment system* must pay the applicable *PSR fee* in *FEES* 9 Annex 1R:
 - (1) in full and without deduction; and
 - (2) in accordance with this chapter.

Time of payment

- 9.2.2 R If an operator of a *regulated payment system*'s fee for the previous *fee year* was at least £50,000, that operator must pay:
 - (1) an amount equal to 50% of the *PSR fee* payable for the previous *fee year*, by 30 April in the current *fee year*; and
 - (2) the balance of the *PSR fee* due by 1 September in the current *fee year*.
- 9.2.3 R If an operator of a *regulated payment system*'s fee for the previous *fee year* was less than £50,000, the operator of that *regulated payment system* must pay its *PSR fee* in full:
 - (1) by 1 August in the current *fee year*; or
 - (2) if later, within 30 days of the date of the invoice in the current *fee year*.

[**Note:** Transitional provisions apply to both *FEES* 9.2.2R and *FEES* 9.2.3R: see *FEES* TP 12.]

Method of payment

- 9.2.4 G An operator of a *regulated payment system* should pay its fees by electronic credit transfer and should notify the *FCA* if it intends to pay in another way.

Regulated payment systems ceasing to be a designated payment system

- 9.2.5 G The *FCA* will not relieve or refund a *PSR fee* if a *payment system* ceases to be a *regulated payment system* after the start of that *fee year*.
- 9.2.6 R If a *payment system* ceases to be a *regulated payment system*, the operator of that system must pay any outstanding *PSR fees* before it ceases to hold that status.

Late payments

- 9.2.7 R If an operator of a *regulated payment system* does not pay the total amount of its *PSR fees* before the end of the date on which it is due it must pay:
- (1) an administrative fee of £250; plus
 - (2) interest on any unpaid part of the fee at an annual rate of 5% above the Official Bank Rate from time to time in force, accruing daily from the date on which the amount concerned became due.

Reduction, remission and repayment of fees

- 9.2.8 G The *FCA* may reduce or remit all or part of a *PSR fee*, if it appears to the *FCA*, having consulted the *PSR*, that in the exceptional circumstances of a particular case paying all or part of it would be inequitable.
- 9.2.9 G The *FCA* may refund all or part of a *PSR fee* if it appears to the *FCA*, having consulted the *PSR*, that in the exceptional circumstances of a particular case the *FCA* or the *PSR* retaining all or part of it would be inequitable.
- 9.2.10 G The *FCA* will not consider a claim to refund a *PSR fee* due to a mistake of fact or law by the fee paying operator of a *regulated payment system* if the claim is made more than two years after the beginning of the *fee year* to which the fee relates.

VAT

- 9.2.11 R *PSR fees* payable are stated net of VAT. Where VAT is applicable this must also be included.

9 Annex PSR fees for the period 1 April 2015 to 31 March 2016
1R

The table below shows the *PSR fee* applicable to the *operator* of each *regulated payment system*.

Table A

Name of regulated payment system	Amount payable by the relevant operator (£)
[tbc]	[tbc]

After FEES TP 11 insert the following new FEES TP 12. The text is not underlined.

TP 12 Transitional provisions relating to operators of regulated payment systems

(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
12.1	<i>FEES</i> 9.2.2R and <i>FEES</i> 9.2.3R	R	Replace the current <i>FEES</i> 9.2.2R and <i>FEES</i> 9.2.3R with the following: “An operator of a <i>regulated payment system</i> must pay its <i>PSR fee</i> in full by 1 August 2015 or, if later, within 30 days of the date of the invoice to which the <i>PSR fee</i> relates.”	From 1 April 2015 until 31 March 2016	1 April 2015

Appendix 2

Fees (Pension Guidance) Instrument 2015

[made rules]

FEES (PENSIONS GUIDANCE) INSTRUMENT 2015

Powers exercised

- A. The Financial Conduct 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 137T (General supplementary powers);
 - (2) section 139A (Power of the FCA to give guidance);
 - (3) section 333R (Funding of Treasury’s pensions guidance costs); and
 - (4) paragraph 23 (Fees) of Schedule 1ZA (The Financial Conduct Authority).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 April 2015.

Amendments to the FCA 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 (Pensions Guidance) Instrument 2015.

By order of the Board of the Financial Conduct Authority
24 March 2015

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

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

<i>pensions guidance levy</i>	the amount payable to the <i>FCA</i> by the <i>firms</i> to which <i>FEES</i> 10 (Pensions guidance levy) applies.
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Annex B

Amendments to the Fees manual (FEES)

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

[*Editor's Note:* The text shown in this annex takes account of changes made by the Fees (Payment Systems Regulator) Instrument 2015.]

1 Fees Manual

1.1 Application and Purpose

1.1.1B ...

1.1.1C G FEES 10 (Pensions guidance levy) relates to the pensions guidance levy.

2 General Provisions

2.1 Introduction

...

2.1.1A R This chapter does not apply in relation to:

...

(4) a *PSR fee*; or

(5) the pensions guidance levy.

...

After FEES 9 insert the following new chapter. The text is not underlined.

10 Pensions guidance levy

10.1 Application, purpose and background

Application

10.1.1 R This chapter applies to a *firm* that:

(1) (a) has a *Part 4A Permission*; or

(b) is an *incoming EEA firm* with a *branch* in the *United*

Kingdom; or

- (c) *is an incoming Treaty firm with a branch in the United Kingdom; and*
- (2) *is in one of the following activity groups listed in Part 1 of FEES 4 Annex 1AR:*
 - (a) *A.1 Deposit acceptors;*
 - (b) *A.4 Insurers – life;*
 - (c) *A.7 Portfolio managers excluding Class (1)A firms;*
 - (d) *A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes; and*
 - (e) *A.13 Advisors, arrangers, dealers or brokers.*

Where *rules* from other *FEES* chapters are incorporated into this chapter, those *rules* are the *rules* in effect on 1 April 2015.

Purpose

- 10.1.2 G This chapter sets out *rules* governing the amounts payable by *firms* to the *FCA* to fund the Treasury's pensions guidance costs and the related *FCA* collection costs.

Background

- 10.1.3 G The Treasury's pensions guidance costs are defined in subsection 10 of section 333R (Funding of Treasury's pensions guidance costs) of the *Act* as the expenses incurred, or expected to be incurred, by the Treasury:
- (1) *in giving pensions guidance or arranging for it to be given by designated guidance providers;*
 - (2) *in meeting the expenses of designated guidance providers incurred in connection with the giving of the guidance (whether by means of the power conferred by section 333D (Financial assistance to bodies involved in giving pensions guidance) of the Act or otherwise);*
 - (3) *in providing services to designated guidance providers to support them in giving the guidance;*
 - (4) *in increasing awareness of the availability of the guidance;*
 - (5) *in undertaking or commissioning research relating to the availability of the guidance; and*
 - (6) *otherwise in connection with the carrying out of its functions under*

section 333B (Treasury's role in relation to pensions guidance).

- 10.1.4 G (1) Section 333R(1) of the *Act* requires the Treasury to notify the *FCA* of the amount of the Treasury's pensions guidance costs.
- (2) Section 333R(2) requires the *FCA* to make *rules* requiring *authorised persons* to pay amounts, or amounts calculated in a specified way, to the *FCA* with a view to recovering the amounts notified by the Treasury.
- (3) Under subsection 3 such amounts may include a component to cover the expenses of the *FCA* in collecting the payments.
- 10.1.5 G This chapter contains the *rules* referred to in *FEES* 10.1.4G.
- 10.1.6 G Under section 333R(8) of the *Act*, the *FCA* must pay to the Treasury the amounts that it receives under these *rules*, apart from amounts covering its collection costs (which it may keep).
- 10.1.7 G The total amount raised by the *pensions guidance levy* may vary from year to year depending on the amount notified to the *FCA* by the Treasury.
- 10.1.8 G These *rules* were made with the consent of the Treasury pursuant to section 333R(5) of the *Act*.

10.2 Pensions guidance levy

Obligation to pay pensions guidance levy

- 10.2.1 R A *firm* must pay the *pensions guidance levy* applicable to it:
- (1) in full and without deduction; and
- (2) in accordance with this chapter.

Time of payment

- 10.2.2 R (1) A *firm* must pay the *pensions guidance levy* applicable to it within 30 days of the date of the invoice to which that sum relates, unless any of (2) to (5) apply.
- (2) If the *firm* has applied to cancel its *Part 4A permission* under *SUP* 6.4.5D (Cancellation of permission), the *firm* must pay the *pensions guidance levy* applicable to it on the date of its application.
- (3) If the *FCA* has exercised its *own-initiative powers* to cancel a *firm's Part 4A permission*, the *firm* must pay the *pensions guidance levy* applicable to it immediately before cancellation takes effect.
- (4) If the *firm* receives or extends its *permission* during the fee year, the

firm must pay the *pensions guidance levy* applicable to it within 30 days of that date.

- (5) If:
- (a) the due date falls during an emergency period as set out in *GEN* 1.3.2R (Emergencies); and
 - (b) the *firm* has reasonable grounds to believe that those circumstances impair its ability to pay the *pensions guidance levy* applicable to it;

the *firm* must pay the *pensions guidance levy* applicable to it on or before the fifth *business day* after the end of that emergency period.

Calculation of pensions guidance levy

- 10.2.3 R The *pensions guidance levy* applicable to a particular *firm* is calculated as follows:
- (1) identify each of the activity groups in *FEES* 10.1.1R(2) that apply to the business of the *firm* for the relevant period;
 - (2) calculate the amount payable under *FEES* 10.2.4R for each of those activity groups;
 - (3) modify the result in accordance with *FEES* 10.2.5R if applicable; and
 - (4) apply any payment charge in *FEES* 4.2.4R.
- 10.2.4 R The amount payable for a particular activity group is calculated as follows:
- (1) (a) calculate the size of the *firm's* tariff base for the activity group using:
 - (i) the tariff base calculations in Part 3 of *FEES* 4 Annex 1AR; and
 - (ii) the valuation date requirements in Part 5 of *FEES* 4 Annex 1AR;
 - (b) exclude *mathematical reserves* in the calculation for fee block A4;
 - (2) use the figure in (1) to calculate the levy applicable for each band in *FEES* 10 Annex 1R;
 - (3) add together the sums for each applicable band under (2); and
 - (4) the amount in (3) is the amount payable by the *firm* for that activity group.

- 10.2.5 R For the first *fee year* during which *FEES* 10 applies to a *firm's permission* to carry on a *regulated activity*, the *pensions guidance levy* applicable to that *permission* must be modified using the formula in *FEES* 4.2.6R.
- 10.2.6 R For *FEES* 10.2.4R, a *firm* may apply the relevant tariff bases and rates to its non-UK business, as well as to its UK business, if:
- (1) it has reasonable grounds for believing that the cost of identifying the *firm's UK* business separately from its non-UK business is disproportionate to the difference in the *pensions guidance levy* payable by it; and
 - (2) it notifies the *FCA* in writing:
 - (a) at the same time as it provides the information concerned under *FEES* 4.4 (Information on which fees are calculated); or
 - (b) if earlier, at the time it pays the *pensions guidance levy* applicable to it.
- 10.2.7 R The *pensions guidance levy* is calculated using the same information that is used to calculate a *firm's* periodic fee under *FEES* 4.
- 10.2.8 R Where a *firm* which has not complied with *FEES* 4.4.2R (Information on which fees are calculated) in relation to a particular *fee year* the *pensions guidance levy* for that *firm* for that *fee year* is calculated using (where relevant) the valuation(s) of business used to calculate the *pensions guidance levy* for that *firm* for the previous *fee year*, multiplied by the factor of 1.10.

Value-added tax (VAT)

- 10.2.9 R (1) All levies payable under *FEES* 10 are stated net of VAT.
- (2) Where VAT is applicable, this must also be included.

10.3 Late payments and recovery of unpaid levies

Late payments

- 10.3.1 R If a *firm* does not pay the total amount of the *pensions guidance levy* before the end of the date on which it is due, it must pay:
- (1) an administrative fee of £250; plus
 - (2) interest on any unpaid part of the levy at an annual rate of 5% above the Official Bank Rate from time to time in force, accruing daily from the date on which the amount concerned became due.

- 10.3.2 G (1) The *FCA* expects to issue invoices at least 30 *days* before the date on which the relevant amounts fall due.
- (2) Accordingly, a *firm* will usually have at least 30 *days* from the issue of the invoice before an administrative fee becomes payable.

Recovery of levies

- 10.3.3 G (1) The *FCA* may recover the *pensions guidance levy* as a debt owed to the *FCA* under paragraph 23(8) of Schedule 1ZA of the *Act*.
- (2) The *FCA* will consider taking action for recovery (including interest) through the civil courts.
- 10.3.4 G (1) In addition, the *FCA* may be entitled to take regulatory action for the non-payment of the *pensions guidance levy*.
- (2) What action (if any) is taken by the *FCA* will be decided by the particular circumstances of the case.

10.4 Relieving provisions

Reductions, remission or repayment of levy

- 10.4.1 G The *FCA* may reduce or remit all or part of the *pensions guidance levy* applicable to a *firm* if it appears to the *FCA* that, in the exceptional circumstances of a particular case, paying all or part of it would be inequitable.
- 10.4.2 G The *FCA* may refund all or part of the *pensions guidance levy* applicable to a *firm* if it appears to the *FCA* that, in the exceptional circumstances of a particular case, retaining all or part of the *pensions guidance levy* applicable to that *firm* would be inequitable.
- 10.4.3 G (1) A poor estimate or forecast by a levy payer, when providing information relevant to an applicable tariff base, is unlikely to be an exceptional circumstance under *FEES* 10.4.1G or *FEES* 10.4.2G.
- (2) By contrast, a mistake of fact or law by a levy payer may give rise to such a claim.
- 10.4.4 G The *FCA* is entitled not to consider a claim under *FEES* 10.4.1G or *FEES* 10.4.2G to refund any overpaid amounts due to a mistake of fact or law by the fee paying *firm* if the claim is made more than two years after the beginning of the period to which the *pensions guidance levy* subject to the claim relates.

10.5 Application of FEES 4 to the pensions guidance levy

- 10.5.1 G (1) The *Handbook* provisions relating to the *pensions guidance levy* are meant to follow closely the provisions relating to the payment of periodic fees payable by an *authorised person* under *FEES 4*.
- (2) As such, the table in *FEES 10.5.4R* lists *rules* in *FEES 4* that also apply, in a modified form, to the *pensions guidance levy*.
- 10.5.2 R The *rules* in the table in *FEES 10.5.4R* and any other *rules* in *FEES* included in *FEES 10* by cross-reference apply to the *pensions guidance levy* in the same way as they apply to periodic fees payable under *FEES 4*.
- 10.5.3 R A reference to a periodic fee in a *FEES 4 rule* incorporated into *FEES 10* must be read, for the purposes of applying that *rule* to the *pensions guidance levy*, as a reference to the *pensions guidance levy*.
- 10.5.4 R Table of *rules* in *FEES 4* that also apply in *FEES 10*.

FEES 4 incorporated into FEES 10	Description	Modifications
<i>FEES 4.2.4R</i>	Method of payment	none
<i>FEES 4.2.7BR</i>	Calculation of periodic fees and tariff base for a <i>firm's</i> second financial year	none
<i>FEES 4.2.7CG</i>	Application of <i>FEES</i>	none
<i>FEES 4.2.8R</i>	How <i>FEES 4.2.7R</i> applies to an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i>	none
<i>FEES 4.2.9G</i>	Fee payers ceasing to hold relevant status or reducing the scope of their permission after start of relevant period	Reference to column (1) of the table in <i>FEES 4.2.11R</i> is a reference to <i>FEES 10.1.2R</i> .
<i>FEES 4.3.7R</i>	Groups of <i>firms</i>	Reference to <i>FEES 4.2.1R</i> is a reference to <i>FEES 10.2.1R</i> .
<i>FEES 4.3.13R</i>	<i>Firms</i> applying to cancel or vary permission before start of period	Reference to <i>FEES 4.2.1R</i> is a reference to <i>FEES 10.2.1R</i> .
<i>FEES 4.3.15R</i>	<i>Firms</i> acquiring businesses from other <i>firms</i>	Reference to <i>FEES 4.2.6R</i> and <i>FEES 4.2.7R</i> is a reference to <i>FEES 10.2.5R</i> Reference to <i>FEES 4.2.1R</i> is

		a reference to <i>FEES</i> 10.2.1R
<i>FEES</i> 4.4.1R to <i>FEES</i> 4.4.6R	Information on which fees are calculated	none

10 Annex 1R Pensions guidance levy for the period 1 April 2015 to 31 March 2016

Activity Group	Pensions guidance levy payable	
A.1	Band width (£ million of modified eligible liabilities (MELS)) >10	Fixed sum (£/£m or part £m of MELS) tbc
A.4	Band width (£ million of adjusted annual gross premium income (AGPI) >1	Fixed sum (£/£m or part £m of AGPI) tbc
A.7	For class 1(B), 1 (C), (2) and (3) firms: Band width (£ million of funds under management (FuM)) >10	Fixed sum (£/£m or part £m of FuM) tbc
A.9	Band width (£ million of gross income (GI)) >1	Fixed sum (£/£m or part £m of GI) tbc
A.13	Band Width (£ thousands of annual income (AI)) >100	Fixed sum (£/£ thousand or part of £ thousand of AI) tbc

Appendix 3

Fees (Miscellaneous Amendments) (No 8)

Instrument 2015 [made rules]

FEES (MISCELLANEOUS AMENDMENTS) (NO 8) INSTRUMENT 2015

Powers exercised

- A. The Financial Conduct 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 137T (General supplementary powers);
 - (2) section 139A (Power of the FCA to give guidance);
 - (3) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
 - (4) 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 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 April 2015.

Amendments to the FCA Handbook

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

Citation

- E. This instrument may be cited as the Fees (Miscellaneous Amendments) (No 8) Instrument 2015.

By order of the Board of the Financial Conduct Authority
24 March 2015

Annex

Amendments to the Fees manual (FEES)

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

1 Fees Manual

1.1 Application and Purpose

...

Application

1.1.2 R This manual applies in the following way:

...

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

...

- (m) every *AIFM* applying to become a *small registered UK AIFM* and every *small registered UK AIFM*; ~~and~~
- (n) every *AIFM* notifying the *FCA* under regulation 57, 58 and 59 of the *AIFMD UK regulation* and every *AIFM* which has made such a notification; and
- (o) each of the following that makes *transactions reports* directly to the *FCA* under *SUP 17* (Transaction reporting):
 - (i) a *firm*;
 - (ii) a third party acting on a *firm*'s behalf;
 - (iii) an *approved reporting mechanism*;
 - (iv) an operator of a *regulated market*; and
 - (v) an operator of an *MTF*.

...

3 Application, Notification and Vetting Fees

...

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable	(3) Due date
(a) Any applicant for <i>Part 4A permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i>) whose fee is not payable pursuant to sub-paragraph (ga) of this table.	(1) Unless (2) applies, in respect of a particular application, the highest of the tariffs set out in <i>FEES 3 Annex 1R part 1</i> which apply to that application. (2) In respect of a particular application which is: (i) a straightforward or moderately complex case for the purposes of <i>FEES 3 Annex 1 R part 1</i>, and (ii) only involves a simple change of legal status as set out in <i>FEES 3 Annex 1 R part 6</i>, the fee payable is 50% of the tariff that would otherwise be payable in <i>FEES 3 Annex 1R</i> <u>When both (A) and (B) apply, 50% of the tariff payable under (1):</u> <u>(A) the application only involves a simple change of legal status as set out in <i>FEES 3 Annex 1R part 6</i>; and</u> <u>(B) the application is:</u> <u>(i) a straightforward case under paragraph 2(d) or 3(g) of <i>FEES 3 Annex 1R</i>;</u> <u>(ii) a moderately complex case under paragraph 2(e) or 3(h) of</u>	On or before the application is made

	<u>FEES 3 Annex 1R; or</u> <u>(iii) a limited permission case under paragraph 3(i) of FEES 3 Annex 1R.</u>	
...		
(u) Any of the following: (i) an operator of an approved reporting mechanism; (ii) a firm; (iii) a third party acting on behalf of a firm; (iv) a market operator; (v) an MTF operator; that satisfies the following conditions: (1) it provides transaction reports directly to the FCA; (2) having made changes to its reporting systems, it asks the FCA to support the testing of the compatibility of its systems with the FCA's systems. <u>[deleted]</u>	As set out FEES 3 Annex 7.	Within 30 days of the date of the invoice.
...		

...

FEES 3 Annex 7R is deleted in its entirety. The deleted text is not shown.

...

4 Periodic fees

...

4.2 Obligation to pay periodic fees

...

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

- 4.2.6 R (1) ~~Unless (2) applies, for~~ For the *fee year* during which the event described in column (4) of the table in *FEES* 4.2.11R and/or *FEES* 4.2.11AR, giving rise to, or giving rise to an increase in, the fee payable in *FEES* 4.2.1R occurs, the periodic fee required under *FEES* 4.2.1R is modified for:

...

- (2) ~~For recognised bodies, if the recognition order is made during the course of the relevant fee year the periodic fee required is set out in Column (4) of the table in FEES 4.2.11R. [deleted]~~

...

4.2.11 R Table of periodic fees payable to the FCA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to the modified periodic fee
...	...	..	...
<i>A small registered UK AIFM</i>	...	...	...
<u>Each of the following that makes transaction reports directly to the FCA under SUP 17 (Transaction reporting):</u>	<u>FEES 4 Annex 3AR</u>	<u>Within 30 days of the date of the invoice</u>	<u>The FCA enters into arrangements with the fee payer under which it can make transaction reports directly to the FCA</u>

<u>(1) a firm;</u> <u>(2) a third party acting on a firm's behalf;</u> <u>(3) an approved reporting mechanism;</u> <u>(4) an operator of a regulated market; and</u> <u>(5) an operator of an MTF.</u>			
---	--	--	--

...

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

...

Part 3 This table indicates the tariff base for each fee-block set out in Part 1. The tariff base in this Part is the means by which the <i>FCA</i> measures the amount of business conducted by a <i>firm</i> for the purposes of calculating the annual periodic fees payable to the <i>FCA</i> by that <i>firm</i>.	
Activity group	Tariff base
...	...
A.7	... <u>(4) its permission includes managing an AIF or managing a UCITS (a class 4 firm)</u>
...	
A.9	GROSS INCOME (1) For AIFMs (excluding internally managed AIFs), management companies, operators (including ACDs and authorised fund managers of unit trusts or authorised contractual schemes but excluding operators of a personal

	<i>pension scheme or a stakeholder pension scheme) and residual CIS operators</i> gross income from the activity relating to fee-block A.9 is defined as: the amount of the annual charge on investments in the <i>fund</i> received or receivable in the latest accounting period (this is calculated as a % of the funds invested, typically 1% p.a.); PLUS <u>(a) the front-end or exit charge levied on sales or redemptions of <i>collective investment schemes</i> (typically 4-5% of sales/redemptions) in that same accounting period; and</u> <u>(b) any amount the <i>firm</i> would have levied as such a charge but for a business decision to waive, discount or rebate etc. that charge;</u> ...
...	

...

4 Annex R FCA Fee rates and EEA/Treaty firm modifications for the period 1 April 2014 to 31 March 2015

Part 1		
This table shows the tariff rates applicable to each of the fee blocks set out in Part 1 <i>FEES</i> 4 Annex 1AR		
...		
Activity group	Fee payable	
...		
A7	For class 1(c), (2) and (3) , <u>(3) and (4) firms</u>	...
...		

...

After FEES 4 Annex 2BR insert the following new Annex 3AR. The text is not underlined.

4 Annex R Fees relating to the direct reporting of transactions to the FCA under 3A SUP 17

This table shows the fees payable by a <i>firm</i> , a third party acting on behalf of a <i>firm</i> , an <i>approved reporting mechanism</i> , an operator of a <i>regulated market</i> or an operator of an <i>MTF</i> that makes <i>transaction reports</i> directly to the <i>FCA</i> under <i>SUP 17</i> (Transaction reporting).	
Fee	Fee amount (£)
Technical support fee	[tbc]
Testing environment fee	[tbc]
Variable transaction-based fee	[tbc] per 100,000 <i>transaction reports</i> or part 100,000 <i>transaction reports</i> processed during the calendar year ending 31 December before the <i>fee year</i> to which the fee relates

...

Amend the following as shown.

**4 Annex
11AR** **Definition of annual income for the purposes of calculating fees in fee blocks A.13, A.14, A.18, A.19 and B. Service Companies**

Annual income definition
General definition for all fee-blocks “Annual income” for a particular fee block (the “relevant fee block”) is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the <i>firm</i>’s accounts during the reporting year in respect of, or in relation to, the provision in the <i>UK</i> of the <i>regulated activities</i> specified in <i>FEES 4 Annex 1AR Part 1</i>, as belonging to the relevant fee block. The figure should be reported for the relevant fee block without netting off the operating costs or business expenses, but including: ... (c) the “fair value” of any goods or services the <i>firm</i> provided to <i>clients</i>. This is the <i>commission equivalent</i> or an estimate of the amount the <i>firm</i> would otherwise have received for any <i>regulated activity</i> under (a) above, but for which it has made a business decision to waive or discount its charges. <u>Where the firm’s regulated activities are carried on by an appointed representative of the firm</u> <u>The <i>firm</i>’s annual income must include income received by an <i>appointed</i></u>

representative carrying a regulated activity in a relevant fee block on behalf of the firm.

The appointed representative's annual income must be calculated in the same way as the firm's. However, to avoid double counting, the appointed representative's annual income must not include any income also recognised in the firm's accounts, including income recognised as a result of a commission sharing arrangement with the appointed representative.

...

4 Annex R **Definition of annual income for the purposes of calculating fees in fee blocks CC1 and CC2**

Annual income definition for *credit related regulated activities*

“Annual income” is the gross inflow of economic benefits (i.e. cash, receivables, and other assets) recognised in the *firm's* accounts during the reporting year in respect of, or in relation to, the provision in the *UK* of the *regulated activities* specified in *FEES 4 Annex 1AR Part 1* as belonging to fee-blocks CC1 or CC2 as applicable.

The figure should be reported without netting off the operating costs or business expenses, but including:

...

(d) for *credit broking* where a *firm* effects an introduction between a *lender* and a *borrower* with a view to the *borrower* entering into a *regulated credit agreement* to finance the purchase of goods and/or services by the *borrower* from the *firm*, the difference between the amount of credit the *lender* provides to the *borrower* and the amount *A* accepts from the *lender*.

Where the firm's regulated activities are being carried on by an appointed representative of the firm

The firm's annual income must include income received by an appointed representative carrying a regulated activity in a relevant fee block on behalf of the firm.

The appointed representative's annual income must be calculated in the same way as the firm's. However, to avoid double counting, the appointed representative's annual income must not include any income also recognised in the firm's accounts, including income recognised as a result of a commission sharing arrangement with the appointed representative.

Guidance on the interpretation of this definition is presented in Table 2 of *FEES 4 Annex 13G*.

...

4 Annex 13 G Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3

Table 1		
The following table sets out the <i>guidance</i> on how a <i>firm</i> should calculate tariffs for fee blocks A.13, A.14, A.18, A.19 and B. Service Companies		
...		
Inclusions		
(7)	Annual income should include	
	...	
	(c)	earnings from those who will become its appointment representatives immediately after authorisation; <u>(i) amounts earned by a firm's appointed representative when carrying on a regulated activity for the firm to which FEES 4 Annex 11AR applies; and</u> <u>(ii) amounts earned by a person who will become the firm's appointed representative immediately after authorisation;</u>
	...	
...		

Table 2		
The following table sets out <i>guidance</i> on how a <i>firm</i> should calculate tariffs for fee blocks CC.1 and CC.2		
...		
Inclusions		
(7)	Annual income should include:	
	...	
	(d)	earnings from those who will become its appointment representatives immediately after authorisation <u>(i) amounts earned by the firm's appointed representatives when carrying on a regulated activity for the firm to which</u>

		<u>FEES 4 Annex 11BR applies; and</u> <u>(ii) amounts earned by a person who will become the firm's appointed representative immediately after authorisation;</u> and
	...	
...		

5 Financial Ombudsman Service Funding

...

5.8 Joining the Financial Ombudsman Service

...

Application of FEES 5.8.2R

- 5.8.3 G The table below sets out the period within which a *firm's* tariff base is calculated (the data period) for second year levies calculated under *FEES* 5.8.2R. The example is based on a *firm* that acquires *permission* on 1 November ~~2009~~ 2014 and has a financial year ending 31 March. Where valuation dates fall before the *firm* receives *permission* it should use projected valuations in calculating its levies.

References in this table to dates or months are references to the latest one occurring before the start of the *FCA's* financial year unless otherwise stated.

Type of permission acquired on 1 November	Tariff base	Valuation date but for FEES 5.8.2R	Data period under FEES 5.2.8R
Insurers - general	Relevant annual gross premium income <u>and</u> <u>gross technical liabilities</u>	31 March 2009 <u>2014</u> - so projected valuations will be used	1 November to 31 December 2009 <u>2014</u>
Fund managers (including those holding client money/assets and not holding client money/assets)	...	...	...

<u>Portfolio managers (including those holding <i>client money</i>/ assets and not holding <i>client money</i>/ assets)</u>			
<u>Advisory Advisers</u> , arrangers, dealers or brokers holding and controlling <i>client money</i> and/or assets	Number of relevant persons approved to perform the customer function with certain exclusions <u>Annual income as defined in FEES 4 Annex 11AR</u>	Relevant approved persons as at 31 December <u>31 December.</u> <u>This is because the <i>firm's</i> tariff base is calculated by reference to the <i>firm's</i> financial year end in the calendar year before the start of the FCA fee year. Therefore FEES 5.8.2R(3)(c) applies.</u>	Relevant approved persons as at 31 December <u>1 November to 31 December but annualised in accordance with FEES 5.8.2R(3)(c)(iii)</u>

...

7 CFEB levies

...

7 Annex R CFEB levies for the period from 1 April 2014 to 31 March 2015

1

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

Activity Group	<i>CFEB levy</i> payable
...	

CC.1	Minimum fee	£10
	<u>Band width (£ thousand of annual income (AI))</u>	<u>Fee (£/£ thousand or part thousand of AI)</u>
	<u>> 250</u>	<u>[...]</u>
...		

...

Appendix 1 Unauthorised Mutuals Registration Fees Rules

App 1.1 Introduction

...

- App 1.1.2 G (1) The purpose of these rules is to set out the requirements for *registered societies* and *sponsoring bodies* to pay periodic and application fees which, together, will provide the funding for the FCA's functions in respect of the registrant-only fee block (Category F).
- (2) This set of rules is in respect of the registration functions relating to registered societies transferred to the FCA by ~~Part XXI (Mutual Societies) of the Financial Services and Markets Act 2000 ('the Act')~~ by section 50 of the Financial Services Act 2012, other than friendly societies authorised under section 31 of the *Act*.

...

Appendix 4

Periodic Fees (2015/16) and Other Fees Instrument 2015 [draft rules]

PERIODIC FEES (2015/2016) AND OTHER FEES INSTRUMENT 2015

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137T (General supplementary powers);
 - (b) section 139A (Power of the FCA to give guidance);
 - (c) section 234 (Industry funding);
 - (d) section 333R (Funding of the Treasury’s pensions guidance costs);
 - (e) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
 - (f) paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body);
 - (2) paragraph 9 of schedule 4 to the Financial Services (Banking Reform) Act 2013;
 - (3) the following provisions of the Payment Services Regulations 2009 (SI 2009/209):
 - (a) regulation 82 (Reporting requirements);
 - (b) regulation 92 (Costs of supervision); and
 - (c) regulation 93 (Guidance);
 - (4) the following provisions of the Electronic Money Regulations 2011 (SI 2011/99):
 - (a) regulation 49 (Reporting requirements);
 - (b) regulation 59 (Costs of supervision); and
 - (c) regulation 60 (Guidance); and
 - (5) the following powers and related provisions in the Regulated Covered Bond Regulations 2008 (SI 2008/346):
 - (a) regulations 18, 20, 24 and 25 (notification requirements);
 - (b) regulation 42 (Guidance); and
 - (c) regulation 46 and paragraph 5 of Schedule 1 (fees).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

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

Amendments to the FCA Handbook

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

Citation

E. This instrument may be cited as the Periodic Fees (2015/2016) and Other Fees Instrument 2015.

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

Annex

Amendments to the Fees manual (FEES)

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

3 Application, Notification and Vetting Fees

...

3.2 Obligation to pay fees

...

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable	Due date
...	...	...
(ga) Any applicant for: (i) a <i>Part 4A permission</i> to carry out the <i>regulated activity of administering a specified benchmark for one or more <u>specified benchmarks</u></i> ; or (ii) varying its <i>Part 4A permission</i> to carry out the <i>regulated activity of administering a specified benchmark for one or more <u>specified benchmark</u></i> .	<i>FEES 3 Annex 3 R, part 1</i>	On or before the date the application is made
...	...	...
(i) An applicant for <i>listing</i> (under the <i>listing rules</i>) [deleted]	<i>FEES 3 Annex 4, part 1</i>	On or before the date the application is made
...		
(k) Issuers of tranches from debt issuance programmes and	<i>FEES 3 Annex 4, part 1</i>	An upfront fee is required per tranche for draw downs in the

securitised derivative tranches [deleted]		following 12 months
...		
(w) A listed issuer that requests or whose representative requests the FCA to amend the Official List , or any records held by the FCA in relation to the Official List , otherwise than pursuant to an application for listing. [deleted]	FEES 3 Annex 4 part 3	On or before the date the request is made.
...		

...

3 Annex 3R Application fees payable in connection with Recognised Investment Exchanges, Recognised Auction Platforms and Benchmark Administrators

Description of applicant	Amount payable	Due date
Part 1 (Recognised bodies)		
...		
Any applicant for: (i) a <i>Part 4A permission</i> to carry out the regulated activity of administering a <u>specified benchmark</u> where the applicant <u>intends to administer the arrangements for determining one or more specified benchmarks</u> ; or (ii) varying its <i>Part 4A permission</i> to carry out the regulated activity of administering a <u>specified benchmark</u> where the applicant <u>intends to administer the arrangements for determining one or more specified benchmarks</u> .	£25,000	Date the application is made
Any applicant for: (i) a <i>Part 4A permission</i> to carry out the regulated activity of administering a <u>specified benchmark</u> where the applicant does not intend to administer the <u>arrangements for determining a specified benchmark</u>	£5,000	Date the application is made

; or (ii) <u>varying its Part 4A permission to carry out the regulated activity of administering a specified benchmark where the applicant does not intend to administer the arrangements for determining a specified benchmark.</u>		
...		

...

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

Part 1

[deleted]

Fee type	Fee amount
Application fees	
Application for listing	225 plus 100 per each additional issue of securities with its own International Securities Identification Number unless the fee in Categories 6 or 8 of FEES 3 Annex 5 Part 2 applies.

...

Part 3

[deleted]

Fee type	Fee amount
Administration fee where the <i>FCA</i> makes amendments to the <i>Official List</i> , or any records held by the <i>FCA</i> in relation to the <i>Official List</i> , as a result of a request made by a listed issuer or its representative.	225 plus, if the request relates to more than one issue of securities, 100 per each additional issue of securities (with its own International Securities Identification Number).

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

...

For the purposes of categories 1-3 of this fee schedule, equity does not include convertible securities or depositary receipts. These are treated as non-equity.

Where a fee in category 6 or 8 of this fee schedule is payable, the listing application fee under ~~FEES 3 Annex 4 Part 1~~ does not apply.

...

...

3 Annex Special Project Fee for restructuring 9R

...	...	...
(11) AR	Table of PRA hourly rates	
	PRA pay grade	Hourly rates (£)
	Administrator	30
	Associate	55 <u>60</u>
	Technical Specialist	90
	Manager	115 <u>110</u>
	Any other person employed by the PRA	165 <u>170</u>

...

...

4 Periodic fees

...

4.2.11 R Table of periodic fees payable to the FCA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
...			
Persons who hold a certificate	£1000 <u>£1,084</u>	...	...

issued by the FCA under article 54 of the <i>Regulated Activities Order</i> (Advice given in newspapers etc.)			
...	...	...	...
<i>Sponsors</i>	£25,000 27,100 per year for the period from 1 April to 31 March the following year <u>fee year</u> (see Note)		
...			

...

4 Annex 1AR FCA Activity groups, tariff bases and valuation dates

Part 1 This table shows how the <i>FCA</i> links the regulated activities for which a <i>firm</i> has permission to activity groups (fee-blocks). A <i>firm</i> can use the table to identify which fee-blocks it falls into based on its <i>permission</i> .	
Activity Group	Fee payer falls in the activity group if
...	
B. MTF operators	...
B. <u>Principal</u> Benchmark administrators	It is a <i>benchmark administrator</i> <u>who administers the arrangements for determining one or more specified benchmarks.</u>
<u>B. Benchmark</u> administrators	<u>It is a benchmark administrator who does not administer arrangements for determining one or more specified benchmarks.</u>

4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April 2014 2015 to 31 March 2015 2016

Part 1

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

...	
(3)	For a <i>firm</i> which has not complied with <i>FEES</i> 4.2.2G (Information on which fees are calculated) for this period:
	...
(b)	an additional fee of £250 is payable unless the <i>firm</i> is a <i>PRA- authorised person</i> in which case an additional fee of £125 is payable instead; and
(c)	the minimum total fee (including the administrative fee in (b)) is £43 466 , unless the firm is a <i>PRA- authorised person</i> in which case the total minimum total fee (including the administrative fee in (b)) is £215 233 .

Activity group	Fee payable	
A.1	Band width (£million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part m of MELs)
		General Periodic fee
	>10 - 140	14.56 <u>15.79</u>
	>140 - 630	14.56 <u>15.79</u>
	>630 - 1,580	14.56 <u>15.79</u>
	>1,580 - 13,400	18.20 <u>19.74</u>
	>13,400	24.02 <u>26.05</u>
	Tariff rates in A.1 are not relevant for the <i>permissions</i> relating to <i>operating a dormant account fund</i> . Instead a flat fee of £6,000 is payable in respect of these <i>permissions</i> .	
A.2	Band width (No. of mortgages and/or home	Fee (£/mortgage)

	finance transactions)	
	>50	2.18 <u>2.36</u>
A.3	Gross premium income (GPI)	Periodic fee
	Band Width (£million of GPI)	Fee (£/m or part m of GPI)
	>0.5	314.73 <u>338.75</u>
	PLUS	
	Gross technical liabilities (GTL)	General Periodic fee
	Band Width (£million of GTL)	Fee (£/£m or part £m of GTL)
	>1	17.04 <u>18.60</u>
	For <i>UK ISPV</i> 's the tariff rates are not relevant and a flat fee of 430 <u>466</u> is payable in respect of each <i>FCA</i> financial year (the 12 months ending 31 March)	
A.4	Adjusted annual gross premium income (AGPI)	General Periodic fee
	Band Width (£million of AGPI)	Fee (£/£m or part £m of AGPI)
	>1	464.98 <u>520.59</u>
	PLUS	
	Mathematical reserves (MR)	General Periodic fee
	Band Width (£million of MR)	Fee (£/£m or part £m of MR)
	>1	10.76 <u>11.71</u>
A.5	Band Width (£million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	8.00 <u>8.64</u>
A.6	Flat fee (£)	306,774 <u>332,455</u>
A.7	For class 1(c), (2), (3) and (4)	

	<i>firms:</i>	
	Band Width (£million of Funds under Management (FuM))	Fee (£/£m or part £m of FuM)
	>10	8.30 <u>8.45</u>
	For class 1(B) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 15%. For class 1 (A) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 50%.	
A.9	Band Width (£million of Gross Income (GI))	Fee (£/£m or part £ m of GI)
	>1	1,425.00 <u>1,300.00</u>
A.10	Band Width (No. of traders)	Fee (£/person)
	>1	4,960.00 <u>5,321.00</u>
	For <i>firms</i> carrying on <i>auction regulation bidding</i> , the fee in A.10 is calculated as above less 20% for each trader that carries on <i>auction regulation bidding</i> but not <i>MiFID business bidding</i> or <i>dealing in investments as principal</i> .	
	...	
A.13	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	2.81 <u>3.10</u>
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	2.30 <u>2.46</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	17.53 <u>17.00</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	1.78 <u>1.88</u>
A.21	<i>Client money</i>	
	Band Width (£ <i>client money</i>) (CM) held	Fee (£/£ millions or part £ million of CM)

	less than £1 million	110.20 <u>134.83</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	82.65 <u>101.13</u>
	more than £1 billion	55.10 <u>67.42</u>
	PLUS	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i>) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £10 million	0.52 <u>0.53</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	0.39 <u>0.40</u>
	more than £100 billion	0.26 <u>0.27</u>
B. Market operators		£45,000 <u>49,000</u>
B. Service Companies	Band Width	Flat fee (£)
	Annual income up to and including £100,000	1,000 <u>1,084</u>
	Annual income over £100,000 up to and including £1,000,000	10,000 <u>11,000</u>
	Annual income over £1,000,000	45,000 <u>49,000</u>
	A <i>service company</i> that fails to provide income data for the relevant <i>fee year</i> is deemed to fall within the highest band width.	
B. <u>Principal Benchmark administrators</u>	£175,000 <u>£200,000</u>	
B. <u>Benchmark administrators</u>	<u>£50,000</u>	
...		
CC1. Credit-related	Band Width (£ thousands of annual income (AI))	Fee (£)

regulated activities with limited permission	0 - 10	100
	>10 - 50	250
	>50 - 100	400
	>100	500
	PLUS:	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	0.40
CC2. Credit-related regulated activities	Band Width (£ thousands of annual income (AI))	Fee (£)
	0 - 50	300
	>50 - 100	500
	>100	1,000
	PLUS:	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	0.78

Part 2

This table shows the tariff rates applicable to each of the fee blocks set out in Part 2 of *FEES* 4 Annex 1AR.

...	(1)	£ 1,000 <u>1,084</u> unless:	
		(a)	It is a <i>credit union</i> that meets the conditions in (2), in which case the minimum fee payable is as set out in (2);
		(b)	it is a <i>non-directive friendly society</i> that falls into the A.3 activity group but not the A.4 activity group and meets the conditions set out in (3)(a), in which case the minimum fee payable is £ 430 <u>466</u> ; or.
		(c)	it is a <i>non-directive friendly society</i> that falls into the A.4 activity group but not the A.3 activity group and

		meets the conditions in (3)(b), in which case the minimum fee payable is £430 <u>466</u> ; or
	(d)	it is a <i>non-directive friendly society</i> that falls into the A.3 and A.4 activity groups and meets the conditions in (3)(a) and (3)(b), in which case the minimum fee payable is £430 <u>466</u> .
(2)	The conditions referred to in (1)(a) are that the <i>credit union</i> has a tariff base (Modified Eligible Liabilities) of:	
	(a)	0 to 0.5million, in which case a minimum fee of £160 <u>172</u> is payable; or
	(b)	greater than 0.5million but less than 2.0 million, in which case a minimum fee of £540 <u>584</u> is payable.
(3)	The conditions referred to in (1) are that:	
	(a)	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;
	(b)	the <i>non-directive friendly society</i> falls into the A.4 activity group and has, for that activity, written 1.0 million or less in adjusted gross <i>premium</i> income and holds mathematical reserves of 1.0 million or less.
	The figures for gross <i>premium</i> income, gross technical liabilities, adjusted gross <i>premium</i> income and mathematical reserves are the same as used for Part 1 of this Annex.	
	(4)	For <i>PRA-authorised persons</i> , the minimum fee is 50% of any fee stated in (1) or (2) above.
AP.0	Periodic fees payable under fee blocks A.2, A.7 to A.19 and A.21 in Part 1 multiplied by rate £ 0.118 <u>0.1293</u>	

...

4 Annex 3AR Fees relating to the direct reporting of transactions to the FCA under SUP 17 for the period 1 April 2015 to 31 March 2016

This table shows the fees payable by a *firm*, a third party acting on behalf of a *firm*, an *approved reporting mechanism*, an operator of a *regulated market* or an operator of an *MFT* that makes *transaction reports* directly to the FCA under SUP 17 (Transaction reporting).

Fee	Fee amount (£)
-----	----------------

Technical support fee	£ <u>5,000</u>
Testing environment fee	£ <u>3,750</u>
Variable transaction-based fee	£ <u>6.00</u> per 100,000 <i>transaction reports</i> or part 100,000 <i>transaction reports</i> processed during the calendar year ending 31 December before the <i>fee year</i> to which the fee relates

4 Annex 4R Periodic fees in relation to collective investment schemes, AIFs marketed in the UK and small registered UK AIFMs payable for the period 1 April 2014 2015 to 31 March 2015 2016

Part 1 – Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
ICVC, AUT, ACS, Section 264 of the Act, schemes other than non-EEA AIFs recognised under section 272 of the Act,	715 <u>610</u>	1 – 2	1	715 <u>610</u>
		3 – 6	2.5	1,788 <u>1,525</u>
		7 – 15	5	3,575 <u>3,050</u>
		16 – 50	11	7,865 <u>6,710</u>
		> 50	22	15,730 <u>13,420</u>
Non-EEA AIFs recognised under section 272 of the Act,	2,910 <u>2,485</u>	1 – 2	1	2,910 <u>2,485</u>
		3 – 6	2.5	7,275 <u>6,213</u>
		7 – 15	5	14,550 <u>12,425</u>
		16 – 50	11	32,010 <u>27,335</u>
		> 50	22	64,020 <u>54,670</u>

...

Part 2 - Periodic fees for AIFs marketed in the UK, following a notification to the

FCA under regulation 57, 58 or 59 of the AIFMD UK regulation

Notification under regulation 57 of the <i>AIFMD UK regulation</i>	500
Notification under regulation 58 of the <i>AIFMD UK regulation</i>	350
Notification under regulation 59 of the <i>AIFMD UK regulation</i>	500

Part 3 – Periodic fees paid by *small registered UK AIFMs*

The annual fee for *small registered UK AIFMs* is £750

4 Annex 5R Periodic fees for designated professional bodies payable in relation to the period 1 April 2014 2015 to 31 March 2015 2016

Name of Designated Professional Body	Amount payable
The Law Society of England & Wales	£85,910 <u>49,480</u>
The Law Society of Scotland	£14,690 <u>12,720</u>
The Law Society of Northern Ireland	£13,690 <u>12,040</u>
The Institute of Actuaries	£10,130 <u>10,070</u>
The Institute of Chartered Accountants in England and Wales	£27,490 <u>59,390</u>
The Institute of Chartered Accountants of Scotland	£11,410 <u>13,890</u>
The Institute of Chartered Accountants in Ireland	£10,750 <u>17,090</u>
The Association of Chartered Certified Accountants	£18,480 <u>38,890</u>
The Council for Licensed Conveyancers	£11,550 <u>10,850</u>
Royal Institution of Chartered Surveyors	£14,620 <u>12,600</u>

...

4 Annex 6R Periodic fees for recognised investment exchanges, and recognised auction platforms payable in relation to the period 1 April 2014 2015 to 31 March 2015 2016

...

Part 1 – Periodic fees for UK recognised investment exchanges

Name of UK recognised body	Amount payable
ICE Futures Europe Ltd	£890,000 <u>1,300,000</u>
LIFFE Administration and Management	£890,000 <u>300,000</u>
London Metal Exchange	£645,000 <u>700,000</u>
London Stock Exchange plc	£870,000 <u>1,000,000</u>
ICAP Securities & Derivatives Exchange Limited (RIE)	£315,000 <u>340,000</u>
BATS Trading Limited	£475,000 <u>515,000</u>
CME Europe Limited	£300,000 <u>400,000</u>
Euronext London Limited	£300,000 <u>330,000</u>
Any other UK <i>recognised investment exchange</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	£300,000

Part 1A – Periodic fees for recognised auction platforms	
Name of recognised auction platform	Amount payable
An <i>RAP</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	£50,000

Part 2 – Periodic fees for overseas recognised investment exchanges	
The Chicago Mercantile Exchange (CME) (ROIE)	£58,000 <u>63,000</u>
Chicago Board of Trade	£58,000 <u>63,000</u>
EUREX (Zurich)	£58,000 <u>63,000</u>
National Association of Securities and Dealers Automated Quotations (NASDAQ)	£58,000 <u>63,000</u>

New York Mercantile Exchange Inc.	£58,000 <u>63,000</u>
The Swiss Stock Exchange	£58,000 <u>63,000</u>
Sydney Futures Exchange Limited	£58,000 <u>63,000</u>
ICE Futures US Inc	£58,000 <u>63,000</u>
NYSE Liffe US	£58,000
Any other <i>overseas investment exchange</i> recognised as such by a <i>recognition order</i> made in the <i>fee year</i>	£58,000 <u>63,000</u>

4 Annex 7R Periodic fees in relation to the Listing Rules for the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

Fee type	Fee amount
Annual fees for the period 1 April 2014 <u>2015</u> to 31 March 2015 <u>2016</u>	
Annual Issuer Fees ...	... (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>fee year</i> in which the fee is payable, are set out in Table 1A for <i>issuers with a standard listing of shares</i> and <i>issuers</i> of global depositary receipts and Table 2 for other <i>issuers</i>. The fee is calculated as follows: (a) the relevant minimum fee; plus (b) the cumulative total of the sums payable for each of the bands calculated by multiplying each tranche of the <i>firm's issuer's</i> market capitalisation by the rate indicated for that tranche. (3) Notwithstanding (2), overseas issuers with a listing of equity securities which is not a premium listing will only pay 80% of the fee otherwise payable

	under (2). [deleted]
...	

Table 1

The annual fee for issuers of *securitised derivatives* is ~~£4,750~~ 5,150

Table 1A

Tiered annual fees for issuers of global depositary receipts and issuers with a standard listing of shares

Fee payable	
Minimum fee (£)	3,800 <u>4,120</u>
£ million of Market Capitalisation as at the last <i>business day</i> of the November prior to the <i>fee year</i> in which the fee is payable	Fee (£/£m of part £m of Market Capitalisation as at the last <i>business day</i> of the November prior to the <i>fee year</i> in which the fee is payable)
0 – 100	0
> 100 – 250	22.778828 <u>24.008885</u>
> 250 – 1,000	9.110927 <u>9.602917</u>
> 1,000 – 5,000	5.608150 <u>5.910990</u>
> 5,000 – 25,000	0.136800 <u>0.144187</u>
> 25,000	0.044197 <u>0.046583</u>

Table 2

Tiered annual fees for all other issuers

Fee payable	
Minimum Fee (£)	£4,750 <u>5,150</u>
£ million of Market Capitalisation as at the last <i>business day</i> of the November prior to the <i>fee year</i> in which the fee is payable	Fee (£/£m of part £m of Market Capitalisation as at the last <i>business day</i> of the November prior to the <i>fee year</i> in which the fee is payable)

0 – 100	0
> 100 – 250	28.473535 <u>30.011106</u>
> 250 – 1,000	11.388659 <u>12.003646</u>
> 1,000 – 5,000	7.010187 <u>7.388737</u>
> 5,000 – 25,000	0.171000 <u>0.180234</u>
> 25,000	0.055246 <u>0.058229</u>

4 Annex 8R Periodic fees in relation to the Disclosure and Transparency Rules for the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

Annual fees for the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

...

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>	£3,800 <u>4,120</u>
<i>Issuers of depositary receipts and global depositary receipts</i>	£3,040 <u>3,295</u>

Table 2

Fee payable	
Minimum Fee (£)	3,800 <u>4,120</u>
...	
0 – 100	0
> 100 – 250	22.778828 <u>24.008885</u>
> 250 – 1,000	9.110927 <u>9.602917</u>
> 1,000 – 5,000	5.608150 <u>5.910990</u>
> 5,000 – 25,000	0.136800 <u>0.144187</u>
> 25,000	0.044197 <u>0.046583</u>

...

Table 3 – Primary information providers

Fee payable
£15,000 <u>16,260</u>

4 Annex 10R Periodic fees for MTF operators payable in relation to the period 1 April 2014 2015 to 31 March ~~2015~~ 2016

General supervisory category of <i>MTF</i> operator (see Note below)	Fee payable (£)	Due date 1 August 2014 <u>2015</u> or, if later, 30 days from the date of the invoice
Category 1	£300,000	
Category 2	£58,000 <u>63,000</u>	
Category 3	£17,500 <u>19,000</u>	
...	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 <i>UK</i> at any time in the calendar year ending 31 December 2013 <u>2014</u>; and (b) notifies the <i>FCA</i> of that fact by the end of March 2014 <u>2015</u>; the fee is zero. In any other case £17,500 <u>19,000</u>	... In any other case, 1 August 2014 <u>2015</u>

....

4 Annex 11R Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations and electronic money issuance by fee-paying electronic money issuers under the Electronic Money Regulations and issuance of regulated covered bonds by issuers in relation to the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

...

Part 1 – Method for calculating the fee for fee-paying payment service providers		
(1)	...	
...		
(3)	For a <i>fee-paying payment service provider</i> which is required to comply with <i>FEES</i> 4.4.9D (Information on which fees are calculated) and has not done so for this period:	
	(a)	...
	...	
	(c)	the minimum total fee (including the administrative fee) is £650 <u>£683</u>

Part 1A – Method for calculating the fee for fee-paying electronic money issuers		
(1)	...	
...		
(3)	For a <i>fee-paying electronic money issuer</i> which is required to comply with <i>FEES</i> 4.4 (Information on which fees are calculated) and has not done so for this period:	
	(a)	...
	...	
	(c)	the minimum total fee (including the administrative fee in (b)) is £650 <u>£683</u>

...

Part 5 – Tariff rates		
Activity group	Fee payable in relation to 2014/15 <u>2015/16</u>	
G.2	Minimum fee (£)	400 <u>433</u>

	£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	> 0.1	0.27450 <u>0.28750</u>
G.3	Minimum fee (£)	400 <u>433</u>
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	> 100	0.18470 <u>0.19330</u>
G.4	Flat fee (£)	£400 <u>433</u>
G.5	As in G.3.	
G.10	Minimum fee (£)	1,500 <u>1,626</u>
	£million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	>5.0	200.00
G.11	Flat fee (£)	£1,000 <u>1,084</u>
G.15	Minimum fee for the first registered <i>programme</i> (£)	£84,439 <u>91,531</u>
	...	...
	>0.00	86.22 <u>12.07</u>
	...	
...		

...

4 Annex 11BR Definition of annual income for the purposes of calculating fees in fee blocks CC1 and CC2

(1) Annual income definition for *credit related regulated activities*

“Annual income” ...

Plus:

~~(d) for credit broking where a firm effects an introduction between a lender and a borrower with a view to the borrower entering into a regulated credit agreement to finance the purchase of goods and/or services by the borrower from the firm, the difference between the amount of credit the lender provides to the borrower and~~

~~the amount A accepts from the lender. [deleted]~~

(e) the proxy measure of annual income calculated as set out in (2) for a *firm* that meets the following criteria:

- (i) it either:
 - (aa) carries on *credit broking*; or
 - (bb) enters into a *regulated credit agreement* as a *lender*;
- (ii) its main business is to sell goods or supply services; and
- (iii) it receives no annual income of the type in (a) to (c).

(2) Proxy measure for annual income

(a) A *firm* must calculate a proxy measure of its annual income for its *regulated activities* in paragraph (1)(e)(i), except for *credit broking* carried on in relation to a *regulated consumer hire agreement*.

(b) The proxy measure must be calculated as follows:

- (i) multiply the gross loan amount under all *regulated credit agreements* in respect of the *regulated activities* in (a) by the percentage value in (b)(ii);
- (ii) the percentage value is 5% plus the Bank of England base rate prevailing on the final day of the *firm's accounting reference date*.

Guidance on the interpretation of this definition is presented in Table 2 of FEES 4 Annex 13G.

4 Annex 13G Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3

...

Table 2

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee blocks CC.1 and CC.2

~~Lender's credit broker charge~~

- | | |
|------|--|
| (6A) | <p>An example of when a <i>firm</i> should report under paragraph (d) of FEES 4 Annex 11B is set out below:</p> <p>If a retailer arranges a loan for £1,000 to enable a <i>consumer</i> to purchase goods from it priced at £1,000, it may agree to accept £950 directly from the <i>lender</i> as payment for those goods to provide an incentive for the <i>lender</i> to enter into the loan. The retailer should report the £50 difference</p> |
|------|--|

	as a measure of the regulated activity of credit broking. The lender should report the £50 difference along with any subsequent interest or administration or penalty charges paid by the consumer to the lender, as the lender's income from the regulated credit agreement. [deleted]
(6B)	<u>Proxy measure of regulated activity for a firm that meets the criteria set out at paragraph (1)(e) of FEES 4 Annex 11BR</u> <u>Paragraph (2) of FEES 4 Annex 11BR sets out the proxy measure for annual income for a firm defined in paragraph (1)(e) of FEES 4 Annex 11BR. An example of what a firm would report as a proxy measure of regulated activity is provided below:</u> <u>If such a firm enters into a regulated consumer credit agreement, providing a loan for £1,000, to enable a customer to purchase goods from it priced at £1,000 and the Bank of England base rate prevailing on the final day of the firm's accounting reference date is 0.5%, the retailer should report:</u> <u>$5\% + 0.5\% \times (£1000) = £55$</u> <u>(Historic Bank of England Interest rates are available here:</u> <u>http://www.bankofengland.co.uk/statistics/Documents/rates/baserate.pdf</u>)

5 Financial Ombudsman Service Funding

...

5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2014/15 2015/16

Introduction: annual budget

1. The *annual budget* for 2014/15 2015/16 approved by the FCA is £270.3m.
2. The total amount expected to be raised through the *general levy* in 2014/15 2015/16 will be £23.3m.

Compulsory jurisdiction – general levy

Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, <i>home finance providers, home finance administrators</i>	...	£0.043350 per relevant account, subject to a minimum levy of £100

(excluding <i>firms</i> in block 14) and <i>dormant account fund operators</i>		
2-Insurers - general (excluding <i>firms</i> in blocks 13 & 15)	...	£0.1319 per £1,000 of relevant annual gross premium income, subject to a minimum levy of £100
3-The <i>Society</i> (of Lloyd's)	...	£25,989 to be allocated by the <i>Society</i>
4-Insurers - life (excluding <i>firms</i> in block 15)	...	£0.01650 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £130
5-Portfolio managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i>)	...	Levy of £275
6-Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	...	Levy of £60
7-Dealers as principal	...	Levy of £75
8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	...	£0.160 <u>0.149</u> per £1,000 of annual income subject to a minimum fee of £45
9-Advisors, <i>arrangers</i> , dealers or brokers not holding and controlling <i>client money</i> and/or assets	...	£0.1085 <u>0.1</u> per £1,000 of annual income subject to a minimum fee of £45
10-Corporate finance advisers	...	Levy of £55
11- <i>fee-paying payment service providers</i> (but excluding <i>firms</i> in any other Industry block	...	£0.0007 per £1,000 of relevant income subject to a minimum

except Industry block 18)		levy of £75
	...	Levy of £35
12-	N/A for 2014/15 <u>2015/16</u>	
13-Cash plan health providers	...	Levy of £65
14-Credit unions	...	Levy of £55
15-Friendly societies whose tax-exempt business represents 95% or more of their total relevant business	...	Levy of £65
16-Home finance providers, advisers and arrangers (excluding firms in blocks 13, 14 & 15)	...	Levy of £90
17-General insurance mediation (excluding firms in blocks 13, 14 & 15)	...	£0.4852 <u>0.467</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 £100
18-fee-paying electronic money issuers	For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , average outstanding <i>electronic money</i> , as described in <i>FEES</i> 4 Annex 11R Part 3.	£0.0016 per £1,000 of average outstanding electronic money subject to a minimum levy of £75
	For <i>small electronic money institutions</i> , a flat fee	Levy of £50
19 – Credit-related regulated activities with limited permission	For <i>not-for-profit debt advice bodies</i> , a flat fee	Levy of £0
	For all other <i>firms with limited permission</i> , a flat	Levy of £35

	fee	
20 – <i>Credit-related regulated activities</i>	Annual income as defined in <i>FEES</i> 4 Annex 11BR	Levy of £35 Plus £0.02 per £1,000 of annual income on income above £250,000

...

7 CFEB levies

...

7 Annex 1R CFEB levies for the period from 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

Part 1

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

Activity Group	<i>CFEB levy payable</i>			
A.1	Column 1 Money advice levy		Column 2 Debt advice levy (Notes 3 – 6)	
	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fixed sum (£/£m or part £m of MELs)	Bandwidth (million of unsecured debt)	Fixed sum (/m or part m of unsecured debt)
	> 10	3.55 <u>2.89</u>	> 0	190.76 <u>225.03</u>
	...			
A.2	Column 1 General levy		Column 2 Debt advice levy (Notes 5 – 6)	
	Band Width (no. of mortgages and/or <i>home finance</i>)	Fixed sum (£/mortgage)	Bandwidth (million of secured debt)	Fixed sum (/m or part m of secured debt)

	<i>transactions)</i>			
	>50	0.96 <u>0.71</u>	> 0	15.80 <u>18.65</u>
A.3	Gross premium income (GPI)			
	Band Width (£ million of GPI)		Fixed sum (£/£m or part £m of GPI)	
	>0.5		52.34 <u>43.46</u>	
	PLUS			
	Gross technical liabilities (GTL)			
	Band Width (£ million of GTL)		Fixed sum (£/£m of part £m of GTL)	
	>1		2.84 <u>2.39</u>	
A.4	Adjusted annual gross premium income (AGPI)			
	Band Width (£ million of AGPI)		Fixed sum (£/£m or part £m of AGPI)	
	>1		74.81 <u>72.44</u>	
	PLUS			
	Mathematical reserves (MR)			
	Band Width (£ million of MR)		Fixed sum (£/£m or part £m of MR)	
	>1		1.74 <u>1.63</u>	
A.5	Band Width (£ million of Active Capacity (AC))		Fixed sum (£/£m or part £m of AC)	
	>50		0.42 <u>0.00</u>	
A.6	Flat levy		£12,663.30 <u>0.00</u>	
A.7	For class 1(c), (2), and (3) <u>and</u> (4) <i>firms</i> :			
	Band Width (£ million of Funds under Management (FuM))		Fixed sum (£/£m of part £m of FuM)	

	>10	0.47 <u>0.37</u>
	...	
A.9	Band Width (£ million of Gross Income (GI))	Fixed sum (£/£m of part £m of GI)
	>1	129.40 <u>86.50</u>
A.10	Band Width (no. of traders)	Fixed sum (£/trader)
	> 1	258.58 <u>205.55</u>
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	0.15 <u>0.18</u>
	...	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	0.09 <u>0.07</u>
A.18	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100	2.38 <u>1.21</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fixed sum (£/£ thousand or part £ thousand of AI)
	>100	0.075 <u>0.046</u>
A.21	Band Width (£ <i>client money</i>) (CM) held	Fee (£/£ millions or part £ million of CM)
	less than £1 million	13.25 <u>3.16</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	9.94 <u>2.37</u>
	more than £1 billion	6.63 <u>1.58</u>
	PLUS	
	<i>Safe custody assets</i>	

	Band Width (£ <i>safe custody assets</i>) (CA) held	Fee (£/£ millions or part £ million of CA)
	less than £ 10 million	0.062 <u>0.013</u>
	an amount equal to or greater than £10 million and less than or equal to £100 billion	0.047 <u>0.010</u>
	more than £ 100 billion	0.031 <u>0.007</u>
G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	0.0246 <u>0.0335</u>
G.4	Flat fee (£)	10
G.10	Minimum fee (£)	10
	£ million or part £m of average outstanding electronic money (AOEM)	Fee (£/£m or part £m of AOEM)
	> 5.0	7.90 <u>10.75</u>
G.11	Flat fee (£)	10
CC.1	Minimum fee	£10
	Band Width (£ thousand of annual income (AI))	Fee (£/£ thousand of part thousand of AI)
	>250	{...} <u>0.37</u>
CC.2	Minimum fee	£10
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>250	0.37
...		
...		

...

9 Payment Systems Regulator funding

...

9 Annex 1R PSR fees for the period 1 April 2015 to 31 March 2016

The table below shows the *PSR fee* applicable to the *operator* of each *regulated payment system* for the fee year 1 April 2015 to 31 March 2016.

Table A

Name of regulated payment system	Amount payable by the relevant operator (£)
{tbc} <u>Bacs</u>	{tbc} <u>4,014,300</u>
<u>CHAPS</u>	<u>4,014,300</u>
<u>Cheque & Credit</u>	<u>3,905,500</u>
<u>Faster Payments Scheme</u>	<u>4,014,300</u>
<u>LINK</u>	<u>4,014,300</u>
<u>Northern Ireland Cheque Clearing</u>	<u>108,800</u>
<u>MasterCard</u>	<u>4,014,300</u>
<u>Visa Europe</u>	<u>4,014,300</u>

10 Pensions guidance levy

...

10 Annex 1R Pension guidance levy for the period 1 April 2015 to 31 March 2016

Activity Group	Pension guidance levy payable	
A.1	Band width (£ million of modified eligible liabilities (MELs)) >10	Fixed sum (£/£m or part £m of MELS) tbc <u>3.32</u>
A.4	Band width (£ million of adjusted annual gross	Fixed sum (£/£m or part £m of AGPI)

	premium income (AGPI) >1	the <u>156.47</u>
A.7	For class 1(B), 1 (C), (2) and (3) firms: Band width (£ million of funds under management (FuM)) >10	Fixed sum (£/£m or part £m of FuM) the <u>1.71</u>
A.9	Band width (£ million of gross income (GI)) >1	Fixed sum (£/£m or part £m of GI) the <u>593.60</u>
A.13	Band Width (£ thousands of annual income (AI)) >100	Fixed sum (£/£ thousand or part of £ thousand of AI) the <u>0.20</u>

Appendix 1 Unauthorised Mutuals Registration Fees Rules

...

App 1 Annex 1R Periodic fees payable for the period 1 April ~~2014~~ 2015 to 31 March ~~2015~~ 2016

Part 1

Periodic fee payable by Registered Societies (on ~~30 June 2014~~ 30 June 2015)

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

Transaction	Total assets (£'000s)	Amount payable (£)
Periodic fee	0 - 50	55 <u>60</u>
	> 50 to 100	110 <u>120</u>
	> 100 to 250	180 <u>195</u>
	> 250 to 1,000	235 <u>255</u>
	> 1,000	425 <u>460</u>

...

Appendix 5

Fees (Consumer Buy-to-let) Instrument 2015 [draft rules]

FEES (CONSUMER BUY TO LET) INSTRUMENT 2015

Powers exercised by the Financial Conduct Authority

- A. The Financial Conduct 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 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance);
 - (4) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority) of the Act; and
 - (5) article 25 of The Mortgage Credit Directive Order 2015.
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Powers exercised by the Financial Ombudsman Service

- C. The Financial Ombudsman Service Limited makes this instrument in the exercise of the following powers and related provisions in the Act:
- (1) paragraph 14 (The scheme operator’s rules) of Schedule 17;
 - (2) paragraph 15 (Fees) of Schedule 17; and
 - (3) paragraph 18 (Terms of reference to the scheme) of Schedule 17.
- D. The making of these rules, guidance and standard terms by the Financial Ombudsman Service Limited is subject to the consent and approval of the Financial Conduct Authority.
- E. The Financial Conduct Authority approves and consents to the making (and amendment) of the rules and standard terms that are made and amended by the Financial Ombudsman Service Limited under this instrument, pursuant to the following powers and related provisions in the Act:
- (1) section 227 (Voluntary jurisdiction);
 - (2) paragraph 14 (The scheme operator’s rules) of Schedule 17; and
 - (4) paragraph 18 (Terms of reference to the scheme) of Schedule 17.
- F. The rule making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- G. This instrument comes into force as follows:
- (1) Annex A and Part 1 of Annex B to this instrument come into force on 21 September 2015;
 - (2) Part 2 of Annex B to this instrument comes into force on 1 April 2016.

Amendments to the FCA Handbook

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

Citation

- J This instrument may be cited as the Fees (Consumer Buy to Let) Instrument 2015.

By order of the Board of the Financial Conduct Authority
[date] 2015

By order of the Board of the Financial Ombudsman Service Limited
[date] 2015

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

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

- CBTL firm*
- (1) (other than in *DISP*) a *person* included by the *FCA* in the *Financial Services Register* pursuant to article 8(1) of the *MCD Order*.
 - (2) (in *DISP* and *FEES* 5.5B) a person within (1) who is not a *firm*.

Annex B

Amendments to the Fees manual (FEES)

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

Part 1: Comes into force on 21 September 2015

- 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 4A permission*, registration as a *CBTL firm*, *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 (in *FEES* ~~5.5A~~ 5.5B). *FEES* 6 (Financial Services Compensation Scheme Funding) relates to the *FSCS* levy. *FEES* 7 relates to the *CFEB* levy.

...

- 2.1.5 G Paragraph 23 of Schedule 1ZA of the *Act*, regulation 92 of the *Payment Services Regulations*, ~~and~~ regulation 59 of the *Electronic Money Regulations* and article 25(a) of the *MCD Order* enable the *FCA* to charge fees to cover its costs and expenses in carrying out its functions. The corresponding provisions for the *FSCS* levy, *FOS* levies' and *CFEB* levies are set out in *FEES* 6.1, *FEES* 5.2 and *FEES* 7.1.4 G respectively. Case fees payable to the *FOS Ltd* are set out in *FEES* ~~5.5A~~ 5.5B. *Fee-paying payment service providers*, ~~and~~ *fee-paying electronic money issuers* and *CBTL firms* are not required to pay the *FSCS* levy but are liable for *FOS* levies.

...

- 2.1.5A G Regulation 92 of the *Payment Services Regulations* and regulation 59 of the *Electronic Money Regulations* each provide that the functions of the *FCA* under the respective regulations are treated for the purposes of paragraph 23 of Schedule 1ZA to the *Act* as functions conferred on the *FCA* under the *Act*. ~~Paragraphs~~ Paragraph 23(7) ~~and 20(1)(b)~~ however, ~~have~~ has not been included. ~~These are, respectively,~~ This is the *FCA*'s obligation to ensure that the amount of penalties received or expected to be received are not to be taken into account in determining the amount of any fee payable and the provision that allows fees to be raised to repay borrowed monies in respect of expenses incurred, before or after the coming into force of the *Act* or the Bank of England Act 1998.

- 2.1.5B G Article 25 of the *MCD Order* provides that the functions under the *MCD*

Order are to be treated for the purposes of paragraph 23 of Schedule 1ZA to the Act as functions conferred on the FCA under the Act.

...

Recovery of fees

- 2.2.3 G Paragraphs 23(8) and 27 of Schedule 1ZA and paragraphs 31(7) and 35 of Schedule 1ZB of the *Act* permit the *FCA* and *PRA* respectively to recover fees (including in respect of the *FCA*, fees relating to *payment services*, the issuance of *electronic money*, fees relating to *CBTL firms* 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 *FCA*, *PRA* and *FSCS* respectively, and the *FCA*, *PRA* and *FSCS*, as relevant, will consider taking action for recovery (including interest) through the civil courts.

...

- 3.1.1A R A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider*, a *CBTL firm* and a *fee-paying electronic money issuer*.

...

- 3.1.4 G Most of the detail of what fees are payable by the persons referred to in *FEES* 3.1.3G is set out in *FEES* 3 Annex 1 - *FEES* 3 Annex ~~40R~~ 10AR.

...

- 3.1.6C G Application fees for registration under article 8(1) of the *MCD Order* are set out in *FEES* 3 Annex 10AR. The fee depends on whether the *firm* holds an existing *Part 4A permission* or an *interim permission* or has previously registered as a *CBTL firm* and that registration has been revoked under article 13 of the *MCD Order*.

...

- 3.2.5 G (1) The appropriate authorisation or registration fee is an integral part of an application for, or an application for a variation of, a *Part 4A permission*, authorisation, registration or variation under the *Payment Services Regulations* or the *Electronic Money Regulations*, registration under article 8(1) of the *MCD Order* or notification or registration under the *AIFMD UK regulation*. Any application or notification received by the *appropriate regulator* without the accompanying appropriate fee, in full and without deduction (see *FEES* 3.2.1R), will not be treated as an application or notification made, incomplete or otherwise, in accordance with section 55U(4), or section 55H or 55I (as the case may be), of the *Act* or regulation 5(3) or 12(3) of the *Payment Services Regulations* or regulation 5 or 12 of the *Electronic Money Regulations* or regulation 11(1) and

60(a) of the *AIFMD UK regulation* or article 9 of the *MCD Order*. Where this is the case, the *appropriate regulator* will contact the applicant to point out that the application cannot be progressed until the appropriate fee has been received. In the event that the appropriate ~~authorisation~~ fee, in full and without deduction, is not forthcoming, the application will be returned to the applicant and no application will have been made.

...

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable	Due date
(a) Any applicant for <i>Part 4A permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i>) whose fee is not payable pursuant to sub-paragraph (ga) of this table	(1) Unless (2) <u>or (3)</u> applies, in respect of a particular application, the highest of the tariffs set out in <i>FEES 3 Annex 1 part 1</i> which apply to that application. (2) In respect of a particular application which is: (i) a straightforward or moderately complex case for the purposes of <i>FEES 3 Annex 1 part 1</i>, and (ii) only involves a simple change of legal status as set out in <i>FEES 3 Annex 1 part 6</i>, the fee payable is 50% of the tariff that would otherwise be payable in <i>FEES 3 Annex 1 part 1</i>. <u>(3) If the applicant applies for registration under article 8(1) of the <i>MCD Order</i> at the same time as applying for a <i>Part 4A permission</i>, the fee payable is the higher of:</u> <u>(i) the fee otherwise payable in (1) or (2); and</u> <u>(ii) the fee payable in <i>FEES</i></u>	On or before the application is made

	<u>3 Annex 10AR.</u>	
...		
(p) A <i>firm</i> applying for a variation of its <i>Part 4A permission</i> whose fee is not payable pursuant to sub-paragraph (ga) of this table	(1) Unless (2), (2A), (3), (3A), or (3B), <u>or 3(C)</u> applies, if the proposed new business of the <i>firm</i> would fall within one or more activity groups specified in Part 1 of <i>FEES 4 Annex 1AR</i> or Part 1 of <i>FEES 4 Annex 1BR</i> not applicable before the application, the fee is 50% of the highest of the tariffs set out in <i>FEES 3 Annex 1</i> which apply to that application. ... <u>(3C) If the applicant applies for registration under article 8(1) of the MCD Order at the same time as it applies for a variation of its Part 4A permission, the fee is the highest of the fees set out in FEES 3 Annex 10AR and the amount otherwise payable in (1), (2), (2A), (3), (3A) or (3B), or (4).</u> ...	
...		
(zt) An applicant for <u>registration in the Financial Services Register under article 8(1) of the MCD Order.</u>	<u>Unless (1), or (2) applies, the fee as set out in FEES 3 Annex 10A.</u> (1) If the applicant is <u>applying for a Part 4A permission at the same time as it applies for registration under article 8(1) of the MCD Order</u>, the fee payable in row (a), column (2)	<u>On or before the application is made</u>

	<u>paragraph (3) of this Table;</u> (2) <u>If the applicant is applying for a variation of a <i>Part 4A permission</i> at the same time as it applies for registration under article 8(1) of the <i>MCD Order</i>, the fee payable in row (p), column 2 paragraph (3)(c) of this Table.</u>	
...		

...

After FEES 3 Annex 10 insert the following new Annex. The text is not underlined.

3 Annex 10AR Fees payable for registration as a CBTL firm under article 9 of the MCD Order

Application type for registration under article 9 of the MCD Order	Amount payable
(1) An applicant who, at the time of application, holds a <i>Part 4A permission</i> or <i>interim permission</i> and has not had a registration as a <i>CBTL firm</i> revoked under article 13 of the <i>MCD Order</i> .	£100
(2) An applicant who, at the time of application, (a) does not hold a <i>Part 4A permission</i> or <i>interim permission</i>; or (b) has previously held a registration as a <i>CBTL firm</i> which was revoked under article 13 of the <i>MCD Order</i>	£500

Part 2: Comes into force on 1 April 2016

- 4.1.1A R A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider*, a *CBTL firm* and a *fee-paying electronic money issuer*.

...

4.1.4 G ...

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

...

4.2.11R Table of periodic fees payable to the FCA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
Any <i>firm</i> (except an <i>AIFM</i> qualifier, <i>ICVC</i> or a <i>UCITS</i> qualifier)	...	...	<i>Firm</i> receives <i>permission</i> , or becomes authorised or registered under the <i>Payment Services Regulations</i> , <u>article 8 of the <i>MCD Order</i></u> or the <i>Electronic Money Regulations</i> ; or <i>firm</i> extends <i>permission</i> or its <i>payment service</i> activities
...			

...

- 4.3.3A R The periodic fee referred to in *FEES 4.3.1R* in relation to *fee-paying payment service providers*, *CBTL firms* and *fee-paying electronic money issuers* is calculated in accordance with *FEES 4 Annex 11R*.

...

4.3.6 R ...

- (3) If a *firm* has applied to cancel its *Part 4A permission* in the way set out in SUP 6.4.5D (Cancellation of permission), or its status as a

payment institution under regulation 10 of the *Payment Services Regulations* (Cancellation of authorisation) or as regulation 10 is applied by regulation 14 of the *Payment Services Regulations* (Supplementary provisions), or its status as an *electronic money issuer* under regulation 10 of the *Electronic Money Regulations* (Cancellation of authorisation) or as regulation 10 is applied by regulation 15 of the *Electronic Money Regulations* (Supplementary provisions), or its registration as a CBTL firm under article 13(c) MCD Order then (1) and (2) do not apply but it must pay the total amount due when the application is made.

...

- (4A) If the FCA has cancelled a *firm's* authorisation or registration under regulation 10 of the *Payment Services Regulations* or regulation 10 of the *Electronic Money Regulations* or its registration under regulation 10 as applied by regulation 14 of the *Payment Services Regulations* or its registration under regulation 10 as applied by regulation 15 of the *Electronic Money Regulations*, or its registration under article 13 (except under article 13(c)) of the MCD Order then (1) and (2) do not apply but the *firm* must pay the total amount due immediately before the cancellation becomes effective.

...

...

- 4.3.13 R (1) If:
- (a) a *firm* makes an application to vary its *permission* (by reducing its scope), or cancel it, in the way set out in SUP 6.3.15D(3) (Variation of permission) and SUP 6.4.5D (Cancellation of permission), or applies to vary (by reducing its scope) or cancel its authorisation or registration (regulation 8 and 10(1) of the *Payment Services Regulations* including as applied by regulation 14 of the *Payment Services Regulations*) or applies to cancel its authorisation or registration (regulation 10 and 12 of the *Electronic Money Regulations* including as applied by regulation 15 of the *Electronic Money Regulations*) or applies for revocation of its registration under article 13(c) of the MCD Order; an *issuer* makes an application for de-listing; or a *sponsor* notifies the FCA of its intention to be removed from the list of approved *sponsors*; and
 - (b) the *firm*, *issuer* or *sponsor* makes the application or notification referred to in (a) before the start of the *fee year* to which the fee relates;

FEES 4.2.1R applies to the *firm* as if the relevant variation or cancellation of the *firm's permission* or authorisation or registration

under the *Payment Services Regulations*, *MCD Order* or the *Electronic Money Regulations*, de-listing or removal from the list of approved *sponsors*, took effect immediately before the start of the *fee year* to which the fee relates.

- (2) But (1) does not apply if, due to the continuing nature of the business, the variation, cancellation, de-listing or removal is not to take effect on or before 30 June of the *fee year* to which the fee relates.

...

- 4.3.14 G Where a *firm* has applied to cancel its *Part 4A permission*, or its authorisation or registration under the *Payment Services Regulations* or the *Electronic Money Regulations*, or its registration as a CBTL firm under article 13(c) the MCD Order, or the *appropriate regulator* has exercised its own-initiative powers to cancel a *firm's Part 4A permission* or the *appropriate regulator* has exercised its powers under regulation 10 (Cancellation of authorisation), including as applied by regulation 14 (Supplementary provisions) of the *Payment Services Regulations* to cancel a *firm's* authorisation or registration under the *Payment Services Regulations* or the *appropriate regulator* has exercised its powers under regulation 10 (Cancellation of authorisation), including as applied by regulation 15 (Supplementary provisions) of the *Electronic Money Regulations*, or the FCA has exercised its powers under article 13 (Revocation of registration), excluding article 13(c), of the MCD Order, the due dates for payment of periodic fees are modified by *FEES* 4.3.6R(3), *FEES* 4.3.6R(4) and *FEES* 4.3.6R(4A) respectively.

4 Annex 11R Periodic fees in respect of payment services carried on by fee-paying payment service providers under the Payment Services Regulations and electronic money issuance by fee-paying electronic money issuers under the Electronic Money Regulations and issuance of regulated covered bonds by issuers and CBTL business carried on by CBTL firms under the MCD Order in relation to the period 1 April 2014 to 31 March 2015

...

<u>Part 2B – Activity groups relevant to CBTL firms</u>	
<u>This table shows how CBTL business carried on by CBTL firms is linked to activity groups ('fee-blocks'). A CBTL firm can use the table to identify which fee-blocks it falls into based on its registration</u>	
<u>Activity Group</u>	<u>Fee payer falls into this activity group if</u>
<u>G.20 CBTL Lender</u>	<u>It is a CBTL Lender.</u>

<u>G.21 CBTL arranger and CBTL advisor</u>	<u>It is a CBTL arranger or a CBTL advisor.</u>
--	---

Part 3	
This table indicates the tariff base for each fee-block. The tariff base is the means by which the <i>FCA</i> measures the amount of business conducted by <i>fee-paying payment service providers</i> , <i>fee-paying electronic money issuers</i> , <u>CBTL firms</u> and issuers of regulated covered bonds.	
Activity Group	Tariff base
...	
<u>G.20</u>	<u>Not applicable</u>
<u>G.21</u>	<u>Not applicable</u>

...

Part 5 – Tariff rates		
Activity group	Fees payable in relation to [2015/16]	
...		
<u>G.20</u>	<u>Flat fee (£)</u>	<u>[TBC]</u>
<u>G.21</u>	<u>Flat fee (£)</u>	<u>[TBC]</u>

...

- 5.1.1-A R Whilst no rule made by the *FCA* in this chapter applies to *VJ participants*, some of the *guidance* may do. The application of rules made by the *FOS Ltd* in this chapter is set out in *FEES 5.5A 5.5B* and described in *FEES 5.1.2AG*.
- 5.1.1A R A reference to *firm* in this chapter includes a reference to a *fee-paying payment service provider*, ~~and~~ *fee-paying electronic money issuer* and a CBTL firm.
- 5.1.1B R *FEES 5.1.1AR* does not apply to *FEES 5.5A 5.5B* or *FEES 5 Annex 2R* or *Annex 3R* unless otherwise stated in rules made by the *FOS Ltd*.
- ...
- 5.1.2A G Table of *FEES 5* rules made by the *FOS Ltd*

<i>FEES 5 rules made by the FOS Ltd</i>	Description
<i>FEES 5.5A 5.5B</i>	Rules relating to case fees
...	

5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for [2015/16]

...

Industry block	Tariff base	General levy payable by firm
...		
[x] <i>CBTL firms</i>	<u>Flat fee</u>	[TBC]

5 Annex 2R Annual Levy Payable in Relation to the Voluntary Jurisdiction for [2015/16]

Voluntary jurisdiction – annual levy for VJ participants				
Industry block and business activity		Tariff basis	Tariff rate	Minimum levy
	...			
10V	Persons not covered by 1V to 9V undertaking activities which are: (a)...; or (b) <i>payment services</i> ; or <u>or</u> would be if they were carried on from an establishment in the <i>United Kingdom</i> .	...	...	...
	...			
<u>13V</u>	<u>Persons not covered by 1V to 9V undertaking activities</u>	[TBC]	[TBC]	[TBC]

	<u>which are <i>CBTL</i> activities or would be if they were carried on from an establishment in the <i>United Kingdom</i></u>			

- 5.5B.24 R Where a respondent ceases to be a *firm*, *payment service provider*, *electronic money issuer*, *CBTL firm*, or *VJ participant* (as the case may be) part way through a *financial year* it will remain liable to pay case fees under *FEES* 5.5B in respect of cases within the jurisdiction of the *Financial Ombudsman Service*.

Appendix 6

Periodic Fees (Pensions Guidance Providers) Instrument 2015 [draft rules]

PERIODIC FEES (PENSIONS GUIDANCE PROVIDERS) INSTRUMENT 2015

Powers exercised

- A. The Financial Conduct 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 137T (General supplemental powers);
 - (2) section 139A (Power of the FCA to give guidance);
 - (3) section 333Q (Funding of FCA’s pensions guidance costs); And
 - (4) paragraph 23 of schedule 1ZA (Fees)
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

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

Amendments to the FCA 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 Periodic Fees (Pensions Guidance Providers) Instrument 2015.

By order of the Board of the Financial Conduct Authority
[...] 2015

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

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

<i>pensions guidance providers' levy</i>	the amount payable to the <i>FCA</i> by each <i>designated guidance provider</i> to which <i>FEES</i> 11 (Pensions Guidance Providers) applies.
--	---

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 Fees Manual

1.1 Application and Purpose

1.1.1C ...

1.1.1D G FEES 11 (Pensions Guidance Providers) relates to the pensions guidance providers' levy.

...

2 General Provisions

2.1 Introduction

...

2.1.1A R This chapter does not apply in relation to:

...

(4) a PSR fee; ~~or~~

(5) the pensions guidance levy; or

(6) the pensions guidance providers' levy.

...

After FEES10 insert the following new chapter. The text is not underlined.

11 Pensions guidance providers' levy

11.1 Application, purpose and background

Application

11.1.1 R This chapter applies to a *designated guidance provider*.

Purpose

11.1.2 G This chapter sets out *rules* governing the amounts payable by *designated*

guidance providers to the *FCA* to fund the *FCA*'s pensions' guidance costs (see *FEES* 11.1.4G).

Background

- 11.1.3 G The *FCA*'s pensions guidance costs are defined in section 333Q(4) (Funding of *FCA*'s pensions guidance costs) of the *Act* as the expenses incurred, or expected to be incurred, by the *FCA* in connection with carrying out the functions conferred on it in Part 20A of the *Act* (other than the functions specified in 333R of the *Act*).
- 11.1.4 G (1) Section 333Q(1) of the *Act* requires the *FCA* to make *rules* requiring *designated guidance providers*, or any specified class of *designated guidance provider* to pay to the *FCA* specified amounts or amounts calculated in a specified way.
- (2) Section 333Q(3) of the *Act* sets out that such amounts may include a component to cover the expenses of the *FCA* in collecting the payments and to enable the *FCA* to maintain an adequate reserve.

11.2 Pensions guidance providers' levy

Obligation to pay pensions guidance providers' levy

- 11.2.1 R A *designated guidance provider* in column (B) of the table in *FEES* 11 Annex 1R must pay the *pensions guidance providers' levy* applicable to it in column (C) of the table in *FEES* 11 Annex 1R:
- (1) in full and without deduction; and
- (2) in accordance with this chapter.

Time of payment

- 11.2.2 R A *designated guidance provider* must pay the *pensions guidance providers' levy* applicable to it within 30 days of the date of the invoice to which that sum relates.

Method of payment

- 11.2.3 G A *designated guidance provider* should pay its levy by electronic credit transfer unless it notifies the *FCA* if it intends to pay in another way.

Late payments

- 11.2.4 R If a *designated guidance provider* does not pay the total amount of the *pensions guidance providers' levy* applicable to it before the end of the date on which it is due, it must pay:
- (1) an administrative fee of £250; plus

- (2) interest on any unpaid part of the levy at an annual rate of 5% above the Official Bank Rate from time to time in force, accruing daily from the date on which the amount concerned became due.

Reduction, remission and repayment of levy

- 11.2.5 G The *FCA* may reduce or remit all or part of the *pension guidance providers' levy* applicable to a *designated guidance provider* if it appears to the *FCA* that in the exceptional circumstances of a particular case paying all or part of it would be inequitable.
- 11.2.6 G The *FCA* may refund all or part of the *pension guidance providers' levy* applicable to a *designated guidance provider* if it appears to the *FCA* that in the exceptional circumstances of a particular case the *FCA* retaining all or part of it would be inequitable.
- 11.2.7 G The *FCA* may not consider a claim to refund a *pension guidance providers' levy* due to a mistake of fact or law by the *designated guidance provider* if the claim is made more than two years after the beginning of the fee year to which the levy relates

Recovery of levies

- 11.2.8 G (1) The *FCA* may recover the *pensions guidance providers' levy* from a *designated guidance provider* as a debt owed by it to the *FCA* under paragraph 23(8) of Schedule 1ZA of the *Act*.
- (2) The *FCA* will consider taking action for recovery (including interest) through the civil courts.

Revocation of designation as pensions' guidance provider

- 11.2.9 G The *FCA* will not relieve or refund the *pensions guidance providers' levy* paid by a *designated guidance provider* if the Treasury revokes that provider's designation under section 333E(3) of the *Act* after the start of that *fee year*.

Becoming a designated guidance provider

- 11.2.10 R If the Treasury designates a *person* as a *designated guidance provider* under section 333E(1)(e) of the *Act* in the course of a *fee year*, the following formula must be used to calculate the *pensions guidance providers' levy* to be paid by that provider for that *fee year*:

(1)	calculate the number of <i>months</i> between and including:	
	(i)	the <i>month</i> in which the <i>person</i> became a <i>designated guidance provider</i> ; and
	(ii)	the last month of the relevant <i>fee year</i> ;

(2)	divide the number of <i>months</i> calculated in (1) by 12;
(3)	multiply the <i>pension guidance providers' levy</i> set out in column (C) of row 5 of the table at FEES 11A Annex 1R by the number calculated in (2).

VAT

- 11.2.11 R (1) All *Pension guidance providers' levies* payable under FEES 11 are stated net of value-added tax (VAT).
- (2) Where VAT is applicable, this must also be included.

11 Annex 1R Pensions guidance providers' levy for the period 1 April 2015 to 31 March 2016

The table below shows the *pensions' guidance providers levy* applicable to the *designated guidance providers* for the *fee year* 1 April 2015 to 31 March 2016.

(A) Row	(B) Name of designated guidance provider	(C) Pensions guidance providers' levy payable
1	The Pensions Advisory Service Limited	£150,000
2	The National Association of Citizens Advice Bureaux	£150,000
3	The Scottish Association of Citizens Advice Bureaux	£150,000
4	The Northern Ireland Association of Citizens Advice Bureaux	£150,000
5	Any other person designated as a <i>designated guidance provider</i> between 1 April 2015 and 31 March 2016	£150,000, adjusted in accordance with the formula at FEES 11.2.10R

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