

Consultation Paper **CP23/22****

Regulatory fees and levies: policy
proposals for 2024/25

November 2023

How to respond

We are asking for comments on this Consultation Paper (CP) by **16 January 2024**.

You can send them to us using the form on our [website](#).

Or in writing to:

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Chapter 1

Summary

Why we are consulting

- 1.1** This consultation paper (CP) sets out our proposed policy changes to the way we will raise FCA fees from 2024/25. We are funded by fees and levies from the firms we regulate.

Who this applies to

- 1.2** This document applies to all FCA fee-payers, levy-payers of the Financial Ombudsman Service (Ombudsman Service) and of the Financial Services Compensation Scheme (FSCS), and to any businesses considering applying for FCA authorisation or registration.
- 1.3** Each chapter deals with a specific policy area and identifies who it affects. Table 1.1 summarises which sections are relevant to which firms.
- 1.4** This CP is not directly relevant to retail financial services consumers, although our fees are indirectly paid by users of financial services.

Table 1.1: Fee-payers likely to be affected by each chapter of this CP

Issue	Fee-payers likely to be affected	Chapter
Approach to annual consultation on fee-rates 2024/25	All FCA fee-payers and prospective fee-payers	2
Payment of fees and levies by cheque	All fee and levy payers and prospective fee and levy payers	3
Application charge for Primary Information Providers (PIPs)	Businesses considering applying to establish a PIP	3
Removing pre-paid funeral plan (FP) providers from fee-block A.4	Pre-paid funeral plan providers	3
Approach to the proxy measure for income used by some retail businesses when they act as credit brokers and by firms with limited credit-related permissions as lenders who are required to charge zero interest	Firms with credit-related permissions	4
Proposed new fees structure for firms dealing as principal or trading on their own account	All firms in fee-block A.10 (dealing as principal) and trading firms in fee-block A.13 which are in scope of the Investment Firms Prudential Regime (IFPR)	5

Issue	Fee-payers likely to be affected	Chapter
Drafting changes to FEES 5 (Ombudsman Service) and FEES 6 (FSCS), to clarify the text and remove inconsistencies and obsolete references, and proposal to expand the definition of 'relevant business' for the Ombudsman Service to cover business with all eligible complainants	All firms paying levies for the Ombudsman Service and FSCS	6

The wider context

1.5 Our annual fees consultation covers this cycle:

- November – we consult on any changes to our policy on how we raise fees and levies. We give our feedback on the consultation responses in the following March Handbook Notice or the April fee-rates CP.
- January – we consult on the FSCS management expenses levy limit (MELL), a joint consultation with the Prudential Regulation Authority (PRA). We give our feedback on the consultation 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 Ombudsman Service general levy, the Single Financial Guidance Body levies and illegal money-lending levies for the next financial year.
- June – we publish feedback on responses received to the April CP with final fees and levy rates in a policy statement (PS).

How it links to our objectives

1.6 Our proposals in this consultation are not intended in themselves to advance our objectives, but the fees we collect fund the work we do to further them. These proposals therefore indirectly advance the following objectives:

- Our strategic objective of:
 - ensuring that the relevant markets function well
- Our operational objectives of:
 - securing an appropriate degree of protection for consumers
 - protecting and enhancing the integrity of the UK financial system
 - promoting effective competition in the interests of consumers
- Our secondary objective of:

- facilitating the international competitiveness of the UK economy and its growth in the medium to long term.

1.7 We are also consulting on some adjustments to the rules affecting the levies for the Ombudsman Service and the FSCS. These levies fund their activities so indirectly enable them to exercise their statutory functions, while their proper functioning enables us to meet our consumer protection objective.

Environmental, social & governance considerations

1.8 In developing this CP, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss. 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008. Overall, we do not consider that the proposals are relevant to contributing to those targets. We will keep this issue under review during the course of the consultation period and when considering whether to make the final rules.

1.9 In the meantime, we welcome your input to this consultation on this.

Equality and diversity considerations

1.10 We have considered the equality and diversity issues that may arise from the proposals in this CP.

1.11 Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies). But we will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules.

1.12 In the meantime, we welcome your input to this consultation on this.

Next steps

1.13 Please consider our proposals and send us your comments on the questions in this CP by 16 January 2024.

1.14 Use the online response [form](#) or write to us at the address on page 2.

1.15 We will consider your comments. We will include feedback on the approaches discussed in Chapter 2 in our April 2024 CP. We will publish our feedback on the rule changes in Chapters 3, 4, 5 and 6 and any rules made by the FCA Board in our Handbook Notice in March 2024.

Chapter 2

Approach to annual consultation on fee-rates 2024/25

- 2.1** In this chapter, we set out how we are planning to approach next year's consultation on fee-rates. This gives fee-payers an opportunity to comment on the assumptions underlying our calculations before we launch the consultation in April 2024. This chapter is relevant to all FCA fee-payers.

Context

- 2.2** The Financial Services and Markets Act 2000 (FSMA) gives us the power to levy fees to meet the expenses incurred in carrying out our functions. We set 2 types of fees:
- **Application fees:** these are charged when firms apply to be authorised or registered by us, or when firms already authorised by us seek to vary their permissions (variations of permission – VoPs) or to submit certain notifications. In 2022, we introduced a simplified structure of authorisation application fees, using the 10 pricing categories set out in FEES 3 Annex 1A. For further background, see policy statement PS 22/01 and Handbook Notice 98. We said we would increase application fees annually. The revenue from application fees was £9m in 2022/23, nearly 1.5% of our total costs. Almost all of our revenue therefore comes from periodic fees.
 - **Periodic (annual) fees:** Since FSMA allows us to recover expenses incurred, our annual funding requirement (AFR) is determined by our budget. The AFR is £681.8m in 2023/24. We recover the AFR by distributing it across fee-blocks, which group together firms with similar permissions. This ensures that their fees reflect the different regulated activities they undertake. Many firms fall into more than 1 fee-block because they hold a variety of permissions. Most of the AFR is made up by the ongoing regulatory activities (ORA) budget. ORA represents the standard cost of running the FCA. So, in addition to the direct costs of supervision, it includes the costs of common services such as finance, IT and human resources, our legal department, routine policy development, accommodation, equipment, etc. The ORA budget in 2023/24 is £664.4m – 97.5% of the AFR. The remaining 2.5% represents projects or work programmes which we undertake on top of our day-to-day business, and which require additional resources, usually for a limited period. We report these separately from ORA to distinguish them from our business-as-usual costs. The fees actually payable by firms are less than the AFR because firms receive a credit that follows from the financial penalties revenue that we are allowed to keep. We do not take this credit into account when setting the AFR. The rebate was £52.5m in 2023/24, reducing the fees payable to £629.3m.

2.3 As explained in paragraph 1.6, we have an annual cycle of fees consultations:

- **Autumn fees policy consultation:** In November each year, we consult on the underlying principles of the fees system. For example, our approach to the following year's consultation on fee-rates, introducing fees structures where new groups of firms are being brought into our regulatory scope through legislation, amending rules in the FEES manual of the FCA Handbook to take account of changes in legislation or other circumstances, or clarifying FEES rules that fee-payers have found ambiguous or difficult to follow. For the most part, the autumn CP does not consult on the precise periodic fee-rates that firms will be required to pay, though where possible it gives indicative rates to help prospective fee-payers with their business planning. It does often specify application fees when new permissions are introduced. Any rules are usually put to the FCA Board in March of the following year so that they are in place for the next fee-year starting on 1 April. Where our policy development does not match the predetermined fees cycle, we fit the relevant fees consultations into other publications such as appropriate policy consultations, quarterly consultations and occasionally stand-alone fees policy consultations.
- **Spring fee-rates consultation:** In April we consult on the variable fee-rates we will charge for the current fee-year. It is a short consultation, with the deadline in May so that we can make the rules at our June Board and start issuing invoices to firms from July onwards.

Fee-rates are the product of a simple equation, where the AFR for each fee-block is divided by the tariff data submitted by firms. Tariff data is the metric we use to calculate fees. It is a measure of size so that cost recovery is distributed according to firms' share of the market covered by any particular fee-block. The most common tariff measure is regulated income although this varies by fee-block. The smallest fee-payers do not pay variable fees. Most fee-blocks are structured so that all the firms within them pay a minimum fee in the first instance. If their tariff data takes them above a specified level – most commonly £100,000 of regulated revenue – they pay the minimum fee plus a variable rate fee. This ensures that all firms contribute towards the costs of supervision. Depending on its business model, a firm may fall below the threshold for variable fees in some fee-blocks and above in others.

A small number of fee-blocks are based on flat-rate fees, where all the firms pay the same amount, regardless of size. This is usually because it has proved impractical to define a quantitative tariff measure.

Exceptional projects and allocation of AFR to fee-blocks

2.4 The FCA is continually engaged in policy development work to bring new firms into our regulatory scope, to respond to legislation which expands our regulatory remit, to review areas of regulatory concern or to improve our efficiency and effectiveness. We undertake most of this work within existing resources (i.e., within the ORA budget), but some initiatives require us to take on significant numbers of additional staff and external support or costs while we develop and implement these projects.

- 2.5** We have developed the term 'Exceptional Projects' to describe these additional pieces of work. The resources required for project work are temporary and so we add their costs to the ORA budget.
- 2.6** Some Exceptional Projects, such as work on the Smarter Regulatory Framework (formerly called the Future Regulatory Framework), affect all fee-payers, so we distribute recovery of their costs proportionately across all fee-blocks. Others relate to specific types of activity and so we target cost recovery on the fee-blocks most directly involved. This year, following consultation, we agreed to exempt certain fee-blocks from contributing towards the costs of the Consumer Duty project. We have also restricted cost recovery of the pre-paid funeral plan (FP) project to the newly authorised FP firms, who have been put into a bespoke fee-block (A.23) where they have started to pay their first annual fees.
- 2.7** When Exceptional Projects bring new types of firms into our regulatory scope, we may defer cost recovery until the full population of fee-payers is in place, since it would be unfair to penalise firms who were authorised before others. We call these projects Extensions of Regulatory Responsibility (ERR). They also usually generate a need to recruit permanent staff to achieve new ongoing regulatory responsibilities. We identify these ongoing costs as 'New ORA Responsibilities' in their first year and rebase ORA accordingly. For example, in 2023/24, the FP project reached completion, bringing FP firms into a new fee-block, A.23, with annual New ORA Responsibility costs of £1m.
- 2.8** In 2023/24, the costs of Exceptional Projects amounted to £26.5m. Several of these will continue into 2024/25. There will also be some new Exceptional Project costs. We will present these projects' costs when we consult on fee-rates in April 2024 and their budgets have been set, but we are giving notice of 2 new major Exceptional Projects:
- **Open banking:** As open banking evolves to its next phase, we are working with the Payment Systems Regulator (PSR), Competition and Markets Authority (CMA) and HM Treasury to transition open banking towards a safe, commercially sustainable and scalable model underpinned by a long-term regulatory framework provided through legislation. This will provide opportunities to harness the benefits of open banking and bring additional innovation and competition to the payments and banking sectors, as well as paving the way for open finance in the future. Open banking is a practice which currently allows regulated third-party providers to access information about online payment accounts, including transaction data, from banks and non-bank financial institutions through the use of application programming interfaces. It presents an additional method of making payments, competing with existing payments methods (such as cards), and has the potential to make payments cheaper and faster. We are looking to encourage best use of the benefits which open banking can bring to the payments ecosystem because innovations in open banking will ultimately empower consumers to make smarter, better informed choices about their finances. Safer methods of sharing data and initiating payments could, in the future, provide further protection of consumers from fraud, given the need for customers' explicit consent and the control given to consumers. New products and services may also enable consumers and small businesses to make better financial decisions as they have access to more data in a more user-friendly manner – this will give rise to innovative products and services leading to improved options and wider choice. The largest banks and

building society have committed to explore how best to leverage the investment made in Open Banking and to use the Open Banking framework to support savings customers to better understand the information around their savings and to take action. This includes carrying out a review to report back in 2024 on the scope and opportunities for Open Banking capabilities to help customers make their money work harder. The FCA will consider this report and decide on the next steps to enable the potential of Open Savings to be unlocked.

This important workstream will promote innovation and competition among payments firms, retail banks and building societies, so we propose to target cost recovery on deposit acceptors in fee-block A.1.

- **Cryptoasset regulation:** The government has stated in their consultation in February 2023 and their response to that consultation published in October 2023 that we will be responsible for regulation of services relating to cryptoassets. The government intends to introduce the legislation to achieve this in phases, initially covering the issuance and custody of stablecoins which may be used for payments, and then subsequently a wider cryptoassets regime. Supervision of cryptoasset businesses under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 is already in place, and recently the government expanded our financial promotions regime to cover "qualifying cryptoassets". This is to protect consumers from promotions which have in the past been unclear, unfair and misleading, promoting the benefits of cryptoassets but not explaining the risks. At the moment, with limited regulation, there are high risks associated with purchasing cryptoassets. Anyone who does so should be prepared to lose all their money. The government's proposals will bring regulation to the cryptoasset industry, and we will need to be prepared to regulate the many different firms in this industry, with regulation which aims to protect the public, bring market integrity, create a system that delivers economic, financial and regulatory environment stability and consider appropriate access to cryptoassets for consumers. We will do this in line with international standards for cryptoassets which have been developed over recent years, to ensure that the global nature of cryptoassets is properly accounted for, and that there is global cooperation and information sharing in respect of these firms. It remains our intention to maintain a model of cost recovery which focuses the direct costs of cryptoasset regulation on firms directly engaged in the cryptoasset market when we become responsible for their regulation, recovering the costs once they are authorised. However, our urgent work must continue on tackling financial crime and money laundering and mitigating the potential risks to consumers presented by cryptoassets. Since this potentially affects the whole market, we expect to recover some of these costs from the full population of fee-payers. We will set out our approach in future consultations.

Application fees

- 2.9** Over the last three years, we have invested in making our authorisation processes more robust and efficient to stop firms with inadequate harm prevention controls from entering our markets. We have recruited over a hundred new colleagues, and we are increasing

automation. As explained in paragraph 2.2, it is our policy to uprate application fees each year to take account of our rising costs. We decided not to do this in 2023/24 because of the significant inflationary pressures on businesses but said we would review the position for 2024/25.

- 2.10** As our costs of processing applications rise, it is appropriate for application fees to do so as well. For this year, we are proposing to restrict the uplift to the overall increase in ORA between 2023/24 and 2024/25 so that it is in line with the increase in the overall cost of operating the FCA.
- 2.11** We will consult on uprating all 10 pricing categories in our April 2024 fee-rates CP, using the figure for ORA published in the Business Plan for 2024/25.

Minimum and flat rate fees

- 2.12** We also froze minimum and flat rate fees in 2023/24 to support approximately 34,500 firms which pay minimum fees only.
- 2.13** Over 90% of our fees revenue comes from the A fee-blocks and consumer credit fee-blocks (fee-blocks CC.1 and CC.2). All firms in the A fee-blocks pay a single minimum fee in fee-block A.0, however many A-blocks they fall into. In November 2021, we explained that the value of the A.0 fee has reduced over time and no longer represents the minimum cost of being regulated. As a result, we proposed to increase it in stages to £2,200. We decided to align consumer credit minimum fees with A.0 over the same period so that all firms in the A-blocks and CC.2 would eventually pay the A.0 fee only. Fee-block CC.1, covering limited permission consumer credit firms, will retain its own single minimum fee, set at 50% of the A.0 fee.
- 2.14** We paused this process during 2023/24 in line with our wider freeze on minimum, flat rate and application fees. Now that we propose to resume increases, we will also resume the incremental uplifts in A.0, CC.1 and CC.2 fees. This will defer completion by a year from 2025/26 to 2026/27. Once the process is complete, we expect from 2027/28 to resume the usual uplifts to reflect the increase in our costs.

Table 2.1: Phased increase in minimum fees for fee-blocks A.0, CC1 and CC2

Credit-related income	2023/24	2024/25	2025/26	2026/27
Fee-block A.0				
Not applicable	£1,500	£1,750	£2,000	£2,200
Fee-block CC1 (limited consumer credit permission)				
Up to £10,000	£350	£600	£800	£1,100
£10,000 – £50,000	£700	£900	£1,100	
£50,000 – £100,000				
Over £100,000	£1,000	£1,100		
Fee-block CC2 (full consumer credit permission)				

Credit-related income	2023/24	2024/25	2025/26	2026/27
Up to £50,000	£1,000	£1,250	£1,500	£2,200
£50,000 – £100,000	£1,250	£1,500	£1,750	
Over £100,000	£1,500	£1,750	£2,000	

2.15 We propose to increase all other minimum and flat fees in line with the increase in ORA, as explained in relation to application fees in paragraph 2.11.

Next steps

2.16 We will attach values to the assumptions set out in this chapter when we consult on the fee-rates in the spring. Meanwhile, we would welcome comments on our approach.

Q1: Do you have any comments on our approach to the 2024/25 consultation on FCA fee-rates?

Chapter 3

Proposed changes to the FEES Manual

(Draft instrument in Appendix 1)

3.1 In this chapter, we set out our fees proposals for the following:

- paying fees by cheque
- primary information providers
- funeral plan providers

Payment of fees by cheque

(FEES 2.1.10R-2.1.12G (new), FEES 3.2.3R-3.2.4G, FEES 4.2.4R-4.2.5G)

3.2 Most firms pay their fees electronically. This provides for an efficient processing of fees. However, around 60 firms pay by cheque or banker's draft, which creates additional costs for us to process these payments.

3.3 We propose to encourage online payment of periodic fees by requiring payments to be made by direct debit, bank transfer, or credit or debit card, except by pre-arrangement. We are not removing our ability to accept payments by cheque or other means in exceptional circumstances. This will enable us to make arrangements where different methods are unavailable to the fee payer, or where requiring electronic payment would be inequitable.

Primary information providers (PIPs)

(FEES 3 Annex 12)

3.4 PIPs provide information services to UK issuers by disseminating details of regulatory requirements under the Listing Rules, the Disclosure, Guidance and Transparency Rules and the Market Abuse Regulations. There is currently no application fee for PIPs and we have no record of receiving any applications in the past. There was until this year, when we received a new application, only 1 PIP. We found that the cost of processing this application was around £50,000. Now that we know the work that is required, it appears reasonable for any future applicant to contribute towards our costs, rather than passing the whole cost to existing fee-payers.

3.5 We consider that a Category 7 charge of £25,000 would represent a reasonable contribution towards our costs, without creating a barrier to entry.

Remove funeral plan (FP) providers from fee-block A.4

(FEES 4 Annex 1A)

- 3.6** Before carrying out a FP contract as provider was brought into the scope of the Regulated Activities Order (RAO) from 2022 onwards, some life insurers in fee-block A.4 were able to take on permissions as FP providers. That permission is no longer current but it has resulted in FP providers automatically being allocated to A.4 as well as A.23. None have been charged in A.4 for their FP business as their fees were manually set to zero but removing the reference will automatically restrict them to A.23 as originally intended.

Q2: Do you have any comments on our proposed changes to the FEES Manual?

Chapter 4

Measure of proxy income for certain consumer credit firms

(FEES 4 Annex 11B)

- 4.1** This chapter is relevant to consumer credit firms.
- 4.2** When high street retailers arrange credit to help their customers buy their goods, they are acting as credit brokers and are authorised by us. Unlike professional credit brokers, they usually make no charge for the service. This is because their revenue derives from the sale of a product or service, and the loan is intended to facilitate a sale. Typically, the lenders pay them no commission or even make a deduction. For example, if a loan is arranged for £1,000 the retailer might receive only £950. Since consumer credit fees are based on income and these retailers have no regulated income to report, this would have left us with no measure of the regulated activity which we are supervising, and they would have made no contribution to our costs. Other fee-payers would have had to pick up the balance. Similarly, any firms with limited credit-related permissions in fee-block CC1 that offer loans are not permitted to charge interest. If they charge interest, they have to seek full authorisation and move to fee-block CC2. Consequently, they will have no income to report either.
- 4.3** In 2015, we developed a proxy measure for retailers and limited permission lenders, so that they made a fair contribution towards cost recovery. We ask them to apply the Bank of England (BoE) base rate to the total loan amount (or gross value of all goods in the case of consumer hire) plus 5%. The base rate was 0.5% when we introduced the proxy, so this set the multiplier at 5.5%, but it is now 5.25%, setting the multiplier at 10.25%. This is far higher than envisaged when it was introduced.
- 4.4** Two trade bodies have challenged the use of the BoE base rate and we accept that, in a period of higher interest rates, it gives the proxy a higher value than was originally intended. We have also received feedback over the years from firms that it unnecessarily complicates the calculation as they have to look up the base rate prevailing at their relevant accounting reference date, which may be some 12 months earlier. When the base rate is moving regularly, this further complicates the requirement. We are accordingly minded to remove the link to the BoE base rate.
- 4.5** That leaves the question of what the replacement measure should be. We would welcome any evidence-based suggestions on how best to define the proxy. We are particularly keen to hear from professional credit brokers who charge commission for their services and from retailers who receive payments from lenders when they arrange loans from their customers.
- 4.6** Meanwhile, we propose to remove the BoE base rate from the calculation of the proxy, leaving a factor of 5% for the time being. This will avoid charging fees on the basis of a multiplier which is higher than we originally intended.

- 4.7** Firms report income from their financial year ending during the previous calendar year, so the 2024/25 fees will be calculated on the basis of their 2022/23 financial years, and they will already have submitted this data by the time we are proposing to make the rule in March 2024.
- 4.8** To help us prepare invoices for 2024/25 on the basis of the revised proxy measure if our proposal is agreed following consultation, we invite any firms which have already used the proxy measure to calculate their income for 2022/23 to resubmit their data on [RegData](#) as soon as possible. They should use 5% as the multiplier when reporting their total income for fees purposes in question 6 of regulatory return CCR007 or question 12 of regulatory return CCR002. We also invite any firms who have not yet submitted their 2022/23 data to use the 5% proxy figure to calculate their income when the CCR002/CCR007 is due for submission. We will prepare the invoices at our own risk. If the proposals are not agreed, we will not ask firms to resubmit their data again.
- 4.9** Meanwhile, we will review the consultation responses and make any further adjustments to the proxy for the future if necessary. If firms are unsure on how to resubmit their data, they can refer to either our [video](#) or [online](#) guidance. If firms have any queries in relation to this, please contact the [FCA Fees Helpline](#) for help.

Q3: Do you agree that we should remove the Bank of England base rate from the calculation of the consumer credit proxy measure, do you have any suggestions for improving the measure and are you able to provide us with any evidence to help us take this forward?

Chapter 5

Proposed new fees structure for firms dealing as principal

5.1 This chapter:

- Proposes changes to the definitions of fee-blocks A.10 (dealing as principal) and A.13 (advisors, arrangers, dealers and brokers) to take account of the Investment Firms Prudential Regime (IFPR) which came into force on 1 January 2022; and
- Seeks views on the change in approach we are proposing to the structure and tariff base of fee-block A.10.

The chapter affects all firms in fee-block A.10 and some firms dealing as principal who are currently in A.13.

Definitions of fee-blocks A.10 and A.13

(Draft rules in Appendix 1, Annex C - FEES 4 Annex 1A)

- 5.2** As we confirmed in [November 2022](#), we propose to revise some of the definitions of fee-blocks A.10 and A.13 to take account of the changes introduced by the IFPR. The IFPR is a prudential regime for UK firms authorised under the UK Markets in Financial Instruments Directive (MiFID) regime. It aligns the treatment of different types of MiFID firms that deal on their own account (MiFID trading firms). Most MiFID and non-MiFID trading firms fall into fee-block A.10 as firms dealing as principal. However, certain MiFID trading firms were put into fee-block A.13 because of exemptions that allowed them to benefit from concessionary treatment for prudential purposes. These exemptions were removed when IFPR came into effect and so there is no longer any reason to keep them in a separate fee-block. We accordingly propose all MiFID trading firms into fee-block A.10.
- 5.3** Fee-block A.10 will continue to include firms that have permission to conduct either of the following activities:
- dealing in investments as principal, and/or
 - bidding in emissions auctions
- 5.4** The removal of previous prudential exemptions means that the types of firm listed below, which are currently in fee-block A.13, should move into fee-block A.10. We estimate this would affect about 350 firms.
- Matched principal brokers – firms that interpose between the buyer and seller in such a way that they seek to take on no position risk.
 - Former local firms – firms that deal on their own account for the purpose of hedging positions on derivative markets, or deal for the accounts of other members in these markets where transactions are guaranteed by clearing members.

- MiFID trading firms that carry out oil market activity or energy market activity. These are firms that deal on own account oil or energy market instruments, and do not benefit from an exemption from MiFID (see the guidance on the exemption for commodity derivatives business in PERG 13 Q44).

5.5 The following exemptions are still in force, so the relevant firms will remain in fee-block A.13:

- Personal and stakeholder pension schemes and residual CIS operators – firms whose permission to conduct these activities is limited to establishing, operating or winding up a personal or stakeholder pension scheme or a residual CIS.
- Corporate finance advisory business where the firm has the restriction to carry out corporate finance business.
- Firms with an Article 16 RAO limitation (dealing in contractually based investments).
- Depositories – firms whose permission to conduct these activities is limited to holding, safeguarding and administering assets.
- Firms that are oil or energy market participants but are exempt from MiFID.
- Insurance firms – firms with permissions that include:
 - effecting contracts of insurance; or
 - carrying out contracts of insurance.

5.6 We propose to bring the changes into effect from 1 April 2025, but we are giving notice of the detailed changes now, to give firms time to prepare. Once the firms have moved into A.10, the AFR allocation between the A.10 and A.13 fee-blocks would shift to reflect the redistribution of firms between them.

Q4: Do you agree with our proposed amendments to fee-blocks A.10 and A.13?

Proposed change in approach to the structure and tariff base of fee-block A.10

5.7 In November 2022 we also set out our intention to review, in light of the IFPR, the calculation of periodic fees under the A.10 fee-block. Cost recovery is currently distributed according to the number of traders a firm employs. The fee-block is comprised of both dual-regulated firms, which are prudentially regulated by the Prudential Regulation Authority (PRA) but regulated for conduct purposes by the FCA, and solo-regulated firms where the FCA is responsible for both prudential and conduct regulation. Nearly all the solo-regulated firms in the A.10 fee-block are authorised under MiFID to deal on own account (MIFIDPRU investment firms). When our predecessor body, the Financial Services Authority (FSA) consulted on charging arrangements in 2001, it proposed to use the Position Risk Requirement (PRR) averaged over 12 months as the tariff-base (metric for calculating fees). However, many of the potential fee-payers, including all UK branches of overseas firms, did not undertake PRR calculations,

so this would not cover all firms. Consequently, the FSA proposed the alternative of a headcount of traders.

- 5.8** We propose to revisit our approach to the fees of all MIFIDPRU investment firms with permission to deal on own account. We plan to split the A.10 fee-block for dealing as principal permissions between dual-regulated firms to be put into a new fee-block A.10A, and a fee-block A.10B for MIFIDPRU investment firms. Any solo-regulated firms that are not MIFIDPRU investment firms would initially be included alongside dual-regulated firms in the A.10A fee-block.
- 5.9** For the A.10B fee-block we propose to create a new tariff base linked more closely to the risks posed to our statutory objectives by trading firms. Trader headcount may not be in all cases a reflection of the size of business activity. At this stage, the tariff base for A.10A would remain unchanged and we are taking this opportunity to consider feedback more broadly on potential alternatives to trader headcount as a measure of business size.
- 5.10** Within the planned A.10B fee-block, initial analysis suggests several firms will see a reduction in fees while some firms may see significant upwards adjustments. To address concerns on fee increases, we are also considering transitional provisions.
- 5.11** The proposed changes for A.10B will cover:
- the data selection, and
 - weighting and modelling.

Data

- 5.12** We propose rebasing the A.10B fee-block for MIFIDPRU investment firms from trader headcount to trading activity and using exposure-based metrics. Under the IFPR, MIFIDPRU investment firms are required to report to us quarterly using the reporting Form MIF001. This form includes minimum variable own funds requirements based upon business activity, known as 'K-factors'. In addition to K-NPR (Net Position Risk), the K-factor which captures position (or market) risk, there are 4 further K-factors which were intended to capture risks that may arise from dealing on own account for investment firm business models.
- 5.13** Under the proposed approach to the A.10B fee-block, we will determine fees by a combination of the amounts of a firm's K-factor requirements for net position risk (K-NPR), clearing margin given (K-CMG), daily trading flow (K-DTF) and trading counterparty default (K-TCD), as reported under the Form MIF001. We are minded not to use the additional K-factor for trading firms that captures concentration risk (K-CON), as this uses K-NPR and K-TCD as inputs and our proposals will already capture these. Chapters 4 and 9 of our Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) give details of these K-factors and the reporting Form MIF001 respectively.
- 5.14** In developing this approach, we have observed instances of misreporting leading to extreme K-Factor values. Specifically, the misplacing of decimal points which, in some cases, leads to incorrect changes in K-Factors of more than 1,000% across quarters. This is likely due to the MIFIDPRU reporting requirements being relatively new and those compiling the reporting not remembering that Form MIF001 is calibrated in £000s. We

intend to remind firms through a further IFPR Newsletter and expect the frequency of misreporting to fall as their understanding of these reporting requirements improves. To help address this, we considered using the MIF001 submissions for the last quarter of the year only or calculating an average across reporting dates. We do not believe it is appropriate to use a single quarter or average to determine fees. Such approaches may result in fees that are not representative of the firm's activities throughout the year. So, we propose to base fees on the annual median or mid-point value. This will not be affected by the largest and smallest reported values, and so should be more robust in the event of any misreporting. If 4 sets of quarterly values are reported over a year using Form MIF001, then calculating the median will set aside the highest and lowest values and take the average of the remaining 2 values, for each individual K-factor.

Data weighting

- 5.15** The K-factors under MIFIDPRU are metrics designed to capture risk for the purposes of regulatory capital, but they differ in their methods of calculation. To ensure that firms' fees are proportionate to the scale of their trading and market footprint, the risk to their balance sheet of holding positions and exposure to their counterparties, we believe it is necessary to weight the relevant K-factors. This can be done by aggregating those K-factors across all MIFIDPRU trading firms. We propose a normalised weighting so that all trading activities are equally represented. The weighting formula is described below:

$$Weight(i) = \frac{Total(K-CMG + K-NPR) + Total(K-DTF) + Total(K-TCD)}{3} \div Total(i),$$

$$Where i = \begin{cases} (K-NPR + K-CMG) \\ K-DTF \\ K-TCD \end{cases}$$

where:

Weight(i) = the weighting for a given K-factor;

Total(i) = the sum of all the median firm submissions for a given K-factor (as outlined above).

- 5.16** We have combined K-CMG and K-NPR into a single variable. This is because K-CMG is an alternative approach to K-NPR available under MIFIDPRU for capturing market risk. Where a firm has been granted approval to use K-CMG on given portfolios, then its total own funds requirement for market risk may be K-CMG or a mixture of K-CMG and K-NPR (instead of just K-NPR).
- 5.17** We propose to apply the calculated weighting based on the relevant total K-factors for MIFIDPRU trading firms as a whole to the median values at a firm level. This will then feed into our fee schedule approach.
- 5.18** The effect of the calculation is illustrated by the following example:
- a. Where the aggregate relevant K-factors are as follows:
 - i. Total K-DTF is 100,
 - ii. Total (K-NPR and K-CMG) is 300 and,

- iii. Total K-TCD is 150.
- b. The total relevant K-factors for trading firms would be 550 (100 + 300 + 150), which when divided by three gives an average total K-factor of 183. This figure is then divided by each relevant K-factor to produce a weighting based on the total figures.
 - i. The Weighting for K-DTF is 1.83 (the average of the total K-factors of 183 divided by total K-DTF of 100).
 - ii. The Weighting for K-NPR plus K-CMG is 0.61 (the average of the total K-factors of 183 divided by total K-NPR plus K-CMG of 300).
 - iii. The Weighting for K-TCD is 1.22 (the average of the total K-factors of 183 divided by total K-TCD of 150).
- c. Let us now assume that an individual firm has median K-factors as follows:
 - i. K-DTF is 4,
 - ii. K-NPR+K-CMG is 2,
 - iii. K-TCD is 1.
- d. We will multiply a firm's individual K-factor figures by the weighting produced in step b) to create a normalised weighting, so that all trading activities are equally represented. In this example the weighted K-factors for the individual firm would be as follows:
 - i. K-DTF of 7.33 (multiplying the firm's K-DTF value of 4 by the weighting for K-DTF of 1.83).
 - ii. K-NPR and K-CMG of 1.22 (multiplying the firm's K-NPR plus + KCMG value of 2 by the weighting for K-NPR plus K-CMG of 0.61).
 - iii. K-TCD of 1.22 (multiplying the firm's K-TCD value of 1 by the weighting for K-TCD of 1.22).

Q5: Do you agree with our choice of using the median NPR, CMG, DTF and TCD K-factor values, and then for weighting them as outlined above, for MIFIDPRU investment firms? If not, can you suggest any alternative metric or combination of metrics that we should consider, and if so, explain why these may be preferable?

Q6: Are there any technical issues we should consider for consistency, fairness and proportionality purposes, and if so, what would you propose?

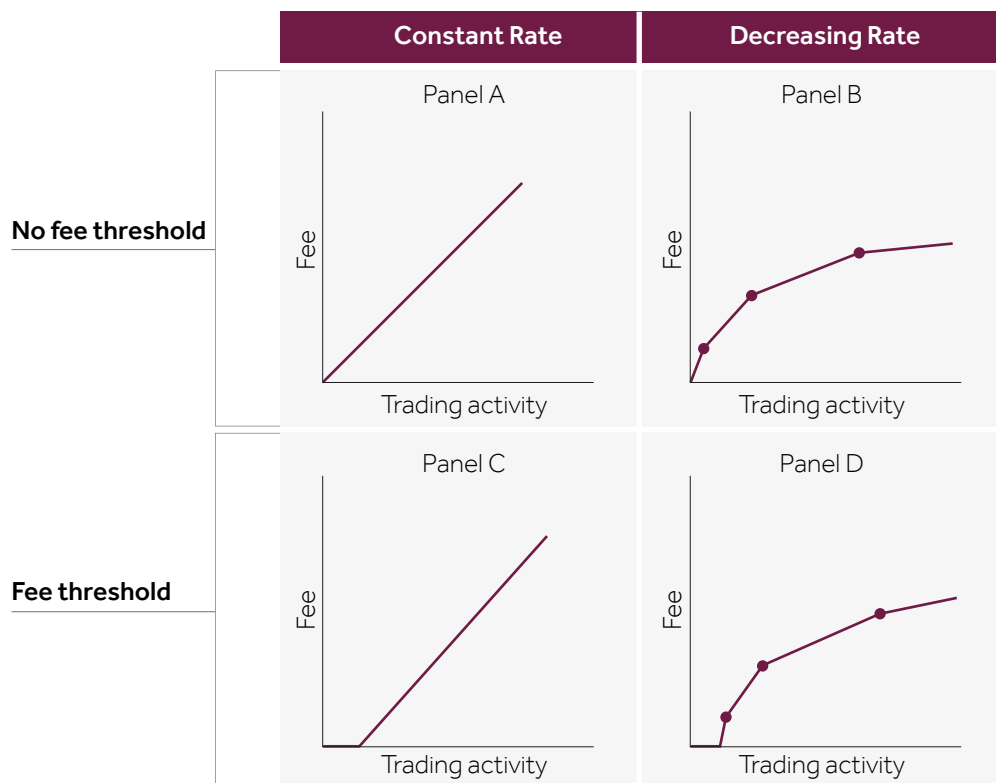
Fee Schedule

- 5.19** We considered 4 approaches to modelling the Tariff-base. These approaches are distinguished by 2 independent design choices. We therefore considered (i) whether the fee should increase at a constant rate, or at a decreasing marginal rate, in proportion to

the size of a firm's trading activity; and (ii) whether the fee schedule includes a threshold for trading activity or not.

5.20 The current minimum fee threshold for fee-block A.10 is 1 trader. We propose to set the threshold for the 2 new A.10 fee-blocks at zero, so that only firms which report no data will be exempt from paying variable fees. This ensures that all firms will make a proportionate contribution towards cost recovery. When comparing a constant with a variable rate, we consider that the amount of regulatory effort required to manage the potential for harm to the market from a firm's dealing activity is better captured through a decreasing fee-rate approach. Figure 1 provides illustrative examples of each approach considered.

Figure 1 – Fee schedules



5.21 We therefore plan to adopt the approach of a decreasing marginal fee-rate with no fee threshold as depicted in Panel B of Figure 1. The current A.10 fee threshold requires firms to only pay fees where they have more than 1 trader. For the A.10B block, our view is setting the threshold at zero is consistent and fair as this would require all firms in the fee-block to contribute. The decreasing fee-rate will comprise of 4 bands with the marginal fee decreasing as firms enter higher bands (as is used in the current A.21 fee-block). We give an illustrative description of the proposed model below:

$$\text{Fee} = \begin{cases} F_1 \times (W_{K_i} \times \text{Total } K \text{ Factor}), & \text{where } 0 < \text{Total } K \text{ Factor} \leq 1,000,000 \\ F_2 \times (W_{K_i} \times \text{Total } K \text{ Factor}), & \text{where } 1,000,000 < \text{Total } K \text{ Factor} \leq 10,000,000 \\ F_3 \times (W_{K_i} \times \text{Total } K \text{ Factor}), & \text{where } 10,000,000 < \text{Total } K \text{ Factor} \leq 100,000,000 \\ F_4 \times (W_{K_i} \times \text{Total } K \text{ Factor}), & \text{where } 100,000,000 < \text{Total } K \text{ Factor} \end{cases}$$

5.22 Please note that we are presenting our proposed structure for calculating fees. The bandings we are quoting are illustrative and do not reflect our final position. We will propose the final values for bandings in future consultations.

Q7: Do you have any comments on setting the minimum fee threshold for the proposed fee-blocks A.10A and A.10B at zero?

Q8: Do you have any comments about our preferred approach of using a decreasing rate for MIFIDPRU investment firms under the proposed A.10B fee-block?

Impact

5.23 These proposals do not affect the total AFR amount to be recovered from these blocks. Transferring firms across will increase the AFR for the combined A.10 fee-block but this will be offset by reductions in the A.13 blocks. However, it will affect the distribution of cost recovery between firms in A.10B. Noting the issues around K-Factor reporting, our current analysis suggests that significantly more firms will see a reduction in fees than an increase. About 200 firms might see decreases above 50%, but our projections indicate more than 20 might see increases over 100% of the original fee. We believe that the size of the projected changes is indicative of the unsuitability of the trader headcount as a measurement of market footprint, exposure and counterparty risk.

5.24 We appreciate that this is likely to cause sharp changes for certain firms, but we do not see a practical means to introduce a transitional provision, to mitigate this. At this time, we are not proposing a transitional provision but we welcome suggestions as to how this could be achieved.

Q9: Do you have any suggestions for transitional measures that could be introduced to help mitigate any significant fee rises for individual firms as part of any change to create the A.10B fee-block, and if so, do you have any suggestions as to what might be appropriate?

Next steps for dual-regulated firms in A.10A

5.25 As the prudential regulator for dual-regulated firms, the PRA gathers a variety of information that could be used to set the tariff rate. We have considered using position and counterparty credit risk requirements from COREP reports, but this information is not available for UK branches of overseas firms. We also examined other measures such as gross assets. However, we believe that this may not, for example, capture firms dealing heavily in derivatives contracts that would not feature on their balance sheet.

5.26 Alternatively, we could request information such as position risk requirements data from all dual-regulated firms. However, any data returns just for fee purposes would create

additional reporting for firms and would need careful definition to delineate between risk incurred by a UK branch and by the firm as a whole. In the absence of an immediate clear option, we are seeking views on alternative measures we could use for dual-regulated firms and UK branches of non-UK firms in fee-block A.10A that would better align with the scale of their trading business.

Q10: Do you have suggestions as to what alternative measures can be used for dual-regulated firms and UK branches of non-UK firms for the proposed fee-block A.10A?

Q11: Do you have any views on the regulatory cost associated with providing periodic information on position risk requirements for non-MIFIDPRU firms in fee-block A.10B?

Chapter 6

FEES 5 (Financial Ombudsman Service) and FEES 6 (Financial Services Compensation Scheme)

- 6.1** FEES 5 and 6 govern the levies payable to the Ombudsman Service and the FSCS respectively. We propose the following changes, alongside other minor changes to resolve inconsistencies and give firms more clarity about our reporting obligations and how we calculate these levies:
- Widen the definition of 'relevant business' to include business conducted with all customers eligible to complain to the Ombudsman Service, not just consumers (as currently defined).
 - Align more closely the reporting date in FEES 5 for firms in industry blocks 2 and 4 (general insurers and life insurers) with when these firms must report to the PRA to meet their reporting obligations under Solvency II.

Proposed changes to FEES 5

Definition of 'relevant business'

- 6.2** Operating costs of the Ombudsman Service are funded by a combination of levies and case fees, as set out in its annual budget. For 2023/24, firms subject to the compulsory jurisdiction (CJ) of the Ombudsman Service are due to contribute £106m. Firms subject to the Ombudsman Service's voluntary jurisdiction (VJ) are due to contribute £600,000. Income from case fees is forecast to be £137.9m.
- 6.3** FEES 5.3.8R sets out that each firm's contribution to the CJ levy is calculated according to the tariff base of each industry block. For several of these tariff bases, the sum payable is variable, calculated using the 'relevant business' of a firm for that year. For example, according to levels of annual income or gross written premium. The VJ levy is calculated in a similar manner.
- 6.4** The term 'relevant business' is defined in the Handbook [glossary](#). Since the Ombudsman Service was established in 2001, relevant business has been defined as a firm's business conducted with consumers which is subject to either the CJ or the VJ. Under the current definition, income from business with other eligible complainants would not be considered in the CJ or VJ levy calculation.
- 6.5** Eligible complainants are defined in DISP 2.7.3R. The definition has expanded significantly since the Ombudsman Service was established, with the latest definition being in place since 2019. As well as consumers, eligible complainants also include micro-enterprises, small businesses, charities with an annual income of less than £6.5m and trustees of trusts with a net asset value of less than £5m. As such, we

consider it may no longer be reasonable to base 'relevant business' only on business conducted with consumers. This could mean that firms who do business with other eligible complainants are not contributing their fair share towards the total costs of the Ombudsman Service (case fees and levy payments combined).

- 6.6** The FCA's predecessor, the FSA, consulted in CP74 on the 'relevant business' definition in November 2000. In response to the consultation, some firms argued it would be difficult for them to identify income received from business conducted with businesses eligible to complain to the Ombudsman Service. This would, in the firms' view, result in the inaccurate calculation of levies. So, in October 2001, the FSA and the Ombudsman Service decided in PS74/99 that instead of contributing towards the levy, firms would pay a different, higher case fee (known as a 'special case fee') for complaints referred to the Ombudsman Service where the complainant was not a consumer. At paragraph 6.9 below we discuss why we believe it should now be easier for firms to identify relevant business with small and medium sized enterprises (SMEs) now eligible to complain to the Ombudsman Service.
- 6.7** The special case fee regime, was withdrawn in April 2013 following a review of the Ombudsman Service's case fee arrangements in its 2013/14 Plan and Budget consultation. This coincided with the introduction of a group charging arrangement for 4 large banking groups (since then expanded to 8). This new structure aimed to avoid the Ombudsman Service – and therefore firms - incurring undue administration costs from having to charge different levels of fee for different cases. It also aimed to ensure the Ombudsman Service received income in a more timely and stable way, to help it react more quickly to volatility in demand. We are not aware of any plans by the Ombudsman Service to reinstate the special case fee regime.
- 6.8** The removal of the special case fee regime has meant that there has been a proportional reduction in the funding contribution relating to business conducted with eligible complainants who are not consumers. We consider that accounting for such business income in the calculation of a firm's CJ levy would now be an appropriate way to more fairly balance the contribution. As covered in the FSA's consultation consultation CP33 published in November 1999, it is a founding principle of the Ombudsman Service that firms who carry on business within its jurisdiction, but who may not have complaints referred to it, should also contribute to its costs. This is due to the general benefit those firms get from the Ombudsman Service supporting increased consumer confidence in the sector.
- 6.9** Since the expansion in 2019 of the 'eligible complainant's definition, roughly 99% of private sector businesses (which total around 5.6m in the UK) have been eligible to complain to the Ombudsman Service. So for most firms, it is likely that a very small proportion of the enterprises they do business with are not eligible complainants to the Ombudsman Service. Firms must also identify whether a business is an eligible complainant when first receiving a complaint, to work out whether they must apply the rules in our Handbook while handling the complaint. Taken together, this means that it should be far easier now, compared to pre-2019, for firms to identify relevant business with SMEs eligible to complain to the Ombudsman Service.

- 6.10** Based on the above, we propose to expand the definition of 'relevant business', from 1 April 2025, to cover business conducted with all eligible complainants to the Ombudsman Service. We considered the impact of the change against our market integrity and competition operational objectives, as well as our secondary international competitiveness and growth objective. We concluded its impact would be proportionate. The change would not increase the Ombudsman Service's overall budget requirements, or the total amount collected from firms under the CJ levy. It would only affect how levy contributions are allocated to each firm, with firms paying slightly more or less than currently depending on how much business they do with different types of eligible complainant. For example, firms that only do business with eligible complainants who are not consumers currently pay a minimum fee. The new definition would mean these firms pay slightly more, depending on the amount of relevant business they report. We expect the overall impact of the change would likely be minor on many firms, while more fairly reflecting the burden that all in-scope firms place on the Ombudsman Service.
- 6.11** If implemented, we would expect firms to record relevant business under the revised definition from 1 April 2025. Firms would then report this for the first time for their financial years ending in the calendar year ending 31 December 2025. Accordingly, CJ levy calculations would take into account the revised definition of 'relevant business' for the 2026/27 fee year onwards. This would give sufficient time for firms to change their systems in time to collect data under the revised definition. We propose adding further guidance at FEES 5.4.4G from 1 April 2024 to set out that we are changing the definition. Any impacts of this change on the VJ are not within the scope of this consultation.
- 6.12** On 24 October 2023 we published in FS23/5 the findings from our review of whether the thresholds for SMEs to be able to refer complaints to the Ombudsman Service remain appropriate. This followed our Call for Input, which closed on 28 April 2023. We are not making any changes to the eligibility criteria for SMEs to be able to refer complaints to the Ombudsman Service. As such, the definition of 'relevant business' will not change as a result of that review.

Reporting deadline for general insurers and life insurers

- 6.13** General insurers and life insurers (industry blocks 2 and 4) are treated separately to firms in other industry blocks under our rules, having to notify us of their amount of gross written premium relating to relevant business by 30 May each year, rather than the end of February. This is because regulatory reporting for insurance business has a longer timeframe set by the PRA, reflecting their implementation of Solvency II.
- 6.14** To make it easier for firms reporting, we propose to bring forward the current May reporting date for general insurers and life insurers, to align more closely with the deadlines by which firms with a 31 December reporting schedule must report to the PRA. The PRA states that a 14-week period running from 31 December applies for Solvency II firms to submit their data each year, with 6 weeks extra allowed for group firms. In practice, this means that firms in industry blocks 2 and 4 have until 7 or 8 April each year to report to the PRA, depending on the presence of a leap year. To avoid this issue and account for potential changes to these dates in the future, the deadline for firms in blocks 2 and 4 to report to us would be the latest PRA reporting date (currently 8 April). This change would only apply to those firms in industry blocks 2 and 4. If we

proceed with this change, it would apply from 2025 onwards, meaning that firms in these industry blocks would need to report to us by 8 April 2025 rather than 30 May 2025. To reflect this, we are proposing to implement the change on 1 June 2024.

- 6.15** Diverging from 30 May would not create an additional reporting burden for firms. Where a firm reports data to the PRA through its Solvency II returns, this data is passed to the FCA (rather than us asking the firm for this information). We then use this in combination with data we collect directly from firms to inform the fees set out in firms' invoices.

Other proposed changes to FEES 5

- 6.16** We propose to make a series of other minor changes to ensure greater clarity in our rules and guidance and ensure more consistency overall across FEES 5. We set out these amendments in our draft instrument at Appendix 1 and propose they come into force on 1 April 2024. The main changes we plan are to:

- clarify the circumstances in which firms may be allowed an extended period to pay their Ombudsman Service levy share in the event of 'emergencies', as currently defined at GEN 1.3 in our Handbook
- update our guidance on the calculation of second year levies, to provide more current examples
- make clearer where our rules are describing our actions (for example, the calculations we run based on the data firms provide to us), and where our rules are asking firms to act (for example, to provide certain, specified data to us).

Q12: Do you agree with our proposal to widen the definition of 'relevant business' so that it covers all eligible complainants to the Ombudsman Service? If not, why?

Q13: Do you agree with our proposal to bring forward the reporting date for firms in the general insurer and life insurer industry blocks? If not, why?

Q14: Do you agree with our other proposed changes to FEES 5? If not, why?

Proposed changes to FEES 6

- 6.17** Currently the definition for 'annual eligible income', which firms report to enable us to calculate their share of the FSCS levy, directs readers to FEES 6 Annex 3AR. This annex gives information on the tariff bases that apply to a firm based on the FSCS's funding classes, and the categories underlying those classes, that a firm belongs to. The questions from stakeholders on this area of our rules suggest that the current definition provides limited signposting to help firms reliably calculate and report on their 'annual eligible income'.

- 6.18** To help make firms aware of all the rules they need to consider when calculating and reporting on 'annual eligible income', we propose to add a reference to provisions in COMP 3.2 ('The qualifying conditions for paying compensation'), COMP 4.2 ('Who is eligible to benefit from the protection provided by the FSCS?') and COMP 12A (how the FSCS may pay compensation in certain 'special cases') within our Handbook's glossary definition for 'annual eligible income'. These COMP provisions contain key elements that firms must consider when they report data to us for FSCS levy purposes.
- 6.19** Mirroring the proposed change to FEES 5 at paragraph 6.16 above, we propose to clarify the circumstances in which firms may be allowed an extended period to pay their FSCS levy share in the event of 'emergencies' (as defined at GEN 1.3 in our Handbook). Currently our FEES rules clarify this for FCA periodic fees, among others, but not for the FSCS levies. Finally, we want to make a series of other, minor changes to bring greater clarity and consistency across the provisions in FEES 6 and its links to other FEES chapters. For instance, we would clarify that FSCS levies are calculated net of VAT, update terminology to refer to the Bank of England Official Bank Rate rather than the "repo rate", and update obsolete cross-references between FEES 6 and other FEES chapters such as FEES 1-4. We set the amendments out in full in our draft instrument at Appendix 1. The proposed changes to FEES 6 in this section would come into force on 1 April 2024.

**Q15: Do you agree with our proposed changes to FEES 6?
If not, why?**

Annex 1

Questions in this paper

- Q1:** Do you have any comments on our approach to the 2024/25 consultation on FCA fee-rates?
- Q2:** Do you have any comments on our proposed changes to the FEES Manual?
- Q3:** Do you agree that we should remove the Bank of England base rate from the calculation of the consumer credit proxy measure, do you have any suggestions for improving the measure and are you able to provide us with any evidence to help us take this forward?
- Q4:** Do you agree with our proposed amendments to fee-blocks A.10 and A.13?
- Q5:** Do you agree with our choice of using the median NPR, CMG, DTF and TCD K-factor values, and then for weighting them as outlined above, for MIFIDPRU investment firms? If not, can you suggest any alternative metric or combination of metrics that we should consider, and if so, explain why these may be preferable?
- Q6:** Are there any technical issues we should consider for consistency, fairness and proportionality purposes, and if so, what would you propose?
- Q7:** Do you have any comments on setting the minimum fee threshold for the proposed fee-blocks A.10A and A.10B at zero?
- Q8:** Do you have any comments about our preferred approach of using a decreasing rate for MIFIDPRU investment firms under the proposed A.10B fee-block?
- Q9:** Do you have any suggestions for transitional measures that could be introduced to help mitigate any significant fee rises for individual firms as part of any change to create the A.10B fee-block, and if so, do you have any suggestions as to what might be appropriate?
- Q10:** Do you have suggestions as to what alternative measures can be used for dual-regulated firms and UK branches of non-UK firms for the proposed fee-block A.10A?

- Q11:** Do you have any views on the regulatory cost associated with providing periodic information on position risk requirements for non-MIFIDPRU firms in fee-block A.10B?
- Q12:** Do you agree with our proposal to widen the definition of 'relevant business' so that it covers all eligible complainants to the Ombudsman Service? If not, why?
- Q13:** Do you agree with our proposal to bring forward the reporting date for firms in the general insurer and life insurer industry blocks? If not, why?
- Q14:** Do you agree with our other proposed changes to FEES 5? If not, why?
- Q15:** Do you agree with our proposed changes to FEES 6? If not, why?

Annex 2

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's 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 generally exempt from the requirement to carry out and publish a cost benefit analysis for such proposals. However, the proposed changes in relation to FEES 6 outlined in chapter 6 above are not covered by the exceptions in section 138I of FSMA.
2. For FEES 6, we concluded that in accordance with section 138L of FSMA, any increases in costs would be of minimal significance, as the proposals do not create any new obligations for firms. Instead, the proposed changes to FEES 6 aim to provide more guidance to firms and more signposting to other connected rules.
3. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by s 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
4. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
5. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
6. This annex includes our assessment of the equality and diversity implications of these proposals.

The FCA's objectives and regulatory principles: Compatibility statement

7. Our proposals in this consultation are not intended in themselves to advance our operational objectives, but the fees we collect fund our capacity to achieve them. Therefore, these proposals indirectly advance our strategic objective of:
- ensuring that the relevant markets function well;
 - our operational objectives of:
 - securing an appropriate degree of protection for consumers ,
 - protecting and enhancing the integrity of the UK financial system,
 - promoting effective competition in the interests of consumers; and
 - our secondary objective of:
 - facilitating the international competitiveness of the UK economy and its growth in the medium to long term.
8. We are also consulting on some adjustments to the rules affecting the levies for the Ombudsman Service and the FSCS. These levies fund their activities so indirectly enable them to exercise their statutory functions, while their proper functioning enables 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 of FSMA. The most relevant regulatory principles are considered below.

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

10. Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We aim 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.

The principle that a burden or restriction should be proportionate to the benefits

11. Our fees are necessary for us to meet our objectives. As outlined above, we aim to use our resources in the most efficient and economical way, while delivering benefits to UK consumers, through our regulatory activities. We consider our proposed changes to be proportionate.
12. In Chapter 2, we discuss our approach to the recovery of the costs of projects we have undertaken. Where possible, we collect the costs from the firms directly affected.

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

13. In Chapter 3, we ask for evidence on how to measure the incomes of certain retail firms in a way that takes account of their business models. We also continue the debate on tailoring cost recovery to the business models of the various firms subject to the Investment Firms Prudential Regime.

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

14. Our consultation processes are intended to ensure that we are transparent about the thinking behind our proposals and clearly explain what we expect to achieve. We believe that this CP meets these objectives. In Chapter 2, we explain the thinking behind certain aspects of our fees systems, to improve fee-payers' understanding of our consultations.

In formulating these proposals, the FCA has had regard to the importance of 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).

15. We do not expect the proposals in this paper to have any meaningful impact on the extent to which businesses can be used for a purpose connected with financial crime.

Expected effect on mutual societies

16. We do not expect the proposals in this paper to have a significantly different impact on mutual societies to the impact on other authorised firms.

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

17. These proposals enable us to fund the activities we need to undertake in 2024/25. These activities include meeting our duty to promote effective competition in the interests of consumers. Fees are not intended in themselves to influence firms' behaviour.

Equality and diversity

- 18.** We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered.
- 19.** As explained in paragraphs 1.11 to 1.13, we do not think that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules.

The Treasury's recommendations about economic policy

- 20.** The Treasury makes recommendations to us under section 1JA of FSMA about aspects of economic policy which we should consider when undertaking our functions. Our fees proposals indirectly take account of the Treasury's recommendations by providing the resources that enable us to meet our objectives.

Annex 3

Abbreviations used in this paper

AFR	Annual funding requirement
BoE	Bank of England
CC	Consumer credit
CIS	Collective investment scheme
CJ	Compulsory jurisdiction
COMP	Compensation FCA sourcebook
COREP	Common Reporting framework introduced under the Capital Requirements Regulation
CP	Consultation Paper
DISP	Dispute resolution FCA sourcebook
ECL	Economic crime levy
FCA	Financial Conduct Authority
FP	Pre-paid funeral plan
FSA	Financial Services Authority
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
GEN	General provisions FCA sourcebook
HMT	HM Treasury
IFPR	Investment Firms Prudential Regime
IPRU-INV	Interim prudential sourcebook for investment businesses
K-CMG	Clearing margin given
K-CON	Concentration risk
K-DTF	Daily trading flow
K-NPR	Net position risk
K-TCDF	Trading counterparty default
MiFID	UK Markets in Financial Instrument Directive
MIFIDPRU	FCA sourcebook for firms subject to IFPR

AFR	Annual funding requirement
MLRs	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
Ombudsman Service	Financial Ombudsman
OMPS	Oil market participants
ORA	Ongoing regulatory activities
PERG	Perimeter Guidance Manual
PRA	Prudential Regulation Authority
PRR	Position Risk Requirement
PS	Policy Statement
VJ	Voluntary jurisdiction

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Appendix 1

Draft Handbook text

PERIODIC FEES (2024/2025) AND OTHER FEES INSTRUMENT 2024**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under the following:
- (1) the Financial Services and Markets Act 2000 (the “Act”):
 - (a) section 137SA (Rules to recover expenses relating to the Money and Pensions Service);
 - (b) section 137SB (Rules to recover debt advice expenses incurred by the devolved authorities);
 - (c) section 137T (General supplementary powers);
 - (d) section 139A (Power of the FCA to give guidance);
 - (e) section 213 (The compensation scheme);
 - (f) section 234 (Industry funding);
 - (g) section 333T (Funding of action against illegal money lending); and
 - (h) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority);
 - (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) paragraph 12K (Power to charge fees) of Part 1A of Schedule 3 and paragraph 35 (Power to charge fees) of Part 3 of Schedule 3 to the Electronic Money, Payment Services and Payment Systems (Amendment and Transitional Provisions) (EU Exit) Regulations 2018 (SI 2018/1201);
 - (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 21 (Fees and penalties) of the Small and Medium Sized Business (Credit Information) Regulations 2015 (SI 2015/1945);
 - (7) regulation 18 (Fees and penalties) of the Small and Medium Sized Business (Finance Platforms) Regulations 2015 (SI 2015/1946);
 - (8) regulation 40 (FCA: penalties, fees and exemption from liability in damages) of the Data Reporting Services Regulations 2017 (SI 2017/699);
 - (9) paragraph 25 (FCA: penalties, fees and exemption from liability in damages) of Part 4 (Application of the Act for the purposes of the Regulations) of Schedule 1 (Administration and enforcement of Parts 3, 4, and 5) of the

Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (SI 2017/701);

- (10) regulation 27 (Costs of supervision) of the Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017 (SI 2017/1301);
 - (11) regulations 206 (Meaning of “qualifying functions” in this Part) and 208 (Fees: Financial Conduct Authority) of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 (SI 2019/632);
 - (12) regulation 63 (Power to charge fees) of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 (SI 2018/1149);
 - (13) paragraph 11 (Penalties and fees) of Schedule 1 and paragraph 4(7) of Schedule 2 to the Securitisation Regulations 2018 (SI 2018/1288);
 - (14) regulation 26 (FCA: penalties, fees and exemption from liability in damages) of the Financial Services and Markets Act 2000 (Benchmarks) Regulations 2018 (SI 2018/135);
 - (15) regulation 46 of, and paragraph 5 of Schedule 1 (Fees) to the Regulated Covered Bond Regulations 2008 (SI 2008/346);
 - (16) paragraph 6 (Rules relating to fees) of Schedule 1 (Application of the Financial Services and Markets Act 2000 to transferred functions) of the Financial Services Act 2012 (Mutual Societies) Order 2013 (SI 2013/496); and
 - (17) regulation 102 (Costs of supervision) of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.
- C. As required by section 137SA(5) of the Act, the Secretary of State has consented to rules made under that section.
- D. As required by section 137SB(5) of the Act, the Treasury has consented to rules made under that section.
- E. As required by section 333T(5) of the Act, the Treasury has consented to rules made under that section.

Commencement

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

Amendments to the FCA Handbook

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

Notes

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

Citation

- J. This instrument may be cited as the Periodic Fees (2024/2025) and Other Fees Instrument 2024.

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.

Part 1: Comes into force on [date]

Amend the following definitions as shown.

<i>annual eligible income</i>	(in <i>FEES</i>) (in relation to a <i>firm</i> , <i>class</i> and <i>category</i>) the annual income (as described in <i>FEES</i> 6 Annex 3AR) for the <i>firm's</i> last financial year ended in the year to 31 December preceding the date for submission of the information under <i>FEES</i> 6.5.13 R attributable to that <i>class</i> or <i>category</i> . A firm must calculate <i>annual eligible income</i> from such annual income in one of the following ways:
	(a) only include such annual income if it is attributable to business in respect of which the <i>FSCS</i> may pay compensation <u>(with reference to the conditions for paying compensation, including <i>COMP</i> 3.2.2R, <i>COMP</i> 3.2.4R, <i>COMP</i> 4.2.1R and <i>COMP</i> 12A)</u> ; or

...

Part 2: Comes into force on [date]

[*Editor's note:* This definition is applied in relation to the Financial Ombudsman Service's Voluntary Jurisdiction through DISP 4.2.6R. Any impacts of this change on the Voluntary Jurisdiction are not within the scope of this consultation.]

Amend the following definitions as shown.

<i>relevant business</i>	(1) (in <i>DISP</i> and <i>FEES</i>) that part of a <i>firm's</i> business which it conducts with consumers and which is subject to the jurisdiction of the <i>Financial Ombudsman Service</i> as provided for in <i>DISP</i> 2.3 (To which activities does the Compulsory Jurisdiction apply?) and <i>DISP</i> 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each <i>industry block</i> .
--------------------------	---

...

Annex B

Amendments to the Fees manual (FEES)

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

Part 1: Comes into force on [date]

2 General Provisions

2.1 Introduction

...

2.1.9A G ...

Method of payment

2.1.10 R Unless FEES 2.1.11R applies, the sum payable must be paid using either direct debit, credit transfer (BACS/CHAPS), or credit or debit card.

2.1.11 R The sum payable can be paid by banker's draft, cheque or other payable order if:

(1) the fee payer is:

(a) unable to make a payment by any of the methods set out in FEES 2.1.10R; or

(b) permitted to make a paper application rather than an online application for a Part 4A permission in respect of credit-related regulated activities only or a variation of its Part 4A permission to add a credit-related regulated activity; or

(2) upon the fee payer's request, the FCA agrees that, in the exceptional circumstances of a particular case, requiring payment via any method set out in FEES 2.1.10R would be inequitable.

2.1.12 G If FEES 2.1.11R applies to a fee payer, that fee payer would be expected to notify the FCA of these circumstances in advance of making its payment (and, in any event, no less than 7 days before the date on which the application for a Part 4A permission or the variation of a Part 4A permission is made) unless such notification is impossible in the circumstances, e.g. there is a sudden technological failure.

...

2.4 VAT

- 2.4.1 R All fees payable or any stated hourly rate under *FEES 3 (Application, notification and vetting fees)* Application, Notification and Vetting Fees), *FEES 4 (Periodic fees)*, *FEES 4A (Periodic fees for TP persons, supervised run-off firms and CRO firms)* Temporary Permissions Regime (TPR) and Financial Service Contracts Regime (FSCR) – periodic fees), *FEES 6 (Financial Services Compensation Scheme Funding)*, *FEES 7 (The CFEB levy)*, *FEES 7A (The SFGB levy)* SFGB levies), *FEES 7C (SFGB levy for TP persons and supervised run-off firms)* Temporary Permissions Regime (TPR) and Financial Service Contracts Regime (FSCR) – Single Financial Guidance Body levy) and *FEES 7D (DA levy for TP persons and supervised run-off firms)* Temporary Permissions Regime (TPR) – Devolved Authorities levy) are stated net of VAT. Where VAT is applicable this must also be included.

3 Application, Notification and Vetting Fees

...

3.2 Obligation to pay fees

...

Method of payment

- 3.2.3 R Unless ~~*FEES 3.2.3AR*~~ applies, the sum payable under *FEES 3.2.1R* must be paid online by Maestro, Visa Debit or credit card. If payment is made by credit card, it must be made by Visa, Mastercard or American Express. [deleted]
- 3.2.3A R If the fee payer (as specified in column (1) of *FEES 3.2.7R*) in relation to *FEES 3.2.3R(4)* is:
- (a) unable to make a payment by any of the methods of payment set out in *FEES 3.2.3R*; or
 - (b) permitted to make a paper application rather than an online application for a *Part 4A permission* in respect of *credit-related regulated activities* only or a variation of its *Part 4A permission* to add a *credit-related regulated activity*;
- the sum payable under *FEES 3.2.1R* can be paid by bankers draft, cheque or other payable order. [deleted]
- 3.2.3B G If ~~*FEES 3.2.3AR (1)(a)*~~ applies to a fee payer, that fee payer would be expected to notify the FCA of these circumstances in advance of making its payment (and, in any event, no less than 7 days before the date on which the application for a *Part 4A permission* or the variation of a *Part 4A permission* is made) unless such notification is impossible in the circumstances, eg, there is a sudden technological failure. [deleted]

- 3.2.4 G ~~The FCA expects that a person seeking to become a recognised body or a designated professional body or to be added to the list of designated investment exchanges or accredited bodies will generally pay their respective fees by electronic credit transfer. [deleted]~~

...

3 Annex UKLA transaction fees 12R

...

Category A1 includes:

...

- (d) ~~applying for approval as a primary information provider; or [deleted]~~

...

Category A6 includes applying for the approval or review of a *document* in relation to a *super transaction*.

Primary information providers (PIPs)

An application for approval as a primary information provider attracts a fee at Category 7 level as set out in FEES 3 Annex 1AR.

...

4 Periodic fees

...

4.2 Obligation to pay periodic fees

General

...

- 4.2.2A G ~~A recognised body may also have obligations to pay fees to the FCA under other rules arising from legislation other than the Act. For example a recognised body may have an obligation to pay a fee as an approved operator of a relevant system under the Uncertificated Securities Regulations 1995 (SI 1995/3272).~~

...

Method of payment [deleted]

- 4.2.4 R (1) ~~A periodic fee must be paid using either direct debit, credit transfer (BACS/CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard only). [deleted]~~
- 4.2.4A R ~~The FCA does not specify a method of payment for a recognised body or a designated professional body. [deleted]~~
- 4.2.5 G ~~The FCA expects a recognised body or a designated professional body will generally pay their respective fees by electronic credit transfer. [deleted]~~

...

Calculating all other fees in the second and subsequent years of authorisation where a full year of tariff data is not available

...

- 4.2.7K R Where the measure is not cumulative (e.g. the number of traders for fee-block A10), the *firm* must use the figure relating to the valuation date specified in ~~FEES 4 Annex 1R~~ FEES 4 Annex 1AR Part 5 (e.g. 31 December for A10). Table A sets out the reporting requirements for the key fee-blocks when full actual data is not available:

...

...

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

Part 1	
This table shows how the <i>FCA</i> links the <i>regulated activities</i> for which a <i>firm</i> has <i>permission</i> to activity groups (fee-blocks). A <i>firm</i> can use the table to identify which fee-blocks it falls into based on its <i>permission</i> .	
Activity group	Fee payer falls in the activity group if:
...	
A.4 Insurers - life	its <i>permission</i> includes one or more of the following: <ul style="list-style-type: none"> - <i>effecting contracts of insurance</i>; - <i>carrying out contracts of insurance</i>; in respect of <i>specified investments</i> including <i>life policies</i> ; – <i>entering as provider into a funeral plan contract</i>.
...	

...

4 Annex 2AR FCA Fee rates for the period from 1 April 2023 to 31 March 2024

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

...

Activity group	Fee payable	
A.1	Band width (£million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)
		General Periodic fee
	...	
...		
A.3	Gross written premium for fees purposes (GWP)	Periodic fee
	Band Width (£million of GWP)	Fee (£/m or part £m of GWP)
	...	
	PLUS	
	Best estimate liabilities for fees purposes (BEL)	General Periodic fee
	Band Width (£million of BEL)	Fee (£/£m or part £m of BEL)
	...	
A.4	Gross written premium for fees purposes (GWP)	General Periodic fee
	Band Width (£million of GWP)	Fee (£/£m or part £m of GWP)

	...	
	PLUS	
	Best estimate liabilities for fees purposes (BEL)	General Periodic fee
	...	
...		

[*Editor’s note:* The references to “General Periodic Fee” are historic and are being removed. The term “General Periodic Fee” dates back to 2009 when the regular periodic fee had to be distinguished from a then-introduced Solvency 2 implementation fee which no longer exists.]

...

...

4 Annex 11R Periodic fees in respect of payment services, electronic money issuance, regulated covered bonds, CBTL business, data reporting services, third party verifiers and proxy advisers in relation to the period 1 April 2023 to 31 March 2024

...

<p>Part 3</p> <p>This table indicates the tariff base for each fee-block. The tariff base is the means by which the <i>FCA</i> measures the amount of business conducted by <i>fee-paying payment service providers, fee-paying electronic money issuers, CBTL firms, data reporting services providers, firms registered under the Money Laundering Regulations, issuers of regulated covered bonds and third party verifiers.</i></p>	
Activity Group	Tariff base
G.2	<p>MODIFIED ELIGIBLE LIABILITIES</p> <p>These are determined in the same manner as the tariff-base for relevant <i>firms</i> in the A.1 fee-block set out in <i>FEES 4 Annex 1 Part 2 R</i> <i>FEES 4 Annex 1AR Part 3.</i></p>
...	

<p>Part 4 - Valuation period</p> <p>This table indicates the valuation date for each fee-block. <i>A fee-paying payment service provider, a fee-paying electronic money issuer, a regulated covered bond</i></p>
--

issuer and a third party verifier can calculate tariff data by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.

Activity group	Valuation date
...	
G.2	For <i>banks and building societies</i> as in FEES 4 Annex 1 Part 3 <u>FEES 4 Annex 1AR Part 5</u> .
...	

...

...

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

(1) Annual income definition for <i>credit related regulated activities</i>
...
(2) Proxy measure of annual income
<p>(a) ...</p> <p>(b) The proxy measure for annual income is calculated:</p> <p>...</p> <p>(iii) the percentage value is 5% plus the Bank of England base rate on the final day of the firm's accounting reference date.</p> <p>(iv) any proxy income should be calculated on the basis of the Bank of England base rate in force at the time of submission. [deleted]</p>
...

...

4A Temporary Permissions Regime (TPR) and Financial Service Contracts Regime (FSCR) – periodic fees

...

4A.2 Obligation to pay periodic fees

...

FEES 4 rules incorporated into FEES 4A by cross-reference

...

- 4A.2.13 R Table of rules in *FEES* 4 that also apply to *FEES* 4A to the extent that in *FEES* 4 they apply to ~~fees~~ fees payable to the *FCA*

<i>FEES</i> 4 rules incorporated into <i>FEES</i> 4A	Description	Applicable to <i>TP</i> persons other than <i>TPR</i> funds	Applicable to <i>TPR</i> funds
<i>FEES</i> 4.2.4R	Method of payment	Yes	Yes
...			

...

5 Financial Ombudsman Service Funding

[*Editor’s note:* There are aspects of *FEES* 5.3.8R, *FEES* 5.4.1R and *FEES* 5.7.4R which are currently applied to the Financial Ombudsman Service’s Voluntary Jurisdiction through *DISP* 4.2.6R. Any impacts of this change on the Voluntary Jurisdiction are not within the scope of this consultation.]

...

5.3 The general levy

...

- 5.3.2 G For the purposes of the *general levy*, a *firm* will fall into one or more of the *industry blocks* set out in ~~*FEES* 5 Annex 1~~ *FEES* 5 Annex 1R depending on the business activities which it conducts.

...

- 5.3.3 G The *FCA* will determine, following consultation, the amount to be raised from each *industry block*. This will be based on the budgeted costs and numbers of *Financial Ombudsman Service* staff required to deal with the volume of complaints which the *Financial Ombudsman Service* expects to receive about the *firms* in each *industry block*. ~~Modified arrangements have been made for certain types of small *firms* (see *FEES* 5.5.3 R to *FEES* 5.5.5 G).~~

5.3.4 G ~~FEES 5 Annex 1~~ FEES 5 Annex 1R sets out the fee tariffs for each *industry block*.

...

5.3.8 R ~~A~~ The FCA will calculate a firm's general levy under the *Compulsory Jurisdiction* ~~is calculated~~ as follows:

- (1) identify each of the tariff bases set out in ~~FEES 5 Annex 1~~ FEES 5 Annex 1R which apply to the *firm* for the relevant year;
- (2) for each of those tariff bases, calculate the sum payable in relation to the *relevant business* of the *firm* for that year (except *industry blocks* 2 and 4, in which case calculate the sum payable for that year) in accordance with FEES 5 Annex 1R;

...

...

5.3.10 R For the purpose of *FEES* 5.3, references to *relevant business* for a *firm* which falls in *industry block* 16 or 17 and which so elects under ~~FEES 5 Annex 1~~ FEES 5 Annex 1R, are references to the *firm's* total amount of annual income reported in accordance with ~~Part 2 of FEES 4~~ FEES 4 Annex 1AR Part 3.

...

5.4 Information requirement

5.4.1 R (1) A *firm* must provide the *FCA* by the end of February each year (or, if the *firm* has become subject to the *Financial Ombudsman Service* part way through the *financial year*, by the date requested by the *FCA*) with a statement of:

...

as at or in the year to 31 December of the previous year as appropriate, including only business undertaken from a *branch* or establishment in the ~~UK~~ UK in relation to the tariff base for each of the relevant *industry blocks* set out in ~~FEES 5 Annex 1~~ FEES 5 Annex 1R. *Firms* that do not carry out their business from a *branch* or establishment in the *UK* will pay the *minimum levy* for each tariff base.

...

- (4) For the purpose of *FEES* 5.4.1R, references to *relevant business* for a *firm* which falls in *industry block* 16 or 17 and which so elects under ~~FEES 5 Annex 1~~ FEES 5 Annex 1R, are references to the *firm's* total

amount of annual income reported in accordance with Part 3 of ~~FEES 4 Annex 1A~~ FEES 4 Annex 1AR.

(5) If a *firm* does not submit a complete statement by the date on which it is due in accordance with this *rule* and any prescribed submission procedures:

(a) the *firm* must pay an administrative fee of ~~250~~ £250 (but not if it is already subject to an administrative fee under *FEES 4 Annex 2AR*, Part 1 or *FEES 6.5.16R* for the same *financial year*); and

...

...

...

5.4.4 G ~~A *firm* should not provide a statement of *relevant business* if it deals only with *eligible complainants* who are not *consumers*. *Relevant business* is defined in the *Glossary* as business done with *consumers* only. So *FEES 5.4.1 R* does not apply in relation to business done with other types of *eligible complainant* described in *DISP 2.7.3R (2)*, *DISP 2.7.6R (12)(a)* and *DISP 2.7.6R (12)(a)*; the funding of *FOS Ltd* in relation to that business is by special case fee only (see *FEES 5.5.6 R*).~~

(1) From 1 April 2025, a new definition of *relevant business* is introduced. This new definition applies in relation to business done with all types of *eligible complainant* described in *DISP 2.7.3R*. *Firms* must use this new definition for any *relevant business* conducted from 1 April 2025 onwards.

(2) Where the pre-April 2025 *Glossary* definition of *relevant business* applies (i.e. to *relevant business* of a *firm* up until 31 March 2025):

(a) a *firm* should not provide a statement of *relevant business* if it deals only with *eligible complainants* who are not *consumers*; and

(b) *FEES 5.4.1R* does not apply in relation to business done with other types of *eligible complainant* described in *DISP 2.7.3R(2) to (7)*.

...

5.6 The supplementary levy [deleted]

...

5.7 Payment

...

5.7.4 R A *firm* liable to pay fees under ~~FEES 5.7.1R~~ FEES 5.7.1R must do so using one of the methods set out in ~~FEES 4.2.4R~~ FEES 2.1.10R (unless FEES 2.1.11R applies) save that no additional amount or discount is applicable.

Extension of time

5.7.5 R A *firm* need not pay the *general levy* on the date on which it is due under the relevant provision in FEES 5.7.1R, if that date falls during a period during which circumstances of the sort set out in GEN 1.3.2R (Emergency) exist, and that *firm* has reasonable grounds to believe that those circumstances impair its ability to pay the fee, in which case it must be paid on or before the fifth *business day* after the end of that period.

5.8 Joining the Financial Ombudsman Service

5.8.1 R A *firm* which becomes subject to the *Financial Ombudsman Service* part way through a *financial year* must pay a rateable proportion of the *general levy* ~~as specified in the formula set out in FEES 4.2.7ER~~ in accordance with the provisions of FEES 4.2.7ER to FEES 4.2.7KR.

5.8.2 R ...

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

...

(e) Where a *firm* is required to use actual data under this *rule* ~~FEES 4 Annex 1R Part 3, FEES 4 Annex 1AR Part 5~~ is modified in relation to the calculation of that ~~firm's~~ *firm's* valuation date in its second financial year.

Application of FEES 5.8.2R

5.8.3 G The table below sets out the period within which a *firm's* tariff base is calculated (the data period) for second year levies calculated under FEES 5.8.2R. ~~The example is~~ These examples are based on a *firm* that acquires *permission* on 1 November ~~2014~~ 2023 and has a financial year ending 31 March. Where valuation dates fall before the *firm* receives *permission* it should use projected valuations in calculating its levies.

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

Type of permission acquired on 1 November	Tariff base	Valuation date but for FEES 5.8.2R	Data period under
---	-------------	------------------------------------	-------------------

			FEES 5.8.2R
Insurers – general (excluding <i>firms</i> in blocks 13 and 15)	Relevant annual gross premium income and gross technical liabilities 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)	31 March 2014 2023 - so projected valuations will be used	1 November to 31 December 2014 2023
Portfolio managers (including those holding <i>client money</i> /-assets and not holding <i>client money</i> /-assets)	Relevant funds under management Flat fee	Valued at 31 December	Valued at 31 December
Advisers Advisors, arrangers, dealers or brokers holding and controlling <i>client money</i> and/or assets	Annual income as defined in <i>FEES</i> 4 Annex 11A <i>FEES</i> 4 Annex 11AR, relating to <i>firm's relevant business</i>	31 December. This is because the <i>firm's</i> tariff base is calculated by reference to the <i>firm's</i> financial year end in the calendar year before the start of the <i>FCA fee year</i> . Therefore <i>FEES</i> 5.8.2R (3)(c) applies.	1 November to 31 December but annualised in accordance with <i>FEES</i> 5.8.2R (3)(c)(iii)

~~[Note: Transitional provisions apply to *FEES* 5.8.1R, *FEES* 5.8.2R and *FEES* 5.8.3G – see *FEES* TP 13]~~

...

5 Annex 1R Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2023/24

...

Compulsory jurisdiction - general levy

Industry block	Tariff base	General levy payable by firm
...		
8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	Annual income as defined in FEES 4 Annex 11A <u>FEES 4 Annex 11AR</u> relating to <i>firm's relevant business</i> .	£0.383 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 FEES 4 Annex 11A <u>FEES 4 Annex 11AR</u> relating to <i>firm's relevant business</i> .	£0.265 per £1,000 of annual income subject to a minimum fee of £45
...		
11-fee-paying payment service providers (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, <i>TA EMI firms, TA PI firms</i> and <i>TA RAISP firms</i> , relevant income as described in FEES 4 Annex 11 <u>FEES 4 Annex 11R Part 3</u>	£0.0044 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
...		
18 - fee-paying electronic money issuers	For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , and <i>TA EMI firms</i> , average outstanding	£0.0001 per £1,000 of average outstanding electronic money subject to a

	<i>electronic money</i> , as described in FEES 4 Annex 11 <u>FEES 4 Annex 11R</u> Part 3.	minimum levy of £40

...		

Notes

4	...
5	The <i>industry blocks</i> in the table are based on the equivalent activity groups set out in Part 1 of FEES 4 Annex 1A <u>FEES 4 Annex 1AR</u> , and Part 2 and Part 2A of FEES 4 Annex 11 <u>FEES 4 Annex 11R</u> .
6	Where the tariff base in the table is defined in similar terms as that for the equivalent activity group in Part 3 of FEES 4 Annex 1A <u>FEES 4 Annex 1AR</u> or Part 3 of FEES 4 Annex 11 <u>FEES 4 Annex 11R</u> , it must be calculated in the same way as that tariff base - taking into account only the <i>firm's relevant business</i> (except for <i>firms in industry blocks 2 and 4</i>).
...	

...

6 Financial Services Compensation Scheme Funding

6.1 Application

...

General structure

...

- 6.1.6 G In calculating a *compensation costs levy*, the *FSCS* may include up to the greater of one third of the ~~compensation costs~~ *compensation costs* expected in the 36-month period following the 1 April of the *financial year* of the *compensation scheme* in relation to which the levy is imposed, or the *compensation costs* expected in the 12 months following that date.

...

The compensation costs levy

- 6.1.14 G In imposing a *compensation costs levy* in each *financial year* of the *compensation scheme* the *FSCS* will take into account the *compensation*

costs which the *compensation scheme* has incurred and has not yet raised through levies, any recoveries it has ~~had~~ made using the rights that have been assigned to it or to which it is subrogated and a further amount calculated taking into account:

...

...

6.3 The FSCS's power to impose levies

...

Management of funds

...

6.3.17 R (1) The *FSCS* may use any money held to the credit of one *class* (the creditor *class*) to pay *compensation costs* or *specific costs* attributable or allocated by way of levy to another *class* (the debtor *class*) if the *FSCS* has reasonable grounds to believe that this would be more economical than borrowing funds from a third party or raising a levy.

(2) Where the *FSCS* acts in accordance with (1), it must ensure that:

...

(b) the debtor *class* pays interest at a rate equivalent to the Bank of England's ~~repo rate~~ official Bank Rate from time to time in force; and

...

...

Remission of levy or additional administrative fee

6.3.23 R If a *participant firm's* share of a levy or an additional administrative fee under ~~FEES 6.7.4 R~~ FEES 2.2.1R would be so small that, in the opinion of the *FSCS*, the costs of collection would be disproportionate to the amount payable, the *FSCS* may treat the *participant firm* as if its share of the levy or additional administrative fee amounted to zero.

Levies on the Society of Lloyd's

6.3.24 R The *FSCS* may impose a levy on the *Society* to be calculated as the aggregate of the levies that would be imposed on each *member* if this chapter applied to *members*, as follows:

(1) a share of the *base costs levy* for each financial year; and

- (2) a share of a *specific costs levy* or a *compensation costs levy* allocated to the insurers — ~~life contribution class or insurers — general contribution class in the retail pool~~ in accordance with this chapter FEES 6 Annex 3AR.

...

6.5 Compensation costs

...

Application of FEES 6.5.9CR

6.5.9D G ...

[Note: ~~FEES 6.5.9DR~~ FEES 6.5.9DG was previously in *FEES 6.4.10BG*.]

...

6.5A The retail pool

...

How levy limits affect allocation to classes in the retail pool

...

- 6.5A.5 R When the *FSCS* allocates excess *compensation costs levies* or *specific costs levies* under *FEES 6.5A.1 R* or any levy imposed under ~~*FEES 6.5A.2 R*~~ ~~(3)(a)~~ *FEES 6.5.2-AAR(4)*, a *class* to which part of the excess is allocated (a "receiving class") may, as a result of that allocation, itself reach its limit. In that case, the *FSCS* must apply *FEES 6.5A.1 R* or ~~*FEES 6.5A.2 R*~~ *FEES 6.5.2-AAR* so that any resulting excess levy beyond the limit of the receiving class is allocated amongst the remaining *classes* whose limits have not been reached, to the exclusion of the receiving *class*. This process is repeated until the *compensation costs levy* or *specific costs levy* has been met in full or the limits of all *classes* have been exhausted.

...

6.7 Payment of levies

...

Method of payment

- 6.7.5 R A *participant firm* liable to pay its share of the levy under *FEES 6.7.-1R*, *6.7.1R* and *6.7.3R* must do so using one of the methods set out in ~~*FEES 4.2.4 R*~~ *FEES 2.1.10R* (unless *FEES 2.1.11R* applies) save that no additional amount or discount is applicable.

...

6.7.8 R ...

Extension of time

6.7.9 R A participant firm or person (as the case may be) need not pay a share of any levy on the date on which it is due under the relevant provisions in this chapter, if that date falls during a period during which circumstances of the sort set out in GEN 1.3.2R (Emergency) exist, and that participant firm or person has reasonable grounds to believe that those circumstances impair its ability to pay their due share of the levy, in which case it must be paid on or before the fifth business day after the end of that period.

...

6 Annex 3AR Financial Services Compensation Scheme - classes and categories

This table belongs to FEES 6.5.6AR

...

Class 4	Home Finance Intermediation Claims
...	...
Tariff base for category 4.1	Annual eligible income calculated in accordance with the fee-block A18 in part 2 <u>3</u> of FEES 4 Annex 1AR.
Tariff base for category 4.2	The number of home finance transactions, calculated in accordance with the tariff base for fee-block A2 in part 2 <u>3</u> of FEES 4 Annex 1AR.

...

...

7A SFGB levies

...

7A.3 The SFGB money advice levy and debt advice levy

...

FEES 4 rules incorporated into FEES 7A by cross-reference

...

7A.3.10 R Table of rules in ~~FEES 4~~ FEES 4 that also apply to ~~FEES 7A~~ FEES 7A to the extent that in ~~FEES 4~~ FEES 4 they apply to fees payable to the ~~FCA~~ FCA

FEES 4 rules incorporated into FEES 7A	Description
FEES 4.2.4R	Method of payment
...	

...

7A.4 The SFGB pensions guidance advice levy

...

Application of FEES 4 to the SFGB pensions guidance levy

...

7A.4.11 R Table of rules in ~~FEES 4~~ FEES 4 that also apply in ~~FEES 7A.4~~ FEES 7A.4.

FEES 4 rules incorporated into FEES 10 <u>FEES 7A.4</u>	Description	Modifications
FEES 4.2.4R	Method of payment	None
FEES 4.2.7ER	Modifications for persons becoming subject to periodic fees during the course of a fee year <u>fee year</u>	None
...		

...

7B The DA levy

...

7B.2 The DA levy

...

FEES 4 rules incorporated into FEES 7B by cross-reference

...

7B.2.7 R Table of rules in *FEES 4* that also apply to *FEES 7B* to the extent that in *FEES 4* they apply to fees payable to the *FCA*

FEES 4 rules incorporated into FEES 7B	Description
<i>FEES 4.2.4R</i>	Method of payment
<i>FEES 4.2.7ER</i>	Modifications for persons becoming subject to periodic fees during the course of a fee year <i>fee year</i>
...	

...

7C Temporary Permissions Regime (TPR) and Financial Service Contracts Regime (FSCR) - Single Financial Guidance Body levy

...

7C.5 FEES 4 rules incorporated into FEES 7C by cross-reference

...

7C.5.3 R Table of rules in *FEES 4* that also apply to *FEES 7C* to the extent that in *FEES 4* they apply to fees payable to the *FCA*

FEES 4 rules incorporated into FEES 7C	Description
<i>FEES 4.2.4R</i>	Method of payment
...	

...

7D Temporary Permissions Regime (TPR) – Devolved Authorities levy

...

7D.3 FEES 4 rules incorporated into FEES 7D by cross-reference

...

7D.3.3 R Table of rules in *FEES* 4 that also apply to *FEES* 7D to the extent that in *FEES* 4 they apply to fees payable to the *FCA*

FEES 4 rules incorporated into FEES 7D	Description
FEES 4.2.4R	Method of payment
...	

...

The following chapter is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

8 ~~Interim Fees [deleted]~~

Amend the following as shown.

13 Illegal money lending levy

...

13.2 The IML levy

...

FEES 4 rules incorporated into FEES 13 by cross-reference

...

13.2.9 R Table of rules in *FEES* 4 that also apply to *FEES* 13 to the extent that in *FEES* 4 they apply to fees payable to the *FCA*.

FEES 4 rules incorporated into FEES 13	Description
FEES 4.2.4R	Method of payment
...	

...

13A Temporary Permissions Regime (TPR) and Financial Service Contracts Regime (FSCR) – Illegal money lending levy

...

13A.2 Obligation to pay the IML levy

...

FEES 4 rules incorporated into FEES 13A by cross-reference

...

13A.2.7 R Table of rules in *FEES* 4 that also apply to *FEES* 13A to the extent that in *FEES* 4 they apply to fees payable to the *FCA*

FEES 4 rules incorporated into FEES 13A	Description
FEES 4.2.4R	Method of payment
...	

...

App 1 Unauthorised Mutuals Registration Fees Rules

...

App 1.3 Application Fees

...

Method of payment

App 1.3.3 R Application fees must be paid by the a method specified in *FEES* App 1 ~~Annex 1A~~ FEES 2.1.10R unless FEES 2.1.11R applies.

...

**App 1
Annex
1AR Application Fees payable**

...

Part 3 Method of payment of application fees [deleted]

Payment method	Additional amount or discount applicable
Cheque	None

...

App 4 Fees payable by cryptoasset businesses registered under the Money Laundering Regulations

...

App 4.2 Application fees

...

Method of payment

App 4.2.3 The sum payable under *FEES* Appendix 4.2.1 must be paid in pounds sterling ~~online by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express only). If this is not possible for technical or other reasons, the FCA may accept payment by banker's draft, cheque or other payable order by a method~~ specified in *FEES* 2.1.10R unless *FEES* 2.1.11R applies.

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

...

App 4.3 Periodic fees

...

Method of payment

App 4.3.3 A periodic fee payable under *FEES* Appendix 4.3.1(1) must be paid in pounds sterling ~~using either direct debit, credit transfer (BACS/CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard only) by a method~~ specified in *FEES* 2.1.10R unless *FEES* 2.1.11R applies.

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

...

TP 3 ~~Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2010/11~~ [deleted]

...

TP 8 ~~Transitional provisions relating to FEES 3 Annex 9R and FEES 4.3.6R taking effect in 2013/14~~ [deleted]

...

TP 10 ~~Transitional Provisions relating to FEES 4.2.7BR for firms carrying on credit related regulated activities~~ [deleted]

...

TP 13 ~~Transitional provisions relating to the calculation of tariff bases for insurers~~ **[deleted]**

Part 2: Comes into force on [date]

[Editor’s note: There are aspects of this rule which are currently applied to the Financial Ombudsman Service’s Voluntary Jurisdiction through DISP 4.2.6R. Any impacts of this change on the Voluntary Jurisdiction are not within the scope of this consultation.]

5 Financial Ombudsman Service Funding

...

5.4 Information requirement

5.4.1 R (1) ...

(1A) ~~A firm in industry blocks 2 and 4, has notified~~ must notify the FCA of the amount of gross written premium for fees purposes, as defined in FEES 4 Annex 1AR, that relates to relevant business. The notification must be made by the 30 May 8 April each year. If 8 April is not a business day, the firm must make the notification by the business day immediately following 8 April.

...

...

Part 3: Comes into force on [date]

4 Periodic fees

...

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

<p>Part 1</p> <p>This table shows how the <i>FCA</i> links the <i>regulated activities</i> for which a <i>firm</i> has <i>permission</i> to activity groups (fee-blocks). A <i>firm</i> can use the table to identify which fee-blocks it falls into based on its <i>permission</i>.</p>	
Activity group	Fee payer falls in the activity group if:
...	
A.10 Firms dealing as principal	its <i>permission</i> includes (a) <i>dealing in investments as principal</i> ; and/or

	<p>(b) <i>bidding in emissions auctions</i>;</p> <p>BUT NOT if one or more of the following apply:</p> <p>the firm is acting exclusively as a matched principal broker;</p> <p>...</p> <p>the firm is an <i>oil market participant</i>; <u>or</u> <i>energy market participant</i> or a local (except where the firm is <i>bidding in emissions auctions</i>);</p> <p>the firm would be an <i>oil market participant</i> or <i>energy market participant</i> if it were not a <i>MiFID investment firm</i> (except where the firm is <i>bidding in emissions auctions</i>);</p> <p>...</p>
<p>A.13 Advisors, arrangers, dealers or brokers</p>	<p>...</p> <p>(2) its <i>permission</i>:</p> <p>(a) includes one or more of the following:</p> <p>(i) in relation to one or more <i>designated investments</i>:</p> <p><i>dealing in investments as agent</i>;</p> <p><i>arranging (bringing about) deals in investments</i>;</p> <p><i>making arrangements with a view to transactions in investments</i>;</p> <p><i>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <u>an oil market participant</u>; <u>or</u> <i>energy market participant</i> or local;</p> <p><i>dealing as principal in investments</i> where the activity is carried on by a firm that would be an <i>oil market participant</i> or <i>energy market participant</i> if it were not a <i>MiFID investment firm</i>;</p> <p>...</p>
<p>...</p>	

