

# **FCA regulated fees and levies: Rates proposals 2020/21**

**Consultation Paper**

CP20/6\*\*

April 2020

## How to respond

We are asking for comments on this Consultation Paper (CP) by **19 May 2020**.

You can send them to us using the form on our website at: [www.fca.org.uk/cp20-06-response-form](http://www.fca.org.uk/cp20-06-response-form)

### Or in writing to:

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Finance & Business Services  
Financial Conduct Authority  
12 Endeavour Square London E20 1JN

### Telephone:

020 7066 5596

### Email:

[cp20-06@fca.org.uk](mailto:cp20-06@fca.org.uk)

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# 1 Chair's foreword

**The Board has carefully considered our approach to fees for the year ahead. The coronavirus (Covid-19) has added to the challenges already facing the FCA and it is more important than ever that we can deliver our objectives this year. But we also recognise the challenges facing financial services firms, so we are taking action to ensure to protect smaller and medium sized firms from the burden of regulatory fees.**

The challenges for the FCA include keeping financial markets functioning and protecting consumers. So we need to respond to the impact of this global pandemic, to deliver our other critical work, to prepare for the future as the EU withdrawal transition period ends and to transform the way we work, investing in systems and capabilities to enable better use of data and intelligence to regulate some 60,000 firms effectively and efficiently.

To enable us to continue our activities while transforming our capabilities and systems, we have carefully reviewed and challenged our budgets across the organisation. The headline figure is a 2% increase in our core budget, in line with inflation. Beneath this figure there is a significant shift as we have identified cost savings in many of our core activities. These have released funding to be invested in the continued development of our digital systems and the development of our data strategy.

We have broadly maintained the level of cost recovery relating to changes in the scope of our regulatory responsibilities. However, to ensure that both we and the UK financial services industry are prepared for the end of the EU withdrawal transition period on 31 December 2020 we need to increase the recovery of costs in this area. These recoveries will be targeted at the firms most affected.

Since launching Our Mission in 2017 we have improved how we work. But we must continually adapt and raise our standards as the world in which we regulate changes. Our transformation plans are ambitious and will fundamentally change the way we work, as well as helping us become a more efficient and effective regulator. We set out how we will do this in our [Business Plan](#). To support our Transformation Programme, we will invest £30m over three years, recovering £10m each year. The Transformation Programme costs will be allocated proportionately across all firms as the programme affects the way we work across the organisation, but minimum fees will not be increased.

To ensure we continue to deliver on our priorities and meet our objectives, our overall annual funding requirement (AFR) will increase by 5.2% in 2020/21 to £587.6m.

Given the impact of Covid-19, in apportioning our AFR we have aimed to protect the smallest firms by freezing minimum fees. This means that the 71% of firms that only pay minimum fees will see no change in the fees they pay. To help medium sized and smaller firms we are extending the period for paying their fees by two months to 90 days. This means that 89% of firms will have until the end of 2020 to pay their fees and levies. Larger firms will be expected to pay their fees under the usual payment terms. This Consultation Paper sets out the details.

We are also consulting on whether there is industry support for us undertaking a communications and information campaign to tackle areas where we see real risk of consumer harm. This will build on and supplement our existing campaign, ScamSmart. We are particularly concerned at the moment about retail investments and the harm caused by fraudulent and high risk illiquid investments and this year we will prioritise helping consumers make better investment decisions. We recognise that markets change and evolve quickly – the greatest source of harm today, may be less acute in the future. To ensure that the overall campaign reflects the dynamic nature of markets, we will review and assess where the greatest and most acute areas of harm exist, and adjust our campaign to address them. We will do this by continuously monitoring industry intelligence, consumer contacts to our consumer helpline and feedback on the campaign messaging. In addition, we are seeing an uptick in scam activity due to the Coronavirus pandemic. To fund this activity, we believe that a separate consultation is the most transparent and fairest approach to take. We are proposing to raise £2.3m in 2020/21 allocated proportionately across all firms, but again, minimum fees would not be affected.

**Finally, a note on the costs for some of the other organisations who raise levies from firms.**

First, the Financial Ombudsman Service has significantly revised its funding arrangements for the coming year since consulting on them in December 2019. The changes represent a combination of targeted interventions to help smaller firms through the Covid-19 crisis, and broader steps to benefit all firms that contribute to its funding. The service has decided to ask the FCA to raise a lower levy from firms than envisaged in its budget consultation. As a result, around 30% of the service's income will now come from the levy in 2020/21, rather than the 40% previously sought. This means that, while the levy is still going up this year, for many firms the increase will be significantly smaller than it would have been without this change. The service will absorb the cost of these changes – which amount to £25.4m in total – by reducing its reserves. While case fees are increasing, the number of free cases has increased from 10 to 25, meaning that the vast majority of firms will not pay case fees.

Second, the Financial Services Compensation Scheme (FSCS) Compensation Costs Levy is significant. This is a direct consequence of firm failure, and the FCA has no role in setting the Compensation Costs Levy. We recognise that Covid-19 will have a significant impact on the viability of a number of firms. There may be further firm failures as a result, and further recourse to the FSCS. A key focus of our work in the coming weeks and months will be to anticipate where those failures may occur. We will continue to work closely with FSCS to ensure that, collectively, we have a clear view of the likely future implications of Covid-19, and work with firms to ensure that any failures are managed in an orderly fashion. Therefore, we are putting additional resources into monitoring and analysing firms' financial positions, so that we can intervene rapidly where necessary. We will continue to discuss how to reduce compensation costs.

We also collect three levies on behalf of organisations where the FCA has no oversight role.

The Money and Pensions Service (MaPS) is an arm's length body of the Department for Work and Pensions (DWP). Each year we must collect the amount notified to us by the DWP. This year the total amount we must collect for MaPS in 2020/21 is an estimated £130m. This is an estimated increase of 21% compared to last year. The total 2020/21 requirement includes amounts for the three levy components: £24.3m for money guidance in the UK, £64.6m for debt advice in England and £41.1m for pensions guidance in the UK. These figures will be adjusted when any underspends against the levies paid in 2019/20 have been confirmed.

The Devolved Authorities are responsible for providing free-to-consumer debt advice in Scotland, Wales and Northern Ireland, and this comes under the responsibility of the Treasury. Treasury has notified us that, for 2020/21, the total funding to be collected for the provision of debt advice in the Devolved Authorities is just over £9.4m. This is an increase of just over 16% compared to last year.

The illegal money lending levy is raised to recover the expenses the Treasury incurs in providing funding for teams tackling illegal money lending. The Treasury has advised us to raise £6.2m in 2020/21 (£5.7m in 2019/20).

**Charles Randell**  
Chair

## 2 Summary

### Why we are consulting

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- 2.1** This Consultation Paper (CP) enables us to raise 2020/21 regulatory fees and levies to fund the:
- Financial Conduct Authority (FCA)
  - Financial Ombudsman Service
  - Money and Pensions Service (The Money and Pensions Service is referred to in our FEES manual as the Single Financial Guidance Body (SFGB))
  - Devolved Authorities
  - Illegal money lending expenses of the Treasury

### Who this applies to

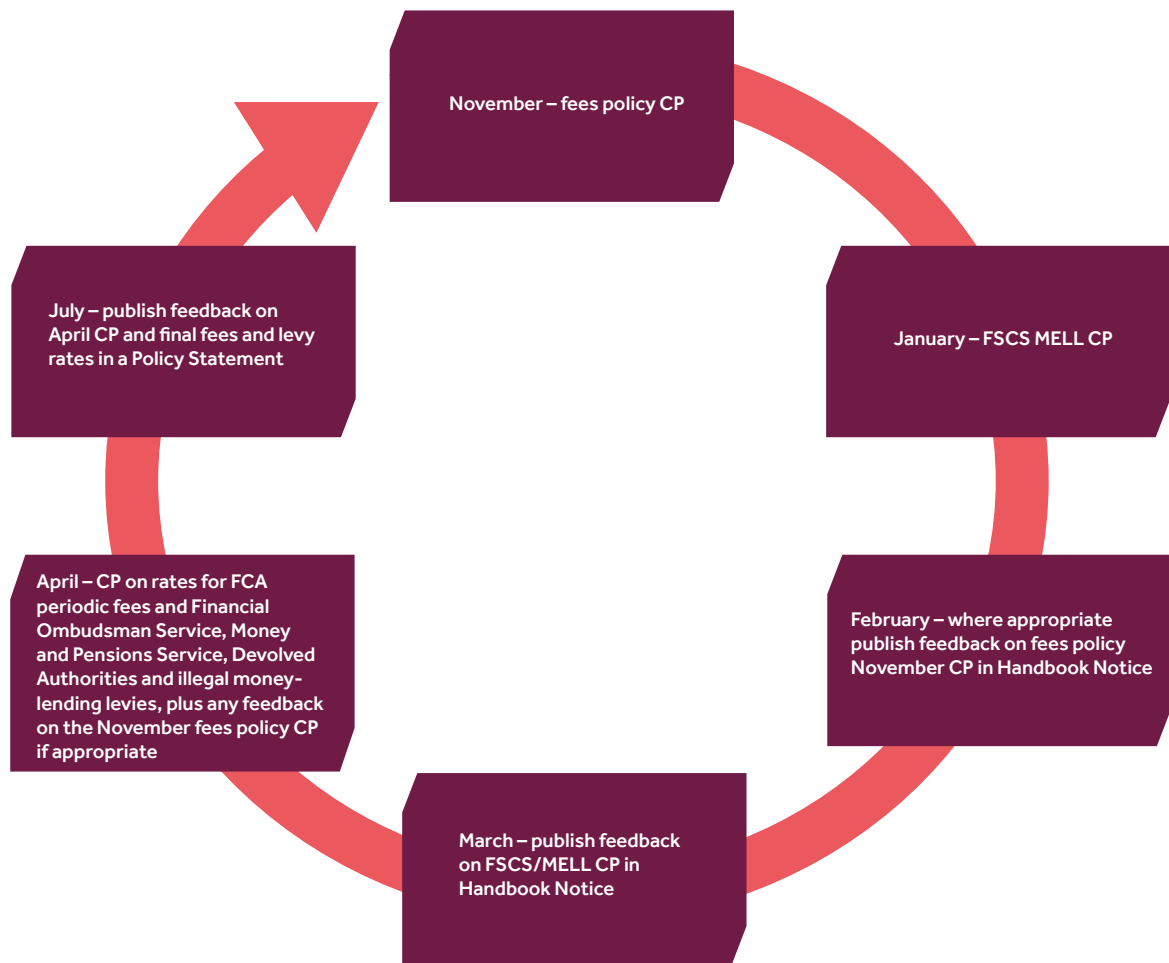
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- 2.2** All fee payers will be affected by this CP. Table 2.1 at the end of this chapter will help them identify which chapters relate to them.
- 2.3** This CP contains no material directly relevant to retail financial services consumers or consumer groups, although fees are indirectly met by financial services consumers.

### The wider context of this consultation

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- 2.4** Generally, our annual fees consultation follows this cycle:



- November - we consult on any changes to the policy on how we raise fees and levies. We give our feedback on the responses received in the following February Handbook Notice or the April 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 give our feedback on responses in the March Handbook Notice.
- April - 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 Financial Ombudsman Service general levy, Money and Pensions Service, Devolved Authorities and illegal money-lending levies for the next financial year.
- July - we publish our feedback on the responses received to the April CP together with final fees and levy rates in a policy statement.

## What we want to change

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### FCA 2020/21 fees

- 2.5** We published our 2020/21 Business Plan on 7 April 2020, setting out our priorities and how we plan to achieve our objectives during 2020/21.
- 2.6** Our ongoing regulatory activities (ORA) budget for 2020/21 is £548.5m, an increase of 2% from 2019/20 (£537.7m) We are committed to delivering an ORA budget that is flat in real terms, subject to any changes in our wider ongoing regulatory responsibilities. The 2% increase meets this commitment for 2020/21.
- 2.7** Our annual funding requirement (AFR) for 2020/21 is £587.6m, an increase of 5.2%. Our AFR includes our:
- £548.5m ORA budget,
  - £14.1m costs we need to recover for changes to our regulatory responsibilities (scope change),
  - £15m EU Withdrawal costs as we ensure that both we and the UK financial services industry are prepared for the end of the transition period at 31 December 2020, and
  - £10m to support our Transformation Programme – our plans for our own transformation are ambitious and will fundamentally change the way we work, as well as helping us to become a more efficient and effective regulator.

### Covid-19 proposals

- 2.8** Given the impact of Covid-19, in apportioning our AFR across fee-blocks we have aimed to ensure that we protect the smallest firms by proposing a freezing of minimum fees. This means that the 71% of firms that are small enough to only pay minimum fees will see no change in the fees they pay.
- 2.9** To help medium and smaller firms we are proposing to extend the period for paying their fees by two months to 90 days. This means that 89% of firms will have until the end of 2020 to pay their fees and levies. Larger firms will be expected to pay their fees under the usual payment terms.
- 2.10** Further details of these Covid-19 proposals are set out in Chapter 4.

### AFR allocations

- 2.11** Our policy for allocating the AFR recovery across fee-blocks is to maintain an even distribution of increases/decreases, apart from individual fee-blocks where there have been material and explainable exceptions ('allocation by exception'). The exceptions to an even distribution of our 2020/21 AFR in cover scope change costs and EU withdrawal costs. Scope change costs include:
- Senior Managers and Certification Regime
  - Claims Management Companies
  - Consumer Credit

We also return an over-recovery from 2019/20 scope change costs from the Markets in Financial Instruments Directive II.



- 2.12** We propose that the Transformation Programme costs are allocated proportionately across all fee-blocks as the programme impacts on the way we work across the organisation but minimum fees will not be affected.
- 2.13** We also propose a £12m increase in the AFR allocation to the consumer credit fee-blocks to reflect the focus of our resources on the regulation of consumer credit firms since we took on their regulation. Given the current over-recovery in the consumer credit fee-blocks, we will keep consumer credit variable fee-rates unchanged. This will enable the £12m increased allocation to the consumer credit fee-blocks to be recovered in 2020/21. Around 95% of consumer credit firms only pay minimum fees so the over-recovery has not impacted these mostly limited permission firms.
- 2.14** We propose that the resulting £12m reduction in AFR allocations should be distributed proportionately across other authorised firms covered by the A fee-blocks, except the minimum fee fee-block.
- 2.15** We give details of these exceptions in Chapter 3 and set out the impact on allocations across fee-blocks in Table 3.3.

### **Fee-rates**

- 2.16** Chapter 4 covers the proposed fee-rates for authorised firms in the A fee-blocks and CC1 and CC2 Consumer Credit fee-blocks, which account for 92% of our AFR. We are proposing to keep minimum fees unchanged from 2019/20.
- 2.17** For firms large enough to trigger variable fees in the A fee-blocks, Table 4.3 in Chapter 4 sets out the year-on-year movements in the draft 2020/21 fee rates for each fee-block. The draft fee rates take account of changes in the number of fee payers and tariff data from 2019/20. This is because these elements can have a significant effect on the fee rates firms' will pay when compared to the AFR allocated to particular fee-blocks set out in Table 3.2 in Chapter 3.
- 2.18** Chapter 5 covers proposed periodic fees for other bodies (B to G fee-blocks) and shows where fee rates differ significantly from the movement in the AFR allocations.
- 2.19** After taking into account rebates from retained financial penalties, total fees collected from fee payers in 2020/21 will reduce by £51.8m to £535.8m. We set out how we apply the financial penalty rebate in Chapter 6.
- 2.20** We include all proposed fee rates in the draft instrument in Appendix 1.

### **FCA consumer harm campaign**

- 2.21** We are also consulting on whether there is industry support for us undertaking a communications and information campaign to tackle areas where we see real risk of consumer harm.
- 2.22** To fund this activity, we believe that a separate consultation is the most transparent and fairest approach to take. We are proposing to raise £2.3m in 2020/21 allocated proportionately across all firms but minimum fees would not be affected.
- 2.23** We set out details in Chapter 7.

## Authorisation application fees

- 2.24** In Chapter 8, we invite views on the review we are undertaking of our authorisation application fees. Our objective is to simplify their structure and, at least, bring them into line with inflation. The rates on the most common charges have not changed since our predecessor body, the Financial Services Authority (FSA), set them nearly 20 years ago. Over that time, their value has eroded, passing an increasing share of the processing costs to existing fee-payers.
- 2.25** We will present proposals for consultation in our annual fees policy CP in the autumn, with a view to introducing the new charges from April 2021.

## Further FCA fees policy proposals

- 2.26** In Chapter 9, we consult on proposals:
- For Multilateral Trading Facilities' (MTFs) and Organised Trading Facilities' (OTFs) reporting of their income as a measure of the size of their regulated activities (tariff data). This is the second stage of our consultation to introduce income as the basis for calculating periodic fees for these sub-sets of the market infrastructure provider B fee-block,
  - To increase Part VII insurance business transfer application fees to £20,000 (from £9,250) for life insurance business and £12,500 (from £5,000) for general insurance transfers, and
  - To introduce charges for submitting documents for prior approval by the FCA under the Prospectus Regulations.

## Feedback on crypto assets periodic fees proposals

- 2.27** In Chapter 10, we respond to feedback on our approach to periodic fees for crypto asset businesses. We set out this approach in our consultation paper (CP19/29) on crypto asset fees in October 2019. We will consult on detailed proposals for crypto asset periodic fees in our annual fees policy consultation paper (CP) in autumn 2020.

## Financial Ombudsman Service general levy

- 2.28** In Chapter 11 we consult on allocating the Financial Ombudsman Service (the Ombudsman Service) general levy between industry blocks. The general levy applies to firms covered by the Compulsory Jurisdiction (CJ), and is raised and collected by the FCA. It is payable by all firms authorised or registered by us, including those that have not had any cases referred to the Ombudsman Service.
- 2.29** This year, the Ombudsman Service has asked us to recover £83.9m through the general levy. This is an increase of £38 million compared to 2019/20, the increase is due to changes in the Ombudsman Service funding model, as set out in its recently published strategic plans and budget.
- 2.30** The changes to the funding model are to ensure the Ombudsman Service has a more stable and sustainable funding model in the future. It also helps to enable the service to build on its work to prevent complaints, for which the service doesn't receive individual case fees, which is in the interest of all firms by helping to reduce the cost burden of complaints and promote consumer confidence.

## Money and Pensions Service levies

- 2.31** In Chapter 12 we consult on the rates at which we propose to charge our levies for the Money and Pension Service (MaPS) in 2020/21. MaPS was called the Single Financial Guidance Body (SFGGB) until it was re-named by regulation in April 2019. MaPS is an arm's-length body, sponsored by the Department of Work and Pensions (DWP).
- 2.32** The DWP has notified us that the total amount we must collect for MaPS in 2020/21 is £130m. The total requirement includes amounts for the three separate levy components:
- £24.3m for money guidance in the UK
  - £64.6m for debt advice in England
  - £41.1m for pensions guidance in the UK
- 2.33** These figures will be adjusted when any underspends against the levies paid in 2019/20 have been confirmed.
- 2.34** For 2020/21 we propose to allocate MaPS funding to fee-blocks on the same basis as we did in 2019/20.

## Devolved Authorities' debt advice levy

- 2.35** In Chapter 13, we consult on the allocation of costs to fund debt advice delivered by the Devolved Authorities in Scotland, Wales and Northern Ireland in 2020/21.
- 2.36** HM Treasury has notified us that, for 2020/21, the total funding to be collected for the provision of debt advice in the Devolved Authorities is £9.4m. We propose to allocate costs under the Devolved Authorities' debt advice levy in the same proportion they were allocated last year.

## Illegal money lending (IML) levy

- 2.37** The Treasury have notified us that their 2020/21 illegal money lending expenses will be £6.2m (£5.7m in 2019/20). This is an estimate and may be revised when the IML levy rates are finalised in June 2020. We set out the IML levy rates to recover this amount from consumer credit firms in Chapter 14.

Fee payers should know that we calculate the draft fee rates and levies in Appendix 1 using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2020/21, which will be made by our Board in June 2020, could vary from those in this CP.

## Equality and diversity implications

- 2.38** Overall, we do not think that the proposals in this CP adversely impact any of the groups with protected characteristics under the Equality Act 2010. We will continue to consider the equality and diversity implications of the proposals during the

consultation period, and will revisit them when publishing the final rules. In the meantime, we welcome your comments on any equality and diversity considerations you believe may arise.

## Next steps

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### What do you need to do next?

**2.39** We want to know what you think of our proposed:

- FCA 2020/21 periodic fee rates, revised authorisation application fees, further FCA fees policy proposals and consumer harm campaign
- Financial Ombudsman Service, Money and Pensions Service, Devolved Authorities and illegal money lending levies

**2.40** Please send us your comments by **19 May 2020**.

### How To respond

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

### What will we do

**2.42** We provide a Fees Calculator facility on our website to enable firms to calculate their periodic fees for the forthcoming year. This will be based on the draft FCA periodic fees and the Financial Ombudsman Service, Money and Pensions Service, Devolved Authorities and illegal money lending levy consultative rates in Appendix 1 of this CP. For FCA fees, the Fees Calculator will also include the fee-rates to recover the cost of the consumer harm campaign discussed in Chapter 6. Those consumer harm campaign fee-rates are set out in square brackets within the consultative rates in Appendix 1.

**2.43** The fees calculator will also cover Prudential Regulation Authority (PRA) (where applicable) fees and indicative FSCS levies. The Fees Calculator for 2020/21 fees and levies will be available for firms to use from 7th April 2020 with PRA rates added from 9 April.

**2.44** We will consider your comments on our proposals and, subject to FCA Board approval in June 2020, plan to publish a PS in July, which will include our feedback on your comments and the final rules.

**2.45** Certain fee payers have been invoiced from February 2020 for 'on-account' payments. Other firms will be invoiced from July 2020, on the basis of the new fees and levies.

**Table 2.1: Fee payers affected by the 2020/21 fees and levies rates proposals in this CP**

Issue	Fee payers affected	Chapter
<b>FCA</b>		
Periodic fee rates	Authorised firms: <ul style="list-style-type: none"> <li>the 'A' and 'CC' (consumer credit) fee blocks; and</li> <li>Claims Management Companies</li> </ul>	3 and 4
	All fee payers except authorised firms – fee-blocks B to G	3 and 5
Applying financial penalties and revising the Financial Penalty Scheme	Fee payers listed in Table 5.1 in Chapter 5	6
<b>FCA consumer harm campaign</b>		
Proposals to undertake consumer harm campaign over the next 5 years	All fee-payers other than those who only pay minimum fees or flat periodic fees	7
<b>Authorisation application fees:</b>		
Request for views on the factors we should take into account when undertaking our review of our authorisation application fees, later this year	Persons considering making applications for authorisation and their advisors	8
<b>Further FCA fees policy proposals</b>		
<ul style="list-style-type: none"> <li>Requirements to report income for the purposes of calculating fees</li> </ul>	Operators of Multilateral Trading Facilities and Organised Trading Facilities	9
<ul style="list-style-type: none"> <li>Revised application fees for Part VII insurance business transfers</li> </ul>	Firms in the A.3 insurers general and A.4 insurers life fee-blocks	
<ul style="list-style-type: none"> <li>Introduction of charges for submitting certain exempted documents under the Prospectus Regulations for FCA prior approval</li> </ul>	Issuers and sponsors of securities	
<b>Feedback on cryptoassets periodic fees proposals</b>		
Our response to feedback on our approach to periodic fees for cryptoasset businesses consulted on in <a href="#">CP19/29</a>	UK crypto asset businesses under the <a href="#">Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017</a> , as amended by the <a href="#">Money Laundering and Terrorist Financing (Amendment) Regulations 2019</a>	10
<b>Financial Ombudsman Service</b>		
General levy rates	Firms subject to the Financial Ombudsman Service general levy	11
<b>Money and Pensions Service</b>		
Money guidance levy	<ul style="list-style-type: none"> <li>Firms subject to money advice levies – authorised firms, payment institutions and electronic money issuers</li> <li>Consumer credit firms in the CC1 (limited permission) and CC2 (full permission) fee-blocks</li> </ul>	12

Debt advice levy	<ul style="list-style-type: none"> <li>Firms subject to debt advice levies – firms in fee-blocks A.2 (home finance providers and administrators) and CC3 (consumer credit lending)</li> </ul>	
Pensions guidance levy	<p>Firms in the following fee blocks:</p> <ul style="list-style-type: none"> <li>A.4 insurers – life</li> <li>A.7 portfolio managers</li> <li>A.9 managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes</li> <li>A.13 advisors, arrangers, dealers or brokers</li> </ul>	
<b>Devolved Authorities' debt advice levy</b>		
Devolved Authorities' debt advice levy	<ul style="list-style-type: none"> <li>Firms subject to debt advice levies – firms in fee-blocks A.2 (home finance providers and administrators) and CC3 (consumer credit lending)</li> </ul>	13
<b>Illegal money lending levy</b>		
Recovering the Treasury's expenses for tackling illegal money lending	All firms with credit-related permissions	14

## 3 FCA annual funding requirement and allocation to fee-blocks

**3.1** In this chapter, we set out our annual funding requirement (AFR) for 2020/21 and the allocations to fee-blocks.

### AFR

**3.2** We published our 2020/21 Business Plan on 7 April 2020, setting out priorities and how we plan to achieve our objectives during 2020/21.

**3.3** We are committed to delivering an ongoing regulatory activities (ORA) budget that is flat in real terms, subject to any changes in our wider ongoing regulatory responsibilities. The 2% increase in our ORA to £548.5m meets this commitment for 2020/21.

**3.4** Our AFR for 2020/21 is £587.6m, an increase of 5.2%. Our AFR includes our ORA budget and the costs we need to recover for:

- changes to our regulatory responsibilities (scope change),
- EU Withdrawal costs as we ensure that both we and the UK financial services industry are prepared for the end of the transition period at 31 December 2020, and
- Transformation Programme – our plans for our own transformation are ambitious and will fundamentally change the way we work, as well as helping us become a more efficient and effective regulator.

**3.5** Table 3.1 shows the breakdown of our 2020/21 AFR compared with that for 2019/20 and the impact of estimated financial penalty rebates.

**Table 3.1: 2020/21 AFR breakdown**

	2020/21	2019/20	Movement	
	£m	£m	£m	%
Ongoing regulatory activities (ORA) budget	548.5	537.7	10.8	2.0%
Scope change recovery	14.1	15.8	-1.7	-10.8%
EU withdrawal costs	15.0	5.0	10.0	200.0%
Transformation Programme	10.0	-	10.0	-
<b>AFR recovery</b>	<b>587.6</b>	<b>558.5</b>	<b>29.1</b>	<b>5.2%</b>
Financial penalty rebate (i)	(51.8)	(47.5)	(4.3)	9.1%
Fees payable	<b>535.8</b>	<b>511.0</b>	<b>24.8</b>	<b>4.9%</b>

**Note:**

(i) The £51.8m rebate in 2020/21 represents an estimate of the 2019/20 financial penalties we can retain to cover 2019/20 enforcement costs

- 3.6** We must pay all the financial penalties we receive to the Exchequer (net of certain enforcement costs incurred in generating these penalties) in the same year. Any retained penalties are used to reduce our fees in the following year, other than for the fees levied on the penalty payers themselves.
- 3.7** We currently estimate the financial penalty rebate to be £51.8m in 2020/21 (£47.5m in 2019/20). Taking into account this rebate, the overall total fees collected from fee payers in 2020/21 will be reduced by £51.8m to £535.8m.
- 3.8** We set out how we will apply the financial penalty rebate across fee payers in Chapter 6.

## AFR allocation across fee-blocks

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### Covid-19 proposals

- 3.9** Given the impact of Covid-19, in apportioning our AFR across fee-blocks we have aimed to ensure that we protect the smallest firms by proposing a freezing of minimum fees which will remain unchanged from 2019/20. This means that the 71% of firms that are small enough to only pay minimum fees will see no change in the fees they pay.
- 3.10** To help medium and smaller firms we are proposing to extend the period for paying their fees by two months to 90 days. This means that 89% of firms will have until the end of 2020 to pay their fees and levies. Larger firms will be expected to pay their fees under the usual payment terms.
- 3.11** Further details of these Covid-19 proposals are set out in Chapter 4.

### Other AFR allocations

- 3.12** We set out the allocation of the £587.6m AFR in Table 3.3 at the end of this chapter.
- 3.13** Our policy for allocating the AFR across fee-blocks is to maintain an even distribution of increases/decreases except where individual fee-blocks have had material and explainable exceptions ('allocation by exception').
- 3.14** The other exceptions we propose to an even distribution of our 2020/21 AFR cover £14.1m scope change recovery and £15.0m EU withdrawal costs. We also make proposals for the allocation of the Transformation Programme costs and reallocation of AFR to the consumer credit fee-blocks.

### Scope change costs

- 3.15** The breakdown of the 2020/21 £14.1m scope change costs is set out in Table 3.2.



**Table 3.2: Breakdown of 2020/21 £14.1m scope change costs**

£m	Scope change
7.2	<b>Senior Managers and Certification Regime</b> – continuation of the recovery commenced in 2016/17 (see paragraphs 3.16 to 3.18 below)
2.7	<b>Claims Management Companies</b> – completes the recovery commenced in 2019/20 (see paragraphs 3.19 to 3.21 below)
4.4	<b>Consumer credit</b> – completion of the recovery commenced in 2016/17 (see paragraphs 3.22 and 3.23 below)
(0.2)	<b>Markets in Financial Instruments Directive II (MiFID II)</b> – return of over-recovery from 2019/20 (see paragraphs 3.24 and 3.25 below)
<b>14.1</b>	<b>Total</b>

### **Senior Managers and Certification Regime**

**3.16** The Senior Managers and Certification Regime (SM&CR) replaced the Approved Persons Regime, changing how people working in financial services are regulated. Broadly speaking, firms covered by the SM&CR that are dual-regulated by the FCA and the Prudential Regulation Authority (PRA) are divided into two categories:

- SM&CR banking firms – deposit takers that include banks, building societies and credit unions, and
- SM&CR insurance firms – include general and life insurers, the Society of Lloyd's and their managing agents.

**3.17** The SM&CR scope change costs for the banking firms have already been recovered from the A.1 Deposit acceptors fee-block (includes banks, building societies and credit unions) over fee-years 2016/17 to 2018/19.

**3.18** We are proposing that the £7.2m SM&CR 2020/21 scope change costs are allocated proportionately across the fee-blocks that include SM&CR insurance firms and the solo-regulated fee-blocks that include fee-payers that are 'firms' as defined in the FCA's Handbook. This is because the SM&CR only applies to 'firms'. Table 3.3 notes all the fee-blocks which include SM&CR insurance firms and FCA solo-regulated fee-blocks which contain fee-payers that are 'firms' and so are also subject to the SM&CR.

### **Claims management companies**

**3.19** Responsibility for claims management regulation passed from the Claims Management Regulator to the FCA on 1 April 2019 under the Financial Guidance and Claims Act 2018. This has brought within our scope a new business sector and a new group of firms - claims management companies (CMCs).

**3.20** For 2019/20 we consulted on the allocation of £7.1m CMC scope change costs which were allocated to a new CMC fee-block. CMCs that wanted to continue trading from 1 April 2019 had to register for temporary permission. Registration for temporary permission opened on 1 January 2019 and closed on 31 March 2019. Firms that registered with us were required to pay their 2019/20 periodic fees at the same time as they registered.

**3.21** We are proposing to allocate the £2.7m 2020/21 scope change costs to the CMC fee-block.

### **Consumer credit**

**3.22** We originally planned to recover the consumer credit scope change deficit of £62m at the rate of £6.2m each year for 10 years, beginning in 2016/17 and ending in 2025/26 (chapter 2 CP16/09 – April 2016). For 2018/19 we consulted on continuing the variable fee rate unchanged from 2016/17 at £0.40 for fee-block CC1 and £1.30 for fee-block CC2 per £1,000 of income from consumer credit activities above £250,000. Continuing with an unchanged fee-rate led to an over-recovery. The amount of this over-recovery has helped to eliminate the consumer credit scope change deficit in 2020/21, which is 5 years earlier than originally planned.

**3.23** The proposed £4.4m scope change recovery for 2020/21 will complete the recovery of the £62m consumer credit scope change costs.

### **Markets in Financial Instruments Directive II (MiFID II)**

**3.24** The scope change costs for the implementation of the Markets in Financial Instruments Directive II (MiFID II) have been recovered over the fee-years 2017/18 to 2019/20. We allocated those MiFID II scope change costs to the fee-blocks, listed below, most directly affected by MiFID II. We based the proportion allocated to each fee-block on the value of the total FCA fees that MiFID firms in each fee-block paid:

- A.7 Portfolio managers
- A.9 Managers and depositaries of investment funds and operators of collective investment schemes or pension schemes
- A.10 Firms dealing as principal
- A.13 Advisors, arrangers, dealers or brokers
- A.14 Corporate finance advisers
- B. Only: Recognised Investment Exchanges; operators of Multilateral Trading Facilities; and Organised Trading Facilities

**3.25** We over-estimated the scope change costs for implementing MiFID II by £0.2m and so have recovered more than we needed in 2019/20. We propose to allocate the refund of the £0.2m across fee-blocks on the same basis as the original scope change allocation.

### **EU withdrawal costs**

**3.26** We have identified total EU Withdrawal costs of £15m for 2020/21 as we ensure that both we and the UK financial services industry are prepared for the end of the transition period at 31 December 2020. The increased recovery through fees reflects that in prior years most of the costs were either absorbed within the ORA budget or funded from reserves.

**3.27** We propose allocating the £15m costs across the fee-blocks that include banks (A.1 fee-block), insurers (A.3, A.4, A.5 and A.6 fee-blocks), fund managers (A.7 fee-block) and proprietary traders (fee-block A.10). We believe that the types of firms in these fee-blocks are most likely to be affected by EU withdrawal. This is the same allocation basis we used for 2017/18, 2018/19 and 2019/20.

## Transformation Programme

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- 3.28** To support our Transformation Programme, we will invest £30m over three years recovering £10m each year.
- 3.29** Since launching Our Mission in 2017 we have improved how we work. But we must continually adapt and raise our standards as the world in which we regulate changes. Our plans for our own transformation are ambitious and will fundamentally change the way we work, as well as helping us become a more efficient and effective regulator.
- 3.30** Our role is to work in the public interest to protect the UK's financial system. To ensure that we continue to deliver this we need to think differently about how we act as a regulator. We need to change the way that we work, including how we prioritise and deliver outcomes, how we use data and technology, what capabilities we need to be fit for the future and how we work with our global partners.
- 3.31** We will also need to make full use of our regulatory toolkit. Our work on our core priorities demonstrates and underpins this as set out in our [Business Plan](#).
- 3.32** We are proposing that the £10m recovery in 2020/21 is allocated across all fee-blocks as the programme impacts on the way we work across the organisation. This will not impact minimum fees.

## Reallocation of AFR to the consumer credit fee-blocks

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- 3.33** We first included consumer credit costs in our AFR for 2016/17 at the same time as we started recovering the scope change deficit. In 2016/17, we allocated £37.7m AFR. This was made up of our 2016/17 ORA costs of £31.5m and £6.2m scope change (first year of the planned 10-year recovery of the scope change deficit).
- 3.34** As covered in paragraph 3.22 by keeping the consumer credit variable fee-rates unchanged at the 2016/17 levels we have been able to reduce the consumer credit scope change deficit earlier. This, together with the recovery of the final £4.4m in 2020/21, means the deficit will be eliminated 5 years earlier than 2025/26 as originally planned. Around 95% of consumer credit firms only pay minimum fees so the over-recovery has not impacted these mostly limited permission firms.
- 3.35** We have undertaken and continue to focus significant effort on major projects in the consumer credit sector. For example: work on high cost short term lending, business models driving unaffordable lending, the Review of Consumer Credit Act provisions and our Credit Information Study undertaken in 2019.
- 3.36** To reflect this enhanced effort, we propose to increase the AFR allocation to the consumer credit fee-blocks by £12m. This allocation by exception will make the AFR we recover from the consumer credit fee-blocks more closely reflect the focus of our resources on the regulation of consumer credit firms since we took on their regulation.
- 3.37** Given the current over-recovery, we will continue to keep consumer credit variable fee-rates unchanged. This will enable the £12m increased allocation to the consumer credit fee-blocks to be recovered in 2020/21.

**3.38** We propose that the £12m reduction in AFR allocations should be distributed proportionately across other authorised firms covered by the A fee-blocks, except the minimum fee fee-block.

### Fee-block A.0 FCA minimum fee

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**3.39** Minimum fees are fixed amounts that each firm pays. The amount of AFR we recover from the A.0 FCA 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

**3.40** Chapter 3 covers proposed periodic fees for authorised firms. In this chapter, we propose to freeze minimum fees so they will remain unchanged from 2019/20. Flat fees will increase by 2% to reflect the increase in our 2020/21 ORA.

**3.41** The 0% movement in Table 3.3 for the A.0 fee-block reflects no change in the minimum fee itself. Our current estimate is that there will be a similar number of firms paying this fee in 2020/21 as 2019/20.

**3.42** We also propose that minimum fees remain unchanged (unless otherwise stated) and flat fees increase by 2% in Chapter 4 (which covers proposed periodic fees for other bodies).

### Fee rates

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**3.43** In Chapter 4 we consult on the 2020/21 periodic fees for authorised firms to recover the AFR allocated to the other A fee-blocks and the CC1 and CC2 consumer credit fee-blocks.

**3.44** In Chapter 5 we consult on the 2020/21 periodic fees for other bodies to recover the AFR allocated to the B to G fee-blocks.

**3.45** In Chapter 7 we consult on the proposals to undertake a consumer harm campaign and the basis for recovering the costs. The fee-rates in the draft instrument at Appendix 1 includes the rates to recover our 2020/21 AFR and separately, in square brackets, the rates to recover the 2020/21 campaign costs. So, fee-payers will be able to see the impact on their individual 2020/21 fees.

**Table 3.3: 2019/20 AFR allocation across fee-blocks**

AFR allocations to fee-blocks	(i)	Proposed 2020/21 £m	Actual 2019/20 £m	Movement over 2019/20
A.0 FCA minimum fee	Solo	21.4	21.4	0.0%
AP.0 FCA prudential fee (ii)	Solo	17.6	17.2	2.1%
A.1 Deposit acceptors	DR	78.5	74.6	5.3%
A.2 Home finance providers and administrators (b)	Solo	18.5	17.9	3.1%
A.3 Insurers – general (a)	DR	28.4	26.6	7.1%
A.4 Insurers – life (a)	DR	47.8	44.6	7.1%
A.5 Managing agents at Lloyd's (a)	DR	0.2	0.2	5.4%
A.6 The Society of Lloyd's (a)	DR	0.4	0.4	6.0%
A.7 Portfolio managers (b)	Solo	49.1	46.3	5.9%
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes (b)	Solo	12.3	12.0	3.0%
A.10 Firms dealing as principal (iii) (b)	Solo & DR	56.9	53.7	5.9%
A.13 Advisory arrangers, dealers or brokers (b)	Solo	80.7	79.4	1.6%
A.14 Corporate finance advisors (b)	Solo	14.7	14.5	1.5%
A.18 Home finance providers, advisers and arrangers (b)	Solo	18.1	17.6	3.0%
A.19 General insurance mediation (b)	Solo	29.9	29.0	3.0%
A.21 Firms holding client money or assets or both (b)	Solo	15.2	14.7	3.2%
CC1. Consumer credit – limited permission	Solo	52.1	39.8	30.8%
CC2. Consumer credit – full permission (b)				
Claims Management Companies (b)	Solo	2.8	7.1	-60.0%
B. Recognised investment exchanges, recognised overseas investment exchanges, multilateral trading facilities, organised trading facilities, recognised auction platforms, service companies, regulated benchmark administrators, third country legal representative, benchmark endorsers (c)	Solo	8.1	7.9	3.2%
C. Collective investment schemes	Solo	2.6	2.5	4.1%
D. Designated professional bodies and professional body supervisors	Solo	1.8	1.9	-8.8%
E. Issuers and sponsors of securities	Solo	23.0	22.1	4.1%

G. firms subject to: money laundering regulations; regulated covered bonds regulations; payment services regulations; electronic money regulations; firms undertaking consumer buy-to-let business; data reporting services providers; and third-party verification agents.	Solo	7.4	7.1	4.1%
<b>Total AFR</b>		<b>587.6</b>	<b>558.5</b>	<b>5.2%</b>

**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 the PRA has designated 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.

n/a = Not applicable.

Senior Managers and Certification Regime (SM&CR) scope change costs discussed in Chapter 2 have been allocated proportionately across the fee-blocks noted in the above table:

(a) SM&CR insurance firms.

(b) Firms subject to SM&CR.

(c) Firms subject to SM&CR – only operators of multilateral trading facilities/organised trading facilities and service companies within the B fee-block.

## 4 FCA periodic fees for authorised firms

### *(FEES 4 Annex 2AR in Appendix 1 and FEES 4A Annex 1R draft rules in Appendix 2)*

- 4.1** This chapter sets out our 2020/21 periodic fees proposals for authorised firms in the A fee-blocks and the CC1 and CC2 Consumer Credit fee-blocks. These fee-blocks account for 92% of our 2020/21 annual funding requirement (AFR).
- 4.2** We discuss proposals for periodic fees payable by other bodies in Chapter 5.

### Proposed minimum fees

- 4.3** Any firm that is authorised to carry out any of the regulated activities covered by the 'A' fee-blocks is subject to the A.0 minimum fee (except for A.6, which has one fee payer, the Society of Lloyd's). The CC1 and CC2 Consumer Credit fee-blocks have a separate structure of minimum fees. Some firms that pay minimum fees in the CC1 and CC2 fee-blocks also pay the minimum fee under the A.0 fee-block.
- 4.4** The aim of minimum fees is to ensure that all authorised firms contribute to the cost of regulation, including small firms. It also aims to ensure that the minimum fee level is not too high (as this would hinder competition) and not too low (which would prejudice existing fee payers).
- 4.5** Minimum fees are fixed amounts that each firm pays. Firms under the size threshold only pay the minimum fee. Firms above the threshold also pay variable fees, based on the measure of business that applies to a particular fee-block. The larger the fee payer, the more it contributes to the recovery of the AFR allocated to the fee-block.
- 4.6** Our policy is that minimum and flat fees are linked to movements in our ORA budget. However, given the impact of Covid-19 we are proposing that for 2020/21 we should protect the smallest firms by freezing minimum fees so they remain unchanged from 2019/20. This means that the 71% of firms that are small enough to only pay minimum fees will see no change in the fees they pay.
- 4.7** As set out in Chapter 3, our 2020/21 ORA has increased by 2% over ORA in 2019/20. So we propose to increase the 2020/21 flat fees by 2%.
- 4.8** Tables 4.1 and 4.2 set out the proposed changes in minimum and flat fees.

**Table 4.1 – Proposed 2020/21 A fee-block minimum and flat fees**

	2019/20 fee	Increase	2020/21 fee
FCA solo-regulated firms	£1,151	£0	£1,151
Dual-regulated with the PRA firms	£574	£0	£574
Dual-regulated concessionary firms:			
• smaller credit unions (depending on size)	£92 or £310	£0 or £0	£92 or £310
• smaller friendly societies	£247	£0	£247

UK insurance special purpose vehicle (flat fee)	£495	£10	£505
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**Notes:**

- i. Firms in the 'A' fee-blocks include banks, building societies, credit unions, insurers, fund managers, and retail investment, mortgage and general insurance intermediaries. In total, we recover around 83% of our AFR from firms in the 'A' fee-block. Around 37% of 'A' fee-block firms are small enough to only pay the minimum fee.
- ii. 2% increase has been rounded to the nearest £.

**Table 4.2 – Proposed 2020/21 Consumer Credit fee-blocks minimum fees**

Type of firm	Income band	2019/20 fee	Increase	2020/21 fee
CC1: Limited permission	Up to £10,000	£106	£0	£106
	Over £10,000 to £50,000	£266	£0	£266
	Over £50,000 to £100,000	£424	£0	£424
	Over 100,000 to £250,000	£530	£0	£530
CC2: Full permission	Up to £50,000	£318	£0	£318
	Over £50,000 to £100,000	£530	£0	£530
	Over £100,000 to £250,000	£1,061	£0	£1,061

**Notes:**

The Consumer Credit fee-blocks also include firms that pay the 'A' fee-block minimum fees. Around 94% of Consumer Credit firms are small enough to only pay minimum fees.

## Proposed variable periodic fees

### A fee-blocks

- 4.9** We recover the AFR allocated to the A fee-blocks on a 'straight line' basis, ie in direct proportion to the size of permitted business that firms undertake in these fee blocks (unless subject to our moderation framework discussed below). So firms should pay fees that change in line with the year-on-year allocations of our AFR, as set out in Table 3.3 in Chapter 3.
- 4.10** But, in some cases, movements in the allocations of our AFR in this Table at a fee-block level will be different from the movements in the draft fee rates in Appendix 1. This is due to annual changes in the number of fee payers and the level of tariff data in each fee block.
- 4.11** Table 4.3 sets out the number of fee payers and the total tariff data we have used to calculate the draft 2020/21 fee rates in Appendix 1. It then compares them to the data used to calculate 2019/20 fee rates, showing the level of year-on-year movements. To show the effect of this on the fees that 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 4.3: Data used to estimate 2020/21 periodic fee rates for consultation**

Fee-block	Tariff base	Number of firms in fee-blocks			Tariff data			Change in rates
		2020/21 Estimated	2019/20 Actual (i)	Change	2020/21 Estimated	2019/20	Change	
A.1	Modified eligible liabilities	793	799	-0.8%	£3,450.2bn	£3,356.1bn	2.8%	2.3%
A.2	Number of mortgages or other home finance transactions	475	476	-0.2%	£6.8m	£6.9m	-1.4%	4.3%
A.3	Gross written premium	311	323	-3.7%	£71.7bn	£72.7bn	-1.3%	8.2%
	Best estimate liabilities				£139.1bn	£143.3bn	-2.9%	8.6%
A.4	Gross written premium	169	160	5.6%	£139.6bn	£137.9bn	1.3%	5.8%
	Best estimate liabilities				£1,271bn	£1,280.4bn	-0.7%	8%
A.5	Active capacity	57	57	0.0%	£28.8bn	£31.4bn	-8.4%	5.4%
A.7	Funds under management	2,893	2,919	-0.9%	£10,232.8bn	£8,871.5bn	15.3%	-7.6%
A.9	Gross income	1,407	1,433	-1.8%	£14.2bn	£15.4bn	-7.8%	12.6%
A.10	Traders	460	446	3.1%	8,839	9,146	-3.4%	10.4%
A.13	Annual income	12,543	12,752	-1.6%	£29.5bn	£31.9bn	-7.5%	10.4%
A.14	Annual income	795	810	-1.9%	£9.0bn	£9.0bn	-0.3%	1.9%
A.18	Annual income	5,616	5,541	1.4%	£1.9bn	£1.8bn	3.5%	-1.5%
A.19	Annual income	12,992	12,979	0.1%	£18.5bn	£17.7bn	4.5%	1.0%
A.21	Client money	1,117	1,099	1.6%	£153.4bn	£153.7bn	-0.2%	2.4%
	Assets held				£14,910.9bn	£14,778.7bn	0.9%	3.3%

**Notes:**

(i) 'Actual' refers to the data as set out in Table 2.3 of PS19/19, published in July 2019.

**4.12** The data and fees for 2020/21 in Table 4.3 may change between now and June when we will calculate the final fee rates. This is because we calculated the draft fee rates based on the estimated population of fee payers as at 1 April 2020. In addition, we will not complete collecting and validating the tariff data until May/June.

**Insurers fee-blocks (A.3 and A.4) tariff data**

**4.13** The tariff data we use to calculate the final fee-rates for general insurers in the A.3 fee-block and life insurers in the A.4 fee-block is primarily drawn from the Solvency II (SII) regulatory financial returns submitted to the Prudential Regulation Authority (PRA). On the 20 March 2020, the European Insurance & Occupational Pensions

Authority (EIOPA) announced an eight-week extension to the submission deadline for SII returns to 2 June 2020.

- 4.14** To calculate the final fee-rates we need the tariff data from all insurers. We do not believe the submission extension for SII returns will enable a full set of tariff data to be validated in time for the FCA Board to make the final fee-rate rules in June 2020. We are therefore considering whether to use the previous year’s tariff data. FEES 4.4.2A makes provision for this to be done and would mean that the final fee-rates would be based on the same tariff data reported by firms for 2019/20 fees purposes.
- 4.15** As an alternative, we are considering whether we could defer making the final fee-rates for insurers only to the July FCA Board. This would also mean deferring commencing the invoicing and collection of 2020/21 fees for A.3 and A.4 insurers from July to August 2020.
- 4.16** The deferral would apply to FCA, PRA fees, and the Financial Services Compensation Scheme, Financial Ombudsman Service, Money and Pensions Service, Devolved Authorities and illegal money lending levies. This is because we invoice firms through a consolidated invoice that covers all the fees and levies they pay where applicable to the individual firm.

### Consumer Credit fee-blocks

- 4.17** As discussed in Chapter 2, we propose to increase the AFR allocation to the consumer credit fee-blocks by £12m. This increased allocation will be recovered by continuing to keep the consumer credit variable fee-rates unchanged in 2020/21, as proposed in Table 4.4.

**Table 4.4: 2020/21 proposed consumer credit variable fee-rates**

Type of firm	Proposed 2020/21 variable fee rate on income above £250,000	Actual 2019/20 variable fee rate on income above £250,000	Change in rates
CC1: Limited permission	£0.40 Per £,1000	£0.40 Per £1,000	0.0%
CC2: Full permission	£1.30 Per £1,000	£1.30 Per £1,000	0.0%

### Moderation framework

- 4.18** In exceptional cases, we apply our moderation framework. This framework allows our straight-line recovery policy to accommodate a targeted recovery of costs within a fee-block, as long as it can be justified. This moderation can be either side of the straight-line recovery. It is achieved by applying a premium or discount to the tariff data that measures the amount of permitted business that firms undertake within a moderated fee-block.

#### A.1 fee-block (Deposit acceptors)

- 4.19** The A.1 fee-block is an existing exception from straight-line recovery. Within this fee-block, firms who fall within the medium-high and high bands of our moderation framework pay a premium fee rate. This reflects that we target our overall supervision at the high-impact, systemically important firms in this sector.

**4.20** We apply a premium of 25% and 65% respectively 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)**

**4.21** We use bandings within the A.21 fee block-based on the risk classifications we apply to firms in the Client Assets sourcebook (CASS). This enables us to match where we apply our resources to the fees we charge firms.

**4.22** We set out the bandings and level of moderation that we have applied to the tariff data for both client money and assets held in Table 4.5. The result of our moderation is that the 2020/21 £15.2m AFR (see Table 3.3 in Chapter 3) is distributed as follows:

- CASS large firms 76.11%
- CASS medium firms 23.86%
- CASS small firms 0.03%

**Table 4.5: Bandings and level of modification**

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

**European Economic Area (EEA) branches – fee discounts**

**4.23** The FCA, as the host state conduct regulator, is primarily responsible for the conduct regulation of incoming EEA branches (passported into the UK). We apply discounts to the fees paid by these firms to reflect how our supervisory responsibilities for these firms are lower than for UK-based firms carrying on the same regulated activities, specifically for systems and controls and approved persons.

**4.24** We apply the discounts as set out in Part 3 of FEES 4 Annex 2AR within the FEES Manual.

**Online fees calculator**

**4.25** We provide a Fees Calculator on our website to enable firms to calculate their periodic fees for the forthcoming year. This will be based on the draft FCA periodic fees and the Financial Ombudsman Service, Money and Pensions Service, Devolved Authorities and illegal money lending levy consultative rates in Appendix 1 of this CP. For FCA fees, the Fees Calculator will also include the fee-rates to recover the cost of the consumer harm campaign discussed in Chapter 6. Those consumer harm campaign fee-rates are set out in square brackets within the consultative rates in Appendix 1.

- 4.26** The fees calculator will also cover applicable PRA fees and FSCS indicative levies. The Fees Calculator for 2020/21 fees and levies will be available for firms to use from 7 April 2020 with PRA rates added from 9 April.
- 4.27** We will consider your comments on our proposals and, subject to FCA Board approval in June 2020, plan to publish a Policy Statement in July, which will include our feedback on your comments and the final rules.
- 4.28** Certain fee payers have been invoiced from February 2020 for 'on-account' payments. Other firms will be invoiced from July 2020, on the basis of the new fees and levies.

## Covid-19 – extended payment terms

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- 4.29** Given the impact of Covid-19 and to help medium and smaller firms we are proposing to extend the period for paying their fees by two months to 90 days. This means that 89% of firms will have until the end of 2020 to pay their fees and levies. Larger firms will be expected to pay their fees under the usual payment terms.
- 4.30** We are categorising medium and smaller firms as those firms who pay a total fees and levies in 2020/21 of less than £10,000. The total to include all the fees and levies they pay to the FCA, PRA, the Financial Services Compensation Scheme, the Financial Ombudsman Service, Money and Pensions Service, Devolved Authorities, the Payment Systems Regulator, the Financial Reporting Council and under the illegal money lending levy.
- 4.31** For firms that are in the category of medium and smaller firms instead of payment being due within 30 days of the date of the invoice it will be due within 90 days of the date of the invoice.

**Q1: Do you have any comments on the proposed FCA 2020/21 minimum fees and variable periodic fee rates for authorised firms?**

Fee payers should be aware that we calculate the draft fee rates and levies in Appendix 1 using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2020/21 – which will be made by our Board in June 2020 – could vary from those in this CP.

## 5 FCA periodic fees for other bodies

- 5.1** This chapter sets out the proposed periodic fees for fee payers in fee-blocks:
- B - market infrastructure providers
  - C - collective investment schemes
  - D - designated professional bodies and professional body supervisors
  - E – issuers and sponsors of securities, and
  - G - firms subject to: money laundering regulations; regulated covered bonds regulations; payment services regulations; electronic money regulations; firms undertaking consumer buy-to-let business; data reporting services providers; and third-party verification agents.
- 5.2** We discuss the proportion of the 2020/21 £587.6m annual funding requirement (AFR) allocated to fee-blocks B to G in Chapter 3. In this chapter, we only comment where year-on-year percentage movements for subsets of fee payers within the B to G fee-blocks are substantially different from the year-on-year movements in the overall fee-blocks set out in Table 3.3 of Chapter 3.
- 5.3** Our policy is that minimum fees and flat fees are linked to movements in our ORA budget. However, given the impact of Covid-19 we are proposing that for 2020/21 we should protect the smallest firms by freezing minimum fees so they remain unchanged from 2019/20. This means that the 71% of firms that are small enough to only pay minimum fees will see no change in the fees they pay.
- 5.4** As set out in Chapter 3, our 2020/21 ORA has increased by 2% over 2019/20. So, we propose to increase the 2020/21 flat fees for the B to G fee-blocks by 2%.
- 5.5** Fee-payers covered by this chapter should also consider the proposals in Chapter 7 to undertake the consumer harm campaign and the basis for recovering the costs. The fee-rates in the draft instrument at Appendix 1 includes the rates to recover our 2020/21 AFR allocated to the B to G fee-blocks and separately, in square brackets, the rates to recover the 2020/21 campaign costs. So, fee-payers will be able to see the impact on their individual 2020/21 fees.

### Covid-19 – extended payment terms

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- 5.6** We are proposing that the extended payment terms that are discussed in Chapter 4 will also apply to firms and other fee-payers covered by this chapter.

Fee payers should be aware that we calculate the draft fee rates and levies in Appendix 1 using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2020/21 – which will be made by our Board in June 2020 – could vary from those in this CP.

## Fee-block B: Market infrastructure providers

- 5.7** As set out in Chapter 3 the overall allocation of our 2020/21 AFR to the B fee-block is £8.1m, an increase of 3.2% from 2019/20. This reflects the 2% increase in our ORA budget, the allocation of a proportion of the scope change costs relating to the Senior Managers and Certification Regime (SM&CR) and a return of and over-recovery in 2019/20 of the scope-change costs for implementing Markets in Financial Instruments Directive II (MiFID II). We will only recover SM&CR scope change costs from operators of Multilateral Trading Facilities (MTFs), Organised Trading Facilities (OTFs) and service companies. We will return the proportion of the MiFID II scope change over-recovery in 2019/20 to MTFs, OTFs and Recognised Investment Exchanges (RIEs) as these were the only sub-sets of the B fee-block that contributed to the recovery of the original MiFID II scope change costs.

## Recognised investment exchanges

### *(FEES 4 Annex 2AR Part 1 – draft rules in Appendix 1)*

- 5.8** We set out the proposed 2020/21 fees for recognised investment exchanges (RIEs) in Table 4.1. We have increased the minimum fee for RIEs in line with the 2% increase in our ORA as we do not consider the level of minimum fee to represent that paid by the smallest fee-payers. The overall 2.5% decrease in the variable fee-rate reflects the return of the over-recovery of MiFID II scope-change costs.

**Table 5.1: Proposed recognised investment exchanges fees**

	Proposed 2020/21 fee (£)	Actual 2019/20 fee (£)	Variance
Annual income up to and including £10,000,000 (minimum fee)	107,161	105,060	2.0%
Annual income over £10,000,000 (£/£ thousand or part thousand of income)	4.006	4.11	-2.5%

## Recognised auction platforms

### *(FEES 4 Annex 2AR Part 1 - draft rules in Appendix 1)*

- 5.9** We propose a 2020/21 flat fee of £57,124 for recognised auction platforms, an increase of 2% from £56,004 in 2019/20.

## Recognised overseas investment exchanges

### *(FEES 4 Annex 2AR Part 1 - draft rules in Appendix 1)*

- 5.10** We propose a 2020/21 flat fee of £61,200 for recognised overseas investment exchanges (ROIEs), an increase of 2% from £60,000 in 2019/20.
- 5.11** ROIEs that are European Economic Area market operators before the completion of the implementation period (IP), for the UK leaving the European Union, will pay a proportion of the £61,200 flat fee based on the number of months between the completion of IP and March 2021 (inclusive). IP is currently scheduled to occur on 31 December 2020.

## Multilateral trading facilities and organised trading facilities (FEES 4 Annex 10R - draft rules in Appendix 1)

- 5.12** We set out the proposed 2020/21 fees for multilateral trading facilities (MTFs) and organised trading facilities (OTFs) in Table 5.2. The overall 2% increase in fees reflects the recovery of a proportion of the SM&CR scope change costs, the return of the over-recovery of MiFID II scope-change costs and a higher number of MTFs/OTFs for 2020/21 than for 2019/20.

**Table 5.2: Proposed MTF and OTF fees**

	Proposed 2020/21 fee (£)	Actual 2019/20 fee (£)	Variance
MTF or OTF operator that has a named individual fixed portfolio supervisor	350,225	343,358	2.0%
All other MTF or OTF operators (ie those supervised by a team of flexible portfolio supervisors)	33,028	32,380	2.0%
European Economic Area (EEA) firm	0	0	0.0%

- 5.13** In Chapter 9 we consult on MTFs' and OTFs' reporting of their income as a measure of the size of their regulated activities (tariff data). This is the second stage of our consultation to introduce income as the basis for calculating periodic fees for these firms from 2021/22

## Service companies

### (FEES 4 Annex 2AR Part 1 – draft rules in Appendix 1)

- 5.14** We set out the proposed 2020/21 fees for service companies in Table 5.3. The overall 10.1% decrease in the variable fee-rate reflects the recovery of a proportion of the SM&CR scope change costs and a higher amount of income tariff data reported by service companies for 2020/21 than for 2019/20.

**Table 5.3: Proposed service companies' fees**

	Proposed 2021/20 fee (£)	Actual 2019/18 fee (£)	Variance
Income up to and including £100,000 (minimum fee)	1,132	1,132	0.0%
Income over £100,000 (£/£ thousand or part £ thousand of income)	2.48	2.76	-10.1%

## Regulated benchmark administrators, third country legal representative, benchmark endorser

### (FEES 4 Annex 2R Part 1 and FEES 4 Annex 15R – draft rules in Appendix 1)

- 5.15** The proposed 2020/21 periodic fees for regulated benchmark administrators (RBAs) are set out in Table 5.4. The overall 18.9% decrease in the variable fee-rate reflects the £2.1m EU Benchmarks scope change allocation discussed in Chapter 3 and the higher number of RBAs and higher amount of income tariff data reported by RBAs for 2020/21 than for 2019/20.

**Table 5.4: Proposed regulated benchmark administrators' fees**

	Proposed 2019/20 fee (£)	Actual 2018/19 fee (£)	Variance
Income up to and including £100,000	1,151	1,151	0.0%
Income over £100,000 (£/£ thousand or part £ thousand of income)	1,288	1,59	-18.9%

We propose a 2020/21 flat fee for a third country legal representative of £13,005 and for a benchmark endorser of £7,803. This is an increase of 2% from £12,750 and £7,650 respectively in 2019/20.

### Fee-block C: Collective investment schemes (FEES 4 Annex 4R - draft rules in Appendix 1)

**5.16** We set out the proposed 2020/21 fees for collective investment schemes (CIS) in Tables 5.5 and 5.6. In the case of Table 4.5, the overall 2.9% increase in the variable fee-rates reflect a lower amount of funds/sub-funds tariff data reported by CIS's for 2020/21 than in 2019/20. Also, the minimum fees have remained unchanged from 2019/20 resulting in more of the AFR allocated to the C fee-block being recovered through the variable fees.

**5.17** We propose a 2020/21 flat fee of £663 for small registered UK Alternative Investment Fund Managers, an increase of 2% from £650 in 2019/20.

**Table 5.5: Proposed CIS periodic fees**

Scheme type	Basic fee (£)	Total aggregate number of funds/sub-funds	Proposed 2019/20 fee rate (£)	Actual 2018/19 fee rate (£)	Variance
<b>ICVC, AUT, ACS, UK ELTIFs</b>	360	1-2	360	350	2.9%
		3-6	900	875	2.9%
		7-15	1,800	1,750	2.9%
		16-50	3,960	3,850	2.9%
<b>Section 264 of FSMA, schemes other than non-EEA AIFs recognised under section 272 of FSMA</b>	1,465	>50	7,920	7,700	2.9%
<b>Non-EEA AIFs recognised under section 272 of FSMA</b>		1-2	1,465	1,425	2.8%
		3-6	3,663	3,562.50	2.8%
		7-15	7,325	7,125	2.8%
		16-50	16,115	15,675	2.8%
		>50	32,230	31,350	2.8%



**Table 5.6: Proposed CIS periodic fees**

Kind of notification	Proposed 2020/21 fee per AIF (£)	Actual 2019/20 fee per AIF (£)	Variance
Notification under regulation 57 of the AIFMD UK Regulation (flat fee)	337	330	2.0%
Notification under regulation 58 of the AIFMD UK Regulation (flat fee)	235	230	2.0%
Notification under regulation 59 of the AIFMD UK Regulation (flat fee)	337	330	2.0%

## Fee-block D: Designated professional bodies and professional body supervisors

### Designated professional bodies

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

- 5.18** We calculate periodic fees for designated professional bodies (DPBs) based on the number of exempt professional firms in each body. Each DPB currently pays £10,000 (minimum fee) for its first exempt professional firm (tariff base – measure of size). We then recover the remaining amount of our annual funding requirement allocated to the D.1 fee-block in proportion to the number of exempt professional firms reported by each DPB (variable fee). We list the resulting periodic fee for each DPB under FEES 4 Annex 5R.
- 5.19** In all other fee-blocks where part of the periodic fee varies in proportion to a measure of size we set out in our rules the basis of that calculation. We define the tariff base (including the valuation date we use), state the size threshold that applies to the minimum fee and the fee-rate per unit of tariff base we use to calculate the variable fee. Fee-payers can clearly see how we calculate their fees and there is no need to list the individual amount of fees paid by each fee-payer.
- 5.20** In Chapter 5 of CP19/30 (November 2019) we consulted on adopting this approach for DPBs. We received no feedback on this proposal. We incorporated the revised basis into FEES 4 Annex 5R via an instrument published alongside Handbook 74 (February 2020) which gave our responses to the feedback on all the proposals in CP19/30. The way we calculate periodic fees for DPBs has not changed, just the way we present it in our fees rules.
- 5.21** We set out the proposed 2020/21 minimum fee and variable fee for DPBs in Table 5.7. We propose that the minimum fee remains unchanged from 2019/20, as is the case with all other minimum fees.
- 5.22** The 2020/21 variable fee has decreased by 6.8%, reflecting the higher recovery from minimum fees.

**Table 5.7: Proposed DPB periodic fees**

DPB	Proposed 2020/21 fee (£)	Actual 2019/20 fee (£)	Variance
Minimum fee, payable by all DPBs	10,000	10,000	0.0%
Variable fee, payable by DPBs where the number of exempt professional firms (EPFs) regulated or supervised by a DPB is greater than 1	£ 10.77*	£11.57* (i)	-6.9%
* multiplied by the total number EPFs in excess of 1			

**Notes:**

(i) The variable fee for 2019/20 has been calculated to enable a year on year variance to be provided

**Professional body supervisors**  
(FEES App 2 Annex 2 Part 3)

- 5.23** We set out the proposed 2020/21 fees for professional body supervisors in Table 5.8.
- 5.24** We propose that the minimum fee remains unchanged from 2019/20, as is the case with all other minimum fees.
- 5.25** The overall 0.4% decrease in the variable fee-rate reflects a higher amount of supervised individuals tariff data reported by professional body supervisors for 2020/21 than for 2019/20.

**Table 5.8: Proposed professional body supervisor fees**

	Proposed 2020/21 fee (£)	Actual 2019/20 fee (£)	Variance
Minimum fee	5,000	5,000	0.0%
Variable fee, payable by professional body supervisors, where the number of supervised individuals is 6,000 or more	37.45*	37.60*	-0.4%
*multiplied by the total number of supervised individuals in excess of the threshold of 6,000			

**Fee-block E: Issuers and sponsors of securities**  
(FEES 4 Annex 14 R - draft rules in Appendix 1)

- 5.26** The proposed 2020/21 fees for issuers and sponsors of securities are set out in Tables 5.9 and 5.10. Base fees have increased by 2%. The overall 11.9% increase in the variable fee-rate reflects a lower amount of projected market capitalisation tariff data reported by these fee payers.

**Table 5.9: Base fees**

Activity group or invoice code	Proposed 2020/21	Actual 2019/20	Variance
E.2 Premium listed issuer	5,574	5,465	2.0%
E.3 Standard listed issuer	21,114	20,700	2.0%
E.6 Non-listed issuer (i)	0	0	0.0%
E.7 Primary information provider	17,621	17,275	2.0%
ES.01 Sponsor	29,351	28,775	2.0%

**Notes:** 2% increase in base fee has been rounded to the nearest £.

(i) Not needed at present but retained pending implementation of MiFID II

**Table 5.10: Variable fee additional to base fees**

Activity Group E.2	Proposed 2020/21	Actual 2019/20	Variance
£ million of market capitalisation	Fee rate (£)	Fee rate (£)	
0–100	0	0	n/a
>100–250	32.230729	28.803154	11.9%
>250–1,000	12.435566	11.113106	11.9%
>1,000–5,000	7.654601	6.840573	11.9%
>5,000–25,000	0.186719	0.166862	11.9%
>25,000	0.060324	0.053909	11.9%

## Fee-block G

### **Firms subject to the Money Laundering Regulations (FEES App 3.1.2 - draft rules in Appendix 1)**

- 5.27** We propose a 2020/21 flat fee of £469 for firms registered with us under the Money Laundering Regulations, an increase of 2% from £460 in 2019/20.

### **Fee-block G: Firms subject to the Payment Services Regulations (FEES 4 Annex 11R - draft rules in Appendix 1 and FEES 4A Annex 1R draft rules in Appendix 2)**

- 5.28** We set out the proposed 2020/21 payment services fees in Tables 5.12 and 5.13 (firms in G.2, G.3 and G.5 fee-blocks). We also propose that the flat fee for small payment institutions in the G.4 fee-block should be £536, an increase of 2% from £525 in 2019/20.
- 5.29** We propose that the G.2 minimum fee remains unchanged from 2019/20, as is the case with all other minimum fees. The G.2 variable fee-rate have remained unchanged from 2019/20 reflecting a higher amount of modified eligible liabilities (MELs) tariff data reported by these fee payers offset by the increase in funding requirement.

**5.30** We propose that the G.3 and G.5 minimum fee remains unchanged from 2019/20, as is the case with all other minimum fees. The G.3 and G.5 variable fee-rate have remained unchanged from 2019/20 due to a slight increase in the amount of relevant income tariff data reported by these fee payers offset by the increase in the allocated AFR.

**Table 5.12: Certain deposit acceptors (includes banks and building societies) (G.2 fee-block)**

	Proposed 2020/21	Actual 2019/20	Variance
Minimum fee (£)	525	525	0.0%
£ millions or part £ millions of modified eligible liabilities (MELs)	Fee rate		
	Proposed 2020/21	Actual 2019/20	Variance
>0.1	0.6009	0.6009	0.0%

**Table 5.13: Large payment institutions and other institutions (G.3 and G.5 fee-blocks)**

	Proposed 2020/21	Actual 2019/20	Variance
Minimum fee (£)	525	525	0.0%
£ thousands or part £ thousands of relevant income	Fee rate		
	Proposed 2020/21	Actual 2019/20	Variance
>100	0.4041	0.4041	0.0%

**Fee-block G: Firms subject to the Electronic Money Regulations (FEES 4 Annex 11R – draft rules in Appendix 1 and FEES 4A Annex 1R draft rules in Appendix 2)**

**5.31** We set out the proposed 2020/21 fees for large electronic money institutions under the Electronic Money Regulations in Table 5.14. We propose that the minimum fee remains unchanged from 2019/20, as is the case with all other minimum fees. The overall decrease in the variable fee-rate reflects the higher amount of average outstanding electronic money tariff data reported by these fee payers.

**Table 5.14: Large electronic money institutions (Fee-block G.10)**

	Proposed 2020/21	Actual 2018/19	Variance
Minimum fee	£1,726	£1,726	0.0%
£ millions or part £ millions of average outstanding electronic money			
>5.0	£65.00	£80.00	-18.8%

**Notes:** 2% increase in minimum fee has been rounded to the nearest £.

- 5.32** We propose a 2020/21 flat fee of £1,174 for small electronic money institutions, an increase of 2% from £1,151 in 2019/20 (Fee-block G.11).

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

*(FEES 4 Annex 11R - draft rules in Appendix 1)*

- 5.33** We recover the AFR allocated to the fee-block for firms that are subject to the Regulated Covered Bonds Regulations 2008 through 2 levels of flat minimum fees based on the number of registered programmes.
- 5.34** There is also a variable fee based on the number of issues made (market activity). The proportion recovered through the minimum fees is 90%, and 10% through the variable fee.
- 5.35** We set out the proposed 2020/21 fees in Table 5.15. The minimum fee has increased by 7.9% and the variable fee decreased by 27.2%. The variance is due to movements in the number of registered programmes and issues made during 2019/20 compared to the previous year.

**Table 5.15: Proposed periodic fees**

	Proposed 2020/21	Actual 2019/20	Variance
Minimum fee for the first registered programme	90,217	83,597	7.9%
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)	7.03	9.66	-27.2%

### Fee-block G: Firms undertaking Consumer buy-to-let business (Fee-block G.20 and 21)

*(FEES 4 Annex 11R - draft rules in Appendix 1)*

- 5.36** We propose increasing the consumer buy-to-let flat fees by 2% as set out in Table 4.16.

**Table 5.16: Consumer buy-to-let fees**

	Proposed 2020/21 (£)	Actual 2019/20 (£)	Variance
G.20 - CBTL lenders	433	424	2.0%
G.21 - CBTL arrangers and advisers	216	212	2.0%

### Fee-block G: Data reporting services providers (Fee-block G.25)

*(FEES 4 Annex 11R - draft rules in Appendix 1)*

- 5.37** We propose increasing the data reporting services providers flat fee by 2% as set out in Table 5.17.

**Table 5.17: Data reporting services providers**

	Proposed 2019/20 (£)	Actual 2018/19 (£)	Variance
G.25, Flat fee for first data reporting service plus 50% flat fee for each additional data reporting service for which the data reporting services provider has authorisation (other than an incoming data reporting services provider).	26,790	26,265	2.0%

## Fee-block G: Third-party verification agents (Fee-block G.26)

### *(FEES 4 Annex 11R - draft rules in Appendix 1)*

**5.38** We propose a 2020/21 flat fee of £260 for third-party verification agents, an increase of 2% from £255 in 2019/20.

**Q2:** Do you have any comments on the proposed FCA 2020/21 minimum fees and periodic fee rates for fee payers other than authorised firms?

## 6 Applying financial penalties

6.1 This chapter is relevant to all fee payers within the fee-blocks set out in Table 6.1

### Financial Penalty Scheme

6.2 We must pay the financial penalties we get from firms to the Treasury; net of certain enforcement costs incurred in the financial year in which the penalties were received (retained penalties). Our Financial Penalty Scheme (FPS) sets out the basis for ensuring the retained penalties are applied for the benefit of firms (except the firms on which the financial penalties were imposed). We set out our current FPS in Annex 3.

### Financial penalty rebates for 2020/21

6.3 We currently estimate the retained penalties for 2019/20 to be £51.8m (£47.5m in 2018/19). The amount of the estimated retained penalties allocated to each fee-block, along with the estimated percentage rebates for the 2020/21 periodic fees paid by the firms in those fee-blocks, is set out in Table 6.1. We will publish the final rebates in the July 2020 policy and feedback statement to this Consultation Paper.

**Table 6.1: Draft schedule of application of 2019/20 retained penalties in 2020/21**

Fee-block	Estimated 2019/20 retained penalties to be applied to benefit of fee-payers (£m)	Estimated rebate applied to 2020/21 fees
AP.0 FCA prudential	0.0	0.0%
A.1 Deposit acceptors	8.2	10.7%
A.2 Home finance providers and administrators	0.8	4.7%
A.3 Insurers – general	1.6	5.9%
A.4 Insurers – life	2.9	6.3%
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	12.0	25.3%
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	1.9	16.1%
A.10 Firms dealing as principal	6.6	11.9%

A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	4.4	5.6%
A.14 Corporate finance advisors	2.0	14.2%
A.18 Home finance providers, advisers and arrangers	3.4	19.1%
A.19 General insurance mediation	3.0	10.3%
A.21 Firms holding client money or assets or both	3.4	23.0%
B. Recognised investment exchanges, operators of multilateral trading facilities and recognised auction platforms (only)	0.0	0.0%
CC1 Consumer credit – limited permission	0.0	0.0%
CC2 Consumer credit – full permission	0.0	0.0%
E. Issuers and sponsors of securities	1.5	6.9%
G.1 Persons registered under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017	0.0	0.0%
G.2, G.3, G.4, G.5 Firms under the Payment Services Regulations 2017	0.0	0.0%
G.10, G.11 Firms under the Electronic Money Regulations 2011	0.0	0.0%
G.20, G.21 Firms under the Mortgage Credit Directive Order 2015	0.0	0.0%
G.25 Firms under the Data Reporting Regulations 2017	0.0	0.0%
<b>Total</b>	<b>51.8</b>	



## 7 FCA consumer harm campaign

### ***(FEES 4 – draft rules in Appendix 1)***

- 7.1** In this chapter, we consult on proposals to undertake a consumer harm campaign over the next 5 years and how we propose to recover the £2.3m funding costs of this campaign for 2020/21 from fee-payers.

### **Consumer harm campaign**

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- 7.2** Two of the FCA's operational objectives; consumer protection and market integrity, are intrinsically linked. When markets are fair, transparent and working well, consumers have more trust in the financial system, which enables all firms to thrive.
- 7.3** Our current consumer communications campaign – ScamSmart – helps to prevent financial crime by educating consumers about the risks of investment, pension and loan fee fraud. The campaign targets those most at risk to increase their knowledge of the warning signs of scams and the actions they can take to avoid them.
- 7.4** Since our launch we've used TV, print, radio and digital advertising, as well as press activity and partner communications to build awareness of the risks of investment and pension fraud. We work with a range of partners including Action Fraud, banks, pension providers, the Pensions Regulator, Money and Pensions Service and consumer groups.
- 7.5** An area where we have seen increasing consumer harm is retail investments. To help tackle this, we propose an initial campaign to help consumers make better-informed investment decisions. This new campaign will target consumers investing in high risk, high return, illiquid investments.
- 7.6** We have been running a small-scale intervention campaign to test its effectiveness. Our early evaluation indicates that consumers:
- are not always aware of which activities the FCA regulates.
  - do not fully understand the protections (FSCS and FOS) they have when making these types of investments
- 7.7** For campaign planning, we will carry out initial research to better understand what drives and motivates audience, their levels of awareness of key factors, and how they consume media. This will help inform our campaign strategy – including the channels we select, and messaging and any special measures needed to reach or engage the audience.
- 7.8** We recognise that markets change and evolve quickly – the greatest source of harm today, may be less acute in the future. To ensure that the overall campaign reflects the dynamic nature of markets, we will review and assess where the greatest and most acute areas of harm exist, and adjust our campaign to address them. We will do this by continuously monitoring industry intelligence, consumer contacts to our consumer helpline and feedback on the campaign messaging.

## Basis for recovering funding costs from fee-payers

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- 7.9** We plan to run the campaign over 5 years. These costs have not currently been included in our annual funding requirement (AFR) and we propose to recover £2.3m in 2020/21. We propose to allocate the £2.3m proportionately across all fee-blocks. This reflects that the campaign is designed to enhance integrity in the financial system as well as protect consumers from harm and so will benefit all sectors.
- 7.10** This will represent an approximate 0.4% additional increase in the amount recovered from fee-blocks. We do not propose to apply this increase to minimum or flat periodic fees.
- 7.11** The fee-rates in the draft instrument at Appendix 1 includes the rates to recover our 2020/21 AFR and separately, in square brackets, the rates to recover the 2020/21 campaign costs. So, fee-payers will be able to see the impact on their individual 2020/21 fees.

**Q3: Do you agree with our proposal to undertake the consumer harm campaign and our proposed basis of recovering the 2020/21 costs from fee-payers? Please include the reasons for your views in the feedback you provide.**

## 8 Authorisation application fees

- 8.1** We are undertaking a review of our authorisation application fees with a view to consulting in October or November on restructuring them and uprating them at least in line with inflation from 2021/22. The most common charges for Part 4A FCA permissions have not changed since our predecessor, the Financial Services Authority (FSA), set them nearly 20 years ago. Over that time, their value has eroded, passing an increasing share of the processing costs to existing fee-payers.
- 8.2** The most common charges are the straightforward, moderately complex and complex fees for permissions within the A fee-blocks. The moderately complex and complex charges were set by the FSA in 2001. The FSA originally set the straightforward charge at £2,000 but reduced it to £1,500 in 2004. Table 8.1 illustrates the effect of restoring these fees to their original values. We have calculated inflation from 2001 and 2004 as appropriate, then rounded up to the nearest £500. We estimate that these adjustments would generate up to £2m of additional revenue per year.

**Table 8.1: Illustration of application fees uprated in line with inflation**

Straightforward		Moderately complex		Complex	
Current charge: £1,500 Illustrative charge: £2,500		Current charge: £5,000 Illustrative charge: £8,500		Current charge: £25,000 Illustrative charge: £42,000	
Fee-block	Permission	Fee-block	Permission	Fee-block	Permission
A.3	Friendly society	A.2	Home finance providers and administrators	A.1	Deposit acceptors and dormant fund operators (excluding e-money issuers and credit unions)
A.3	Friendly society	A.3	UK Insurance special product vehicles	A.3	Insurers – general (excluding friendly societies)
A.10	Bidding in emissions auctions	A.5	Managing agents at Lloyd’s	A.4	Insurers – life (excluding friendly societies)
A1.3	Advisers, arrangers, dealers, brokers	A.7	Portfolio managers		
A.14	Corporate finance advisors	A.9	Managers and depositaries of investment funds, operators of collective investment schemes or pension schemes		
A.18	Home finance providers, advisers, arrangers	A.10	Dealing as principal (except bidding in emissions auctions)		
A.19	General insurance distribution				
A.21	Holding client money/assets				

- 8.3** When firms apply for variations of permission (VoPs) that bring them into a new fee-block, they normally pay half of the application fee, or £250 if they stay in the same fee-block. In some cases – notably complex applications – they do not receive a VoP discount.
- 8.4** We are reviewing all of our application fees, with a view to simplifying their structure and, at least, bringing them into line with inflation. We will also consider options for regularly uprating them going forward, to avoid erosion of their value in the future. We will present our proposals for consultation in our annual fees policy CP, to be published in October or November 2020. In the meantime, we would welcome views on our approach to the review of application fees and the factors we should take into account, including inflation.

**Q4: Do you have any comments on the factors we should take into account in our review of authorisation application fees, including inflation?**

## 9 Further FCA fees policy proposals

**9.1** In this chapter, we consult on proposals:

- For Multilateral Trading Facilities' (MTFs) and Organised Trading Facilities' (OTFs) reporting of their income as a measure of the size of their regulated activities (tariff data). This is the second stage of our consultation to introduce income as the basis for calculating periodic fees for these sub-sets of the market infrastructure provider B fee-block,
- To increase Part VII insurance business transfer application fees to £20,000 (from £9,250) for life insurance business and £12,500 (from £5,000) for general insurance transfers, and
- To introduce charges for submitting documents for prior approval by the FCA under the Prospectus Regulations

### **MTF and OTF tariff data reporting**

*(FEES 4 Annex 1AR Part 3 and Part 5, FEES 4 Annex 13G - draft rules in Appendix 1)*

#### **First stage consultation**

**9.2** In Chapter 3 of consultation paper CP19/30 (November 2019) we consulted on introducing income as the basis for calculating periodic fees for MTFs and OTFs as sub-sets of the market infrastructure B fee-block.

**9.3** We believe that using income, from the regulated activities undertaken, as a measure of size (tariff base) increases transparency for fee-payers and is an effective proxy for the risk these firms pose to our objectives. Income as a measure of size ensures cost recovery is equitably distributed between fee-payers in the same fee-block or sub-set fee-block.

**9.4** MTFs and OTFs currently pay flat periodic fees which do not fully reflect the scale of the regulated activities they undertake. CP19/30 was the first stage of our consultation focusing on the definition of the income measure. In it, we set out our proposed definition of income for MTFs and OTFs through additions to the existing FEES 4 Annex 11AR. We also proposed applying the existing guidance in FEES 4 Annex 13G Table 1 to MTFs and OTFs. We provided our response to the feedback on this first stage of the consultation in Chapter 3 of Handbook Notice 74 (February 2020). We have implemented our proposals for the definition of income for MTFs and OTFs as consulted on.

**9.5** As noted in Handbook Notice 74, we were giving consideration to the feedback from one respondent to CP19/30 who proposed that certain rebates be added as exclusions from the calculation of annual income which are not currently covered by the existing guidance in Part 1 section 10(c) of FEES 4 Annex 13G. These were (a) rebate payments that are part of tariff structures; and (b) rebate payments resulting from trading incentive schemes. The respondent also proposed that revenue share agreements which result in a proportion of revenues being paid out to a third party, over a certain level but up to a cap, should be excluded from the calculation of annual income.

**9.6** Our response is that we agree with the respondent in relation to rebates. We propose that Recognised Investment Exchanges, MTFs and OTFs should be able to exclude from their reported annual income rebates to their members. This would place them in the same position as firms who can exclude rebates to customers. We are therefore proposing to modify the guidance under Part 1 section 10(c) of FEES 4 Annex 13G accordingly. The proposed modification is set out in the draft instrument at Appendix 1. The current guidance does not specify specific types of rebates in the case of customers and we are being consistent with this approach in the case of rebates to members. We welcome views on the proposed modified guidance.

**9.7** We do not agree that revenue share agreements which result in a proportion of revenues being paid out to a third party should be excluded from reported annual income. This is because it is not a rebate to a member as an equivalent to the existing guidance reference to customers. Also, third parties do not fit with the equivalent of firms to which the current guidance allows for the exclusion of fees or commissions passed on to other firms. The original policy rationale behind this exclusion was the firm that received the passed on fees or commissions would need to report the income themselves under their A.13 activities (Advisory arrangers, dealers or brokers).

#### ***Second stage consultation***

**9.8** We are now moving on to the second stage consultation in line with the consultation timetable we published in CP19/30. We do not currently have the data on the income that MTFs and OTFs make from these activities. We need this data to be able to undertake the third stage of the consultation through our November 2020 CP. We are therefore consulting in this CP on a requirement for MTFs and OTFs to report their annual income tariff data from these regulated activities, as now defined in FEES 4 Annex 11AR, based on their financial year ending in the calendar year ending 31 December 2019. This tariff data to be submitted by 30 September 2020 for the purposes of the November 2020 CP.

**Q5: Do you have any comments on the proposed income tariff data reporting requirements for MTFs and OTFs. Do you have any comments on our proposed modification to the guidance on exclusions from reported annual income by RIEs, MTFs and OTFs?**

**9.9** We plan to publish our response to feedback on this second stage proposal in the July 2020 policy statement to this CP.

#### ***Third stage consultation***

**9.10** Depending on the responses to this second stage, we will move to the third stage consultation. Using the total income data reported by the end September 2020 we will set the proposed threshold for the minimum fee level and calculate indicative minimum and variable fee-rates. We propose to consult on these in our November 2020 fees policy CP which will allow MTFs and OTFs to assess the impact of the changes to their fees. Depending on responses to the third stage consultation, we will implement the threshold for the minimum fee level from the 2021/22 fee-year and consult on the fee-rates to recover our annual funding requirement (AFR) allocated to the MTF/OTF sub-set of the B fee-block in our April 2021 fees rates CP.

**9.11** In Chapter 5 of this CP we consult on the 2020/21 periodic fees for MTF/OTFs based on the existing flat fee structure.

## Part VII insurance business transfer application fees

### *(FEES 3.2.7R Table (s) – draft rules in Appendix 1)*

- 9.12** The existing application fees for Part VII insurance business transfers are based on 50% of the fees charged by the Financial Services Authority (FSA), the FCA's predecessor.
- 9.13** We have reviewed the resources used to process these applications and concluded that the existing application fees do not reflect the resources we currently use. So we propose to increase the application fees to:
- £20,000 from £9,250 for life insurance transfers, and
  - £12,500 from £5,000 for general insurance transfers

**Q6: Do you have any comments on the proposed increase to Part VII insurance business transfer applications fees?**

- 9.14** We plan to publish our response to feedback on these revised application fees in the July 2020 policy statement to this CP. We envisage the revised application fees coming into effect from 1 July 2020.

## Charges for exempted documents under the Prospectus Regulation

### *(FEES 3 Annex 12R – draft rules in Appendix 2)*

- 9.15** We propose to introduce charges for submitting documents for prior approval by the FCA under Article 1(6a)(b) of the Prospectus Regulation (PR). These are known as 'exempted documents'.
- 9.16** In July 2019, the European Union (EU) replaced the Prospectus Directive (PD) with the PR. Under the PD, certain documents could be considered equivalent to a prospectus. They required FCA review under the Prospectus Rules sourcebook, for which transaction fees were charged under FEES 3 Annex 12. The PR removed the concept of equivalent documents and replaced it with the concept of exempted documents which did not need FCA approval. Since there were no longer documents equivalent to a prospectus, the fees were redundant and we removed them in the course of our consultation on replacing the Prospectus Rules sourcebook with the Prospectus Regulation Rules (PRR).
- 9.17** In December 2019, the PR was amended by the Small and Medium-sized Enterprises (SME) Regulation, (EU) 2019/2115, to provide for approval of specified exempted documents. Statutory instrument SI 2020/117 designated the FCA, from 28 February 2020, as the UK supervisory authority for issuing prior approval of specified exempted documents. **These are exempted documents under Article 1(4)(f) or Article 1(5) (e) of the PR (as referred to in Article 1(6a)(b) of the PR) which do not encompass exempted documents found elsewhere in the PR.**
- 9.18** On the basis of our current understanding, we believe that the resources required to review exempted documents will be similar to those we used to put into reviewing equivalent documents and so the charges should be the same. Some equivalent documents attracted a Category A2 fee of £2,000 under FEES 3 Annex 12 and others were subject to a Category A4 fee of £15,000, a Category 5 fee of £20,000 or a Category 6 fee of £50,000. We propose to apply the same charges to exempted documents. The glossary terms related to Categories A5 and A6 are defined in

Annex 1 of the instrument in Appendix 2 and the types of document in Categories A2 and A4 are in Annex 2.

**Q7: Do you have any comments on our proposed charges for exempted documents submitted under the Prospectus Regulation for prior FCA approval?**



## 10 Feedback on crypto asset businesses periodic fees proposals

- 10.1** This chapter gives our response to feedback on our approach to periodic fees for cryptoasset businesses in our [consultation paper](#) (CP 19/29) in October 2019. We will consult on detailed proposals for cryptoasset periodic fees in our annual fees policy consultation paper (CP) in autumn 2020.
- 10.2** On 10 January 2020 we became the anti-money laundering and counter terrorist financing (AML/CTF) supervisor of UK cryptoasset businesses under the [Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#), as amended by the [Money Laundering and Terrorist Financing \(Amendment\) Regulations 2019](#) (MLRs as amended). In CP19/29, we consulted on [application fees](#) and presented our approach to periodic fees. We set the rates for application fees and responded to the comments received in [Handbook Notice 73](#).
- 10.3** CP 19/29 explained that we recover our ongoing supervisory costs through periodic fees (ie variable annual fees). For fees purposes, we group businesses carrying on similar activities into separate 'fee-blocks.' The amount we recover from each fee-block is known as the annual funding requirement (AFR). We distribute the recovery of costs across the fee-block on the basis of a 'tariff' measure that applies to all fee-payers in the block. The tariff base is intended to be an objective, transparent and simple measure that fee-payers can report consistently to ensure we are distributing cost recovery fairly. The fee is calculated by dividing the AFR by the total value of the tariff data reported to us by all the fee-payers in the fee-block.
- 10.4** We said we proposed to put cryptoasset businesses into a single fee-block, using income as the tariff base. Since cryptoasset supervision is a new responsibility, the AFR will be composed of two elements – our annual costs of supervising cryptoasset activities plus a proportion of the project costs for designing and implementing the new regime. Income is the most common tariff measure because it is relatively straightforward for fee-payers to report consistently. It distributes cost recovery according to market share and provides a fair and proportionate proxy for the regulatory impact of these fee-payers.
- 10.5** We asked for comments on minimum fees for cryptoasset businesses. We explained that, in many fee-blocks, fee-payers pay a fixed amount up to a certain level of income, then the minimum fee plus a variable rate on any income above the threshold. We said that, in many fee-blocks, fee-payers pay around £1,000 up to £100,000 of income.
- 10.6** We received 19 responses on periodic fees. We appreciate the time and effort people took to read and comment on our proposals.

## General issues

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### **Feedback received**

- 10.7** Several respondents said there should be no periodic fees. One suggested that, since this was a small sector and not yet well developed, we should apply lower fees for 1 or 2 years and then review the position.
- 10.8** Some respondents repeated the views they had given us in the consultation on application fees - that we should not supervise brokers when they transact their business through arbitrage umbrella platforms, and so they should not be eligible for fees.
- 10.9** Some respondents said they were not sure which activities were included within the MLRs as amended. One referred to non-profit producers of open source software, another referred to providers of non-custodian wallets, while another raised concerns that overseas entities would be able to provide services into the UK without establishing a legal entity in the UK.
- 10.10** One respondent asked why cryptoasset businesses were not included within the remit of the professional bodies supervised by OPBAS (Office for Professional Body Anti-Money Laundering Supervision) and the charges added to the OPBAS fees.

### **Our response**

- 10.11** We are funded entirely by the businesses we regulate and receive no finance or grant-aid from any other source. So we have to recover our costs from the cryptoasset businesses subject to our supervision. Our objective is to ensure that cost recovery is distributed as fairly as possible between the various fee-payers. As we explained in [Handbook Notice 73](#), brokers who use online platforms are accountable for their own compliance under the MLRs as amended and cannot transfer that responsibility, so are liable for fees.
- 10.12** Parliament sets our legal responsibilities. We do not have the power to determine our own regulatory scope. Our responsibilities had not been finalised at the time we published our CP and so we consulted on the basis of the activities in the [Treasury consultation on the European Union's 5th Money-Laundering Directive](#). Parliament has now confirmed the scope of our supervision – non-custodial wallets (both hardware and software) and open source software do not come under the regime. Businesses should review the [SI](#) to check whether their own activities are included and if they want to know more about the position of overseas entities. Similarly, the remit of OPBAS is set by the [Oversight of Professional Body Anti-Money Laundering Supervision Regulations 2017](#).

## Small traders and minimum fees

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### **Feedback received**

- 10.13** Some respondents supported a minimum fee on the scale we had suggested. Others considered it too high for small traders, including those undertaking cryptoasset business 'as a hobby,' whose margins were typically 1%. £1,000 would account for more than the profit of any business with turnover under £100,000. One asked for companies with revenues under £1m to be exempt from fees. Several respondents compared the suggested £1,000 minimum fee with the minimum charge of £525

for small payment institutions, though one acknowledged it was less than the £1,151 minimum fee for small e-money institutions. One pointed out that a small payment institution which was also a small cryptoasset business would pay £1,525 and asked for a cap or discount for businesses in this position.

### **Our response**

- 10.14** We believe a minimum charge of £1,000 up to £100,000 of cryptoasset business is reasonable. As we explained in our [review of consultation responses](#) on cryptoasset registration fees, there are costs to undertaking business. Cost recovery should be shared between all cryptoasset businesses, including those authorised by or registered with us for other activities. Small companies and start-ups undertaking cryptoasset activity need to consider whether they can afford the direct and indirect investment to bring their AML compliance standards up to the level set by the MLRs as amended.

## **Definition of income**

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### **Feedback received**

- 10.15** Some respondents were concerned about using the figures from their accounts because they did not separate cryptoasset business from their other revenues. Some were concerned about double-counting where a firm was already authorised by us and reporting income elsewhere for fees purposes. One stressed 'the peculiar difficulty of accounting for and valuation of digital assets' and the difficulty of auditing the revenues which might or might not arise from trading in them.
- 10.16** Several were concerned that our definition of income relies on gross turnover, with no deductions for business expenses or other costs. They raised 2 specific topics:
- **Banking charges:** These should be deductible because banks consider cryptoasset activities to be a new, innovative and risky sector and so impose uniquely heavy charges. One respondent explained that a typical business account might be free for up to 18 months, then carry charges of £5 - £15 per month, while a cryptoasset business might be charged £600 a month from the start, as well as set-up fees.
  - **Costs of buying cryptoassets:** In a traditional financial services business, the 'manufacturer' of the product, such as a fund or a mortgage, owns it until the end of the relationship with the client, when the client cashes in their share of a fund or redeems the mortgage. The associated costs of the product, such as fund management charges, mortgage application fees, etc are clearly defined and passed directly to the client. In the same way, brokers charge a commission which is based on the value of the product but does not include the total value. By contrast, the whole cryptoasset product is sold as units in every transfer. If a company buys a cryptoasset unit for £9,000 and sells it for £9,050, the reported income should be £50 - as the equivalent to a fund management fee - and not £9,050.

### **Our response**

- 10.17** We agree it is important to restrict reporting of income to the specific cryptoasset activities the business is registered for, excluding all other revenue streams. In particular, where businesses are already registered with us – for example for payment services or e-money services – they should ensure they report the correct revenue under the appropriate fee-blocks to avoid double counting.

**10.18** We appreciate that companies' accounts may not reflect the division of revenue streams required for fees reporting. Where a business cannot separate its income on the basis of the supervised activities it undertakes, our standard guidance allows it to apportion its revenue on the basis of a proportionate split of business. This guidance will apply to the cryptoasset periodic fee rules we consult on in the autumn. We are not prescriptive about how the business does this, as long as it can provide us if requested with a sound and clearly expressed rationale for the approach it has taken. It will also have to be able to show an audit trail which demonstrates that the business considered the decision at an appropriate level and periodically reviews it.

**10.19** We believe that all businesses ought to be able to report their revenues to us under our rules. One respondent referred to 'the peculiar difficulty of accounting for and valuation of digital assets.' We would welcome illustrative examples of such difficulties and how we might amend our guidance to take account of them.

**10.20** Some respondents asked about our policy that requires businesses to report their gross income without deduction. We do not believe reporting gross income should present challenges for cryptoasset businesses. We recover a fixed amount (the AFR), and the tariff measure is the vehicle through which we distribute recovery of the AFR between all the fee-payers in the fee-block. The fee-rate is based on a simple equation, where the total AFR (x) is divided by the total reported income (y) to produce a rate (z) per £1,000:

$$\frac{x}{y} = z$$

**10.21** If we allowed businesses to net off their various business expenses and report lower incomes, that would not reduce their fees. The value of x would stay the same, so reducing the value of y simply increases the value of z. So, there would be a higher fee-rate per £1,000 but the fees paid by individual businesses would be much the same, determined by their share of total reported income (y). Our experience is that gross income is fairer as the more adjustments we allow, the greater the risk of inconsistency.

**10.22** Several respondents raised concerns about 2 particular costs, which they believed they should be able to net off against income:

- **Banking charges:** The bank charges paid by non-cryptoasset companies are not relevant in this context because they will not be in the fee-block. Consequently, cryptoasset businesses will not be put at a disadvantage in relation to them.
- **Costs of buying cryptoassets:** We will give further consideration to the argument that businesses should be allowed to net off the costs of buying cryptoassets and present our conclusions when we consult on the definition of income in the autumn. We would welcome additional evidence on the issues involved.

**10.23** We will consult on appropriate guidance when we present our proposals for periodic fees in the autumn. We welcome any views in the meantime.

## Charging in the first year of supervision

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### **Feedback received**

- 10.24** Some respondents said that, if we charged periodic fees in 2020/21, we would be calculating them on the basis of income for the financial year 2018/19, which was before we started supervising cryptoasset businesses. There were also concerns that businesses would have to apply for registration before they knew what their ongoing fees would be. If a firm later learned that our fees would be prohibitive and decided to withdraw from the market, their registration fee should be refunded.

### **Our response**

- 10.25** We will charge periodic fees for cryptoasset businesses from 2021/22. At present, we do not have reliable data about the income businesses derive from supervised cryptoasset activities and so we are not in a position to quote indicative fee-rates. Our fees will only be one of the costs to a firm undertaking business that complies with the MLRs as amended. If businesses want to cease trading, there is no charge for de-registration. But we do not return application fees because that would mean other businesses were having to pick up our costs for processing the application.
- 10.26** We will consult on periodic fees in the autumn. This will include our detailed requirements for data reporting so that businesses are able to send the information we need to calculate their fees in 2021/22. Their fees will be based on their 2019/20 accounts so will include income from before supervision began on 10 January 2020. That would not mean we were trying to charge them for activity we had not supervised. Income is simply a measure for distributing the recovery of our costs according to market share. The costs we recover will be a proportion of the set-up costs we have already incurred up to 31 March 2021, plus our ongoing supervisory costs for 2021/22.

## Cryptoasset fee-block

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### **Feedback received**

- 10.27** Some respondents said there was a wide range of cryptoasset business models, all with different income streams, so putting them all into a single fee-block would not take account of the variations. So we might wish to consider separate fee-blocks for the various supervised activities.

### **Our response**

- 10.28** FCA fee-blocks are broad groupings of activities, often covering a wide range of businesses. Many fee-payers carry out several activities and fall into several fee-blocks. If we create more than one fee-block for cryptoasset activity, it is unlikely that all cryptoasset businesses would find themselves in only one fee-block. Several would be in more than one, paying fees in each of them. It is our experience that individual fee-payers benefit from sharing cost recovery between a larger population.

## 11 Financial Ombudsman Service general levy

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

- 11.1** In this chapter, we consult on the 2020/21 general levy rates for firms in the Compulsory Jurisdiction (CJ) of the Financial Ombudsman Service (the Ombudsman Service). In Annex 4, we set out the proposed general levy rates for firms in each industry block and the draft instrument amending FEES chapter 5 is found at Appendix 1.

### General Levy and Budgeting

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- 11.2** The Ombudsman Service must budget separately for the CJ and the voluntary jurisdiction (VJ). Each of these jurisdictions is funded by a combination of annual fees (levies) and case fees as set out in FSMA section 235 and Schedule 17, paragraphs 9, 15 & 18.
- 11.3** Under the Financial Services and Markets Act 2000 (FSMA), the Ombudsman Service must, before the start of each of its financial years, adopt an annual budget which has been approved by the FCA. The Ombudsman Service presented its final budget to the FCA in March 2020. The Oversight Committee of the FCA Board approved the total budget of £314.5m for 2020/21, (in 2019/20 the agreed budget was £331.8m).
- 11.4** Case fees are payable when the Ombudsman Service closes a case and are subsequently invoiced and collected by the Ombudsman Service (cases covered by both the CJ and the VJ) Some case fees are collected via the group account case fee arrangement (this is an arrangement where the largest business groups e.g. Barclays, HSBC, Lloyds etc pay quarterly in advance based on a published formula, taking into account historic volume trends and the service's budgeted activity). The general levy only applies to firms covered by the CJ (see FEES 5.1), and it is raised and collected by the FCA under section 234 of FSMA. It is payable by all firms authorised or registered by us, including those that have not had any cases referred to the Ombudsman Service, unless they have claimed an exemption (DISP 1.1.12R) because they do not deal with eligible complainants (see DISP 2.7.3R).
- 11.5** This year, the Ombudsman Service has asked us to recover £83.9m through the general levy. This is an increase of just over £38 million compared to last year, this is due to changes in the Ombudsman Service funding model. In 2019/20, case fees made up 85% of the Ombudsman Service's income, whilst the general levy covered the remaining 15%.
- 11.6** In its December 2019 consultation, the Ombudsman Service had proposed to collect around 60% of its expected income through the case fee funding, and about 40% via the levy funding, equating to a total levy of £106m in levy, an increase of over 60 million. However, in recognition of the unprecedented impact of the Covid-19 crisis on firms, and along with a number of other measures, the Ombudsman Service has revised its income from the levy significantly downwards. For 2020/21, the Ombudsman now expects to receive around 30% of its funding from the levy, with the Ombudsman

Service absorbing the cost of these changes by drawing down on its reserves, rather than increasing case fees above the £650 it consulted on in December.

- 11.7** The Ombudsman Service still intends to move towards a broadly 50:50 split between case fee and general levy income over the coming years. This is to ensure the Ombudsman Service has a more stable and sustainable funding model in the future. It also helps to enable the service to build on its work to prevent complaints, for which the service doesn't receive individual case fees, which is in the interest of all firms by helping to reduce the cost burden of complaints and promote consumer confidence.
- 11.8** The Ombudsman Service collects a separate levy from businesses that have signed up to its VJ.
- 11.9** We intend to make rules setting the CJ general levy fee rates in June 2020, following this consultation.

## **CJ levy for 2020/21 – Apportionment amongst fee blocks**

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- 11.10** Historically, we have apportioned the CJ general levy in line with the Ombudsman Service's forecasts for the proportion of resources that it expects to devote to cases from firms in each industry block over the next financial year. The total amount that needs to be collected from the industry is allocated across the respective industry blocks to produce the final tariff rate (see Table 11.1 below and Annex 4) which is used to determine the amount to be collected from firms within each industry block.
- 11.11** However, due to the extremely uncertain operating environment brought about by the Covid-19 pandemic, and the need to minimise the impact of regulatory costs on smaller, less well-capitalised firms in the short term, we have decided to apportion the levy this year in a way that is different from the cost-reflective approach we have taken in the past.
- 11.12** In summary, in these exceptional times, we propose freezing flat fees and minimum fees at the 2019/20 level. Alongside this, we propose allocating the remainder of the 2020/21 levy requirement in a way that means industry blocks with a preponderance of small and medium-sized firms will contribute less in 2020/21 than they would do if the revenue was allocated strictly in line with the Ombudsman Service's anticipated costs. This means the industry blocks dominated by larger firms will pay a levy broadly in line with what they would have paid if the Ombudsman Service had proceeded with budget as originally consulted on, with the benefit of the Ombudsman Service's reduction in levy income benefiting mainly small and medium-sized firms. However, while we propose amending FEES 5.3.3G to reflect the different approach this year, it is not our intention to take this approach in future years.
- 11.13** Finally, despite the changes we are making this year to the way the levy is allocated, all firms in industry blocks with variable fees will all see sizeable increases in the levy amount as a result of the change in allocation between case fee and levy income (see paragraph 10.4). (See Annex 4).

**Table 11.1: Distribution of CJ levy based on the 2020/21 forecast of relevant business**

Industry Block	Industry Block Description	Proposed levy as % of budget
I001	Deposit acceptors, home finance lenders and administrators	49.1%
I002	Insurers: general	12.7%
I003	The Society of Lloyds	0.1%
I004	Insurers: life	5.5%
I005	Fund managers	0.3%
I006	Operators, Trustees and Depositories of collective investment schemes	0.0%
I007	Dealers as principal	0.0%
I008	Advisory arrangers, dealers or brokers (holding client money)	1.1%
I009	Advisory only firms and advisory, arrangers, dealers, or brokers (not holding client money)	1.1%
I010	Corporate finance advisors	0.0%
IA11	Authorised payment service providers	0.0%
IS11	Small payment institutions and small e-money issuers	0.0%
I013	Cash plan health providers	0.0%
I014	Credit unions	0.0%
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	0.6%
I017	General insurance mediation	8.9%
IA18	Authorised electronic money institutions	0.0%
IS18	Small electronic money institutions	0.0%
I019	Consumer credit: limited	0.9%
IA19	Consumer credit: limited (not for profit)	0.0%
I020	Consumer Credit: full	17.8%
IR21	Consumer buy-to-let	0.0%
I022	Designated credit reference agencies	0.0%
I023	Designated finance platforms	0.0%
I024	Claims management companies	1.8%

## Apportionment of the CJ levy within fee-blocks

**11.14** Annex 4 sets out the proposed allocation of the CJ levy for 2020/21, with 2019/20 rates for comparison, within each industry block. There is a minimum levy in each industry block and the levy then increases in proportion to the amount of 'relevant business' (i.e. business done with private individuals) that the firm does.

**11.15** Individual firms can calculate the impact of the proposed fees and levies using our [online calculator](#).



**11.16** The general tariff rates will be finalised in June 2020 for the 2020/21 fee period.

## Covid-19 – extended payment terms

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**11.17** We are proposing that the extended payment terms that are discussed in Chapter 4 will also apply to firms that pay the Ombudsman Service general levy in 2020/21.

**Q8: 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?**

Fee payers should be aware that we calculate the draft fee rates and levies in Appendix 1 using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2020/21 – which will be made by our Board in June 2020 – could vary from those in this CP.

Insurers should note the proposals in Chapter 4 relating to the impact on tariff data resulting from the extended submission time of Solvency II regulatory returns. This also relates to the tariff data used for the calculation of their Ombudsman Service final general levy rates.

## 12 Money and Pensions Service levies

### *(FEES 7A Annex 1R, 2R, 3R – draft rules in Appendix 1)*

- 12.1** In this chapter, we consult on the rates at which we propose to charge our levies for the Money and Pensions Service (MaPS) for 2020/21.
- 12.2** The Single Financial Guidance Body (SFGB) came into operation on 1 January 2019 and took on the responsibilities of the Money Advice Service (MAS), Pension Wise and the Pensions Advisory Service (TPAS). The SFGB was re-named by regulation in April 2019 to the Money and Pensions Service (MaPS). MaPS is responsible for providing money and pensions guidance in the UK and debt advice in England. It also has a strategic function to develop and co-ordinate a national strategy to improve financial capability, debt management and financial education for children and young people.
- 12.3** MaPS is an arm's length body of the Department for Work and Pensions (DWP). The FCA has no oversight role in respect of its budget, but we are responsible for collecting funding for MaPS to carry out its functions. Each year we must collect the amount notified to us by the DWP.
- 12.4** The DWP has notified us that the total amount we must collect for MaPS in 2020/21 is £130m. The total requirement includes amounts for the three levy components:
- £24.3m for money guidance in the UK
  - £64.6m for debt advice in England
  - £41.1m for pensions guidance in the UK
- 12.5** These figures will be adjusted when any underspends against the levies paid in 2019/20 have been confirmed.
- 12.6** The above costs include apportionment of MaPS' central costs and costs relating to other functions such as the development and coordination of the recently published UK Strategy for Financial Wellbeing. The key focusses for MaPS in 2020/21 will be:
- building momentum across the four nations for the UK Strategy, including setting nation-specific delivery plans and building local and national communities of organisations;
  - improving outcomes for consumers by enhancing its services and strengthening its research and innovation activities; and
  - continuing to integrate and develop as a new organisation, building on the progress made during 2019-20.
- 12.7** For 2020/21 we propose to allocate MaPS costs to fee-blocks on the same basis we used in 2019/20. For money guidance, we have updated the allocation to reflect MaPS usage rates and strategic priorities, using the same formula we previously used for the Money Advice Service (MAS).

## Funding for money guidance

- 12.8** MaPS provides money guidance across the UK. Currently MaPS provides money guidance through the existing Money Advice Service (MAS) brand, delivered through a website, printed material and a call centre, and by working in close collaboration with the financial services sector.
- 12.9** The DWP has notified us that the total budget amount we must collect for money guidance in 2020/21 is £24.3m this will be used to support DWP/ MaPS delivery of their UK Strategy's national goals: 'Financial foundations' (financial education for children and young people); 'Nation of Savers' (more working-age people saving regularly); and 'Credit Counts' (fewer people regularly using credit for food and bills). More detail on MaPS's money guidance plans are in the [MaPS corporate plan](#).
- 12.10** The budget figure of £24.3m might be revised when we finalise rates in June 2020 and include adjustments for any underspend from the levies paid in 2019-20.

### Allocation of costs for money guidance

- 12.11** We propose to allocate money guidance costs using the same method we previously used for MAS, though this has been updated to reflect current MaPS usage rates and its strategic priorities. For the A.0 minimum fee fee-block we will allocate an amount based on the estimated number of firms that are authorised at the start of the fee-year. We will update that amount to reflect the actual number of authorised firms when we publish our policy statement in July 2020. We propose to maintain the minimum fee at £10 for 2020/21. The remaining fee-block costs will be based on the following equally-weighted components:
- How consumers use the three money guidance channels (web, telephone and web chat, and printed literature) weighted by the cost of each channel
  - Strategic aims and outcomes mapped to fee-blocks
  - A levy based on our own allocation (the same weighting we use to calculate FCA fees)
- 12.12** Table 12.1 sets out how the allocation method applies across fee-blocks and the movement for each fee-block since last year.

**Table 12.1: Proposed money guidance allocation method for 2020/21 by fee-block**

Fee-block	Actual 2019/20 allocation £m	Proposed 2020/21 allocation £m	Movement
A.0 minimum fee	0.2	0.2	3.9%
A.1 deposit acceptors	4.4	4.5	3.9%
A.2 Home finance providers and administrators	3.6	3.7	3.9%
A.3 Insurers - general	2.1	2.2	3.9%
A.4 Insurers - life	2.9	3.1	3.9%
A.5 Lloyd's managing agents	0	0	3.9%
A.6 The Society of Lloyds'	0	0	3.9%
A.7 Portfolio managers	1.2	1.2	3.9%

A.9 Operators, trustees and depositaries of collective investment schemes etc	1.1	1.2	3.9%
A.10 Firms dealing as principal	1.3	1.3	3.9%
A.13 Advisers, arrangers, dealers or brokers	1.9	2.1	3.9%
A.14 Corporate finance Advisers	0.2	0.2	3.9%
A.18 Home finance providers, advisers and arrangers	0.3	0.3	3.9%
A.19 General insurance Mediation	0.6	0.6	3.9%
A.21 Firms holding client money or assets	0.2	0.2	3.9%
CC1. Consumer credit – limited permission CC2. Consumer credit full permission	3.3	3.4	3.9%
G Firms covered by Payment Services Regulations 2017 (PSRs) and Electronic Money Regulations 2011 (EMRs)	0.1	0.1	3.9%
<b>Total</b>	<b>23.4</b>	<b>24.3</b>	<b>3.9%</b>

**12.13** Draft levy rates for firms based on this allocation are provided in Appendix 1.

**12.14** The draft rates are calculated using estimated fee-payer populations and tariff data. This means the final levy rates for 2020/21 – which will be made by our board in June 2020 – might vary from those in this consultation paper.

**Q9: Do you have any comments on the proposed 2020/21 rates for the MaPS money guidance levy?**

**Funding for debt advice in England**

**12.15** Before 2019, MAS commissioned debt advice for the UK as a whole. Responsibility for commissioning debt advice in Scotland, Wales and Northern Ireland has been given to the Devolved Authorities (see Chapter 13).

**12.16** MaPS therefore commissions free-to-consumer debt advice in England only through frontline partners. The DWP has notified us that the total amount required in 2020/21 for MaPS commissioned debt advice in England is £64.6m.

**12.17** DWP informed us the funding will be used to increase the total number of people using the service. MaPS will also improve outcomes for clients by improving the quality of advice and allowing frontline advisors to have longer, more in-depth sessions with clients with complex needs. The DWP has confirmed this will fund 580,000 free-to-consumer debt advice sessions in England, an increase of 3.5% from 2019/20.

**12.18** MaPS also plans to provide Debt Relief Order funding in England, allowing debt charities to focus their existing resources on initial debt advice. This will enable MaPS to mandate a more efficient and cost-effective process. More detail on MaPS' debt advice plans are in the MaPS Corporate Plan 2020-21.

**12.19** The budget figure of £64.6m may be revised when we finalise rates in June 2020 and include adjustments for any underspend from the levies paid in 2019-20.

**Allocation of debt advice costs for MaPS**

**12.20** We propose to allocate costs under MaPS debt advice levy in the same proportion they were allocated in last year. As we mentioned in CP19/30 (chapter 6), we are working

with MaPS, to consider whether a change in the way we collect the debt advice levies will result in a better distribution of costs, across regulated firms. Table 12.2 shows the current allocation between the two fee-blocks that contribute to MaPS debt advice levy.

**Table 12.2: Proposed allocation of 2020/21 debt advice funding to fee-blocks**

MaPS debt advice levy	2020/21 allocation £m
A.2 Home finance providers and administrators	32.3
CC.3 Consumer credit lending	32.3
<b>Total</b>	<b>64.6</b>

**12.21** Draft levy rates for firms based on this allocation are provided in Appendix 1.

**12.22** The draft rates are calculated using estimated fee-payer populations and tariff data. This means the final levy rates for 2020/21 – which will be made by our board in June 2020 – might vary from those in this consultation paper.

**Q10: Do you have any comments on the proposed 2020/21 rates for MaPS debt advice levy?**

**Funding for pensions guidance**

**12.23** MaPS currently provides impartial pensions guidance under the existing brand Pension Wise. The guidance aims to help consumers understand the greater flexibility they have with their pension pots after the pension reforms of April 2015. MaPS will also lead the provision of an industry-funded pensions dashboard. The dashboard will be an online digital tool that will allow people to see all their pensions in one place.

**12.24** The DWP has notified us that the total budget amount we must collect for pensions guidance in 2020/21 is £41.1m. £7.2m of the total for pensions guidance is designated for the pensions dashboard.

**12.25** The DWP have informed us that this will fund 230,000 pension freedoms guidance sessions, as well as various investments and improvements. These include on-going development of the pensions dashboard and a more responsive customer appointments system to improve the customer experience when using the service. Improvements will also be made to bring about a more cohesive pensions guidance service by improving online services (e.g. comparison tool). These services will enable people to make informed decisions for longer term saving, throughout their working life and into retirement. More detail on MaPS' pensions guidance plans are in the MaPS Corporate Plan 2020-21. The budget figure of £41.1m is an estimate and might be revised when we finalise rates in June 2020 and include adjustments for any underspend from the levies paid in 2019-20.

**Allocation of pensions guidance costs for MaPS**

**12.26** We are proposing to allocate costs across the five pensions guidance levy fee-blocks in the same proportions we used for Pension Wise in 2019/20. Table 12.3 illustrates those allocations.

**Table 12.3: Proposed allocation of 2020/21 pensions guidance costs to fee-blocks**

Pensions guidance levy fee-blocks		Proposed 2020/21		Actual 2019/20	
		£m	%	£m	%
A.1	Deposit acceptors	9.9	24%	7.4	24%
A.4	Insurers – life	9.9	24%	7.4	24%
A.7	Portfolio managers	9.9	24%	7.4	24%
A.9	Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	6.6	16%	4.9	16%
A.13	Advisory arrangers, dealers or brokers	4.9	12%	3.7	12%
		41.0	100%	30.7	100%

**12.27** Draft levy rates for firms based on this allocation are provided in Appendix 1.

## Covid-19 – extended payment terms

**12.28** We are proposing that the extended payment terms that are discussed in Chapter 4 will also apply to firms that pay the MaPS levies in 2020/21.

**Q11: Do you have any comments on the proposed 2020/21 rates for MaPS pensions guidance levy?**

Fee payers should be aware that we calculate the draft fee rates and levies in Appendix 1 using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2020/21 – which will be made by our Board in June 2020 – could vary from those in this CP.

Insurers should note the proposals in Chapter 4 relating to the impact on tariff data resulting from the extended submission time of Solvency II regulatory returns. This also relates to the tariff data used for the calculation of their MaPS money guidance and pensions guidance levies.

## 13 Devolved Authorities levy

### *(FEES 7B Annex 1R – draft rules in Appendix 1)*

- 13.1** In this chapter, we consult on the allocation of costs to fund debt advice provided through the Devolved Authorities in Scotland, Wales and Northern Ireland in 2020/21.
- 13.2** The Devolved Authorities are responsible for providing free-to-consumer debt advice in Scotland, Wales and Northern Ireland. Debt advice in England is provided by the MaPS. See chapter 12 for the MaPS debt advice levy.

### Funding for debt advice in the Devolved Authorities

- 13.3** HM Treasury has notified us that, for 2020/21, the total funding to be collected for the provision of debt advice in the Devolved Authorities is £9,421,029m. This is an increase of just over 16% compared to last year.
- 13.4** HM Treasury calculated the 2020/21 budget requirements for the Devolved Authorities using a funding formula based on population sizes and levels of over-indebtedness in Scotland, Wales and Northern Ireland. The allocations are adjusted by any underspends the Devolved Authorities report from two years prior.
- 13.5** Table 12.1 shows the amounts to be collected for each Devolved Authority.

**Table 12.1: Debt advice funding requirement by Devolved Authority for 2020/21**

Devolved Authority	Funding requirement 2020/21 £m
Scottish Government	4.909
Welsh Government	2.833
Department for Communities	1.678
<b>Total</b>	<b>9.421</b>

- 13.6** The budget figure of £9,421,029m is an estimate and might be revised when we finalise rates in June 2020.

### *Allocation of debt advice costs for the Devolved Authorities*

- 13.7** We propose to allocate costs under the Devolved Authorities' debt advice levy in the same proportion they were allocated in 2019/20. Table 13.2 shows the allocation between the two fee-blocks that contribute to the Devolved Authorities' debt advice levy.

**Table 13.2: Proposed allocation of 2020/21 debt advice funding to fee-blocks**

Devolved Authorities' debt advice levy fee-block	Proposed 2020/21 £m
A.2 Home finance providers and administrators	4.71
CC.3 Consumer credit lending	4.71
<b>Total</b>	<b>9.421</b>

**13.8** Draft levy rates for firms based on this allocation are provided in Appendix 1.

## Covid-19 – extended payment terms

**13.9** We are proposing that the extended payment terms that are discussed in Chapter 4 will also apply to firms that pay the Devolved Authorities debt advice levy in 2020/21.

**Q12: Do you have any comments on the proposed 2020/21 rates for the Devolved Authorities' debt advice levy?**

Fee payers should be aware that we calculate the draft fee rates and levies in Appendix 1 using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2020/21 – which will be made by our Board in June 2020 – could vary from those in this CP.



## 14 Illegal money lending levy

- 14.1** In this chapter, we set out the proposed 2020/21 illegal money lending (IML) levy rates.
- 14.2** The IML levy is raised to recover the expenses the Treasury incurs in providing funding for the teams tackling illegal money lending. Section 333T of FSMA, introduced by the Bank of England and Financial Services Act 2016, gives us the responsibility to calculate the levy rates, collect the levy from firms and pay the revenues collected to the Treasury, after deducting our administration costs.
- 14.3** The Treasury has notified us that their 2020/21 illegal money lending expenses will be £6.2m (£5.7m in 2019/20), including FCA collection costs of £90,000 (£88,250 2019/20). This is an estimate and may be revised when the IML levy rates are finalised in June 2020. We set out the IML levy rates to recover this amount from consumer credit firms in Table 14.1.

**Table 14.1: 2020/21 IML levy rates**

Type of firm	Fee
CC1. Limited permission	£5.00 flat rate
CC2. Full permission	Up to £250,000 consumer credit income: £10 minimum levy
	Over £250,000 consumer credit income: £10 + £0.21 per £1,000

### Covid-19 – extended payment terms

- 14.4** We are proposing that the extended payment terms that are discussed in Chapter 4 will also apply to firms that pay the illegal money lending levy in 2020/21.

**Q13: Do you have any comments on the proposed 2020/21 illegal money lending (IML) levy rates?**

Fee payers should be aware that we calculate the draft fee rates and levies in Appendix 1 using estimated fee payer populations and tariff data. This means that final periodic fee rates and levies for 2020/21 – which will be made by our Board in June 2020 – could vary from those in this CP.

## Annex 1

### List of questions

- Q1:** Do you have any comments on the proposed FCA 2020/21 minimum fees and variable periodic fee rates for authorised firms?
- Q2:** Do you have any comments on the proposed FCA 2020/21 minimum fees and periodic fee rates for fee payers other than authorised firms?
- Q3:** Do you agree with our proposal to undertake the consumer harm campaign and our proposed basis of recovering the 2020/21 costs from fee-payers? Please include the reasons for your views in the feedback you provide.
- Q4:** Do you have any comments on the factors we should take into account in our review of authorisation application fees, including inflation?
- Q5:** Do you have any comments on the proposed income tariff data reporting requirements for MTFs and OTFs. Do you have any comments on our proposed modification to the guidance on exclusions from reported annual income by RIEs, MTFs and OTFs?
- Q6:** Do you have any comments on the proposed increase to Part VII insurance business transfer application fees?
- Q7:** Do you have any comments on our proposed charges for exempted documents submitted under the Prospectus Regulations for prior FCA approval?
- Q8:** 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?
- Q9:** Do you have any comments on the 2020/21 rates for the proposed MaPS money guidance levy?
- Q10:** Do you have any comments on the proposed 2020/21 rates for the MaPS debt advice levy?
- Q11:** Do you have any comments on the proposed 2020/21 rates for the MaPS pensions guidance levy?

- Q12:** Do you have any comments on the proposed 2020/21 rates for the Devolved Authorities' debt advice levy?
- Q13:** Do you have any comments on the proposed 2020/21 illegal money lending (IML) levy rates?

## Annex 2

# Compatibility statement

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). Under section 138I of FSMA, the FCA is exempt from the requirement to carry out and publish a cost benefit analysis regarding proposals for rules regarding FCA fees and levies for the Financial Ombudsman Service, the Money and Pensions Service (MaPS), the Devolved Authorities and the illegal money lending levy.
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 our duty 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

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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 we need to undertake in 2020/21 to meet our 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
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 it. 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 Financial Ombudsman Service, the proposals in this consultation to raise the general levy to fund its activities in 2020/21 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 Financial Ombudsman Service also helps us to meet our consumer protection objective.
8. The proposals for the MaPS and Devolved Authorities will enable us to meet our obligations under the Financial Guidance and Claims Act 2018. They will allow the MaPS and Devolved Authorities to carry out their functions which also helps us to meet our consumer protection objective.
9. 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 and how we plan to achieve our objectives for each financial year are set out in our annual Business Plan, which for 2020/21 was published on 31 March 2020. Our annual funding requirement (AFR) for 2020/21 is £587.6m, an increase of 5.2%. Our AFR includes our ongoing regulatory activities (ORA) budget costs. We are committed to delivering an ORA budget that is flat in real terms, subject to any changes in our wider ongoing regulatory responsibilities (scope change). The 2% increase in our ORA to £548.5m meets this commitment for 2020/21. In addition, we are recovering £15m EU withdrawal costs and scope change costs of £14.1m. The scope change costs relate to the Senior Managers and Certification Regime, Claims Management Companies and the final recovery of Consumer Credit set-up costs. We also return an over-recovery of 2019/20 scope change costs relating to the Markets in Financial Instruments Directive II. The £10m supporting our Transformation Programme will primarily be focused on developing our capabilities and simplifying our processes to deliver efficiencies and better outcomes for consumers. A breakdown of our 2020/21 AFR is provided in Chapter 3.
- In Chapter 7 we consult in proposals to undertake a consumer harm campaign over the next 5 years to enhance the trust that consumers have in the financial system, which enables all firms to thrive.
- The Financial Ombudsman Service is operationally independent, but accountable to us, which means that our resources are not directly involved in carrying out their activities. We are responsible in approving FOS's budget, including its expenditure on resources and the split between levy and case fee.
- The MaPS and the Devolved Authorities are operationally independent, and not accountable to us. Our resources are not directly involved in carrying out their activities.

**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 have 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 consumer protection, enhancing market integrity and building competitive markets, through our regulatory activities.
- In allocating our costs across the various fee-blocks we take account of the risks, that the regulatory activities covered by each fee-block, pose to our objectives. This also reflects the resources we apply to these activities.
- Our policy for allocating the AFR across fee-blocks is to maintain an even distribution of increases/decreases other than where for individual fee-blocks there have been material and explainable exceptions (allocation by exception). The exceptions to an even distribution of the increase in our 2020/21 AFR cover:
  - Senior Managers and Certification Regime
  - Claims Management Companies
  - Consumer Credit
- We also target the recovery of our EU Withdrawal costs to the fee-blocks which include the firms most likely to be impacted by EU withdrawal. In contrast we are proposing to allocate our Transformation Programme costs across all fee-blocks reflecting that this work will impact on what we do across the organisation. We provide details of the allocations by exception in Chapter 3 and set out the impact on all allocations across fee-blocks in Table 3.3.
- Our proposal to recover the 2020/21 consumer harm campaign across all fee-payers recognises that the campaign is designed to enhance integrity in the financial system as well as protect consumers from harm and so will benefit all sectors.
- Our second stage consultation to use income to calculate periodic fees for Multi-lateral Trading Facilities (MTFs) and Organised Trading Facilities (OTFs) represents an effective proxy for the impact risk they pose to our objectives.
- Our proposals to increase Part VII insurance business transfer application fees will better target the recovery of processing these applications on the applicants.

## **The Financial Ombudsman Service**

- Fees collected to fund the Financial 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 Financial Ombudsman Service helps us to meet our consumer protection objective. The Financial 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 Financial Ombudsman Service's forecasts for the proportion of resources it expects to devote in 2020/21 to cases from firms in each sector.

## **The Money and Pensions Service (MaPS)**

- We are proposing to allocate the MaPS funding requirement to fee-blocks in the same proportions used in 2018/19 for the Money Advice Service and Pension Wise levies. We therefore believe that the proposed basis for recovering the 2020/21 MAPS funding requirement is proportionate.

### ***The Devolved Authorities' debt advice levy***

- The Devolved Authorities are responsible for free-to-consumer debt advice in Scotland, Wales and Northern Ireland. We are proposing to allocate the Devolved Authorities' funding requirement to fee-blocks in the same proportions used in 2018/19 for the Money Advice Service debt advice levy which covered the UK as a whole. We therefore believe that the proposed basis for recovering the 2020/21 Devolved Authorities' funding requirement is proportionate.

### ***Illegal money lending levy***

- The illegal money lending levy mirrors our existing fees structure, avoiding the need to impose new data reporting requirements on firms.

### **The desirability of recognising differences, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation**

- The allocation of our AFR in Chapter 3 recognises the differences in the nature of the businesses carried on by the different persons we regulate:
  - fee-blocks are defined by reference to related types of permitted business fee-payers can undertake
  - the proportion of our funding requirement allocated to each fee-block represents the resources we will apply to mitigate risks to our objectives
  - 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
- The allocation of the funding requirements of the MaPS and the Devolved Authorities recognises the differences in the nature of the businesses carried on by the different persons we regulate.
  - fee-blocks are defined by reference to related types of permitted business fee-payers can undertake
  - 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

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

- 10.** For transparency, the FCA, the Financial Ombudsman Service, the MaPS and the Devolved Authorities set out each year an explanation of any changes in fees or levy rates and the key drivers of those changes. We also provide an online facility to help firms calculate their likely periodic fees or levies for the forthcoming year ([fees calculator](#)).
- 11.** The proposals set out in this CP enable us to fund the activities we need to undertake in 2020/21. 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

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- 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 2020/21 for the FCA, the Financial Ombudsman Service, the MaPS levies, the Devolved Authorities' debt advice levy and the illegal money lending levy on authorised firms that are mutual societies is not significantly different from the impact on other authorised firms.

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

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- 13.** The proposals set out in this consultation enable us to fund the activities we need to undertake in 2020/21. 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 MaPS levies and Devolved Authorities debt advice levy are raised from fee-blocks that carry on business relevant to the work of the MaPS and Devolved Authorities. We consider that our proposals on allocation of costs under these levies are reasonable until data from MaPs and Devolved Authorities becomes available to justify a different allocation.



## Annex 3

# Financial Penalty Scheme

1. 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 the financial penalties we impose on regulated persons (firms).
2. 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.
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 A.
4. The total retained penalties from any financial year will be applied 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. The allocation of enforcement costs to fee-blocks will be as it was for 2013/14 other than where there has been a material and explainable exception (allocation by exception). Where such an allocation by exception has occurred the retained penalties in the following year will be applied to the revised baseline fee-blocks.
5. If financial penalties do not cover enforcement costs in any year the application of retained penalties to the baseline fee-blocks will not cover the enforcement costs allocated to them.
6. Enforcement costs are not allocated to the A.0 minimum fee fee-block. Therefore, retained penalties are not allocated to this fee-block.
7. 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.

8. 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
9. 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.

**Table A: Financial Penalty Scheme – relevant fee-blocks**

Fee-block
AP.0 FCA prudential
A.1 Deposit acceptors
A.2 Home finance providers and administrators
A.3 Insurers – general
A.4 Insurers – life
A.5 Managing agents at Lloyd's
A.6 The Society of Lloyd's
A.7 Portfolio managers
A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes
A.10 Firms dealing as principal
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)
A.14 Corporate finance advisors
A.18 Home finance providers, advisers and arrangers
A.19 General insurance mediation
A.21 Firms holding client money or assets or both
B. Recognised investment exchanges, operators of multilateral trading facilities and recognised auction platforms (only)
CC1 Consumer credit – limited permission
CC2 Consumer credit – full permission
E. Issuers and sponsors of securities
G.1 persons registered under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
G.2, G.3, G.4, G.5 firms under the Payment Services Regulations 2017
G.10, G.11 firms under the Electronic Money Regulations 2011
G.20, G.21 firms under the Mortgage Credit Directive Order 2015
G.25 firms under the Data Reporting Regulations 2017

## Annex 4 Financial Ombudsman Service general levy— overview and industry blocks

Industry Block	Description	Tariff Base	Consultation 2020/21 tariff rate (£)	Final 2019/20 tariff rate (£)	Consultation 2019/20 minimum levy per firm (£)	Final 2019/20 minimum levy per firm (£)	Consultation 2019/20 gross total	Final 2019/20 gross total	Consultation 2019/20 contribution by block	Final 2019/20 contribution by block
I001	Deposit acceptors, home finance lenders and administrators	Per relevant account	0.15594	0.07062	100	100	£41,223,427	£17,370,728	49.1%	39.0%
I002	Insurers: general	Per £1,000 of gross written premium income	0.2944	0.16902	100	100	£10,667,401	£5,350,446	12.7%	12.0%
I003	The Society of Lloyds	Flat Levy	N.A.	N.A.	78,130	32,126	£76,525	£32,126	0.1%	0.1%
I004	Insurers: life	Per £1,000 of gross written premium income	0.03718	0.01064	130	130	£4,640,891	£1,209,167	5.5%	2.7%
I005	Fund managers	Flat Levy	N.A.	N.A.	210	210	£232,899	£232,899	0.3%	0.5%

Industry Block	Description	Tariff Base	Consultation 2020/21 tariff rate (£)	Final 2019/20 tariff rate (£)	Consultation 2019/20 minimum levy per firm (£)	Final 2019/20 minimum levy per firm (£)	Consultation 2019/20 gross total	Final 2019/20 gross total	Consultation 2019/20 contribution by block	Final 2019/20 contribution by block
1006	Operators, Trustees and Depositories of collective investment schemes	Flat Levy	N.A.	N.A.	60	60	£23,290	£23,290	0.0%	0.1%
1007	Dealers as principal	Flat Levy	N.A.	N.A.	75	75	£23,290	£23,290	0.0%	0.1%
1008	Advisory arrangers, dealers or brokers (holding client money)	Per £1,000 of annual income	0.247	0.1579	45	45	£889,684	£604,584	1.1%	1.4%
1009	Advisory only firms and advisory, arrangers, dealers, or brokers (not holding client money)	Per £1,000 of annual income	0.1262	0.0602	45	45	£889,684	£604,584	1.1%	1.4%
1010	Corporate finance advisors	Flat Levy	N.A.	N.A.	55	55	£23,290	£23,290	0.0%	0.1%
1A11	Authorised payment service providers	Per £1,000 of relevant Income	0.0016	0.0003	75	75	£38,266	£28,518	0.0%	0.1%

Industry Block	Description	Tariff Base	Consultation 2020/21 tariff rate (£)	Final 2019/20 tariff rate (£)	Consultation 2019/20 minimum levy per firm (£)	Final 2019/20 minimum levy per firm (£)	Consultation 2019/20 gross total	Final 2019/20 gross total	Consultation 2019/20 contribution by block	Final 2019/20 contribution by block
IS11	Small payment institutions and small e-money issuers	Flat Levy	N.A.	N.A.	35	35	£23,290	£23,290	0.0%	0.1%
I013	Cash plan health providers	Flat Levy	N.A.	N.A.	65	65	£780	£780	0.0%	0.0%
I014	Credit unions	Flat Levy	N.A.	N.A.	55	55	£23,290	£23,290	0.0%	0.1%
I015	Friendly societies whose tax exempt business represents 95% or more of their total relevant business	Flat Levy	N.A.	N.A.	65	65	£3,640	£3,640	0.0%	0.0%
I016	Home finance lenders, advisers and arrangers	Flat Levy	N.A.	N.A.	85	85	£465,798	£465,798	0.6%	1.0%
I017	General insurance mediation	Per £1,000 of relevant business annual income	0.6355	0.5671	100	100	£7,462,398	£6,644,648	8.9%	14.9%

Industry Block	Description	Tariff Base	Consultation 2020/21 tariff rate (£)	Final 2019/20 tariff rate (£)	Consultation 2019/20 minimum levy per firm (£)	Final 2019/20 minimum levy per firm (£)	Consultation 2019/20 gross total	Final 2019/20 gross total	Consultation 2019/20 contribution by block	Final 2019/20 contribution by block
IA18	Authorised electronic money institutions	Per average outstanding electronic money	0.1	0.3	40	40	£3,354	£2,500	0.0%	0.0%
IS18	Small electronic money institutions	Flat Levy	N.A.	N.A.	50	50	£780	£582	0.0%	0.0%
IO19	Consumer credit: limited	Flat Levy	N.A.	N.A.	35	35	£732,550	£732,550	0.9%	1.6%
IA19	Consumer credit: limited (not for profit)	Flat Levy	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
IO20	Consumer Credit - Full	Per £1,000 of consumer Credit Income	0.504 (on income over £250,000 plus minimum fee)	0.3 (on income over £250,000 plus minimum fee)	35	35	£14,962,734	£8,900,000	17.8%	20.0%
IR21	Consumer buy-to-let	Flat Levy	N.A.	N.A.	35	35	N.A.	N.A.	N.A.	N.A.
IO22	Designated credit reference agencies	Flat Levy	N.A.	N.A.	75	75	N.A.	N.A.	N.A.	N.A.
IO23	Designated finance platforms	Flat Levy	N.A.	N.A.	75	75	N.A.	N.A.	N.A.	N.A.
IO24	Claims management companies	Per £1.00 of relevant business Annual Income	1.881	3.0	50	50	£1,492,738	£2,200,000	1.8%	£0
	<b>Total - all blocks</b>						<b>£83,900,000</b>	<b>£44,500,000</b>	<b>100.0%</b>	<b>100.0%</b>

## Annex 5: Abbreviations used in this document

<b>AFR</b>	Annual funding requirement
<b>AIF</b>	Alternative investment fund
<b>AIFM</b>	Alternative investment fund managers
<b>APIs</b>	Authorised payment institutions
<b>CASS</b>	Client Money Assets sourcebook
<b>CFOs</b>	Community Finance Organisations
<b>CIS</b>	Collective investment schemes
<b>CJ</b>	Compulsory jurisdiction
<b>CMCs</b>	Claims management companies
<b>CP</b>	Consultation Paper
<b>DA</b>	Devolved Authorities
<b>DPB</b>	Designated professional bodies
<b>EEA</b>	European Economic Area
<b>EMI</b>	Electronic money institution
<b>EMR</b>	Electronic money regulations
<b>EU</b>	European Union
<b>FCA</b>	Financial Conduct Authority
<b>FEES</b>	Fees manual
<b>FG&amp;C Bill</b>	Financial Guidance and Claims Bill
<b>FPS</b>	Financial Penalty Scheme
<b>FSA</b>	Financial Services Authority
<b>FSCS</b>	Financial Services Compensation Scheme

<b>FSMA</b>	Financial Services and Markets Act
<b>IML</b>	Illegal money lending
<b>MaPS</b>	Money and Pensions Service
<b>MiFID II</b>	Markets in Financial Instruments Directive II
<b>MLRs</b>	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
<b>MTF</b>	Multilateral trading facility
<b>ORA</b>	Ongoing regulatory activities
<b>OTF</b>	Organised trading facility
<b>PPI</b>	Payment protection insurance
<b>PRA</b>	Prudential Regulation Authority
<b>PS</b>	Policy Statement
<b>RAO</b>	Regulated Activities Order
<b>RBA</b> s	Regulated Benchmark Administrators
<b>RIE</b>	Recognised investment exchange
<b>RCB</b>	Regulated covered bonds
<b>SC</b>	Service companies
<b>SFGB</b>	Single Financial Guidance Body
<b>SPF</b>	Special project fee
<b>UCITS</b>	Undertakings for collective investment in transferable securities
<b>UK</b>	United Kingdom
<b>UKLA</b>	UK Listing Authority
<b>VJ</b>	Voluntary jurisdiction





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# Appendix 1

## Periodic Fees (2020/21) and other fees

### Instrument 2020 (draft rules)

**PERIODIC FEES (2020/2021) AND OTHER FEES INSTRUMENT 2020****Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of:
- (1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 73A (Part 6 Rules);
    - (b) section 137A (The FCA’s general rules);
    - (c) section 137SA (Rules to recover expenses relating to the single financial guidance body);
    - (d) section 137SB (Rules to recover debt advice expenses incurred by the devolved authorities);
    - (e) section 137T (General supplementary powers);
    - (f) section 234 (Industry funding);
    - (g) section 333T (Funding of action against illegal money lending);
    - (h) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
  - (2) regulation 118 (Costs of supervision) of the Payment Services Regulations 2017 (SI 2017/752);
  - (3) regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99);
  - (4) regulation 46 and paragraph 5 of Schedule 1 (Fees) in the Regulated Covered Bond Regulations 2008 (SI 2008/346);
  - (5) article 25 (Application of provisions of the Act to the FCA in respect of its supervision of consumer buy-to-let mortgage firms) of the Mortgage Credit Directive Order 2015 (SI 2015/910);
  - (6) regulation 40 (FCA: penalties, fees and exemption from liability in damages) of the Data Reporting Services Regulations 2017 (SI 2017/699);
  - (7) section 27 of the Financial Guidance and Claims Act 2018; and
  - (8) regulation 26 of the Financial Services and Markets Act (2000) (Benchmarks) Regulations 2018 (SI 2018/135);
  - (9) paragraph 11 (Penalties and fees) of Schedule 1 and paragraph 4(7) of Schedule 2 of the Securitisation Regulations 2018 (SI 2018/1288);

- (10) regulation 102 (Costs of Supervision) of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692);
  - (11) the power under Regulation 27 (costs of supervision) of the Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017; and
  - (12) the power under Regulation 102 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- 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] 2020.

**Amendments to the Handbook**

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

**Notes**

- E. In the Annex to this instrument, the “notes” (indicated by “*Editor’s note*:”, “**Note**:”, “**Note:**” or “**Note**”) are included for the convenience of readers but do not form part of the legislative text.

**Citation**

- F. This instrument may be cited as the Periodic Fees (2020/2021) and Other Fees Instrument 2020.

By order of the Board  
[date] 2020

[*Editor's note*: the FEES 4 fee rates in square brackets specifically relate to the recovery of the consumer harm campaign costs referred to in Chapter 6 of CP20/6.]

## 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

...

#### 3.2.7R 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
...		
<p>(s) In the case of an <i>insurance business transfer scheme</i>, a transferor.</p> <p>Note - for the purpose of this paragraph an <i>insurance business transfer scheme</i> consists of a single transferor and a single transferee. Where however such a scheme is part of a single larger scheme, that larger scheme is treated as a single <i>insurance business transfer scheme</i>. If an <i>insurance business transfer scheme</i> includes more than one transferor in accordance with this paragraph, the transferors are liable to pay the fee under column (2) jointly.</p>	<p>Either (1) or (2) as set out below:</p> <p>(1) In the case of an <i>insurance business transfer scheme</i> involving <i>long term insurance business</i>, <del>9,250</del> <u>20,000</u>; or</p> <p>(2) in the case of an <i>insurance business transfer scheme</i> not involving <i>long term insurance business</i>, <del>5,000</del> <u>12,500</u>.</p>	<p>On or before any application is made for the appointment of a person as an <i>independent expert</i>.</p>

...		
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**4 Periodic fees**

...

**4.2 Obligation to pay periodic fees**

...

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
...			
<i>Persons who hold a certificate issued by the FCA under article 54 of the Regulated Activities Order (Advice given in newspapers etc.)</i>	£1,151	(1) Unless (2) applies, on or before 1 August or, if later, within 30 days of the date of the invoice.  (2) If an event in column 4 occurs, during the course of a <i>fee year</i> , 30 days after the occurrence of that event.	<i>Certificate issued to person by the FCA under article 54 of the Regulated Activities Order</i>
...			

**4 Annex 1AR**

**FCA activity groups, tariff bases and valuation dates**

Part 1

...

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
...	
<b>B. MTF and OTF operators</b>	<p><b>SUPERVISORY CATEGORY</b></p> <p>The general supervisory category to which the <i>MTF</i> or <i>OTF</i> operator was assigned as at the start of the relevant <i>fee year</i>.</p> <p><u>Annual income as defined in FEES 4 Annex 11AR for the purposes of the valuation date and submission time in Part 5 of FEES 4 Annex 1AR.</u></p>
...	
<p>Part 5</p> <p>This table indicates the valuation date for each fee-block. A <i>firm</i> can calculate its tariff data in respect of fees payable to the <i>FCA</i> by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.</p>	
Activity group	Valuation date
...	
<b>B. MTF and OTF operators</b>	<p>The start of the relevant <i>fee year</i>.</p> <p><u>Annual income for the financial year ended in the calendar year ending 31 December 2019, to be submitted to the <i>FCA</i> in writing by 30 September 2020.</u></p>
...	

**4 Annex 2AR FCA Fee rates and EEA/Treaty firm modifications for the period from 1 April ~~2019~~ 2020 to 31 March ~~2020~~ 2021**

Part 1		
...		
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	<del>14.89</del> <u>15.234</u> [0.0605]
	>140 - 630	<del>14.89</del> <u>15.234</u> [0.0605]
	>630 - 1,580	<del>14.89</del> <u>15.234</u> [0.0605]
	>1,580 - 13,400	<del>18.613</del> <u>19.043</u> [0.0756]
	>13,400	<del>24.569</del> <u>25.136</u> [0.0998]
	The tariff rates in A.1 are not relevant for the <i>permissions</i> relating to <i>operating a dormant account fund</i> . Instead a flat fee of £6,367 is payable in respect of these <i>permissions</i> .	
A.2	Band width (No. of mortgages and/or home finance transactions)	Fee (£/mortgage)
	>50	<del>2.594</del> <u>2.706</u> [0.0121]
A.3	Gross written premium for fees purposes (GWP)	Periodic fee
	Band Width (£million of GWP)	Fee (£/m or part £m of GWP)
	>0.5	<del>339.43</del> <u>367.28</u> [1.4978]
	PLUS	
	Best estimate liabilities for fees purposes (BEL)	General Periodic fee



	Band Width (£million of BEL)	Fee (£/£m or part £m of BEL)
	>1	<del>19.518</del> <u>21.19</u> [0.0941]
	For <i>UK ISPVs</i> the tariff rates are not relevant and a flat fee of <del>£495</del> <u>£505</u> is payable in respect of each <i>FCA</i> financial year (the <i>12 months</i> ending 31 March).	
A.4	Gross written premium for fees purposes (GWP)	General Periodic fee
	Band Width (£million of GWP)	Fee (£/£m or part £m of GWP)
	>1	<del>194.80</del> <u>206.12</u> [0.844]
	PLUS	
	Best estimate liabilities for fees purposes (BEL)	General Periodic fee
	Band Width (£million of BEL)	Fee (£/£m or part £m of BEL)
	>1	<del>13.952</del> <u>15.065</u> [0.0617]
A.5	Band Width (£million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	<del>7.58</del> <u>7.99</u> [0.0258]
A.6	Flat fee (£)	<del>353,834</del> <u>374,972.58</u> [1,318.60]
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	<del>5.44</del> <u>5.026</u> [0.0212]
	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	<del>800.49</del> <u>901.28</u> [4.038]
A.10	Band Width (No. of traders)	Fee (£/person)
	>1	<del>6,126.94</del> <u>6,765.00</u> [28.274]
	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	<del>2.558</del> <u>2.823</u> [0.01257]
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>1.62</del> <u>1.65</u> [0.0074]
A.18	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>10.764</del> <u>10.60</u> [0.048]
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>1.668</del> <u>1.685</u>

		[0.00759]
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	<del>119.00</del> <u>123.00</u> [0.569]
	an amount equal to or greater than £1 million but less than or equal to £1 billion	<del>89.25</del> <u>92.25</u> [0.427]
	more than £1 billion	<del>59.50</del> <u>61.50</u> [0.285]
	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	<del>0.45</del> <u>0.462</u> [0.0021]
	an amount equal to or greater than £10 million and less than or equal to £100 billion	<del>0.338</del> <u>0.347</u> [0.0016]
	more than £100 billion	<del>0.225</del> <u>0.231</u> [0.0011]
B. Service Companies	Band Width	Fee (£)
	Annual income up to and including £100,000	1,132
	<b>PLUS:</b>	
	Band width	Fee (£/£thousand or part £ thousand of income)
	Annual income over £100,000	<del>2.76</del> <u>2.48</u> [0.018]

B. Regulated benchmark administrators	Band width	Fee (£)
	Annual income up to and including £100,000	1,151
	<b>PLUS:</b>	
	Band width	Fee (£/£ thousand or part £ thousand of income)
	Annual income over 100,000	<del>1.59</del> <u>1.288</u> [0.0093]
B. Recognised investment exchanges	Band width	Fee (£)
	Annual income up to and including £10,000,000	<del>105,060</del> <u>107,161</u>
	<b>PLUS:</b>	
	Band width	Fee (£/£ thousand or part £ thousand of income)
	Annual income over £10,000,000	<del>4.11</del> <u>4.006</u> [0.0144]
B. Recognised auction platforms	<del>56,004</del> <u>57,124</u>	
B. Recognised overseas investment exchanges	<del>60,000</del> <u>61,200</u> , except as provided below	
	<i>Recognised overseas investment exchanges that are EEA market operators before IP completion day</i>	No fee is payable in respect of any complete <i>fee year</i> beginning on or after 1 April 2018 and ending before IP completion day.  For the <i>fee year</i> in which IP completion day occurs the fee payable is in accordance with the formula set out below.  (The above fee ÷ 12) multiplied by the number of

		calendar <i>months</i> (inclusive) between the calendar <i>month</i> in which IP completion day occurs and the last calendar month of that <i>fee year</i> .
B. MTF and OTF operators	As set out in <i>FEES</i> 4 Annex 10R (Periodic fees for MTF and OTF operators).	
CC1. Credit-related regulated activities with limited permission	Band Width (£ thousands of annual income (AI))	Fee (£)
	0 - 10	106
	>10 - 50	266
	>50 - 100	424
	>100	530
	<b>PLUS:</b>	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	0.40 [0.00167]
CC2. Credit-related regulated activities	Band Width (£ thousands of annual income (AI))	Fee (£)
	0 - 50	318
	>50 - 100	530
	>100	1,061
	<b>PLUS:</b>	
		Fee (£/£ thousand or part £ thousand of AI)
	>250	1.30 [0.00542]
CMC.	Band width (£ thousands of annual turnover)	Fee (£) for <del>2019/20</del> <u>2020/21</u>

	0-50	500
	50-100	1,000
	>100	<del>13 5.00</del> per £ thousand or part per £ thousand [0.0584]
...		

Part 2

...

**Part 2(a) tariff rates (minimum fees) payable to the FCA by FCA-  
authorised persons**

A.0	(1)	£1,151 unless it is a <i>community finance organisation</i> with a tariff base of:	
	(a)	up to and including 3 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £176 is payable; or	
	(b)	more than 3 but no more than 10 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £597 is payable; or	
	(c)	more than 10 but no more than 50 mortgages and/or <i>home finance transactions</i> , in which case a minimum fee of £1,106 is payable.	
	...		
AP.0		Periodic fees payable under fee blocks A.2, A.7 to A.19 and A.21 in Part 1 multiplied by rate <del>£0.1091</del> <u>0.10368</u>	

**Part 2(b) tariff rates (minimum fees) payable to the FCA by PRA-  
authorised persons**

A.0	(1)	£574 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 has, for that activity, 0.5 million or less in gross written premium for fees purposes and holds best estimate liabilities for fees purposes of 1.0 million or less, in which case the minimum fee payable is £247; 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 has, for that activity, written 1.0 million or less in gross written premium for fees purposes and holds best estimate liabilities for fees purposes of 1.0 million or less, in which case the minimum fee payable is £247; 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 £247.
	(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 £92 is payable; or
	(b)	greater than 0.5million but less than 2.0million, in which case a minimum fee of £310 is payable.
	(3)	The conditions referred to in (1)(d) 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 written premium for fees purposes and holds best estimate liabilities for fees purposes 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 gross written premium for fees purposes and holds best

			estimate liabilities for fees purposes of 1.0 million or less.
	The figures for gross written premium for fees purposes and best estimate liabilities for fees purposes are the same as used for Part 1 of this Annex.		

...

**4 Annex 4R** Periodic fees in relation to collective investment schemes, AIFs marketed in the UK, small registered UK AIFMs and money market funds payable for the period 1 April ~~2019-2020~~ to 31 March ~~2020~~ 2021

Part 1 – Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
<i>ICVC,</i>	<del>350</del> <u>360</u>	1-2	1	<del>350</del> <u>360</u> [3.50]
<i>AUT,</i>		3-6	2.5	<del>875</del> <u>900</u> [8.75]
<i>ACS,</i>		7-15	5	<del>1,750</del> <u>1,800</u> [17.50]
<i>UK ELTIFs,</i>		16-50	11	<del>3,850</del> <u>3,960</u> [38.50]
Money market funds with effect from 21 July 2018		>50	22	<del>7,700</del> <u>7,920</u> [77.00]
Section 264 of the Act, schemes other than non-EEA AIFs recognised under section 272 of the Act				
<i>Non-EEA AIFs</i> recognised under section 272 of the Act	<del>1,425</del> <u>1,465</u>	1-2	1	<del>1,425</del> <u>1,465</u> [13.50]
		3-6	2.5	<del>3,562.50</del> <u>3,663</u>



		7-15	5	[33.75] <del>7,125</del> <u>7,325</u>
		16-50	11	[67.50] <del>15,675</del> <u>16,115</u>
		>50	22	[148.50] <del>31,350</del> <u>32,230</u>
				[297.00]

...

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*

Kind of notification	Fee per <i>AIF</i> (£)
Notification under regulation 57 of the <i>AIFMD UK regulation</i>	<del>330</del> <u>337</u>
Notification under regulation 58 of the <i>AIFMD UK regulation</i>	<del>230</del> <u>235</u>
Notification under regulation 59 of the <i>AIFMD UK regulation</i>	<del>330</del> <u>337</u>

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

The annual fee for *small registered UK AIFMs* is ~~£650~~ 663

#### 4 Annex 5R Periodic fees for designated professional bodies: tariff base, valuation date and tariff rates

Part 1

...

Part 2

This table sets out the tariff rates applicable to *designated professional bodies*

Fee payable in relation to 2020/21	Amount payable
Minimum fee, payable by all <i>designated professional bodies</i>	<del>£10,000</del> <u>10,000</u>

Variable fee, payable by <i>designated professional bodies</i> where the number of <i>exempt professional firms</i> regulated or supervised by a <i>designated professional body</i> is greater than 1	£ <del>[the]</del> 10.77 multiplied by the total number of <i>exempt professional firms</i> in excess of 1  [0.065]
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Note

The *Financial Services Register* includes details of *exempt professional firms* carrying out *insurance distribution activity*.

...

**4 Annex 10R** **Periodic fees for MTF operators payable in relation to the period 1 April 2019 2020 to 31 March 2020 2021**

General supervisory category of <i>MTF</i> or <i>OTF</i> operator (see Note below)	Fee payable (£)	Due date
		(i) 1 August <del>2019</del> <u>2020</u> ; or  (ii) 30 days from the date of the invoice in the case of a <i>firm</i> which receives <i>permission</i> to be <i>operating a multilateral trading facility</i> or to be <i>operating an organised trading facility</i> or whose <i>permission</i> is extended to include this activity in the course of the relevant financial year.
<i>MTF</i> or <i>OTF</i> operator has a named individual fixed portfolio supervisor	<del>343,358</del> <u>350,225</u>	
All other <i>MTF</i> or <i>OTF</i> operators (i.e. those supervised by a team of flexible portfolio supervisors)	<del>32,380</del> <u>33,028</u>	
[deleted]		
an <i>EEA firm</i>	0	
Note: subject to <i>FEES</i> 4.3.13R, this table applies to all <i>MTF</i> or <i>OTF</i> operators with permission to operate an <i>MTF</i> or <i>OTF</i> as at 1 April of the applicable <i>fee year</i> , irrespective of whether, and if so when, their <i>permission</i> to operate an <i>MTF</i> or <i>OTF</i> was subsequently cancelled during that <i>fee year</i> .		

**4 Annex 11R Periodic fees in respect of payment services, electronic money issuance, regulated covered bonds, CBTL business, data reporting services and third party verifiers in relation to the period 1 April ~~2019~~ 2020 to 31 March ~~2020~~ 2021**

This Annex sets out the 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* and *data reporting services providers* (other than *incoming data reporting services providers*) under the *DRS Regulations*.

...

Part 5 - Tariff rates		
Activity group	Fee payable in relation to <del>2019/20</del> <u>2020/21</u>	
G.2	Minimum fee (£)	525
	£ million or part £m of Modified Eligible Liabilities (MELS)	Fee (£/£m or part £m of MELS)
	> 0.1	0.6009 [0.0043]
G.3	Minimum fee (£)	525
	£ thousands or part £thousand of Relevant Income	Fee (£/£thousand or part £thousand of Relevant Income)
	> 100	0.4041 [0.00287]
G.4	Flat fee (£)	<del>525</del> <u>536</u>
G.5	As in G.3	
G.10	Minimum fee (£)	1,726
	£ million or part £m of average outstanding	Fee (£/£m, or part £m of AOEM)

	electronic money (AOEM)	
	>5.0	<del>80.00</del> <u>65.00</u> [0.4593]
G.11	Flat fee (£)	<del>1,151</del> <u>1,174</u>
G.15	Minimum fee for the first registered <i>programme</i> (£)	<del>83,597</del> <u>90,217</u>
	Minimum fee for all subsequent registered <i>programmes</i>	75% of minimum fee for first registered <i>programme</i>
	£ million or part £m of <i>regulated covered bonds</i> issued in the 12 months ending on the valuation date.	Fee (£/£m or part £m of <i>regulated covered bonds</i> issued in the 12 months ending on the valuation date)
	>0.00	<del>9.66</del> <u>7.03</u> [0.0498]
	...	
G.20	Flat fee (£)	<del>424</del> <u>433</u>
G.21	Flat fee (£)	<del>212</del> <u>216</u>
G.25	Flat fee (£) for first <i>data reporting service</i> plus 50% flat fee for each additional <i>data reporting service</i> for which the <i>data reporting services provider</i> (other than an incoming <i>data reporting services provider</i> ) has authorisation.	<del>26,265</del> <u>26,790</u>
G.26 TPV	Flat fee (£)	<del>255</del> <u>260</u>
	...	

...

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

Table 1			
The following table sets out <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, Recognised Investment Exchanges, Multilateral Trading Facilities, Organised Trading Facilities, Regulated Benchmark Administrators and Claims Management Companies.			
Calculating and apportioning annual income - FEES 4 Annex 11AR			
<b>Calculating annual income</b>			
...			
Exclusions			
(10)	The following should be excluded from the calculation of annual income:		
	...		
	(c)	<del>Rebates to <i>customers</i> and <i>fees</i> or <i>commissions</i> passed onto other <i>firms</i> should be excluded.</del>	
		(i)	<u>rebates to <i>customers</i> and members of a <i>recognised investment exchange, multilateral trading facility</i> and <i>organised trading facility</i>; and</u>
		(ii)	<u><i>fees</i> or <i>commissions</i> passed onto other <i>firms</i>.</u>
	...		
...			

...

#### 4 Annex 14R UKLA periodic fees for the period from 1 April 2020 to 31 March 2021

Part 1 Base fee			
Activity group or invoice code (Note 1)		Description	Base fee payable (£)
E.1	Discontinued		

E.2	Premium listed issuer	<i>A listed issuer of equity shares and certificates representing shares with a premium listing (see Note 2)</i>	<del>{tbc}</del> <u>5,574</u>
E.3	Standard listed issuer	<i>A listed issuer of shares and certificates representing certain securities with a standard listing and not with a premium listing (see Note 2)</i>	<del>{tbc}</del> <u>21,114</u>
E.4	Discontinued		
E.5	Discontinued		
E.6	Non-listed issuer (in DTR)	<i>A non-listed issuer (in DTR)</i>	0
E.7	Primary information provider	<i>A primary information provider</i>	<del>{tbc}</del> <u>17,621</u>
ES.01	Sponsor	<i>A sponsor (see Note 3)</i>	<del>{tbc}</del> <u>29,351</u>

...

Part 2 Variable fee additional to base fee			
Activity Group		Market capitalisation as at the last <i>business day</i> of the September prior to the <i>fee-year</i> in which the fee is payable in £million	Fee payable in £per £million or £part million
E.2	Premium listed issuer (as described in Part 1)	0 – 100	<del>{tbc}</del> <u>0</u>
		> 100 – 250	<del>{tbc}</del> <u>32.230729</u> [0.287038]
		> 250 – 1,000	<del>{tbc}</del> <u>12.435566</u> [0.110748]
		> 1,000 – 5,000	<del>{tbc}</del> <u>7.654601</u> [0.068170]
		> 5,000 – 25,000	<del>{tbc}</del> <u>0.186719</u>

			[0.001663]
		> 25,000	<del>{tbe}</del> 0.060324 [0.000537]

...

**4 Annex 15R Fees relating to the recognition of benchmark administrators and the endorsement of benchmarks for the period 1 April 2019 2020 to 31 March 2020 2021**

Activity group	Fee payable
<i>A third country legal representative</i>	£ <del>12,750</del> <u>13,005</u>
<i>A benchmark endorser</i>	£ <del>7,650</del> <u>7,803</u>

...

**5 Financial Ombudsman Service Funding**

...

**5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2019/20 2020/21**

Introduction: annual budget

1. The *annual budget* for 2019/20 2020/21 approved by the FCA is £~~331.8m~~ 296.7m.

2. The total amount expected to be raised through the *general levy* in 2019/20 2020/21 will be £~~44.5m~~ 83.9m.

Compulsory jurisdiction - general levy

Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, <i>home finance providers, home finance administrators</i> (excluding firms in block 14) and	Number of accounts relevant to the activities in <i>DISP</i> 2.6.1R as at 31 December  In the case of <i>dormant account fund operators</i> , the tariff base is the number of eligible activated accounts (8).	£ <del>0.070623</del> <u>0.15594</u> per relevant account, subject to a minimum levy of £100

<i>dormant account fund operators</i>		
2-Insurers - general (excluding <i>firms</i> in blocks 13 & 15)	Gross written premium for fees purposes (GWP) as defined in <i>FEES</i> 4 Annex 1AR; or  Relevant gross written premium (RGWP) notified to the <i>FCA</i> under <i>FEES</i> 5.4.1R(1A)	<del>£0.16902</del> <u>0.2944</u> per £1,000 of GWP or RGWP, subject to a minimum levy of £100
3-The <i>Society</i> (of Lloyd's)	Not applicable	<del>£32,126</del> <u>78,130</u> to be allocated by the <i>Society</i>
4-Insurers - life (excluding <i>firms</i> in block 15)	Gross written premium for fees purposes (GWP) as defined in <i>FEES</i> 4 Annex 1AR; or  Relevant gross written premium (RGWP) notified to the <i>FCA</i> under <i>FEES</i> 5.4.1R(1A)	<del>£0.01064</del> <u>0.03718</u> per £1,000 of GWP or RGWP, 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> )	Flat fee	Levy of £210
6. Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Flat fee	Levy of £60
7-Dealers as principal	Flat fee	Levy of £75
8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	Annual income as defined in <i>FEES</i> 4 Annex 11A relating to <i>firm's relevant business</i> .	<del>£0.1579</del> <u>0.247</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	Annual income as defined in <i>FEES</i> 4 Annex 11A relating to <i>firm's relevant business</i> .	<del>£0.0602</del> <u>0.1262</u> per £1,000 of annual income subject to a minimum fee of £45
10-Corporate finance advisers	Flat fee	Levy of £55
11- <i>fee-paying payment service providers</i> (but excluding <i>firms</i> in any other Industry block except Industry block 18)	For <i>authorised payment institutions, registered account information service providers, electronic money issuers</i> (except for <i>small electronic money institutions</i> ), the Post Office Limited, the Bank of England, government departments and local authorities, and <i>EEA authorised payment institutions</i> relevant income as described in <i>FEES</i> 4 Annex 11 Part 3	<del>£0.0003</del> <u>0.0016</u> per £1,000 of relevant income subject to a minimum levy of £75
	For <i>small payment institutions</i> and <i>small electronic money institutions</i> a flat fee	Levy of £35
13-Cash plan health providers	Flat fee	Levy of £65
14- <i>Credit unions</i>	Flat fee	Levy of £55
15- <i>Friendly societies</i> whose tax-exempt business represents 95% or more of their total relevant business	Flat fee	Levy of £65
16- <i>Home finance providers, advisers and arrangers</i> (excluding <i>firms</i> in blocks 13, 14 & 15)	Flat fee	Levy of £85
17 - General insurance distribution (excluding <i>firms</i> in blocks 13, 14 & 15)	<i>Annual income</i> (as defined in <i>MIPRU</i> 4.3) relating to <i>firm's relevant business</i>	<del>£0.5671</del> <u>0.6355</u> per £1,000 of <i>annual income</i> (as defined in <i>MIPRU</i> 4.3) relating to <i>firm's relevant</i>

		<i>business</i> subject to a minimum levy of £100
18 - <i>fee-paying electronic money issuers</i>	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 4 Annex 11 Part 3</i> .	<del>£0.0003</del> <u>0.0001</u> per £1,000 of average outstanding <i>electronic money</i> subject to a minimum levy of £40
	For <i>small electronic money institutions</i> , a flat fee	Levy of £50
19 - <i>Credit-related regulated activities with limited permission</i>	For <i>not-for-profit debt advice bodies</i> , a flat fee	Levy of £0
	For all other <i>firms</i> with <i>limited permission</i> , a flat fee	Levy of £35
20 - <i>Credit-related regulated activities</i>	Annual income as defined in <i>FEES 4 Annex 11BR</i>	Levy of £35 Plus <del>£0.30</del> <u>0.504</u> per £1,000 of annual income on income above £250,000
21 - <i>CBTL firms</i> that do not have <i>permission</i> to carry out any <i>regulated activities</i>	Flat fee	Levy of £35
22 - <i>designated credit reference agencies</i> (but excluding <i>firms</i> in any other <i>industry block</i> )	Flat fee	Levy of £75
23 – <i>designated finance platforms</i> (but excluding <i>firms</i> in any other <i>industry block</i> )	Flat fee	Levy of £75

24 <i>claims management companies</i>	Annual income	Levy of £50 plus <del>£3.00</del> <u>1.881</u> per £1,000 of annual income
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**7A SFGB levies**

...

**7A SFGB money advice levy for the period from 1 April ~~2019~~ 2020 to 31 March ~~2020~~ 2021**  
**Annex 1R**

## Part 1

This table shows the *SFGB money advice levy* applicable to each activity group (fee-block).

Activity group	SFGB money advice levy payable	
A.1	Band Width (£ million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)
	>10	<del>1.312</del> <u>1.366</u>
A.2	Band Width (no. of mortgages and/or <i>home finance transactions</i> )	Fee (£/mortgage)
	>50	<del>0.522</del> <u>0.577</u>
A.3	Gross written premium for fees purposes (GWP)	
	Band Width (£ million of GWP)	Fee (£/£m or part £m of GWP)

	>0.5	<del>26.681</del> <u>28.418</u>
	<b>PLUS</b>	
	Best estimate liabilities for fees purposes (BEL)	
	Band Width (£ million of BEL)	Fee (£/£m of part £m of BEL)
	>1	<del>1.514</del> <u>1.637</u>
A.4	Gross written premium for fees purposes (GWP)	
	Band Width (£ million of GWP)	Fee (£/£m or part £m of GWP)
	>1	<del>12.316</del> <u>13.355</u>
	<b>PLUS</b>	
	Best estimate liabilities for fees purposes (BEL)	
	Band Width (£ million of BEL)	Fee (£/£m or part £m of BEL)
	>1	<del>0.928</del> <u>0.976</u>
A.5	Band Width (£ million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50	<del>0.0000</del> <u>0.13</u>
A.6	Flat levy	<del>0.0000</del> <u>6,503.51</u>

A.7	For class 1(c), (2), (3) and (4) <i>firms</i> :	
	Band Width (£ million of Funds under Management (FuM))	Fee (£/£m of part £m of FuM)
	>10	<del>0.137</del> <u>0.128</u>
	For class 1(B) <i>firms</i> : the fee calculated as for class 1(C) firms above, less 15%.	
	For class 1(A) <i>firms</i> : the fee calculated as for class 1(C) <i>firms</i> above, less 50%.	
	Class 1(A), (B) and (C) firms are defined in FEES 4 Annex 1AR.	
A.9	Band Width (£ million of Gross Income (GI))	Fee (£/£m of part £m of GI)
	>1	<del>77.457</del> <u>87.923</u>
A.10	Band Width (no. of traders)	Fee (£/trader)
	>1	<del>146.77</del> <u>166.59</u>
A.13	For class (2) firms	
	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.0628</del> <u>0.0703</u>
	For a <i>professional firm</i> in A.13 the fee is calculated as above less 10%.	
A.14	Band Width (£ thousands of annual income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.028</del> <u>0.0296</u>

A.18	Band Width (£ thousands of Annual Income (AI))	Fee ((£/£ thousand or part £ thousand of AI)
	>100	<del>0.171</del> <u>0.1922</u>
A.19	Band Width (£ thousands of Annual Income (AI))	Fee (£/£ thousand or part £ thousand of AI)
	>100	<del>0.0338</del> <u>0.0355</u>
A.21	Band Width (£ <i>client money</i> ) (CM) held	Fee (£/£ millions or part £m of CM)
	less than £1 million	<del>1.90</del> <u>2.201</u>
	an amount equal to or greater than £1 million but less than or equal to £1 billion	<del>1.425</del> <u>1.651</u>
	more than £1 billion	<del>0.95</del> <u>1.101</u>
	<b>PLUS</b>	
	<i>Safe custody assets</i>	
	Band Width (£ <i>safe custody assets</i> ) (CA) held	Fee (£/£ millions or part £m of CA)
	less than £10 million	<del>0.0072</del> <u>0.0081</u>
	an amount equal to or greater than £10 million and less than	<del>0.0054</del> <u>0.0061</u>

	or equal to £100 billion	
	more than £100 billion	<del>0.0036</del> <u>0.0041</u>
G.3	Minimum fee (£)	10
	£ thousands or part £ thousand of Relevant Income	Fee (£/£thousand or part £ thousand of Relevant Income)
	>100	<del>0.0234</del> <u>0.0232</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	<del>4.12</del> <u>3.79</u>
G.11	Flat fee (£)	10
CC.1	Minimum fee (£)	10
	£ thousand of annual income (AI)	Fee (£/£ thousand or part £ thousand of AI)
	>250	<del>0.101</del> <u>0.0843</u>
CC.2	Minimum fee (£)	10
	£ thousands of annual income (AI)	Fee (£/£ thousand or part £ thousand of AI)
	>250	<del>0.101</del> <u>0.0843</u>

Notes
(1) The definitions of fee-blocks G5 and G10 under Part 2 and Part 2A of <i>FEES</i> 4 Annex 11R are modified, for the purposes of <i>FEES</i> 7A so that they exclude the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.
(2) The definitions of those fee-blocks are further amended to exclude <i>EEA firms</i> and those which hold a <i>Part 4A permission</i> .

Part 2	
(1)	This part sets out the minimum <i>SFGB money advice levy</i> applicable to the <i>firms</i> specified in (3) below.
(2)	The minimum <i>SFGB money advice levy</i> payable by any <i>firm</i> referred to in (3) is £10.
(3)	A <i>firm</i> is referred to in this paragraph if it falls within the following activity groups: A.1; A.2; A.3 (excluding <i>UK ISPVs</i> ); A.4; A.5; A.7; A.9; A.10; A.12; A.13; A.14; A.18; A.19; G.3 and G.10.

**7A**            **SFGB debt advice levy for the period from 1 April ~~2019~~ 2020 to 31 March**  
**Annex**       **2020 2021**  
**2R**

...

Part 4

This table shows the tariff rates applicable to each of the fee-blocks set out in Part 1.

Activity group	SFGB debt advice levy payable	
A.2 Home finance providers and administrators	Band width (£million of secured debt)  >0	Fee (£/£m or part £m of secured debt)  <del>18.984</del> <u>23.326</u>
CC.3 Consumer credit lending	Band width (£million of value of lending)  >0 (Note 1)	Fee (£/£m or part £m of value of lending)  <del>103.07</del> <u>126.53</u>



Note

(1) *Credit unions and community finance organisations* do not pay any *SFGB debt advice levy* on the first £2,000,000 of value of lending.

7A  
Annex  
3R

**SFGB pensions guidance levy for the period 1 April ~~2019~~ 2020 to 31 March ~~2020~~ 2021**

Activity group	SFGB pensions guidance levy payable	
A.1	Band width (£ million of modified eligible liabilities (MELs)) >10	Fee (£/£m or part £m of MELS) <del>2.204</del> <u>2.861</u>
A.4	Band width (£ million of gross written premium for fees purposes (GWP)) >1	Fee (£/£m or part £m of GWP) <del>51.382</del> <u>70.639</u>
A.7	For class 1(B), 1 (C), (2) and (3) firms:  Band width (£ million of funds under management (FuM))  >10	Fee (£/£m or part £m of FuM)  <del>0.848</del> <u>0.9832</u>
A.9	Band width (£ million of gross income (GI))  >1	Fee (£/£m or part £m of GI)  <del>332.32</del> <u>484.41</u>
A.13	Band width (£ thousands of annual income (AI))  >100	Fee (£/£ thousand or part of £ thousand of AI)  <del>0.1182</del> <u>0.171</u>

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**7B The DA levy**

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**7B DA levy for the period from 1 April ~~2019~~ 2020 to 31 March ~~2020~~ 2021****Annex****1R**

...

## Part 4

This table shows the tariff rates applicable to each of the fee-blocks set out in Part 1.

Activity group	DA levy payable	
A.2 Home finance providers and administrators	Band width (£million of secured debt)  >0	Fee (£/£m or part £m of secured debt)  <del>2.794</del> <u>3.401</u>
CC.3 Consumer credit lending	Band width (£million of value of lending)  >0 (Note 1)	Fee (£/£m or part £m of value of lending)  <del>15.18</del> <u>18.45</u>
<b>Note:</b> <i>Credit unions and community finance organisations do not pay any DA levy on the first £2,000,000 of value of lending.</i>		

...

**13 Illegal money lending levy**

...

**13 Illegal money lending (IML) levy for ~~2019/20~~ 2020/21****Annex****1R**

<b>Limited permission (fee-block CC1):</b>	£5 flat rate	
	Up to £250,000	£10

<b>Full authorisation (fee-block CC2):</b>	consumer credit income:	
	Over £250,000 consumer credit income:	£10 + <del>0.195</del> <u>0.201</u> per £1,000

...

**App 2 Office for Professional Body Anti-money laundering Supervision fees**

...

**App 2 Periodic fees imposed under Regulation 27 of the OPBAS Regulations; tariff base, review date, tariff rates**  
**Annex 2**

...

Part 3

This table sets out the tariff rates applicable to **professional body supervisors**.

<b>Fee payable in relation to <del>2019/2020</del> <u>2020/2021</u></b>	<b>Amount payable (£)</b>
Minimum fee, payable by all <b>professional body supervisors</b> subject to the <b>OPBAS Regulations</b> .	£5,000
Variable fee, payable by <b>professional body supervisors</b> where the number of supervised individuals is 6,000 or more.	£ <del>37.60</del> <u>37.45</u> multiplied by the total number of supervised individuals in excess of the threshold of 6,000.  [See Note]
[Note: reference to “the number of supervised individuals” is to those supervised individuals calculated in accordance with Part 1.]	

...

**App 3 Fees payable by persons registered under the Money Laundering Regulations**

...

**App 3.1 Fees for persons registered under the Money Laundering Regulations**

...

App 3.1.2

(1)	Registration fee:		
	£100		
(2)	Periodic fee:		
	Activity group	Fee-payer falls in the activity group if:	Fee payable in <del>2019/20</del> <u>2020/21</u>
	G.1	it is registered with the <i>FCA</i> under the <i>Money Laundering Regulations</i> or any predecessor legislation	<del>£460</del> <u>469</u>

[**Note:** Regulation 102 of the *Money Laundering Regulations*]

## Appendix 2

# Fees (Primary Market Transaction Fees Amendments) Instrument 2020 (draft rules)

**FEES (PRIMARY MARKET TRANSACTION FEES AMENDMENTS)  
INSTRUMENT 2020**

**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of:
- (1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137A (General rule-making power);
    - (b) section 137T (General supplementary powers); and
    - (c) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
  - (2) regulation 2A of the Financial Services and Markets Act 2000 (Prospectus Regulations 2019) (2019/1043).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 1 July 2020.

**Amendments to the Handbook**

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

**Citation**

- F. This instrument may be cited as the Fees (Primary Market Transaction Fees Amendments) Instrument 2020.

By order of the Board  
[date]

## Annex A

### Amendments to the Glossary of definitions

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

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

*specified exempted documents* (in *PRR* and *FEES*) a *document* containing information about a transaction and its impact on the *issuer* for the purposes of article 1(4)(f) or article 1(5)(e) as referred to in article 1(6a)(b) of the *Prospectus Regulation*.

Amend the following definitions as shown.

*significant transaction* a transaction where:

...

(b) the *issuer* has a market capitalisation that is equal to or more than £500million and less than £5billion and has submitted to the *FCA* for approval or review:

(i) a *prospectus for equity securities* or ~~*equivalent document*~~ *specified exempted documents*; or

...

...

*super transaction* a transaction where:

...

(b) the *issuer* has a market capitalisation that is equal to or more than £5billion and has submitted to the *FCA* for approval or review:

(i) a *prospectus for equity securities* or ~~*equivalent document*~~ *specified exempted documents*; or

...

...

## Annex B

### 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 2: UKLA fees		
(1) Fee payer	(2) Fee payable	(3) Due date
...		
(d) Under the <del>prospectus rules</del> <u>Prospectus Rules</u> or the <u>Prospectus Regulation</u> , an issuer or a person requesting approval or review of a document arising in relation to a specific event or transaction, which is not a significant transaction or a super transaction.	FEES 3 Annex 12R	On or before the date that relevant document is first submitted to the FCA.
...		



...

**3 Annex UKLA transaction fees  
12R**

...

Category A2 includes:

...

(b) where an issuer has a market capitalisation of less than £500 million:

...

(v) applying for the approval of a *universal registration document*; or

(vi) applying for the approval of a *specified exempted document*;

...

(d) where an issuer is a closed-ended investment fund:

...

(v) applying for the approval of a *universal registration document*; ~~or~~

(vi) applying for the approval of a *specified exempted document*; or

...

Category A4 includes:

...

(h) applying for approval as a *sponsor*; or

(i) applying for the approval of a *specified exempted document*;

...

