

**APPLICATION FEES (MORTGAGE AND INSURANCE MEDIATION)  
(ANNUAL INCOME) INSTRUMENT 2003**

**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 156 (General supplementary powers);
  - (2) section 157(1) (Guidance); and
  - (3) paragraph 17(1) of Schedule 1 (Fees).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

**Commencement**

- C. This instrument comes into force on 1 January 2004.

**Amendments to the Handbook**

- D. The Authorisation manual (AUTH) is amended in accordance with Annex A to this instrument.
- E. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

**Citation**

- F. This instrument may be cited as the Application Fees (Mortgage and Insurance Mediation) (Annual Income) Instrument 2003.

By Order of the Board  
18 December 2003

## Annex A

### Amendments to the Authorisation manual

In this Annex underlining indicates new text and striking through indicates deleted text:

4.1.5AG *AUTH* 4 Annex 2R contains details of the application fees payable by applicants seeking to obtain *permission* to carry out any of the activities included in the A.2 (mortgage lenders and administrators), A.18 (mortgage lenders, advisers and arrangers) and A.19 (general insurance ~~intermediaries~~mediation) activity groups, for the period before these activities begin to be subject to regulation.

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4.1.7AG For the period before the activities referred to in *AUTH* 4.1.5AG are subject to regulation, applicants for the A.2 (mortgage lenders and administrators), A.18 (mortgage lenders, advisers and arrangers) and A.19 (general insurance ~~intermediaries~~mediation) activity groups are categorised by the *FSA* for the purpose of fee raising using a measure of the amount of business being undertaken by the *person*, as detailed in *AUTH* 4 Ann 2R.

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*AUTH* 4 Annex 2R

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Auth Table: Part 2: Authorisation fees payable

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Activity group	Amount payable					
	Fee bands		Fee - early applications	Fee - other applications	Discount - electronic applications	Discount - non-electronic applications paying by direct debit
Band no.	Band	Fee (£)				
A.2 Mortgage lenders and administrators		Gross advances (£m)				
	1	0-10	600	1,200	100	50
	2	>10-100	8,000	10,000	250	50
	3	>100-1,000	13,000	15,000	250	50
	4	>1,000	23,000	25,000	500	50
A.18 Mortgage <u>lenders</u> ,		Annual income (£m)	Fee (£)	Fee (£)	Discount (£)	Discount (£)

advisers and arrangers; and	5	0 - 1	600	1,200	100	50
	6	>1-3	4,250	5,750	250	50
A.19 General insurance	7	>3-25	9,000	11,000	250	50
intermediaries mediation	8	>25	23,000	25,000	500	50

Auth Table: Notes:

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(2)	For the purposes of this table:
(3)	<p>...</p> <p>(e) For the purposes of this table, Annual income means:</p> <p>(a) the net amount retained by the <i>firm</i> of all brokerages, fees, commissions and other related income (e.g. administration charges, overrides, profit shares) due to the <i>firm</i> in respect of or in relation to:</p> <p>(i) activities which would be <i>mortgage mediation activity</i> if they had been carried out after 30 October 2004; PLUS</p> <p>(ii) activities which would be <i>insurance mediation activity</i> (in relation to <i>general insurance contracts</i> or <i>pure protection contracts</i>) if they had been carried out after 13 January 2005;</p> <p>earned in its latest financial year ending on or before 31 December 2003-;</p> <p><u>PLUS</u></p> <p>(b) (i) <u>in relation to the activities set out in (a)(i), for any <i>mortgage mediation activity</i> carried out by the <i>firm</i> for which it receives payment from the lender on a basis other than that in (a), the value of all new mortgage advances resulting from that activity multiplied by 0.004;</u> <u>PLUS</u></p> <p>(ii) <u>if the <i>firm</i> is a <i>mortgage lender</i>, the value of all new mortgage advances which would be <i>regulated mortgage contracts</i> if they had been made after 30 October 2004 (other than those made as a result of <i>mortgage mediation activity</i> by another <i>firm</i>), multiplied by 0.004;</u></p> <p><u>for its latest financial year ending on or before 31 December 2003;</u></p> <p><u>PLUS</u></p> <p>(c) <u>in relation to the activities set out in (a)(ii):</u></p>

- (i) for any *insurance mediation activity* carried out by the *firm* for which it receives payment from the *insurer* on a basis other than that in (a), the amount of *premiums* receivable on the *contracts of insurance* resulting from that activity multiplied by 0.07; PLUS
- (ii) if the *firm* is an *insurer*, the amount of *premiums* receivable on its *contracts of insurance* multiplied by 0.07, excluding those *contracts of insurance* which:
- (aa) result from *insurance mediation activity* by another *firm*, where a payment has been made by the *insurer* to the *firm* under (a); or
  - (ab) the *insurer* reports, and pays a fee on, in the A.4 activity group;
  - or
  - (ac) are not *general insurance contracts* or *pure protection contracts*;
- for its latest financial year ending on or before 31 December 2003.

The *firm* must include in its income calculation, on the same basis as above, earnings from those who will become its *appointed representatives* immediately after *authorisation*.

In note (3), a reference to a "*firm*" also includes reference to any *person* who carried out activities which would be:

- (1) *mortgage mediation activity* if they had been carried out after 30 October 2004; or
- (2) *insurance mediation activity* (in respect of *general insurance contracts* or *pure protection contracts*) if they had been carried out after 13 January 2005.

## Annex B

### Amendments to the Supervision manual

In this annex underlining indicates new text and striking through indicates deleted text:

SUP 20 Annex 1R

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Sup Table: Part 2 - Fee tariffs  
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Activity group (defined in Part 7)	Valuation date for tariff bases (defined in Part 7)	Fee payable (tariff bases defined in Part 7)
...	...	...
A.18 Mortgage <u>lenders</u> , advisers and arrangers	[Not applicable for the 2003/04 period]	[Not applicable for the 2003/04 period]
A.19 General insurance <del>intermediaries</del> <u>mediation</u>	[Not applicable for the 2003/04 period]	[Not applicable for the 2003/04 period]
...	...	...

Sup Table: Part 7 - Activity groups and tariff bases  
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Activity group	Fee-payer falls in the activity group if	Tariff-base
...	...	...
A.18 Mortgage <u>lenders</u> , advisers and arrangers	its <i>permission</i> includes one or more of the following: <ul style="list-style-type: none"> <li>• <u>entering into a regulated mortgage contract; or</u></li> <li>• <i>arranging (bringing about) regulated mortgage contracts; or</i></li> <li>• <i>making arrangements with a view to regulated mortgage contracts; or</i></li> <li>• <i>advising on regulated mortgage contracts; or</i></li> <li>• <i>agreeing to carry on a regulated activity which is within either <u>any</u> of the above.</i></li> </ul>	[Not applicable for the 2003/04 period]
A.19 General insurance <del>intermediaries</del> <u>mediation</u>	its <i>permission</i> includes one or more of the following in relation to a <i>general insurance contract</i> or a <i>pure protection contract</i> : <ul style="list-style-type: none"> <li>• <i>dealing in investments as agent; or</i></li> </ul>	[Not applicable for the 2003/04 period]

- *arranging (bringing about) deals in investments; or*
- *making arrangements with a view to transactions in investments; or*
- *assisting in the administration and performance of a contract of insurance; or*
- *advising on investments; or*
- *agreeing to carry on a regulated activity which is within any of the above.*

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