

FEES MANUAL INSTRUMENT 2005

Powers exercised

- A. The Financial Services Authority ("FSA") 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 72 (The competent authority);
 - (2) section 74(4) (The official list);
 - (3) section 99(1) (Fees);
 - (4) section 101 (Listing rules: general provisions);
 - (5) section 138 (General rule-making power);
 - (6) section 156 (General supplementary powers);
 - (7) section 157(1) and (4) (Guidance);
 - (8) section 213 (The compensation scheme);
 - (9) section 214 (General);
 - (10) section 223 (Management expenses);
 - (11) section 234 (Industry funding);
 - (12) paragraph 17(1) of Schedule 1 (Fees) and
 - (13) paragraph 1 (General), 4 (Rules), and 7 (Fees) of Schedule 7 (The Authority as Competent Authority for Part VI)
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 January 2006.

Amendments to the Handbook

- D. Annex C to this instrument inserts into the Handbook the new consolidated Fees manual (FEES).
- E. Subject to F, the modules of the FSA's Handbook of rules and guidance listed in column (1) below are amended or introduced in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
General Provisions (GEN)	Annex B
Fees manual (FEES)	Annex C
Market Conduct sourcebook (MAR)	Annex D
Authorisation manual (AUTH)	Annex E
Supervision manual (SUP)	Annex F

Dispute Resolution: Complaints sourcebook (DISP)	Annex G
Compensation sourcebook (COMP)	Annex H
Collective Investment Schemes sourcebook (CIS)	Annex I
New Collective Investment Schemes sourcebook (COLL)	Annex J
Credit Unions sourcebook (CRED)	Annex K
Professional Firms sourcebook (PROF)	Annex L
Recognised Investment Exchanges and Recognised Clearing Houses sourcebook (REC)	Annex M
Listing Rules (LR)	Annex N
Prospectus Rules (PR)	Annex O
Disclosure Rules (DR)	Annex P

- F. The amendments set out in Annex Q are not made by the FSA. They are made exclusively by the Financial Ombudsman Service Limited (“FOS”) subject to the approval and consent of the FSA. These provisions (or part provisions to the extent that they relate solely to rule-making powers exercisable by FOS under parts III and IV of schedule 17 of the Act) are set out in Annex Q for clarity.

Citation

- G. This instrument may be cited as the Fees Manual Instrument 2005. Further, Annex C to this instrument may be cited as the Fees manual (or FEES).

By order of the Board
15 December 2005

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text. Insert in the following new definition in the appropriate alphabetical position:

FEES

the Fees manual

Amend the following definitions:

<i>annual eligible income</i>	(in <i>COMP</i>) the annual income (as described in Part 2 of <i>SUP 20 Annex 1</i> <u><i>FEES 4 Annex 1R</i></u>) for the <i>firm's</i> last financial year preceding the date for submission of the information under <i>COMP 13.6.11R</i> <u><i>FEES 6.5.13R</i></u> attributable...
<i>base costs levy</i>	a levy, forming part of the <i>management expenses levy</i> , to meet the <i>base costs</i> in the financial year of the <i>compensation scheme</i> to which the levy relates, each <i>participant firm's</i> share being calculated in accordance with <i>COMP 13.5.5 R</i> <u><i>FEES 6.4.5R</i></u> .
<i>class 1 transaction</i>	(in <i>LR</i> and <i>FEES</i>) ...
<i>compensation costs levy</i>	a levy imposed by the <i>FSCS</i> on <i>participant firms</i> to meet <i>compensation costs</i> , each <i>participant firm's</i> share being calculated in accordance with <i>COMP 13.6</i> <u><i>FEES 6.5</i></u> .
<i>contribution group</i>	one of the groups of <i>participant firms</i> within a sub-scheme set out in <i>COMP 13.6.7R</i> <u><i>FEES 6.5.7R</i></u> being groups that carry on business of a similar nature, to which <i>compensation costs</i> and <i>specific costs</i> are allocated in accordance with <i>COMP 13.5</i> and <i>COMP 13.6</i> <u><i>FEES 6.4</i></u> and <u><i>FEES 6.5</i></u> .
<i>establishment costs</i>	(1) (in <i>COMP</i> <u><i>FEES 6</i></u>) the costs of establishing the <i>compensation scheme</i> . (2) (in <i>DISP</i>) (in <u><i>FEES 5</i></u>) the costs of establishing the <i>Financial Ombudsman Service</i> .
<i>establishment costs levy</i>	a levy, forming part of the <i>management expenses levy</i> , to meet the <i>establishment costs</i> , each <i>participant firm's</i> share being calculated in accordance with <i>COMP 13.5.10G</i> <u><i>FEES 6.4.11R</i></u> .
<i>general levy</i>	(in <i>DISP</i> <u><i>FEES</i></u>) the annual fee raised from a <i>firm</i> ...

<i>industry block</i>	(in DISP <u>FEES</u>) a grouping of <i>firms</i> by common business activity for the purposes of calculating the <i>general levy</i> .
<i>issuer</i>	... (2) (in <u>DR and FEES in relation to DR</u>) ... (3) (in <u>LR and FEES in relation to LR</u>) ... (4) (in <u>PR and FEES in relation to PR</u>) ...
<i>management expenses levy</i>	... each <i>participant firm's</i> share being calculated in accordance with COMP 13.5 <u>FEES 6.4</u> .
<i>minimum levy</i>	(in DISP <u>FEES</u>) the fixed minimum <i>general levy</i> payable by a <i>firm</i> .
<i>offeror</i>	... (3) (in <u>LR, and in PR, FEES provisions in relation to PR and ENF 21</u>) ...
<i>participant firm</i>	(1) (except in COMP 13 <u>FEES 6</u>) a <i>firm</i> or a <i>member</i> . . . (2) (in COMP 13 <u>FEES 6</u>) a <i>firm</i> specified in paragraph (1) above that is not a <i>member</i> .
<i>prospectus</i>	(in <u>LR and PR and FEES</u>)...
<i>regulatory costs</i>	the periodic fees payable to the <i>FSA</i> by a <i>participant firm</i> in accordance with SUP 20 (Fees rules) <u>FEES 4 (Periodic fees)</u> .
<i>relevant net premium income</i>	...in the year preceding that in which the date for submission of the information under COMP 13.6.11R <u>FEES 6.5.13R</u> falls, net of any relevant rebates or refunds.
<i>share</i>	... (3) (in <u>DR and LR, and in FEES where relevant to DR or LR</u>) ...
<i>specific costs levy</i>	a levy, forming part of the <i>management expenses levy</i> , to meet the <i>specific costs</i> in the financial year of the <i>compensation scheme</i> to which the levy relates, each <i>participant firm's</i> share being calculated in accordance with COMP 13.5.7R <u>FEES 6.4.7R</u>
<i>specialist securities</i>	(in <u>LR and FEES</u>) ...
<i>sub-scheme</i>	one of the sub-schemes to which the <i>FSCS</i> allocates liabilities for <i>compensation costs</i> , as described in COMP 13.6.7R <u>FEES 6.5.7R</u> .
<i>supplementary levy</i>	(in DISP <u>FEES</u>) a levy, additional to the <i>general levy</i> , for the purposes of recovering the <i>establishment costs</i> .

Annex B

Amendments to the General Provisions

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

2.1.9 G The effect of *GEN 2.1.8R* is that this chapter applies with respect to those provisions in *DISP 2* (Jurisdiction of the Financial Ombudsman Service), *DISP 3* (Complaint handling procedures of the Financial Ombudsman Service), *DISP 4* (Standard terms) and ~~*DISP 5*~~ *FEES 5* (Financial Ombudsman Service Funding ~~Rules~~) made by *FOS Ltd*.

...

2.2.20 G ...Further information on *designated investment exchanges*, including *guidance* on the addition of an investment exchange to the list, is set out in *GEN 2 Annex 1* and the obligation to pay the application fee is set out in ~~*GEN 2 Annex 2*~~ *FEES 3.2*.

GEN 2 Annex 1G

	Introduction
...	
8.	An application will not be considered by the <i>FSA</i> until the application fee has been paid. See <i>GEN 2 Annex 2</i> <u><i>FEES 3.2</i></u>

...

GEN 2 Annex 2 Designated investment exchanges: fees

Delete the whole of the annex including the heading above.

GEN 2 Annex 2 [~~deleted~~]

GEN 3 FSA Fees: General Provisions (GEN 3)

Delete entire chapter, excluding the heading above.

~~GEN 3 [deleted: the general provisions in relation to fees are set out in *FEES 2* (General Provisions)]~~

...

GEN TP 1.3

GEN TP 1.3(3) Transitional Provisions applying to GEN only

(1)	(2) Material to which transitional provision applies	(3)	(4) Transitional Provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
8	GEN 2 Annex 2 <u>FEES 3.2</u>	R	GEN 2 Annex 2 <u>FEES 3.2</u> applies to any application received after 1 October 2004 but not determined until after 1 February 2005.	...	

...

GEN Sch 3 Fees and other required payments G

	There are no requirements for fees or other payments in <i>GEN</i> . GEN 3 (FSA fees: general provisions <u>FEES 2 (General Provisions)</u> contains general provisions relating to the payment of fees.
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...

Annex C

Fees manual

In this Annex all of the text is new and is not underlined. Where text is to be removed from the existing Handbook and re-located in an annex to a chapter of the Fees manual, this text is not copied out, but the existing location of the text is given and any amendments made (as a result of the consolidation) are described.

Insert the Fees manual (FEES) in Block 1 (High Level Standards) after General Provisions as follows:

Fees Manual

1.1 Application and Purpose

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

1.1.2 R Application

This manual applies in the following way:

- (1) *FEES* 1, 2 and 3 apply to:
 - (a) every applicant for *Part IV permission* (including an *incoming firm* applying for *top-up permission*);
 - (b) every *Treaty firm* that wishes to exercise a *Treaty right* to qualify for *authorisation* under Schedule 4 to the *Act* (Treaty rights) in respect of *regulated activities* for which it does not have an *EEA right*;
 - (c) every applicant for a certificate under article 54 of the *Regulated Activities Order*;
 - (d) every applicant for an *authorisation order* for, or for recognition of, a *collective investment scheme*;
 - (e) every operator of a scheme making a notification under section 264 or section 270 of the *Act*;
 - (f) every *person* seeking to become a *designated professional body*;

- (g) every applicant for recognition as a *recognised body* under Part XVIII of the *Act* (Recognised investment exchanges and clearing houses);
 - (h) every applicant for *listing* (under the *listing rules*);
 - (i) every applicant for approval as a *sponsor* (under the *listing rules*);
 - (j) every *issuer* (under the *listing rules*) of tranches from debt issuance programmes and *securitised derivative* tranches;
 - (k) every *issuer* (under the *listing rules*) involved in specific events or transactions during the year where documentation is subject to transaction vetting by the *FSA*;
 - (l) under the *prospectus rules* every *issuer, offeror* or *person* requesting approval or vetting of the documents arising in relation to specific events or transactions that it might be involved in during the year;
 - (m) every applicant to be listed as a *designated investment exchange*;
 - (n) every *firm* applying for variation of its *Part IV permission*; and
 - (o) every *firm* applying for *guidance* on the availability of a *waiver* or concession in connection with future *rules* implementing the revised Basel Capital Accord (including any amendments).
- (2) *FEES* 1, 2 and 4 apply to:
- (a) every *firm* (except an *ICVC* or *UCITS qualifier*);
 - (b) every *manager* of an *authorised* unit trust;
 - (c) every *ACD* of an *ICVC*;
 - (d) every *person* who, under the constitution or founding arrangements of a recognised scheme, is responsible for the management of the property held for or within the *scheme*;
 - (e) every *designated professional body*;
 - (f) every *recognised body*;
 - (g) under the Listing Rules every *issuer* of *shares*, depositary receipts and *securitised derivatives*;
 - (h) under the Listing Rules every *sponsor*; and

- (i) under the Disclosure Rules every *issuer* of *shares*, depositary receipts and securitised derivatives.
- (3) *FEES* 1, 2 and 5 apply to:
 - (a) every *firm* which is subject to the *Compulsory Jurisdiction* of the *Financial Ombudsman Service*; and
 - (b) every other *person* who is subject to the *Compulsory Jurisdiction* in relation to *relevant complaints*.
- (4) *FEES* 1,2 and 6 apply to:
 - (a) every *participant firm*;
 - (b) the *FSCS*; and
 - (c) the *Society*.
- 1.1.3 G The relevant provisions of *FEES* 5 and *FEES* 2 are applied to *VJ participants* by the *standard terms* (see *DISP* 4).
- 1.1.4 G Purpose

The purpose of this manual is to set out the fees applying to the *persons* set out in *FEES* 1.

FEES 2 (General Provisions)

2.1 Introduction

Application

- 2.1.1 R This chapter applies to every *person* who is required to pay a fee or share of a levy to the *FSA*, *FOS Ltd* or *FSCS*, as the case may be, by a provision of the *Handbook*.
- 2.1.2 R *FEES* 2.2.1R does not apply in respect of any fee payable under *FEES* 3 (Application, notification and vetting fees).
- 2.1.3 G The provisions for late payments in *FEES* 2.2.1R do not apply to fees payable under *FEES* 3 as applications, notifications and requests for vetting are generally regarded as incomplete until the relevant fee is paid.

Purpose

- 2.1.4 G The purpose of this chapter is to set out the general provisions applicable to

those who are required to pay fees or levies to *FSA*, case fees to *FOS Ltd* or a share of the *FSCS* levy.

- 2.1.5 G Paragraph 17 of Schedule 1 and section 99 to the *Act* enable the *FSA* to charge fees to cover its costs and expenses in carrying out its functions. The corresponding provisions for the *FSCS* levy and *FOS* levies and case fees are set out in *FEES* 6.1 and *FEES* 5.2 respectively.
- 2.1.6 G The *FSA* fees payable will vary from one financial year to another, and will reflect the *FSA's* funding requirement for that period and the other key components, as described in *FEES* 2.1.7G. Periodic fees, which will normally be payable on an annual basis, will provide the majority of the funding required to enable the *FSA* to undertake its statutory functions.
- 2.1.7 G The key components of the *FSA* fee mechanism (excluding the *FSCS* levy and *FOS* levy and case fees, which are dealt with in *FEES* 5 and 6) are:
- (1) a funding requirement derived from:
 - (a) the *FSA's* financial management and reporting framework;
 - (b) the *FSA's* budget; and
 - (c) adjustments for audited variances between budgeted and actual expenditure in the previous accounting year, and reserves movements (in accordance with the *FSA's* reserves policy);
 - (2) mechanisms for applying penalties received during previous financial years for the benefit of fee payers;
 - (3) fee-blocks, which are broad groupings of fee payers offering similar products and services and presenting broadly similar risks to the *FSA's* regulatory objectives;
 - (4) a costing system to allocate an appropriate part of the funding requirement to each fee-block; and
 - (5) tariff bases, which, when combined with fee tariffs, allow the calculation of fees.
- 2.1.8 G The amount payable by each fee payer will depend upon the category (or categories) of regulated activity or exemption, or other relevant activity applicable to that *person* (fee-blocks). It will, in most cases, also depend on the amount of the business that *person* conducts in each category (fee tariffs).
- 2.1.9 G By basing fee-blocks on categories of business, the *FSA* aims to minimise cross-sector subsidies. The membership of the fee-blocks is identified in the *FEES* provisions relating to the type of fees concerned.

2.1.10 G Paragraph 17(2) of Schedule 1 and section 99(3) to the *Act* prohibit the *FSA* from taking account of penalties received when setting its periodic and other fees. Accordingly periodic fees are specified without reference to the penalties received. However, the *FSA* normally expects to allocate those penalties to the fee-blocks within which the penalty payers fall, by way of a deduction from the periodic fee. Any deductions of this sort are set out in the relevant fees provisions or will be notified to the fee payer at the relevant time.

2.2 Late Payments and Recovery of Unpaid Fees

Late Payments

2.2.1 R If a *person* does not pay the total amount of a periodic fee, *FOS* levy or case fee, or share of the *FSCS* levy, on the date on which it is due, under the relevant provision in *FEES* 4, 5 or 6, that *person* must pay an additional amount as follows:

- (1) if the fee was not paid in full before the end of the due date, an administrative fee of £250; plus
- (2) if the fee was not paid in full before the end of 15 *days* after the due date, interest on any unpaid part of the fee at the rate of 5% per annum above the Bank of England's repo rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

2.2.2 G The *FSA*, (for periodic fees, *FOS* and *FSCS* levies), and *FOS Ltd* (for *FOS* case fees), expect to issue invoices at least 30 *days* before the date on which the relevant amounts fall due. *FOS* case fees are invoiced on a monthly basis. Accordingly it will generally be the case that a *person* will have at least 30 *days* from the issue of the invoice before an administrative fee becomes payable, and at least 45 *days* before any interest becomes payable.

Recovery of Fees

2.2.3 G Paragraph 17(4) of Schedule 1 and section 99(5) to the *Act* permit the *FSA* to recover fees (and, where relevant, *FOS* levies), and section 213(6) permits the *FSCS* to recover shares of the *FSCS* levy payable, as a debt owed to the *FSA* and *FSCS* respectively, and the *FSA* and *FSCS*, as relevant, will consider taking action for recovery (including interest) through the civil courts. Also, *FOS Ltd* (in respect of case fees) may take steps to recover any money owed to it (including interest).

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

light of the particular circumstances of the case.

2.3 Relieving Provisions

Remission of Fees

- 2.3.1 R If it appears to the *FSA*, or *FOS Ltd* (in relation to any *FOS* case fee only), that in the exceptional circumstances of a particular case, the payment of any fee or *FOS* levy would be inequitable, the *FSA* or *FOS Ltd*, as relevant, may reduce or remit all or part of the fee or levy in question which would otherwise be payable.
- 2.3.2 R If it appears to the *FSA*, or *FOS Ltd* (in relation to any *FOS* case fee only), that in the exceptional circumstances of a particular case to which *FEES* 2.3.1R does not apply, the retention by the *FSA*, or *FOS Ltd*, as relevant, of a fee or *FOS* levy which has been paid would be inequitable, the *FSA*, or *FOS Ltd*, may refund all or part of that fee or levy.
- 2.3.3 G *FEES* 2.3.1R and *FEES* 2.3.2R do not apply to the payment of shares of the *FSCS* levy.

FEES 3 (Application, Notification and Vetting Fees)

3.1 Introduction

Application

- 3.1.1 R This chapter applies to every person set out in *FEES* 1.1.2R(1).
- 3.1.2 G This chapter does not apply to an *EEA firm* that wishes to exercise an *EEA right*.

Purpose

- 3.1.3 G The purpose of this chapter is to set out the *FSA* fee paying requirements on the persons set out in *FEES* 1.1.2R(1). The *FSA's* power to charge in respect of *guidance* regarding the Basel Capital Accord is derived from section 157(4)(c) of the *Act*.
- 3.1.4 G Most of the detail of what fees are payable by the persons referred to in *FEES* 3.1.3G is set out in *FEES* 3 Annexes 1-6.
- 3.1.5 G (1) The rates set for authorisation fees represent an appropriate proportion of the costs of the *FSA* in processing the application or exercise of *Treaty rights*.

- (2) The fees for *collective investment schemes* reflect the estimated costs to the FSA of assessing applications and notifications. The level of fees payable in respect of an application or a notification will vary depending upon the provision of the *Act* under which it is made. This fee is adjusted when the *scheme* concerned is an *umbrella scheme*.
- (3) Application fees for *recognised bodies* are calculated from a tariff structure intended to reflect the estimated cost of processing an application of that type and complexity.
- 3.1.6 G Applications for *Part IV permission* (and exercises of *Treaty rights*) are categorised by the *FSA* for the purpose of fee raising as complex, moderately complex and straightforward as identified in *FEES 3 Annex 1R*. This differentiation is based on the *permitted activities* sought and does not reflect the *FSA's* risk assessment of the applicant (or *Treaty firm*).
- 3.1.7 G A potential applicant for *Part IV permission* (or *Treaty firm*) has the opportunity to discuss its proposed application (or exercise of *Treaty rights*) with the *FSA* before submitting it formally (see *AUTH 3.9.1G*). If an applicant for *Part IV permission* (or *Treaty firm*) does so, the *FSA* will be able to use that dialogue to make an initial assessment of the fee categorisation and therefore indicate the authorisation fee that should be paid.
- 3.1.8 G See *AUTH 3.9* in relation to the procedures for making applications for *Part IV permission* and *AUTH 5* for procedures for the exercise of *Treaty rights* by *Treaty firms*.
- 3.2 Obligation to Pay Fees
- 3.2.1 R General
- A person* in column (1) of the table in *FEES 3.2.7R* as the relevant fee payer for a particular activity must pay to the *FSA* a fee for each application or request for vetting or admission approval made, or notification or notice of exercise of a *Treaty right* given, as is applicable to it, as set out or calculated in accordance with the provisions referred to in column (2) of that table
- (1) in full and without deduction; and
- (2) on or before the date given in column (3) of that table.
- 3.2.2 G If an application for a *Part IV permission* (or exercise of a *Treaty right*) falls within more than one category set out in *FEES 3 Annex 1R*, only one fee is payable. That fee is the one for the category to which the highest fee tariff applies.
- 3.2.3 R Method of payment

(1) Unless (2) applies, the sum payable under *FEES* 3.2.1R must be paid by bankers draft, cheque or other payable order.

(2) *FSA* does not specify a method of payment for a *person* seeking to become a *recognised body* or a *designated professional body* or to be added to the list of *designated investment exchanges*.

3.2.4 G The *FSA* 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* will generally pay their respective fees by electronic credit transfer.

3.2.5 G (1) The appropriate authorisation fee is an integral part of an application for, or an application for a variation of, a *Part IV permission*. Any application received by the *FSA* without the accompanying appropriate fee, in full and without deduction (see *FEES* 3.2.1R), will not be treated as an application made, incomplete or otherwise, in accordance with section 51(3)(a), or section 44, of the *Act*. Where this is the case, the *FSA* will contact the applicant to point out that the application cannot be progressed until the appropriate fee has been received. In the event that the appropriate authorisation fee, in full and without deduction, is not forthcoming, the application will be returned to the applicant and no application will have been made.

(2) With the exception of *persons* seeking to become a *designated professional body*, all applications, notifications, requests for vetting or admission approval will be treated as incomplete until the relevant fee is fully paid and *FSA* will not consider an application, notification, request for vetting or admission approval until the relevant fee is fully paid. *Persons* seeking to become a *designated professional body* have 30 days after the designation order is made to pay the relevant fee.

3.2.6 G Fees paid under this chapter are not refundable.

3.2.7 R Table of application, notification and vetting fees

(1) Fee payer	(2) fee payable	Due date
(a) Any applicant for <i>Part IV permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i>)	In respect of a particular application, the highest of the tariffs set out in <i>FEES</i> 3 Annex 1R which apply to that application	On or before the application is made
(b) Any <i>Treaty firm</i> that wishes to exercise a <i>Treaty right</i> to qualify for <i>authorisation</i> under Schedule 4 to the <i>Act</i> (Treaty rights) in respect of <i>regulated activities</i> for which it does not have an	(1) Where no certificate has been issued under paragraph 3(4) of Schedule 4 to the <i>Act</i> the fee payable is, in respect of a particular exercise, set out in <i>FEES</i> 3 Annex 1R, part 4 (2) Where a certificate in (i)	On or before the notice of exercise is given

<i>EEA right</i>	has been issued no fee is payable	
(c) Any applicant for a certificate under article 54 of the Regulated Activities Order	£2,000	On or before the application is made
(d) Applicants for an <i>authorisation order</i> for, or recognition of, a <i>collective investment scheme</i>	<i>FEES</i> 3 Annex 2R, part 1	On or before the application is made
(e) The <i>operator</i> of a scheme making a notification under section 264 or section 270 of the <i>Act</i>	<i>FEES</i> 3 Annex 2R, part 2	On or before the date the application is made
(f) Any <i>person</i> seeking an order under section 326(1) of the <i>Act</i> to become a <i>designated professional body</i> .	£10,000	30 days after the order is granted
(g) Any applicant for recognition as a <i>UK recognised body</i> under section 287 or section 288 of the <i>Act</i>	<i>FEES</i> 3 Annex 3R, part 1	On or before the date the application is made
(h) Any applicant for recognition as an <i>overseas recognised body</i> under section 287 or section 288 and section 292 of the <i>Act</i>	<i>FEES</i> 3 Annex 3R, part 2	On or before the date the application is made
(i) An applicant for <i>listing</i> (under the <i>listing rules</i>).	<i>FEES</i> 3 Annex 4R, part 1	On or before the date the application is made
(j) Applicant for approval as <i>sponsor</i> (under the <i>listing rules</i>)	<i>FEES</i> 3 Annex 4R, part 2	On or before the date the application is made
(k) Issuers of tranches from debt issuance programmes and <i>securitised derivative</i> tranches	<i>FEES</i> 3, Annex 4R, part 1	An upfront fee is required per tranche for draw downs in the following 12 <i>months</i>
(l) Under the <i>listing rules</i> , an <i>issuer</i> involved in specific events or transactions during	<i>FEES</i> 3, Annex 5R, part 1	On or before the date that relevant documentation is

the year where documentation is subject to a transaction vetting		first submitted to the <i>FSA</i>
(m) Under the <i>prospectus rules</i> , an <i>issuer</i> or <i>person</i> requesting approval or vetting of the documents arising in relation to specific events or transactions that it might be involved in during the year	<i>FEES</i> 3 Annex 5R, part 2	On or before the date that relevant documentation is first submitted to the <i>FSA</i>
(n) Applicants to be added to the list of <i>designated investment exchanges</i>	£50,000	On or before the date the application is made
(o) A <i>firm</i> applying for <i>guidance</i> on the availability of a <i>waiver</i> or concession in connection with future <i>rules</i> implementing the revised Basel Capital Accord (including any amendments)	(1) Unless (2) applies, <i>FEES</i> 3 Annex 6R (2) A <i>firm</i> submitting a second application for <i>guidance</i> described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under <i>FEES</i> 3 Annex 6R, but only in respect of that second application	On or before the date the application is made
(p) A <i>firm</i> applying for a variation of its <i>Part IV permission</i>	(1) Unless (2) applies, if the business of the <i>firm</i> will fall within one or more activity groups specified in Part 1 of <i>FEES</i> 4 Annex 1R not applicable before the grant of the variation (if the variation is granted), the fee is 50% of the highest of the tariffs set out in <i>FEES</i> 3 Annex 1R which apply to that application (2) If the A.12 activity group tariff applied to the <i>firm's</i> business before the variation and the A.13 activity group will apply after variation, no fee is payable	On or before the date the application is made

FEES 3 Annex 1R

Authorisation fees payable

[Insert the text in the existing AUTH 4, Annex 1R as amended in accordance with Annex E to this instrument.]

FEES 3 Annex 2R

Application and notification fees payable in relation to collective investment schemes

[Insert CIS 18 Annex 2R as amended in accordance with Annex I to this instrument]

FEES 3 Annex 3R

Application fees payable in connection with Recognised Investment Exchanges and Recognised Clearing Houses

[Insert REC 7, Annex 2R as amended in accordance with Annex M to this instrument]

FEES 3 Annex 4R

Application and tranche fees in relation to listing rules

[Insert LR App 2.1.1R, Annex 3 as amended in accordance with Annex N to this instrument]

FEES 3 Annex 5R

Document vetting and approval fees in relation to listing and prospectus rules

Part 1

[Insert LR App 2.1.1R, Annex 2, as amended in accordance with Annex N to this instrument]

Part 2

[Insert PR App 2.1.1R as amended in accordance with Annex O to this instrument]

FEES 3 Annex 6R

Fees payable for guidance on the availability of a waiver in connection with rules implementing Basel Capital Accord

[Insert SUP 20 Annex 4R as amended in accordance with Annex F to this instrument]

FEES 4 (Periodic fees)

4.1 Introduction

Application

4.1.1 R This chapter applies to every *person* set out in *FEES* 1.1.2R(2).

Purpose

4.1.2 G The purpose of this chapter is to set out the requirements on *firms* and others to pay periodic fees and transaction reporting fees in certain circumstances.

Background

4.1.3 G Most of the detail of the periodic fees that are payable by *firms* is set out in *FEES* 4 Annexes 1-8. Most of the provisions of the Annexes will vary from one financial year to another. Accordingly fresh *FEES* 4 Annexes will come into force, following consultation, for each financial year.

4.1.4 G (1) The periodic fees for *collective investment schemes* reflect the estimated costs to the *FSA* of considering proposals to change *regulated collective investment schemes*, maintaining up to date records about them, and related policy work.

(2) The provision of the Direct Reporting System and Transaction Reporting System facilities for *firms* reporting transactions under *SUP* 17 incurs costs to the *FSA*. These costs depend upon the amount the facility is used. Accordingly the income which the *FSA* receives from these transactions reporting fees will be set and accounted for separately from the fee-block tariffs, and are set out in *FEES* 4 Annex 3R.

4.1.5 G The *Society of Lloyd's*, which has *permission* under section 315(2) of the *Act* (The *Society*: authorisation and permission), has its own fee block.

4.1.6 G The *FSA* will allocate penalties received for the benefit of relevant fee payers by way of a permitted deduction specified in *FEES* Annex 2R, or in the case of listed issuers, as notified to issuers annually, for the relevant year.

4.1.7 G In the case of periodic fees for *firms*, fees are calculated individually for each *firm*, but they may be paid on a *group* basis, if the *group* so wishes.

4.2 Obligation to pay periodic fees

General

4.2.1 R A *person* shown in column (1) of the table in *FEES* 4.2.11R as the relevant fee payer must pay each periodic fee applicable to it, calculated in

accordance with the provisions referred to in column (2) of that table, as adjusted by any relevant provision in this chapter

- (1) in full and without deduction (unless permitted or required by a provision in *FEES*); and
- (2) on or before the date given in column (3) of that table, unless *FEES* 4.2.10R applies.

- 4.2.2 G (1) A relevant fee payer will be required to pay a periodic fee for every year during which they have the status in column 1 of the table in *FEES* 4.2.11R (or in relation to collective investment schemes, for every year during which it is a regulated collective investment scheme) subject to any reductions or exemptions applicable under this chapter. If a *person* is the relevant fee payer for more than one status listed in column 1 of the table in *FEES* 4.2.11R (or in relation to collective investment schemes, the relevant fee payer for more than one regulated collective investment scheme) he will be required to pay a fee in relation to each.
- (2) A *recognised body* may also have obligations to pay fees to the *FSA* 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).

- 4.2.3 G The *FSA* will issue invoices to *firms* and other fee payers and expects to do so at least 30 *days* before the dates on which payments fall due under *FEES* 4.2.1R.

Method of payment

- 4.2.4 R (1) Unless (2) applies, a periodic fee must be paid using one of the payment methods specified in the table below and must include the additional amounts or apply the discounts set out in that table.

Payment method	Additional amount or discount applicable
Direct debit	Discount of £20
Credit transfer (BACS/CHAPS)	Discount of £10
Cheque	None
Switch	None
Credit card (Visa/Mastercard only)	Additional 2% of sum paid

(2) The *FSA* does not specify a method of payment for a *recognised body* or a *designated professional body*.

- 4.2.5 G The *FSA* expects a *recognised body* or a *designated professional body* will

generally pay their respective fees by electronic credit transfer.

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

- 4.2.6 R (1) Unless (2) applies, if the event, as described in column 4 of the table in *FEES* 4.2.11R, giving rise to, or giving rise to an increase in, the fee payable in *FEES* 4.2.1R, occurs on or after 1 July of the relevant financial year, the periodic fee required under *FEES* 4.2.1R is modified for:
- (a) *firms* (other than *ICVCs* and *UCITS qualifiers*) in accordance with *FEES* 4.2.7R and *FEES* 4.2.8R;
 - (b) for all other fee payers in column (1) of the table in *FEES* 4.2.11R, in accordance with the table below.

Table

Period in which event (in column 4 of the table in <i>FEES</i> 4.2.11R) occurs	Proportion of periodic fee payable
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 31 March inclusive	25%

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

- 4.2.7 R A *firm* (other than and *ICVC* or *UCITS qualifier*) which becomes authorised, or whose *permission* is extended, during the course of the financial year must pay a fee which is calculated by:

- (1) identifying each of the tariffs set out in Part 1 of *FEES* 4 Annex 2R for the relevant financial year that apply to the *firm* only after the *permission* is received or extended, but ignoring:
 - (a) the A.13 activity group if, before the variation, the A.12 activity group applied to the *firm's* business; or
 - (b) the A.12 activity group if, before the variation, the A.13 activity group applied to the *firm's* business;
- (2) calculating the amount for each of those tariffs which is the higher of:
 - (a) the minimum fee specified for the tariff; and

(b) the result of applying the tariff to the projected valuation, for its first year (as provided to the *FSA* in the course of the *firm's* application), of the business to which the tariff relates (or, where relevant, the number of *approved persons* immediately after the *permission* is given);

(3) adding together the amounts calculated under (2); and

(4) modifying the result as indicated by the table in *FEES* 4.2.6R.

4.2.8 R In relation to an *incoming EEA firm* or an *incoming Treaty firm* the modification provisions of *FEES* 4.2.7R apply only in relation to the relevant *regulated activities* of the *firm* which are *passported activities* or *Treaty activities* and which are carried on in the *United Kingdom*.

Fee payers ceasing to hold relevant status or reducing the scope of their permission after start of relevant period

4.2.9 G The *FSA* will not refund periodic fees if, after the start of the period to which they relate:

(1) a fee payer ceases to have the status set out in column (1) of the table in *FEES* 4.2.11R; or

(2) a *firm* reduces its *permission* so that it then falls out of the fee-block previously applied to it,

(but see *FEES* 2.3 (Relieving Provisions) and *FEES* 4.3.13R (Firms Applying to Cancel or Vary Permission Before Start of Period)).

Extension of Time

4.2.10 R A *person* need not pay a periodic fee on the date on which it is due under the relevant provision in *FEES* 4.2.1R, if:

(1) that date falls during a period during which circumstances of the sort set out in *GEN* 1.3.2R (Emergencies) exist, and that *person* has reasonable grounds to believe that those circumstances impair its ability to pay the fee, in which case he must pay it on or before the fifth *business day* after the end of that period; or

(2) unless *FEES* 4.3.6R(3) or *FEES* 4.3.6R(4) (Time and method for payment) applies, that date would otherwise fall on or before the 30th *day* after the date on which the *FSA* has sent written notification to that *person* of the fee payable on that date, in which case he must pay on or before the 30th *day* after the date on which the *FSA* sends the notification.

4.2.11 R Table of periodic fees

1	2	3	4
Fee payer	Fee payable	Due date	Events occurring

			during the period leading to modified periodic fee
Any <i>firm</i> (except an <i>ICVC</i> or a <i>UCITS</i> <i>qualifier</i>)	As specified in <i>FEES</i> 4.3.1R	(1) Unless (2) applies, on or before the relevant dates specified in <i>FEES</i> 4.3.6R (2) If an event specified in column 4 occurs during the course of a financial year, 30 <i>days</i> after the occurrence of that event, or if later the dates specified in <i>FEES</i> 4.3.6R.	<i>Firm</i> receives <i>permission</i> ; or <i>Firm</i> extends <i>permission</i>
Any <i>firm</i> which reports its <i>reportable transactions</i> to the <i>FSA</i> using the <i>FSA's</i> Direct Reporting System or <i>FSA's</i> Transaction Reporting System (see <i>SUP</i> 17)	<i>FEES</i> 4 Annex 3R	(1) For transaction charges, the first working day of each <i>month</i> (2) For licence fees and enrolment charges, by the date set out on the relevant invoice	Not applicable
<i>Persons</i> who hold a certificate issued by the <i>FSA</i> under article 54 of the <i>Regulated Activities Order</i> (Advice given in newspapers etc.)	£1,000	(1) Unless (2) applies, on or before 30 April (2) If an event in column 4 occurs during the course of a financial year, 30 <i>days</i> after the occurrence of that event	Certificate issued to <i>person</i> by <i>FSA</i> under Article 54 RAO
Any <i>manager</i> of an <i>authorised</i> unit trust;	In relation to each unit trust the amount specified in <i>FEES</i> 4 Annex 4R		<i>Authorisation order</i> is made in relation to the relevant <i>scheme</i>
Any <i>ACD</i> of an <i>ICVC</i> ; and	In relation to each <i>ICVC</i> the amount specified in <i>FEES</i> 4 Annex 4R		

<i>Persons who, under the constitution or founding arrangements of a recognised scheme, is responsible for the management of the property held for or within the scheme;</i>	In relation to each <i>recognised scheme</i> the amount specified in <i>FEES 4 Annex 4R</i>		The relevant <i>scheme</i> becomes a recognised collective investment scheme
<i>Designated professional body</i>	<i>FEES 4 Annex 5R</i>	1 July or if payment is by instalments, by the due dates set out in <i>FEES 4 Annex 5R</i>	Not applicable
<i>UK recognised body</i>	<i>FEES 4 Annex 6R, part 1</i>	(1) Unless (2) applies, by the due dates set out in <i>FEES 4 Annex 6R, part 1</i> (2) If the event in column 4 occurs during the course of a financial year, 30 <i>days</i> after the occurrence of that event	<i>Recognition order</i> is made. Modified periodic fee: (1) for a <i>UK recognised investment exchange</i> , £150,000; (2) for a <i>UK recognised clearing house</i> , £250,000.
<i>Overseas recognised body</i>	<i>FEES 4 Annex 6R, part 2</i>	(1), unless (2) applies, 1 July. (2) If the event in column 4 occurs during the course of a financial year, 30 <i>days</i> after the occurrence of that event.	<i>Recognition order</i> is made. Modified periodic fee: (1) for an <i>overseas investment exchange</i> , £10,000; (2) for a <i>overseas clearing house</i> , £35,000.
<i>Listed issuers (in LR) of shares, depositary receipts and securitised derivatives (in LR).</i>	<i>FEES 4 Annex 7R</i>	Within 30 <i>days</i> of the date of the invoice	<i>Issuer (in LR)</i> becomes subject to <i>listing rules</i>

<i>Sponsors</i>	£10,000	Within 30 <i>days</i> of the date of the invoice	Approval of <i>sponsor</i>
All non-listed <i>issuers</i> (in <i>DR</i>) of <i>shares</i> , depository receipts and securitised derivatives.	<i>FEES</i> 4 Annex 8R	Within 30 <i>days</i> of the date of the invoice	Non-listed <i>issuer</i> (in <i>DR</i>) becomes subject to <i>disclosure rules</i>

4.3 Periodic fee payable by *firms* (other than *ICVCs* and *UCITS qualifiers*)

4.3.1 R The periodic fee payable by a *firm* (except an *ICVC* or a *UCITS qualifier*) is:

- (1) each periodic fee applicable to it calculated in accordance with *FEES* 4.3.3R, using information obtained in accordance with *FEES* 4.4; less
- (2) any deductions from the periodic fee specified in Part 2 of *FEES* 4 Annex 2R.

4.3.2 G (1) The amount payable by each *firm* will depend upon the category (or categories) of *regulated activities* it is engaged in (fee-blocks), and on the amount of business it conducts in each category (tariff base). The fee-blocks and tariffs are identified in *FEES* 4 Annex 1R, while *FEES* 4 Annex 2R sets out the tariff rates for the relevant financial year.

- (2) *Incoming EEA firms* and *incoming Treaty firms* receive a discount to reflect the reduced scope of the *FSA's* responsibilities in respect of them. The level of the discount varies from fee-block to fee-block, according to the division of responsibilities between the *FSA* and *Home state regulators* for *firms* in each fee-block (see *FEES* 4.3.11G and *FEES* 4.3.12R).

4.3.3 R Calculation of periodic fee

The periodic fee referred to in *FEES* 4.3.1R is (except in relation to the *Society*) calculated as follows:

- (1) identify each of the tariffs set out in Part 1 of *FEES* 4 Annex 2R which apply to the business of the *firm* for the period specified in that annex;
- (2) for each of those tariffs, calculate the sum payable in relation to the business of the *firm* for that period, applying any minimum fee discount as may be applicable (see *FEES* 4.3.16R);
- (3) add together the amounts calculated under (2); and

- (4) apply any applicable payment charge or discount specified in *FEES* 4.2.4R, provided that:
 - (a) for payment by direct debit, successful collection of the amount due is made at the first attempt by the *FSA*; or
 - (b) for payment by credit transfer, the amount due is received by the *FSA* on or before the due date.

Modification for firms with new or extended permissions

- 4.3.4 G (1) A *firm* which becomes authorised during the course of a financial year will be required to pay a proportion of the periodic fee which reflects the proportion of the year for which it will have a *permission* - see *FEES* 4.2.5R and *FEES* 4.2.6R
- (2) Similarly a *firm* which extends its *permission* so that its business then falls within additional fee blocks will be required to pay a further periodic fee under this section for those additional fee blocks, but discounted to reflect the proportion of the year for which the *firm* has the extended permission - see *FEES* 4.2.6R and *FEES* 4.2.7R.
- (3) These provisions apply (with some changes) to *incoming EEA firms* and *incoming Treaty firms*.

Amount payable by the Society of Lloyd's

- 4.3.5 R The periodic fee referred to in *FEES* 4.3.1R in relation to the *Society* is specified against its name in *FEES* 4 Annex 2R.

Time of payment

- 4.3.6 R (1) If the *firm's* periodic fee for the previous financial year was at least £50,000, the *firm* must pay:
- (a) an amount equal to 50% of the periodic fee payable for the previous year, by 30 April in the financial year to which the sum due under *FEES* 4.2.1R relates; and
 - (b) the balance of the periodic fee due for the current financial year by 1 September in the financial year to which that sum relates.
- (2) If the *firm's* periodic fee for the previous financial year was less than £50,000, the *firm* must pay the periodic fee due in full by 1 July in the financial year to which that sum relates.
- (3) If a *firm* has applied to cancel its *Part IV permission* in the way set out in SUP 6.4.5R (Cancellation of permission), then (1) and (2) do not apply but it must pay the total amount due when the application

is made.

- (4) If the *FSA* has exercised its *own-initiative powers* to cancel a *firm's Part IV permission* in the way set out in *ENF 5* (Cancellation of Part IV permission on the *FSA's* own initiative), then (1) and (2) do not apply but the *firm* must pay the total amount due immediately before the cancellation becomes effective.

Groups of firms

4.3.7 R A *firm* which is a member of a *group* may pay all of the amounts due from other *firms* in the same *group* under *FEES 4.2.1R*, if:

- (1) it notifies the *FSA* in writing of the name of each other *firm* within the *group* for which it will pay; and
- (2) it pays the fees, in accordance with this chapter, as a single amount as if that were the amount required from the *firm* under *FEES 4.2.1R*.

4.3.8 G A notification under *FEES 4.3.7R* (1) should be made in accordance with *SUP 15.7* (Form and method of notification).

4.3.9 G If the payment made does not satisfy in full the periodic fees payable by all of the members of the *group* notified to the *FSA* under *FEES 4.3.7R*, the *FSA* will apply the sum received among the *firms* which have been identified in the notification given under *FEES 4.3.7R* (1) in proportion to the amounts due from them. Each *firm* will remain responsible for the payment of the outstanding balance attributable to it.

4.3.10 G If a *firm* pays its fees through an agent outside the scope of *FEES 4.3.7R*, the *firm* is responsible for ensuring that the *FSA* is informed that the sum being paid is for that *firm's* periodic fees.

Incoming EEA firms and incoming Treaty firms

4.3.11 G The *FSA* recognises that its responsibilities in respect of an *incoming EEA firm* or of an *incoming Treaty firm* are reduced compared with a *firm* which is incorporated in the *United Kingdom*. Accordingly the periodic fees which would otherwise be applicable to *incoming EEA firms* and *incoming Treaty firms* are reduced.

4.3.12 R For an *incoming EEA firm* or an *incoming Treaty firm*, the calculation required by *FEES 4.3.3R* is modified as follows:

- (1) the tariffs set out in Part 1 of *FEES 4 Annex 2R* are applied only to the *regulated activities* of the *firm* which are carried on in the *United Kingdom*; and
- (2) those tariffs are modified in accordance with Part 3 of *FEES 4 Annex 2R*.

Firms Applying to Cancel or Vary Permission Before Start of Period

- 4.3.13 R (1) If:
- (a) a *firm* makes an application to vary its *permission* (by reducing its scope), or cancel it, in the way set out in *SUP* 6.3.15D(3) (Variation of permission) and 6.4.5D (Cancellation of permission); and
 - (b) the *firm* makes the application referred to in (a) before the start of the period to which the fee relates;

FEES 4.2.1R applies to the *firm* as if the relevant variation or cancellation of the *firm's permission* took effect immediately before the start of the period to which the fee relates.

- (2) But (1) does not apply if, due to the continuing nature of the business, the variation or cancellation is not to take effect within three *months* of the start of the period to which the fee relates.

- 4.3.14 G Where a *firm* has applied to cancel its *Part IV permission*, or the *FSA* has exercised its *own-initiative powers* to cancel a *firm's Part IV permission*, the due dates for payment of periodic fees are modified by *FEES* 4.3.6R(3) and *FEES* 4.3.6R(4) respectively.

Firms acquiring businesses from other firms

- 4.3.15 R (1) This *rule* applies if a *firm* (A) acquires all or a part of the business of another *firm* (B), whether by merger, acquisition of goodwill or otherwise, in relation to which a periodic fee would have been payable by B.
- (2) If, before the date on which A acquires the business, B had paid any periodic fee payable for the period in which the acquisition occurred, *FEES* 4.2.6R to *FEES* 4.2.7R do not apply to A in relation to the business acquired from B.
 - (3) If the acquisition occurs after the valuation date applicable to the business (as set out in *FEES* 4 Annex 1R) which A acquired from B, for the period following that in which the acquisition occurred, *FEES* 4.2.1R applies to A, in relation to that following period, as if the acquisition had occurred immediately before the relevant valuation date.

Minimum fee discount

- 4.3.16 R (1) A *firm* (other than a *firm* in (2) or a *credit union*) in more than one fee block must pay at least 50% of the total minimum fee payable in any fee block in which it is a minimum fee payer.
- (2) A *firm* (other than a *credit union*) liable to pay only minimum fees in

each fee block it is in must pay 100% of the highest total minimum fee payable within any one fee block and must pay at least 50% of the total minimum fee payable in any other fee blocks in which it is a minimum fee payer.

- (3) A *credit union* in more than one fee block must pay at least 50% of the total minimum fee payable in any fee block, other than fee block A.1, in which they are a minimum fee payer.

4.4 Information on which Fees are calculated

- 4.4.1 R A *firm* (other than the *Society*) must notify to the *FSA* the value (as at the valuation date specified in Part 3 of *FEES* 4 Annex 1R) of each element of business on which the periodic fee payable by the *firm* is to be calculated.
- 4.4.2 R A *firm* (other than the *Society*) must send to the *FSA* in writing the information required under *FEES* 4.4.1R as soon as reasonably practicable, and in any event within two *months*, after the date specified as the valuation date in Part 3 of *FEES* 4 Annex 1R.
- 4.4.3 R To the extent that a *firm* has provided the information required by this section to the *FSA* as part of its compliance with another provision of the *Handbook*, it is deemed to have complied with the provisions of this section.
- 4.4.4 G In most cases a *firm* will provide the information required by this section as part of its compliance with the provisions of *SUP*. To the extent that the *FSA* does not obtain sufficient, or sufficiently detailed, information it may seek this by using its general information gathering powers (see *SUP* 2 (Information gathering by the *FSA* on its own initiative)).
- 4.4.5 R For an *incoming EEA firm* or an *incoming Treaty firm*, the information required under *FEES* 4.4 is limited to the *regulated activities* of the *firm* which are carried on in the *United Kingdom*.

FEES 4 ANNEXES

FEES 4 Annex 1R

Activity groups, tariff bases and valuation dates applicable

[Insert SUP 20 Ann 1R as amended in accordance with Annex F to this instrument]

FEES 4 Annex 2R

Fee tariff rates, permitted deductions and EEA/Treaty firm modifications for the period from 1 April 2005 to 31 March 2006

[Insert SUP 20 Ann 2R as amended in accordance with Annex F to this instrument]

FEES 4 Annex 3R

Transaction reporting fees

[Insert SUP 20 Ann 3R as amended in accordance with Annex F to this instrument]

FEES 4 Annex 4R

Periodic fees in relation to collective investment schemes payable for the period 1 April 2005 to 31 March 2006

[Insert CIS 18 Annex 1R as amended in accordance with Annex I to this instrument]

FEES 4 Annex 5R

Periodic fees for designated professional bodies payable in relation to the period 1 April 2005 to 31 March 2006

[Insert PROF Annex 1R as amended in accordance with Annex L to this instrument]

FEES 4 Annex 6R

Periodic fees for recognised investment exchanges and recognised clearing houses payable in relation to the period 1 April 2005 to 31 March 2006

[Insert REC Annex 1R as amended in accordance with Annex M to this instrument]

FEES 4 Annex 7R

Periodic fees in relation to the Listing Rules for the period 1 April 2005 to 31 March 2006

[Insert LR App 2.1.1R as amended in accordance with Annex N to this instrument]

FEES 4 Annex 8R

Periodic fees in relation to the disclosure rules for the period 1 April 2005 to 31 March 2006

[Insert DR 1 as amended in accordance with Annex P to this instrument]

FEES 5 (Financial Ombudsman Service Funding)

5.1 Application and Purpose

Application

5.1.1 R This chapter applies to:

- (1) every *firm* which is subject to the *Compulsory Jurisdiction* of the *Financial Ombudsman Service*; and
- (2) every other *person* who is subject to the *Compulsory Jurisdiction* in relation to *relevant complaints*.

- 5.1.2 G The relevant provisions of *FEES 5* are applied to *VJ participants* by the *standard terms* (see *DISP 4*).

References in this chapter to "*firms*" are to be construed, where relevant, as including:

- 5.1.3 G (1) in accordance with the *Ombudsman Transitional Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant complaints* (see Transitional Provisions 6 and 7 of *DISP*); and
- (2) as a result of section 226 of the *Act*, *unauthorised persons* who were formerly *firms* in respect of complaints about acts or omissions which occurred at the time when they were *firms*, provided that the *Compulsory Jurisdiction* rules were in force in relation to the activity in question.

Exemption

- 5.1.4 R A *firm* which is exempt under *DISP 1.1.7R* is also exempt from *FEES 5.1* to *FEES 5.7*.
- 5.1.5 R A *firm* which ceases to be exempt under *FEES 5.1.4R* is to be treated, for the purposes of its contribution to the *general levy*, as a *firm* to which *FEES 5.8* applies.
- 5.1.6 R A *firm* which becomes exempt under *FEES 5.1.4R* during the course of a *financial year* is to be treated for the purposes of its contribution to the *general levy*, as a *firm* to which *FEES 5.9* applies.

Purpose

- 5.1.7 G The purpose of this chapter is to set out the requirements on *firms* to pay annual fees (through a *general levy* and *supplementary levy* invoiced and collected by the *FSA* on behalf of *FOS Ltd*) and case fees (invoiced and collected directly by *FOS Ltd*) in order to fund the operation of the *Financial Ombudsman Service*. This chapter also contains a requirement on *firms* to pay a *supplementary levy* towards the costs of establishing the *Financial Ombudsman Service*. It also provides for *unauthorised persons* to pay case fees to *FOS Ltd* in respect of any *relevant complaints* which it handles.

5.2 Introduction

- 5.2.1 G Paragraph 9 of Schedule 17 to the *Act* (The Ombudsman Scheme) requires *FOS Ltd* to adopt an *annual budget* which has been approved by the *FSA*. The *annual budget* must distinguish between the costs of operating the *Compulsory Jurisdiction* and the *Voluntary Jurisdiction*.

- 5.2.2 G Section 234 of the *Act* (Industry Funding) enables the *FSA* to require the payment to it or to *FOS Ltd*, by *firms* or any class of *firm*, of specified amounts (or amounts calculated in a specified way) to cover the costs of:
- (1) the *Financial Ombudsman Service*; and
 - (2) its operation in relation to the *Compulsory Jurisdiction*.
- 5.2.3 G Paragraph 15 of Schedule 17 to the *Act* enables *FOS Ltd* to require *firms* subject to the *Compulsory Jurisdiction* and any other respondents to a complaint to pay specified fees to it in respect of complaints closed by the *Financial Ombudsman Service*.
- 5.2.4 G The *Ombudsman Transitional Order* provides for *unauthorised persons* to be charged fees in respect of any *relevant complaints* against them which the *Financial Ombudsman Service* handles.
- 5.2.5 G Paragraph 18 of Schedule 17 to the *Act* enables *FOS Ltd* to require *VJ participants* to pay to it such amounts at such times as it specifies in the *standard terms*.
- 5.2.6 G The relevant provisions of the rules in *FEES 5* and *FEES 2* will be applied to *VJ participants* through the *standard terms* made by *FOS Ltd* under paragraph 18 of Schedule 17 to the *Act* (see *DISP 4*).
- 5.2.7 G This chapter sets out the framework for the funding arrangements of the *Financial Ombudsman Service*, including the method by which fees will be calculated. Details of the actual fees payable will vary from year to year, depending on the *annual budget* of the *Financial Ombudsman Service*. These details will be set out in an annex to this chapter (*FEES 5 Annex 1R*). A new annex will be prepared and consulted on for each *financial year*.
- 5.3 The general levy
- 5.3.1 G Each *financial year*, the *FSA* and *FOS Ltd* will consult on the amount of the annual budget of the *Financial Ombudsman Service* which is to be raised by 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 1R* depending on the business activities which it conducts.
- 5.3.3 G The *FSA* 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 5.5.3R* to *FEES 5.5.5G*).

- 5.3.4 G Part 2 of *FEES 5 Annex 1R* sets out the fee tariffs for each *industry block*.
- 5.3.5 G The *FSA* will specify a *minimum levy* for *firms* in each *industry block*.
- 5.3.6 R A *firm* must pay to the *FSA* a *general levy* towards the costs of operating the *Compulsory Jurisdiction* of the *Financial Ombudsman Service*.
- 5.3.7 G Under the *standard terms*, *VJ participants* will be required to pay to *FOS Ltd* an amount calculated on a similar basis towards the costs of operating the *Voluntary Jurisdiction* of the *Financial Ombudsman Service*. *FOS Ltd* will be responsible for invoicing and collecting this amount.
- 5.3.8 R A *firm's general levy* is calculated as follows:
- (1) identify each of the tariff bases set out in Part 2 of *FEES 5 Annex 1R* which apply to the *relevant business* of 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;
 - (3) add together the amounts calculated under (2).
- 5.3.9 R For the purpose of *FEES 5.3.6R* and *FEES 5.3.8R*, a *member* of the *Society of Lloyd's* or a *managing agent* at *Lloyd's* will not in that capacity be treated as a *firm*. But the *Society of Lloyd's* will pay a *general levy* in respect of *Lloyd's insurance business* conducted with *eligible complainants*.
- 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 Part 2 of *FEES 5 Annex 1R*, are references to the *firm's* total amount of annual income reported in accordance with Part 2 of *FEES 4*.

5.4 Information requirement

- 5.4.1 R
- (1) A *firm* must provide the *FSA* 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 *FSA*) with a statement of the total amount of *relevant business* (measured in accordance with the appropriate tariff base(s)) which it conducted, as at or in the year to 31 December of the previous year as appropriate, in relation to the tariff base for each of the relevant *industry blocks* set out in part 2 of *FEES 5 Annex 1R*.
 - (2) Paragraph (1) does not apply if the *firm* pays a *general levy* on a flat fee basis only.
 - (3) If a *firm* cannot provide a statement of the total amount of *relevant business* as required by *FEES 5.4.1R*, it must provide the best estimate of the amount of *relevant business* that it conducted.

- (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 part 2 of *FEES* 5 Annex 1R, are references to the *firm's* total amount of annual income reported in accordance with Part 2 of *FEES* 4 Annex 1R.
- (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 (but not if it is already subject to an administrative fee under *FEES* 4 Annex 2R, Part 1 or *FEES* 6.5.16R for the same *financial year*); and
- (b) the *general levy* and any supplemental levy will be calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10 (or, if a *firm* has become subject to the *Financial Ombudsman Service* part way through the *financial year*, on the basis of the information provided to *FSA* for the purposes of *FEES* 4.4.2R) or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known.
- 5.4.2 G Failure to submit a statement in accordance with the *rules* in this chapter may also lead to the imposition of a financial penalty and other disciplinary sanctions (see *ENF* 13.5).
- 5.4.3 G *SUP* 16.3 (General provisions on reporting) contains further *rules* on the method of submission of reports under *FEES* 5.4.1R.
- 5.4.4 G A *firm* should not provide a statement of *relevant business* if it deals only with *eligible complainants* who are not private individuals. *Relevant business* is defined in the *Glossary* as business done with private individuals only. So *FEES* 5.4.1R does not apply in relation to business done with other types of *eligible complainant* described in *DISP* 2.4.3R(1)(b), (c) and (d); the funding of *FOS Ltd* in relation to that business is by special case fee only (see *FEES* 5.5.6R).
- 5.5 Case fees
- Standard case fee
- 5.5.1 R A *firm* must pay to *FOS Ltd* the standard case fee specified in part 3 of *FEES* 5 Annex 1R in respect of each *chargeable case* relating to that *firm* which is closed by the *Financial Ombudsman Service*, unless a special case fee is payable or has been paid in respect of that case under *FEES* 5.5.6R to

FEES 5.5.12R.

- 5.5.2 G The standard case fee, which will be subject to consultation each year, will be calculated by dividing the *annual budget* for the *Compulsory Jurisdiction*, less the amount to be raised by the *general levy*, by the estimated number of *chargeable cases* which the *Financial Ombudsman Service* expects to close in the relevant *financial year*.
- 5.5.3 R A *credit union* which is subject to the *minimum levy* in an *industry block* is not required to pay a standard case fee in respect of *chargeable cases* relating to that *industry block*.
- 5.5.4 R Any *firm* falling into either *industry block 13* or *industry block 15* in part 2 of *FEES 5 Annex 1R* is not required to pay the standard case fee in respect of *chargeable cases* relating to those *industry blocks*.
- 5.5.5 G The *firms* in *industry blocks 13* and *15* are cash plan health providers and small *friendly societies*. These arrangements have been made in respect of these *firms* to take account of the fact that the amount at issue is likely to be small relative to the case fee. Instead, the full unit cost of handling complaints against these *firms* will be recovered through the *general levy* in accordance with the relevant tariff-base and no case fee will be payable. Similar arrangements have been made under *FEES 5.5.3R* in respect of small *credit unions*.

Special case fees: complaints from small businesses

- 5.5.6 R A *firm* must pay to *FOS Ltd* a special case fee, as specified in part 3 of *FEES 5 Annex 1R* in respect of each *chargeable case* relating to that *firm* closed by the *Financial Ombudsman Service* which was referred to the *Financial Ombudsman Service* by *eligible complainants* who fall within *DISP 2.4.3R(1)(b), (c) or (d)*.

Special case fees: firms which cease to be authorised

- 5.5.7 R A *firm* which ceases to be *authorised* must pay to *FOS Ltd* a special case fee, as specified in part 3 of *FEES 5 Ann 1R*, in respect of each *chargeable case* relating to that *firm* closed by the *Financial Ombudsman Service* which concerned an act or omission occurring when the *firm* was *authorised* and where the complaint was made after its *authorisation* ceased.

Special case fees: relevant complaints against persons who were subject to a former scheme

- 5.5.8 R An *unauthorised person* who is subject to the *Compulsory Jurisdiction* in relation to a *relevant complaint* must pay to *FOS Ltd* a special case fee as specified in part 3 of *FEES 5 Annex 1R* in respect of each *chargeable case* relating to that *unauthorised person* closed by the *Financial Ombudsman Service*.
- 5.5.9 G Under the *Ombudsman Transitional Order*, *FOS Ltd* can handle complaints about *members* of a *former scheme* which that scheme could have handled before *commencement*, even if the *unauthorised person* concerned does not

become *authorised* by the *FSA* after that date. Where *FOS Ltd* handles such complaints, the *unauthorised person* concerned will be required to pay a special case fee.

Special case fees for 2001/02

- 5.5.10 R A *firm* which was a *member* of *PIA* before *commencement* must pay to *FOS Ltd* a special case fee, as specified in *FEES 5 Annex 1R*, in respect of each *chargeable case* relating to that firm received by the *Financial Ombudsman Service* after *commencement* and before 31 March 2002.
- 5.5.11 R *FEES 5.5.10R* does not apply in relation to a *chargeable case* which relates to a complaint which proceeded or would have proceeded under a *former scheme* other than the *PIAOB* scheme.
- 5.5.12 R A *firm* which was not a *member* of a *former scheme* before the *commencement day* must pay to *FOS Ltd* a special case fee, as specified in *FEES 5 Annex 1R*, in respect of each *chargeable case* which relates to business conducted by the firm after the *commencement day* and which is closed by the *Financial Ombudsman Service* before 31 March 2002.
- 5.5.13 G The relevant provisions of *FEES 5.5* will be applied to *VJ participants* through the *standard terms*.
- 5.5.14 G A *firm* which was, before *commencement*, a *member* of *PIA* and a *former scheme* other than the *PIAOB* scheme will not, on account of the exclusion in *FEES 5.5.11R*, be required to pay the special case fee specified by *FEES 5.5.10R* in respect of all *chargeable cases* relating to it but only those which arise in respect of investment business matters which would have been eligible under the *PIAOB* scheme.

Case fee exemption

- 5.5.15 R Notwithstanding the above, a *firm* will only be liable for, and *FOS* will only invoice for, the standard case fee or, as the case may be, the special case fee, in respect of the third and subsequent *chargeable cases* in any *financial year*.

5.6 The supplementary levy

- 5.6.1 G For the purposes of calculating the *supplementary levy*, the *FSA* will apportion the *establishment costs* between the *industry blocks* in the same proportions as the operating costs for the purposes of the *general levy*. The *supplementary levy* will therefore be raised from *firms* on the same basis and at the same time as the *general levy* (see part 2 of *FEES 5 Annex 1R*).
- 5.6.2 G The *establishment costs* will be recovered via the *supplementary levy* over the first three full *financial years* of the *Financial Ombudsman Service's* operation.

- 5.6.3 G The amount of *establishment costs* to be raised each year through the *supplementary levy* will be specified in part 2 of *FEES 5 Annex 1R*.
- 5.6.4 G The *supplementary levy* will be identified separately from the *general levy* for the purposes of invoicing *firms* and *VJ participants*.
- 5.6.5 R A *firm* must pay to the *FSA* a *supplementary levy* towards the costs of establishing the *Financial Ombudsman Service*.
- 5.6.6 R A *firm's supplementary levy* is a sum payable in accordance with the fee tariffs set out in part 2 of *FEES 5 Ann 1R* and will be calculated by following the steps set out in *FEES 5.3.8R*.
- 5.6.7 G Under the *standard terms*, *VJ participants* will also be required to pay an amount calculated on a similar basis towards the costs of establishing the *Voluntary Jurisdiction* of the *Financial Ombudsman Service*.

5.7 Payment

- 5.7.1 R A *firm* must pay annually to the *FSA* the *general levy* and any *supplementary levy* to which it is subject, on or before the later of 1 April and 30 calendar *days* after the date when the invoice is issued by the *FSA*.
- 5.7.2 R A *firm* must pay to *FOS Ltd* any standard case fee or special case fee which it is liable to pay under *FEES 5.5.1R*, *FEES 5.5.6R*, *FEES 5.5.7R*, *FEES 5.5.8R*, *FEES 5.5.10R*, or *FEES 5.5.12R*, as appropriate, in respect of *chargeable cases* for which it is invoiced by *FOS Ltd* within 30 calendar *days* of the date when the invoice is issued by *FOS Ltd*.
- 5.7.3 R A *firm* or an *unauthorised person* who is subject to the *Compulsory Jurisdiction* in relation to a *relevant complaint* must pay any standard case fee or special case fee within 30 calendar *days* of the date when the invoice is issued by *FOS Ltd*.
- 5.7.4 R A *firm* liable to pay fees under *FEES 5.7.1R* must do so using one of the methods set out in *FEES 4.2.4R* save that no additional amount or discount is applicable.

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* and the *supplementary levy* as indicated in Table *FEES 4.2.6R*, as if that table applied to the quarter in which a *firm* becomes subject to the *Financial Ombudsman Service*.

5.9 Leaving the Financial Ombudsman Service

- 5.9.1 R Where a *firm* ceases to be *authorised* part way through a *financial year*:
- (1) it will remain liable to pay standard case fees in respect of *chargeable cases* against it closed by the *Financial Ombudsman Service* for the remainder of that *financial year*; and
 - (2) it must pay the special case fee specified under *FEES 5.5.7R* in respect of any other *chargeable cases* against it closed by the *Financial Ombudsman Service*.
- 5.9.2 G *Firms* which cease to be *authorised* and therefore subject to the *Compulsory Jurisdiction* part way through the year will not receive a refund of their *general levy* (or *supplementary levy*) except in exceptional circumstances. *Firms* will continue to be liable for any case fees relating to *chargeable cases* closed by the *Financial Ombudsman Service* after they cease to be *authorised*. *Firms* will be charged the standard case fee where the complaint was closed by the *Financial Ombudsman Service* before the end of the year in which their *authorisation* ceased. The special case fee will apply to any complaint closed after the end of that year since the *firm* will no longer be contributing to the *general levy*.

FEES 5 Ann 1R: Annual Fees Payable in Relation to 2005/06

[Insert DISP 5 Ann 1R as amended in accordance with Annex F to this instrument]

FEES 6 (Financial Services Compensation Scheme Funding)

Application

- 6.1.1 R This chapter applies to:
- (1) every *participant firm*;
 - (2) the *FSCS*; and
 - (3) the *Society*.
- 6.1.2 G (1) *Firms* which are not *participant firms* (such as certain types of *incoming EEA firms*, service companies and *ICVCs*) are not required to contribute towards the funding of the *compensation scheme*.

- G (2) Although a *member* is a *participant firm* for the purposes of most provisions of *COMP*, a *member* is excluded from the definition of *participant firm* for the purposes of FEES 6 (see definition of *participant firm* in *Glossary*). This is because the fees levied in relation to the carrying on of *insurance market activities* by *members* will be imposed on *Society* rather than individually on each *member* (see *FEES* 6.3.24R).

Purpose

- 6.1.3 G The purpose of this chapter is to set out the requirements on *participant firms* to pay levies imposed by the *FSCS* to provide funding for its functions.

General structure

- 6.1.4 G Section 213(3)(b) of the *Act* requires the *FSA* to make *rules* to enable the *FSCS* to impose levies on *authorised persons* in order to meet its expenses. These expenses include in particular expenses incurred, or expected to be incurred, in paying compensation, borrowing or insuring risks.
- 6.1.5 G The *FSCS* may impose two types of levy: a *management expenses levy*, and a *compensation costs levy*. In the first three full years of the operation of the *compensation scheme*, the *FSCS* may impose an *establishment costs levy* as part of a *management expenses levy*. The *FSCS* has discretion as to the timing of the levies imposed.
- 6.1.6 G In calculating a *compensation costs levy*, the *FSCS* may include anticipated *compensation costs* for defaults expected to be determined in the 12-month period following the date of the levy. The total of all *management expenses levies* attributable to a financial year will be restricted to the amount set out on an annual basis in *FEES* 6 Ann 1R.
- 6.1.7 G In order to allocate a share of the amount to be funded by an individual *participant firm*, the funding arrangements are split into five *sub-schemes*: the accepting deposits *sub-scheme*; the insurance business *sub-scheme*; the designated investment business *sub-scheme*; the mortgage advice and arranging *sub-scheme* and the general insurance mediation *sub-scheme*. The business carried on by a *participant firm* determines into which *sub-scheme*, or *sub-schemes*, it falls.
- 6.1.8 G Within each *sub-scheme* there are one or more *contribution groups*. These relate to different types of activity carried on by *participant firms* within each *sub-scheme*. Within a *sub-scheme*, individual *participant firms* are allocated for funding purposes to one or more *contribution groups*, depending on their business activities. This meets a requirement of section 213(5) of the *Act* that the *FSA*, in making rules to enable the *FSCS* to impose levies, must take account of the desirability of ensuring that the amount of the levies imposed on a particular class of *authorised person* reflects, so far as practicable, the amount of claims made, or likely to be made, in respect of that class of person.

The management expenses levy

- 6.1.9 G Section 223 of the *Act* (Management expenses) prevents the *FSCS* from recovering, through a levy, any *management expenses* attributable to a particular period in excess of the limit set in *COMP* as applicable to that period. 'Management expenses' are defined in section 223(3) to mean expenses incurred or expected to be incurred by the *FSCS* in connection with its functions under the *Act*, except:
- (1) expenses incurred in paying compensation; and
 - (2) expenses incurred as a result of the *FSCS* making the arrangements to secure continuity of insurance set out in *COMP* 3.3.1R and *COMP* 3.3.2R or taking the measures set out in *COMP* 3.3.3R and *COMP* 3.3.4R when a *relevant person* is an *insurer* in financial difficulties.
- 6.1.10 G A *management expenses levy* under *COMP* may consist of three elements. The first is a *base costs levy*, for the base costs of running the *compensation scheme* in a financial year, that is, costs which are not dependent upon the level of activity of the *compensation scheme* and which therefore are not referable to any specific default. Included in this category are items such as the salary of the members of the board of the *FSCS*, the costs of the premises which the *FSCS* occupies, and its audit fees. The amount that each *participant firm* pays towards a *base costs levy* is calculated by reference to the *regulatory costs* paid by the *firm*. All *participant firms* are liable to contribute towards a *base costs levy*.
- 6.1.11 G The second element of a *management expenses levy* is a *specific costs levy* for the "specific costs" of running the *compensation scheme* in a financial year. These costs depend on the number of claims and types of default, and include the salaries of the staff of the *FSCS* and legal and other professional fees paid in respect of particular defaults. The specific costs are allocated to the *contribution group* or groups of which the *relevant person in default* was a member, or which is responsible for those costs under *COMP*, on the basis of the *protected claims* against that *person*. The *FSCS* may include in a *specific costs levy* the specific costs that the *FSCS* expects to incur (including in respect of defaults not yet declared at the date of the levy) during the financial year of the *compensation scheme* to which the levy relates. The amount that each *participant firm* pays towards the *specific costs levy* is calculated by reference to the amount of business conducted by the *firm* in each of the *contribution groups* to which the *FSCS* has allocated specific costs. Each *contribution group* has a separate "tariff base" for this purpose, set out in *FEES* 6.5.8R to *FEES* 6.5.11R. *Participant firms* may be exempt from contributing to the *specific costs levy*.
- 6.1.12 G The third element of a *management expenses levy* is the costs of establishing the *FSCS*. The *FSCS* may impose an *establishment costs levy* only until the end of the third full financial year of operation of the *compensation scheme*. The amount that each *participant firm* pays towards the *establishment costs levy* is calculated on the same basis as the *base costs levy*, and all *participant firms* are liable to contribute.

- 6.1.13 G The *FSA* intends to consult in January each year on the amount which it will set as the limit on the *management expenses* attributable to the forthcoming financial year of the *FSCS*.

The compensation costs levy

- 6.1.14 G The *compensation costs levy* is made up of the *compensation costs* which the *FSCS* has incurred and has not yet recovered from *participant firms* (less any recoveries it has made using the rights that have been assigned to it), together with those *compensation costs* it expects to incur (including in respect of defaults yet to be declared) over the 12 *months* following the date of the levy.
- 6.1.15 G *Compensation costs* are principally the costs incurred in paying compensation. Costs incurred in securing continuity of long-term insurance in safeguarding *eligible claimants* when insurers are in financial difficulties, and in making payments or giving indemnities under *COMP* 11.2.3R are also treated as *compensation costs*. For funding purposes, these costs are allocated by the *FSCS*, and met by *participant firms*, in the same way as *specific costs*: see *FEES* 6.5.6R
- 6.1.16 G If a *participant firm* is a member of more than one *contribution group*, the total *compensation costs levy* and *specific costs levy* for that *firm* will be the aggregate of the individual levies calculated for the firm in respect of each of the *contribution groups*.

Incoming EEA firms

- 6.1.17 G *Incoming EEA firms* which obtain cover or 'top up' under the provisions of *COMP* 14 are *firms* whose *Home State* scheme provides no or limited compensation cover in the event that they are determined to be in default. Under *FEES* 6.6, the *FSCS* is required to consider whether *incoming EEA firms* should receive a discount on the amount that they would otherwise pay as their share of the levy, to take account of the availability of their *Home State* cover. The amount of any discount is recoverable from the other members of the *incoming EEA firm's contribution group*.

6.2 Exemption

- 6.2.1 R (1) A *participant firm* which does not conduct business that could give rise to a *protected claim* by an *eligible claimant* and has no reasonable likelihood of doing so is exempt from a *specific costs levy*, or a *compensation costs levy*, or both, provided that:
- (a) it has notified the *FSCS* in writing that those conditions apply; and
 - (b) the conditions in fact continue to apply.
- (2) The exemption takes effect from the date on which the notice was received by the *FSCS*, subject to *FEES* 6.2.6R.

- 6.2.2 R *FEES* 6.2.1R does not apply to a *participant firm* that may be subject to a claim under *COMP* 3.2.4R.
- 6.2.3 G A *participant firm* to which *FEES* 6.2.2R applies must report *annual eligible income* in accordance with *FEES* 6.5.13R. Such a *participant firm* may take advantage of the option to report its annual income attributable to business conducted with or on behalf of eligible claimants.
- 6.2.4 R A *participant firm* which is exempt under *FEES* 6.2.1R must notify the *FSCS* in writing as soon as reasonably practicable if the conditions in *FEES* 6.2.1R no longer apply.
- 6.2.5 G A *participant firm* to which the conditions in *FEES* 6.2.1R no longer apply will then become subject to *FEES* 6.3.
- 6.2.6 R If a *participant firm* ceases to conduct business that could give rise to a *protected claim* by an *eligible claimant* and notifies the *FSCS* of this under *FEES* 6.2.1R (1), it will be treated as a *participant firm* to which *FEES* 6.7.6R applies until the end of the financial year of the compensation scheme in which the notice was given.
- 6.2.7 G The financial year of the *compensation scheme* is the twelve months ending on 31 March.

6.3 The *FSCS*'s power to impose levies

General limits on levies

- 6.3.1 R The *FSCS* may at any time impose a *management expenses levy* or a *compensation costs levy*, provided that the *FSCS* has reasonable grounds for believing that the funds available to it to meet relevant expenses are, or will be, insufficient, taking into account:
- (1) in the case of a *management expenses levy*, the level of the *FSCS*'s anticipated expenditure in respect of those expenses in the financial year of the *compensation scheme* in relation to which the levy is imposed; and
 - (2) in the case of a *compensation costs levy*, the level of the *FSCS*'s anticipated expenditure in respect of *compensation costs* in the 12 *months* following the levy.
- 6.3.2 G The calculation of levies will also take into account previous levies, where funds raised in anticipation of meeting liabilities prove either more or less than the amount actually required.
- 6.3.3 G The *FSCS* may impose one or more levies in a financial year to meet either its *management expenses* or its *compensation costs*. The *FSCS* may also impose interim levies, as part of its overall levy commitment. This flexibility allows the *FSCS* to phase its financing over the course of a financial year and thus avoid collecting levies from firms before the money is actually needed. The *FSCS* has committed itself in the Memorandum of

Understanding with the *FSA* (the text of which can be found on the *FSA* website www.fsa.gov.uk) to publish regularly an indicative timetable for its levy procedures

- 6.3.4 G The discretion over levying in *COMP* also gives the *FSCS*, if it thinks this appropriate, the ability to use third parties as its agents in raising and collecting the levies.

Limits on compensation costs levies on sub-schemes

- 6.3.5 R The *FSCS* must not require a *participant firm* in the accepting deposits *sub-scheme* to pay a share of a *compensation costs levy* allocated to that *sub-scheme* to the extent that:
- (1) the share in question; plus
 - (2) all previous amounts paid by the *firm* either as its share of levies allocated to that *sub-scheme*, or under the Deposit Protection Scheme (deducting from those amounts any amount refunded under *FEES* 6.3.20R to *FEES* 6.3.21R or by the Deposit Protection Scheme);

amounts to more than 0.3% of the firm's *protected deposits*.

- 6.3.6 R The *FSCS* must not require a *participant firm* in the insurance business *sub-scheme* to pay a share of a *compensation costs levy* allocated to that *sub-scheme* in any financial year of the *compensation scheme*, to the extent that the share in question, together with all previous amounts paid by the *firm* as its share of *compensation costs levies* allocated to that *sub-scheme* in that financial year, amounts to more than 0.8% of the *participant firm's* relevant net premium income.

- 6.3.7 R The maximum amount of *compensation costs* for which the *FSCS* can levy the designated investment business *sub-scheme* in any one financial year of the *compensation scheme* is limited to £400 million.

- 6.3.8 R The *FSCS* must not require a *participant firm* in the mortgage advice and arranging *sub-scheme* to pay a share of a *compensation costs levy* allocated to that *sub-scheme* in any financial year of the *compensation scheme*, to the extent that:

- (1) the share in question; plus
- (2) all previous amounts paid by the *firm* as its share of compensation costs levies allocated to that *sub-scheme* in that financial year;

amounts to more than 0.8% of the *participant firm's* annual eligible income.

- 6.3.9 R The *FSCS* must not require a *participant firm* in the general insurance mediation *sub-scheme* to pay a share of a *compensation costs levy* allocated to that *sub-scheme* in any financial year of the *compensation scheme*, to the extent that:

- (1) the share in question; plus
- (2) all previous amounts paid by the *firm* as its share of the *compensation costs levy* allocated to that *sub-scheme* in that financial year;

amounts to more than 0.8% of the *participant firm's annual eligible income*.

Levy for compensation costs paid in error

- 6.3.10 R The *FSCS* may include in a *compensation costs levy* the costs of compensation paid by the *FSCS* in error, provided that the payment was made in good faith.

Management of funds

- 6.3.11 R The *FSCS* must hold any amount collected from a *specific costs levy* or *compensation costs levy* to the credit of the *sub-schemes* and relevant *contribution groups*, in accordance with the allocation established under *FEES* 6.4.6R and *FEES* 6.5.2R.
- 6.3.12 R Any funds received by the *FSCS* by way of levy or otherwise for the purposes of the *compensation scheme* are to be managed as the *FSCS* considers appropriate, and in doing this the *FSCS* must act prudently.
- 6.3.13 R Interest earned by the *FSCS* in the management of funds held to the credit of a *contribution group* must be credited to that *contribution group*, and must be set off against the *management expenses* allocated to that *contribution group*.
- 6.3.14 R The *FSCS* must keep accounts which show:
- (1) the funds held to the credit of each *sub-scheme* and relevant *contribution group*; and
 - (2) the liabilities of that *sub-scheme* and relevant *contribution group*.
- 6.3.15 R The *FSCS* may use the money collected from *firms* within one *sub-scheme* to pay *compensation costs* in respect of any *contribution group* within that *sub-scheme*, so long as it ensures that this is done without prejudice to the *participant firms* from whom the money has been collected.
- 6.3.16 G *FEES* 6.3.15R means that, for example:
- (1) when crediting interest under *FEES* 6.3.13R, the *FSCS* should regard any money collected from one *contribution group* which has been used to pay the *compensation costs* of another *contribution group* within the same *sub-scheme* as standing to the credit of the first *contribution group*; and
 - (2) the *FSCS* should not raise a levy under *FEES* 6.3.1R on a *contribution group* solely because, as a result of the *FSCS's* action under *FEES* 6.3.15R, there appear to be insufficient funds available

- to the credit of the *contribution group* to meet its expenses.
- 6.3.17 R (1) The *FSCS* may use any money held to the credit of one *sub-scheme* (the creditor *sub-scheme*) to pay compensation costs in respect of another *sub-scheme* (the debtor *sub-scheme*) 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:
- (a) the creditor *sub-scheme* is reimbursed by the debtor *sub-scheme* as soon as possible;
 - (b) the debtor *sub-scheme* pays interest at a rate equivalent to the Bank of England's repo rate from time to time in force; and
 - (c) the amount lent by the creditor *sub-scheme* to the debtor *sub-scheme* is taken into account by the *FSCS* when considering whether to impose a compensation costs levy on the creditor sub-scheme under *FEES* 6.3.1R.
- 6.3.18 R (1) The *FSCS* may use any money held to the credit of any *sub-scheme* to repay borrowing from a third party incurred to pay *establishment costs*, if in the opinion of the *FSCS* this would be to the benefit of *participant firms*.
- (2) Where the *FSCS* acts in accordance with (1), it must ensure that:
- (a) future *establishment costs levies* are used first to repay all amounts borrowed from the appropriate *sub-schemes*;
 - (b) interest is paid to the appropriate *sub-schemes* at a rate equivalent to the Bank of England's repo rate from time to time in force; and
 - (c) the amount lent by any *sub-scheme* is taken into account by the *FSCS* when considering whether to impose a levy under *FEES* 6.3.1R.
- 6.3.19 R Unless *FEES* 6.3.20R applies, any recoveries made by the *FSCS* in relation to *protected claims* must be credited to the *contribution groups* to which the related *compensation costs* were allocated.
- 6.3.20 R If the *FSCS* makes recoveries in relation to *protected claims* where the related *compensation costs* were allocated to the accepting deposits *sub-scheme*, or in relation to compensation paid out of a special contribution under the Deposit Protection Scheme, and if the *FSCS* refunds the recoveries under *FEES* 6.3.21R, it must ensure that, as far as possible, the recoveries are refunded to the *firms* that contributed to the relevant *compensation costs levy* or special contribution (whether or not the *firms* are *participant firms* at the time that the recoveries are made).

- 6.3.21 R If the *FSCS* has more funds to the credit of a *contribution group* than the *FSCS* believes will be required to meet levies on that *contribution group* for the next 12 months, it may refund the surplus to members or former members of the *contribution group* on any reasonable basis.

Adjustments to calculation of levy shares

- 6.3.22 R The *FSCS* may adjust the calculation of a *participant firm's* share of any levy to take proper account of:
- (1) any excess, not already taken into account, between previous levies of that type imposed in relation to previous periods and the relevant costs actually incurred in that period; or
 - (2) *participant firms* that are exempt from the levy under *FEES* 6.2; or
 - (3) amounts that the *FSCS* has not been able to recover from *participant firms* as a result of *FEES* 6.3.5R, *FEES* 6.3.6R, *FEES* 6.3.8R or *FEES* 6.3.9R; or
 - (4) amounts that the *FSCS* has not been able to recover from *participant firms* after having taken reasonable steps; or
 - (5) *FEES* 6.4.8R (New *participant firms*), *FEES* 6.3.23R (Remission of levy or additional administrative fee) or *FEES* 6.6 (Incoming EEA firms); or
 - (6) anything else that the *FSCS* believes on reasonable grounds should be taken into account.

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* 6.7.4R 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 any unexpired portion of an *establishment costs levy*;
 - (2) a proportionate share of a *base costs levy* in respect of the *compensation scheme's* costs for the period from 1 January 2004 to the end of the *compensation scheme's* financial year and a share of such levies for all subsequent financial years; and

- (3) a *specific costs levy* and a *compensation costs levy* in respect of costs arising out of a *relevant person being in default*, arrangements made under *COMP 3.3.1R* or measures taken under *COMP 3.3.3R* where:
 - (a) the default occurs or the circumstances giving rise to the arrangements being made or the measures being taken, as the case may be, occur; and
 - (b) the *protected contracts of insurance* in connection with which the costs arise were entered into;

on or after 1 January 2004.

6.4 Management expenses

Obligation on participant firm to pay

- 6.4.1 R A *participant firm* must pay to the *FSCS* a share of each *management expenses levy*.

Limit on management expenses

- 6.4.2 R The total of all *management expenses levies* attributable to a particular period of the *compensation scheme* may not exceed the limit applicable to that period set out in *FEES 6 Ann 1R*.

Participant firm's share

- 6.4.3 R A *participant firm's* share of a *management expenses levy* consists of one or more of: (1) a share of a *base costs levy*; and (2) a share of a *specific costs levy*; and (3) a share of an *establishment costs levy*.
- 6.4.4 R The *FSCS* must ensure that each *participant firm's* share of a *management expenses levy* separately identifies the *firm's* share of the *base costs levy*, *specific costs levy* and *establishment costs levy*.

Base costs levy

- 6.4.5 R Unless *FEES 6.3.22R* applies, the *FSCS* must calculate a *participant firm's* share of a *base costs levy* by:
 - (1) identifying the *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, but has not yet levied;
 - (2) calculating the amount of the *participant firm's* regulatory costs as a proportion of the total *regulatory costs* relating to all *participant firms* for the relevant financial year; and
 - (3) applying the proportion calculated in (2) to the figure in (1).

Specific costs levy

- 6.4.6 R (1) The *FSCS* must (subject to (2)) allocate any *specific costs levy* amongst the *sub-schemes* and relevant *contribution groups* in proportion to the volume of relevant costs arising from, or expected to arise from, claims in respect of the different activities represented by those *contribution groups*.
- (2) The *FSCS* must allocate any part of a *specific costs levy* that relates to *IFA pensions review claims* in accordance with *FEES* 6.5.17R (*IFA pensions review compensation levies*).
- 6.4.7 R The *FSCS* must calculate a *participant firm's* share of a *specific costs levy* (subject to *FEES* 6.3.22R (*Adjustments to calculation of levy shares*) and *FEES* 6.5.17R (*IFA pensions review compensation levies*)) by:
- (1) identifying each of the *sub-schemes* and relevant *contribution groups* within those *sub-schemes* to which the *participant firm* belongs, using the statement of business most recently supplied under *FEES* 6.5.13R;
- (2) identifying the *management expenses* other than *base costs* or *establishment costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, allocated to the *contribution groups* identified in (1), but not yet levied;
- (3) calculating, in relation to each relevant *contribution group*, the *participant firm's* tariff base as a proportion of the total tariff base of all *participant firms* in the *contribution group*, using the statement of business most recently supplied under *FEES* 6.5.13R;
- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *sub-scheme* or *contribution group* is relevant, adding together the figure in (4) for each *contribution group*.

New participant firms

- 6.4.8 R A *firm* which becomes a *participant firm* part way through a financial year of the *compensation scheme* will not be liable to pay a share of a *specific costs levy* made in that year.
- 6.4.9 G New *participant firms* will normally have relevant tariff bases of nil as at 31 December in the financial year preceding that in which they join, so that they will not be required to pay a share of a *specific costs levy* (or a *compensation costs levy* because of *FEES* 6.5.6R). *FEES* 6.4.8R means that the *FSCS* does not have to estimate the tariff base of a new *participant firm*.
- 6.4.10 G Since a *firm* that becomes a *participant firm* in the course of a financial year of the *compensation scheme* will already be obtaining a discount in relation to the *base costs levy* and the *establishment costs levy* through the modified fee provisions of *FEES* 4.2.6R, no *rule* is necessary in *COMP* for discounts on the *base costs levy* or the *establishment costs levy*.

Establishment costs levy

6.4.11 R The *FSCS* must calculate a *participant firm's* share of an *establishment costs levy* on the same basis as a *base costs levy* under *FEES* 6.4.5R.

6.4.12 R The *FSCS* may not impose an *establishment costs levy* after the end of the third full financial year of operation of the *compensation scheme*.

6.5 Compensation costs

6.5.1 R The *compensation costs levy* is made up of *compensation costs* incurred by the *FSCS*, together with any *compensation costs* which can reasonably be anticipated as arising in the 12 *months* following the levy date, and which in each case have not already been subject to a levy.

6.5.2 R (1) The *FSCS* must (subject to (2)) allocate any *compensation costs levy* to the individual *sub-schemes* and relevant *contribution groups* in proportion to the volume of *compensation costs* arising from, or expected to arise from, claims in respect of the different activities represented by those *contribution groups*.

(2) The *FSCS* must allocate any part of a *compensation costs levy* that relates to *IFA pensions review claims* in accordance with *FEES* 6.5.17R (*IFA pensions review compensation levies*).

6.5.3 R If a *participant firm* which is *in default* has carried on a *regulated activity* other than in accordance with a *permission*, the *FSCS* must allocate any *compensation costs* or *specific costs* arising out of that activity to the relevant *contribution group* which covers that activity.

6.5.4 R If the relevant *person* in default is an *appointed representative*, the *FSCS* must allocate any *compensation costs* or *specific costs* arising out of a *regulated activity* for which his *principal* has not accepted responsibility to the relevant *contribution group* for that activity.

6.5.5 R A *participant firm* must pay to the *FSCS* a share of each *compensation costs levy* unless either the *firm* is exempt under *FEES* 6.2 (*Exemption*) or the *FSCS* has chosen to exercise its discretion under *FEES* 6.3.23R in respect of that *firm*.

6.5.6 R The *FSCS* must calculate a *participant firm's* share of a *compensation costs levy* (subject to *FEES* 6.5.17R (*IFA pensions review compensation levies*)) on the same basis as a *specific costs levy* under *FEES* 6.4.6R, *FEES* 6.4.7R and *FEES* 6.4.8R.

6.5.7 R When calculating a *participant firm's* share of a *compensation costs levy* or *specific costs levy* allocated to:

(1) the accepting deposits *sub-scheme* or the insurance business *sub-scheme*, the *FSCS* must use the *contribution groups* and tariff bases as set out in the table in *FEES* 6.5.8R;

- (2) the investment business *sub-scheme*, the *FSCS* must (unless (3) applies) use as the *contribution groups* and tariff bases the correspondingly numbered activity groups and tariff bases set out in part 1 and part 2 of *FEES* 4 Ann 1 which are identified in *FEES* 6.5.9R;
- (3) the investment business *sub-scheme*, where any part of the levy relates to *IFA pensions review claims*, the *FSCS* must comply with *FEES* 6.5.17R (*IFA pensions review compensation levies*);
- (4) the mortgage advice and arranging *sub-scheme*, the *FSCS* must use the *contribution group* and tariff base set out in the table in *FEES* 6.5.10R;
- (5) the general insurance mediation *sub-scheme*, the *FSCS* must use the *contribution group* and tariff base set out in the table in *FEES* 6.5.11R.

6.5.8 R Table: Contribution Groups for the Accepting Deposits Sub-scheme and the Insurance Business Sub-scheme for the Financial Services Compensation Scheme (see *FEES* 6.5.7R (1))

SUB-SCHEME	CONTRIBUTION GROUP (references to A1, A2 etc are to the FSA fee Blocks)	LEGAL BASIS FOR ACTIVITY (references to articles are to articles of the <i>Regulated Activities Order</i>)	TARIFF BASE
Accepting deposits	A1 - deposit takers	<i>Accepting deposits</i> (article 5)	<i>Protected deposits</i> (see <i>FEES</i> 6.5.15R)
Insurance business	A3 - Insurance activities - General insurance	<i>Effecting contracts of insurance</i> and/or <i>carrying out contracts of insurance</i> (article 9) that are <i>general insurance contracts</i>	<i>Relevant net premium income</i>
Insurance business	A4 - insurance activities - Life Insurance	<i>Effecting contracts of insurance</i> and/or <i>carrying out contracts of insurance</i> (article 9) that are long-term insurance contracts	<i>Relevant net premium income</i>

6.5.9 R Table: The contribution groups and tariff bases for the investment business sub-scheme (see *FEES* 6.5.7R(2)). (The contribution groups, legal bases for

activity and tariff bases are the same as the correspondingly numbered activity groups and tariff bases set out in part 1 and part 2 of *FEES 4 Ann 1R*).

SUB-SCHEME	CONTRIBUTION GROUP (references to A7 etc are to the activity groups in part 1 of <i>FEES 4 Ann 1R</i>)	LEGAL BASIS FOR ACTIVITY (this is merely a summary of the basis in part 1 of <i>FEES 4 Ann 1R</i> ; references to articles are to articles of the <i>Regulated Activities Order</i>)	TARIFF BASE (this is merely a summary of the base in part 2 of <i>FEES 4 Ann 1R</i>)
Designated investment business	A7 - fund managers	<i>Managing investments</i> (article 33)	Funds under management
Designated investment business	A9 - managers of an <i>AUT</i> , <i>ACDs</i> and depositaries	Any of the following: (a) establishing, operating or winding up a collective investment scheme; (b) acting as a trustee of an authorised unit trust scheme; (c) acting as a depositary, or sole director of an open-ended investment company (article 48)	Gross income
Designated investment business	A10 - dealing as principal	<i>Dealing in investments as principal</i> (article 12).	Number of traders
Designated investment business	A12 - advisory brokers (excluding corporate finance advisers) - holding either <i>client money</i> or assets	Any of the following: (a) <i>dealing in investments as agent</i> (article 19); (b) arranging (bringing about) deals in investments (article 21(1)); (c) <i>making arrangements with a view to transactions in investments</i> (article 22(2)); with	Number of approved persons

		<i>permission to: (i) advise on investments (article 49); (ii) hold client money; and (iii) safeguarding and administering investments (article 36)</i>	
Designated investment business	A13 - advisory brokers (excluding corporate finance adviser) - not holding either <i>client money</i> or assets	Any of the following: (a) <i>dealing in investments as agent</i> (article 19); (b) arranging (bringing about) deals in investments (article 21(1)); (c) <i>making arrangements with a view to transactions in investments</i> (article 22(2)); with <i>permission to advise on investments</i> (article 49); but not to (i) hold <i>client money</i> ; and (ii) safeguard and administer investments (article 36).	Number of approved persons
Designated investment business	A14 - corporate finance advisory firms	<i>Permission includes a requirement that the firm must not conduct designated investment business other than corporate finance business</i>	Number of approved persons

6.5.10 R Table: the contribution groups and tariff bases for the mortgage advisers and arrangers (see *FEES 6.5.7R (4)*)

SUB-SCHEME	CONTRIBUTION GROUP (REFERENCES TO A1, A2 ETC ARE TO THE FSA FEE BLOCKS)	LEGAL BASIS FOR ACTIVITY (references to articles are to articles of the <i>Regulated Activities Order</i>)	TARIFF BASE

Mortgage advice and arranging	A18 - Mortgage lenders, advisers and arrangers	Any of the following: (a) arranging (bringing about) regulated mortgage contracts; (b) <i>making arrangements with a view to regulated mortgage contracts</i> ; (c) <i>advising on regulated mortgage contracts</i> ; (d) <i>agreeing to carry on a regulated activity</i> which is within any of the above; and (e) the activities of a <i>mortgage lender</i> which would be <i>arranging</i> but for article 28A of the <i>Regulated Activities Order</i> (Arranging contracts to which the arranger is a party).	<i>annual eligible income</i>
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6.5.11 R Table: the contribution groups and tariff bases for the general insurance intermediaries (see *FEES* 6.5.7R (5))

SUB-SCHEME	CONTRIBUTION GROUP (REFERENCES TO A1, A2 ETC ARE TO THE FSA FEE BLOCKS)	LEGAL BASIS FOR ACTIVITY (references to articles are to articles of the <i>Regulated Activities Order</i>)	TARIFF BASE
General insurance mediation	A.19 General insurance mediation	Any of the following in relation to a <i>non-investment insurance contract</i> : (a) <i>dealing in investments as agent</i> ; (b) arranging (bringing about) deals in investments; (c) <i>making arrangements with a view to transactions in investments</i> ; (d) <i>assisting in the administration and performance of a contract of insurance</i> ; (e) <i>advising on investments</i> ; and (f)	<i>annual eligible income</i>

		agreeing to carry on a regulated activity which is within any of the above	
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- 6.5.12 G A *participant firm* may belong to more than one *sub-scheme*, and more than one *contribution group* within the same *sub-scheme*.
- 6.5.13 R Unless exempt under *FEES* 6.2.1R, a *participant firm* must provide the *FSCS* by the end of February each year (or, if it has become a *participant firm* part way through the financial year, by the date requested by the *FSA*) with a statement of:
- (1) the *contribution groups* to which it belongs; and
 - (2) the total amount of business (measured in accordance with the appropriate tariff base or bases) which it conducted, as at 31 December of the previous year, in relation to each of those *contribution groups*.
- 6.5.14 R If the information in *FEES* 6.5.13R has been provided to the *FSA* under other *rule* obligations, a *participant firm* will be deemed to have complied with *FEES* 6.5.13R.
- 6.5.15 R Where a *participant firm* can identify that a *protected deposit* was made by a *person* who is not an *eligible claimant*, it may exclude the amount of that deposit from the tariff base, provided that it notifies the *FSCS* of the amount of the deposit so excluded and provides the *FSCS* with such information about the deposit as the *FSCS* may reasonably require.
- 6.5.16 R If a *participant firm* does not submit a complete statement by the date on which it is due in accordance with *FEES* 6.5.13R and any prescribed submission procedures:
- (1) the *firm* must pay an administrative fee of £250 (but not if it is already subject to an administrative fee under *FEES* 4 Annex 2 Part 1 or *FEES* 5.4.1R for the same financial year); and
 - (2) the *compensation costs levy* and any *specific costs levy* will be calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10 (or, if it has become a *participant firm* part way through a financial year, on the basis of the information provided to the *FSA* for the purposes of *FEES* 4.4.2R) or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known.

IFA pensions review compensation levies

- 6.5.17 R The *FSCS* must allocate any part of a *specific costs levy* or *compensation costs levy* that relates to *IFA pensions review claims*:
- (1) to *participant firms* which were liable to pay the *PIA* pensions review compensation costs levy in 2001/2002; and
 - (2) in the same percentage share as that levy (adjusted to distribute the share of any previous contributor, which is not a *participant firm*, among remaining *participant firms* in accordance with their percentage shares).
- 6.6 Incoming EEA firms
- 6.6.1 R If an *incoming EEA firm*, which is a *BCD credit institution*, an *IMD insurance intermediary* or *ISD investment firm*, is a *participant firm*, the *FSCS* must give the *firm* such discount (if any) as is appropriate on the share of any levy it would otherwise be required to pay, taking account of the nature of the levy and the extent of the compensation coverage provided by the firm's *Home State* scheme.
- 6.7 Payment of levies
- 6.7.1 R A *participant firm* must pay its share of any levy made by the *FSCS*:
- (1) in one payment; or
 - (2) where the *FSCS* agrees, quarterly, at the beginning of each quarter, by direct debit agreement.
- 6.7.2 G The amount paid under a direct debit arrangement will be adjusted on a continuous basis to take account of interim levies and other adjustments made during the course of the financial year.
- 6.7.3 R A *participant firm's* share of a levy to which *FEES* 6.7.1R(1) applies is due on, and payable within 30 *days* of, the date when the invoice is issued.
- 6.7.4 R If a *participant firm* does not pay its share of a levy subject to a direct debit agreement as required by *FEES* 6.7.1R(2), the entire amount of the levy becomes due and payable to the *FSCS*, and additional administrative fees are payable at the rate set out in *FEES* 2.2.1R.
- 6.7.5 R A *participant firm* liable to pay its share of the levy under *FEES* 6.7.1R must do so using one of the methods set out in *FEES* 4.2.4R save that no additional amount or discount is applicable.
- 6.7.6 R If a *firm* ceases to be a *participant firm* part way through a *financial year* of the *compensation scheme*:
- (1) It will remain liable for any unpaid levies which the *FSCS* has already made on the firm; and

- (2) The *FSCS* may make a levy upon it (which may be before or after the firm has ceased to be a *participant firm*, but must be before it ceases to be an *authorised person*) for the costs which it would have been liable to pay had the *FSCS* made a levy on all *participant firms* at the time of the levy on the *firm*.

FEES 6 Ann 1R: Management Expenses Levy Limit

R This table belongs to *FEES* 6.4.2R

Period	Limit on total of all management expenses levies attributable to that period (£)
1 December 2001 to 1 April 2002	£4,209,000
1 April 2002 to 31 March 2003	£13,228,000
1 April 2003 to 31 March 2004	£13,319,000
1 April 2004 to 31 March 2005	£17,590,000
1 April 2005 to 31 March 2006	£27,030,000

Annex D

Amendments to the Market Conduct sourcebook

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

MAR 5.5

5.5.3	G			
...				
Redress	Dispute resolution: ...			...and from the Financial Ombudsman Funding <i>rules</i> (DISP 5.2 to DISP 5.8 <u>FEES 5</u>)

Annex E

Amendments to the Authorisation manual

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

AUTH 1

...

1.1.3 G ...
(2) ...

... see *AUTH 3* (Applications for Part IV permission), ~~*AUTH 4 FEES 3*~~ (~~Authorisation Fees Application, Notification and Vetting Fees~~) and *AUTH 5* (Qualifying for authorisation under the Act).

Authorisation Fees (AUTH 4)

Delete entire chapter, excluding the heading above, and insert the following wording:

The provisions regarding authorisation fees are set out in *FEES 3* (Application, Notification and Vetting Fees)

AUTH 4 Annex 1R:-

The provisions of AUTH Annex 1R are moved to *FEES 3* Annex 1R and amended as set out below:

AUTH 4 <u>FEES 3</u>	R	Annex 1 Authorisation fees payable
		...
		The fee payable under <i>SUP 6.3.22R</i> is 50% of that payable under <i>AUTH 4.2.2R</i>. There are no circumstances specified for the purposes of <i>SUP 6.3.22R(2)</i>.
		If the <i>Treaty firm</i> wishes to undertake the permitted activities in question through its branch in the <i>United Kingdom</i> , the fee is 50% of the fee that would be payable under <i>AUTH 4.2.2R</i> . <u><i>FEES 3.2.7R</i></u> for an applicant for <u><i>Part IV permission</i></u> . If the <i>Treaty firm</i> wishes to undertake the permitted activities in question by providing services in the <i>United Kingdom</i> , the fee is 25% of the fee which

	would be payable under AUTH 4.2.2R . <u>FEES 3.2.7R</u> for an applicant for <u>Part IV permission</u> .
--	---

AUTH 5 Annex 3 Application of the Handbook to Incoming EEA Firms G

2 Table G

(1) ...	(2) ...	(3) ...
...		
<i>GEN</i>	<i>GEN</i> applies (<i>GEN</i> 1.1, <i>GEN</i> 2.1, <i>GEN</i> 3.1 , <i>GEN</i> 4.1, <i>GEN</i> 5.1 and <i>GEN</i> 6.1). However... European Community instrument.	...
<u><i>FEES</i></u>	<u><i>FEES</i> applies (<i>FEES</i> 1.1) but <i>FEES</i> 3 only applies to the extent that the <i>firm</i> applies for <i>top-up permission</i> and <i>FEES</i> 4 is modified (<i>FEES</i> 4.2.8R, <i>FEES</i> 4.3.11G, <i>FEES</i> 4.3.12R and <i>FEES</i> 4.4.5R).</u>	<u>As column (2)</u>
<i>SUP</i>	... <i>SUP</i> 20 (Fees) Applies (<i>SUP</i> 20.1.1 R) but modified (<i>SUP</i> 20.4.7 G – <i>SUP</i> 20.4.10 R)	... <i>SUP</i> 20 (Fees) As column (2).

AUTH

...

Schedule 3

...

		Amount / rate	Handbook reference
Certification fee	...	AUTH 4 Annex 1 <u><i>FEES</i> 3.2.7R para (c)</u>	AUTH 4.3 <u><i>FEES</i> 3.2</u>

AUTH

...

Schedule 6

There are no rules in AUTH that cannot be waived

~~1 G~~ Table

	The rules in AUTH 4 cannot be waived by the FSA.
--	---

Annex F

Amendments to the Supervision manual

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

Delete the following sections and insert the following wording:-

SUP 6.3.22R to 6.3.22CG

Delete entire section and insert the following:

<u>6.3.22</u>	<u>R</u>	The fees payable for a <i>firm</i> applying for a variation of its <i>part IV permission</i> are set out in <u>FEES 3</u> .
---------------	----------	---

SUP 16.3 General provisions on reporting

...				
16.3.14A	G	... the <i>FSA</i> may reduce or remit all or part of the fee in question which would otherwise be payable (see GEN 3.3.3 R <u>FEES 2.3</u>).		

SUP 16 Ann 18AR Retail Mediation Activities Return ('RMAR')

Section J: data required for calculation of fees

...		FSA		FOS	FSCS
Mortgage Mediation		[see SUP 20 Ann 1R <u>FEES 4 Annex 1R</u> Part 2 fee block A18]		[See DISP 5 Ann 1R <u>FEES 5 Annex 1R</u> industry block 16]	[-see COMP 13.6.9AR <u>FEES 6.5.10R</u>
Non-investment insurance mediation		[see SUP 20 Ann 1R <u>FEES 4 Annex 1R</u> Part 2 fee block A19]		[See DISP 5 Ann 1R <u>FEES 5 Annex 1R</u> industry block 17]	[-see COMP 13.6.9BR <u>FEES 6.5.11R</u>
Investment mediation		[see SUP Ann 1R <u>FEES 4 Annex 1R</u> Part 2 fee blocks A12/13]		[See DISP 5 Ann 1R <u>FEES 5 Annex 1R</u> industry block 8/9]	[see COMP 13.6.9R <u>FEES 6.5.9R</u> contribution groups A12/13]

SUP 16 Ann 18BG

Section J: data required for calculation of fees

...				
FSA				The relevant information required is the tariff data set out in SUP 20 Annex 1R <u>FEES 4 Annex 1R</u> Part 2 under fee blocks A 12/13, 18 and 19....
FOS				The relevant information required is the tariff data set out in DISP 5 Annex 1R <u>FEES 5 Annex 1R</u> industry blocks 8/9, 16 and 17...
FSCS				The relevant information required is the tariff data set out in <u>COMP 13.6.9R</u> contribution groups A12/13, COMP 13.6.9AR <u>FEES 6.5.10R</u> and COMP 13.6.9BR <u>FEES 6.5.11R</u> . Note that <i>firms</i> are required to report tariff data information relating to all business falling within COMP 13.6.9BR <u>FEES 6.5.11R</u> and not simply that relating to retail investments.

SUP 16 Ann 19BG

Section J: FEE TARIFF MEASURES

J1 Introduction

				<p>* Refer to SUP 20 Annex 1R <u>FEES 4 Annex 1R</u> of the <i>FSA Handbook</i> for the <i>FSA</i> fee tariff*</p> <p>*Refer to DISP 5 Annex 1R <u>FEES 5 Annex 1R</u> of the <i>FSA Handbook</i> for the <i>FOS</i> fee tariff*</p>
--	--	--	--	--

SUP 20

Delete sections 20.1 to 20.7 inclusive and insert wording as follows.

Chapter 20 Fees Rules
<u>The periodic fees rules are set out in <i>FEES 4</i> (Periodic fees).</u>

Move SUP 20 Annex 1R to FEES 4 Annex 1R with the following amendments:

SUP20 <u>FEES 4</u>		Annex 1R
		Activity groups, tariff bases and valuation dates applicable
		Note for <i>authorised professional firms</i> : ... This does not prevent a fee being payable by an <i>authorised professional firm</i> under SUP 6.3.22 R <u>FEES 3.2.7R (p)</u> where it applies to vary its <i>Part IV permission</i> such that it would normally be allocated to fee-block(s) other than A.13 if the variation was granted.
		Part 2 This table indicates the tariff base for each fee-block. ...In these circumstances, the <i>firm</i> will be required to pay a minimum fee only (see SUP 20 Annex 2 <u>FEES 4 Annex 2R</u> Part 1).

Move SUP 20 Annex 2R to FEES 4 Annex 2R amended as follows:

~~SUP 20 FEES 4~~ Annex 2R - Fee tariff rates, permitted deductions and EEA/Treaty firm modifications for the period from 1 April 2005 to 31 March 2006

Part 1

...

...		
(2)	(a)	...non-UK business in the way described in Part 2 of SUP 20 Annex 1 <u>FEES 4 Annex 1R</u> are disproportionate...
	(b)	...the information concerned under SUP 20.3 <u>FEES 4.4</u> (Information on...
(3)		For a <i>firm</i> which has not complied with SUP 20.3.2 R <u>FEES 4.4.2R</u> (Information...

Move SUP 20 Annex 3 to FEES 4 Annex 3R amended as follows:

~~SUP 20 FEES 4~~ Annex 3R Transaction reporting fees and ~~Article 54 RAO~~ certificate fees for the period from 1 April 2005 to 31 March 2006

Part 1

...

...	...	Date payable
...	...	First working day of each month

1. Firms using...

2. applicable methods of payment of these fees are listed at SUP 20.2.7A R.

Part 2

The periodic fee payable under SUP 20.6.1R for a certificate issued under Article 54 of the *Regulated Activities Order* is £1,000.

Move Sup 20 Annex 4 to FEES 3 Annex 6R amended as follows:

~~SUP 20 Ann 4~~ ~~Application fees for guidance on the Capital Requirements Directive for the~~
FEES 3 Ann period 1 April 2005 to 31 March 2006 Fees payable for guidance on the
6R availability of a waiver in connection with rules implementing Basel Capital
Accord

...

Schedule 6

Rules that can be waived

1 G Table

			...
	(£)		the rules in SUP 20 (Fees).

Annex G

Amendments to the Dispute Resolution: Complaints sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

- 1.7.10 G *Members* will ... and the obligation to pay fees under ~~DISP-5 FEES 5~~ must be complied with by the *Society* on behalf of *members* ...
- ...
- 2.3.4 G Under ~~DISP 5.6.1R FEES 5.5.1R~~ a *firm* or *VJ participant* is liable to pay a case fee in respect of *chargeable cases*...
- ...
- 2.5.2 G *Firms* may, however, be exempt from the requirements of *DISP 1* (Complaint handling procedures for firms) and ~~DISP-5 FEES 5~~ (*Financial Ombudsman Service funding rules*)...
- ...
- 4.2.12 R The following rules in ~~DISP FEES 5~~ apply (subject to *DISP 4.2.13R*) to *VJ participants* as part of their agreement to be subject to the *Voluntary Jurisdiction* as if they were authorised firms, but subject to the variations stated in each case.
- (1) ~~DISP 5.4.6 FEES 5.3.6R~~ (*general levy*) subject to substituting the words '*Voluntary Jurisdiction*' for '*Compulsory Jurisdiction*' and substituting the words '*FOS Ltd*' for '*the FSA*';
- (2) ~~DISP 5.4.8 FEES 5.3.8R~~ (calculation of *general levy*);
- (3) ~~DISP 5.5.1 FEES 5.4.1R~~ (information) subject to substituting the words '*FOS Ltd*' for '*FSA*';
- (4) ~~DISP 5.6.1 FEES 5.5.1R~~ (standard case fee);
- (5) ~~DISP 5.6.6 FEES 5.5.6R~~ (special case fee);
- (6) ~~DISP 5.7.5 FEES 5.6.5R~~ subject to substituting '*to FOS Ltd*' for '*to the FSA*' and ~~DISP 5.7.6 FEES 5.6.6R~~ (*supplementary levy* for establishment costs) subject to substituting '*Part 4*' for '*Part 2*';
- (7) ~~DISP 5.8.1 FEES 5.7.1R~~ subject to substituting '*to FOS Ltd*' for '*to the FSA*' and '*by FOS Ltd*' for '*by the FSA*', ~~DISP 5.8.2 FEES 5.7.2R~~ to ~~DISP 5.8.4 FEES 5.7.3R~~, ~~DISP 5.8.5 FEES 2.2.2G~~ subject to substituting '*FOS Ltd will*' for '*FSA will*', ~~DISP 5.8.6 FEES 2.2.1R~~, ~~DISP 5.8.8 FEES 2.3.1R~~ and ~~DISP 5.8.9 FEES 2.3.2R~~ (payment).
- (8) ~~DISP 5.9.1 FEES 5.8.1R~~ and ~~DISP 5.9.2R~~ (joining the *Financial Ombudsman Service*) and ~~FEES 4.2.6R(1)(b)~~;
- (9) ~~DISP FEES 5~~ Annex 1 (fees payable).
- 4.2.13 R A *VJ participant* which joins the *Voluntary Jurisdiction* before the end of the *financial year* in which the *commencement day* falls must pay to *FOS Ltd* the special case fee specified in ~~DISP FEES 5~~ Annex 1 for ~~DISP 5.6.10R FEES 5.5.10R~~ in respect of each *chargeable case* falling within the *Voluntary Jurisdiction* ...

In the next section, move DISP 5 Annex 1R to FEES 5 Annex 1R and insert the following wording:

DISP 5 (Funding Rules)

Delete DISP 5.1 to DISP 5.10 inclusive and insert the following:

[deleted: provisions relating to the funding rules for the Financial Ombudsman Service are set out in FEES 5 (Financial Ombudsman Service Funding).]

Move DISP 5 Ann 1R to FEES 5 Ann 1R amended as follows:

~~DISP 5 Ann 1R~~ FEES 5 Ann 1R: Annual Fees Payable in Relation to 2005/06

Table

...

...	
5.	The <i>industry blocks</i> in the table are based on the equivalent activity groups set out in Part 1 of SUP 20 Ann 1R <u>FEES 4 Annex 1R</u> .
6.	Where the tariff base in the table is defined in similar terms as that for the equivalent activity group in Part 2 of SUP 20 Ann 1R <u>FEES 4 Annex 1R</u> , it must be calculated in the same way as that tariff base - taking into account only the <i>firm's relevant business</i> .

Table: Standard case fees and special case fees in relation to 2005/2006

Governing provisions	Case Fee	...
DISP 5.6.1 R <u>FEES 5.5.1R</u>	...	
DISP 5.6.6 R <u>FEES 5.5.6R</u>	...	
DISP 5.6.7 R <u>FEES 5.5.7R</u>	...	
DISP 5.6.8 R <u>FEES 5.5.8R</u>		
...		
Part 4: Fee Tariffs and case fees for VJ participants		
	...	
9.	The <i>industry blocks</i> in the table are based on the equivalent activity groups for	

	authorised firms, as set out in part 1 of SUP 20 Ann 1R <u>FEES 4 Annex 1R</u> .
10.	Where the tariff base in the table is defined in similar terms as the tariff base for the equivalent activity group set out in part 2 of SUP 20 Ann 1R <u>FEES 4 Annex 1R</u> , it must be calculated in the same way as that tariff base except that it takes into account only the <i>VJ participant's</i> relevant business.

Appendix 1: Relevant Existing Complaints

1.1 Application and Purpose

...

1.1.3 R *DISP 2 to DISP 4 and ~~DISP 5~~ FEES 5 apply to firms ...*

...

1.1.6 G ... subject to *DISP 1 to DISP 14 and FEES 5 ~~DISP 5~~*. Apart from these exceptions, the rules in *DISP 2 to DISP 4 and ~~DISP 5~~ FEES 5* and the statutory provisions in sections 225-234 of the *Act* apply as they do to other complaints.

...

1.12.1 G Under ~~*DISP 5*~~ *FEES 5*, firms will be subject to case fees in respect of *relevant complaints*. If *FOS Ltd* deals with a *relevant existing complaint* against a person who is not *authorised* by the *FSA*, a special case fee will be charged (see ~~*DISP 5*~~ *FEES 5*(*Financial Ombudsman Service Funding Rules*)) and this will be recoverable as a debt to *FOS Ltd* in the same way as case fees relating to complaints about *firms*.

Transitional provisions

1. Table

(1)	(2) Material provision to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision coming into force
...					
6	... DISP 5-FEES <u>5</u> ...	R	... DISP 5-FEES 5 ... In references to a "firm"...	From commencement	Commencement
7	... DISP 5-FEES <u>5</u> ...	G	Under the <i>Ombudsman</i> ... but references to "firm" in <i>DISP 2, DISP 3, DISP</i> <i>5-FEES 5</i> and ...	From commencement	Commencement
...					
8	... DISP 5-FEES <u>5</u> ...	R	In relation to <i>relevant</i> <i>complaints</i> , references in <i>DISP 1,</i> <i>DISP 2, DISP 3, DISP</i> <i>4, DISP 5-FEES 5</i> and <i>DISP App 1</i> ...	From commencement	Commencement
15	DISP 5.5.1R <u>FEES 5.4.1R</u>		...	...
16	DISP 5.5.1R <u>FEES 5.4.1R</u>		...		

DISP TP 1.3

...		The industry blocks in Table 2 are the same as the equivalent activity group set out in part 7 of SUP 20 Annex 1 <u>FEES 4 Annex 1R</u> .
		...equivalent activity group set out in part 7 of SUP 20 Annex 1 <u>FEES 4 Annex 1R</u> , it must

...

Schedule 2 Notification requirements

2. Table

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
DISP 5.5.1R FEES 5.4.1R	...	The total amount of <i>relevant business</i> (measured in accordance with the appropriate tariff base(s)) which the <i>firm</i> conducted as at or in the year to 31 December as appropriate, in relation to the tariff base for each of the <i>relevant industry blocks</i> set out in DISP 5 Ann 1R FEES 5 Annex 1R	...	...

Schedule 3 Fees and other required payment

2. Table

Type of fee	Trigger event	Date/Time for payment	Amount/rate	Handbook reference
<i>General levy</i>	DISP 5.4 FEES 5.3 DISP 5.8 FEES 5.7 Part 2 of DISP 5 Ann 1R FEES 5 Annex 1R
<i>Supplementary levy</i>	DISP 5.7 FEES 5.6

				DISP 5.8 <u>FEES 5.7</u> Part 2 of DISP 5 <u>FEES 5</u> Annex 1R-
Case fees	...	...	...	DISP 5.6 <u>FEES 5.5</u> DISP 5.8 <u>FEES 5.7</u> Part 3 of DISP 5 <u>Ann 1R</u> <u>FEES 5</u> Annex 1R

Schedule 4 Powers exercised

2. Table

...

DISP 5 <u>FEES 5</u>	5.1.6R 5.6 (all rules) <u>5.5</u> 5.8.2R <u>5.7.2R</u> 5.8.4R <u>5.7.3R</u> 5.10.1R <u>5.9.1R</u>
DISP 5 <u>Ann 1R</u> <u>FEES 5</u>	part 3
	part 4

Annex H

Amendments to the Compensation sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

COMP 1.1 Application, Introduction, and Purpose

COMP 1.1.1.G Application

...

1.1.2 G ... *FSCS* can impose levies to meet the costs of paying compensation (see in particular *COMP* 3, 4, and ~~13~~ *FEES* 6). ...

...

1.1.4 G *Firms* will be particularly interested in ~~COMP 13~~ *FEES* 6, which deals with levies.

COMP 2.2 Duties of the FSCS

COMP 2.2.1R Administering the compensation scheme

...

2.2.2 G The *FSCS* may: ...

(2) make levies on *participant firms*, in accordance with ~~COMP 13 (Funding)~~, *FEES* 6 (Financial Services Compensation Scheme Funding) to enable it to pay compensation, ...

COMP 13 (Funding)

Delete text of entire chapter and insert the following:

[deleted: the provisions in relation to the funding of the Financial Services Compensation Scheme are set out in *FEES* 6 (Financial Services Compensation Scheme Funding)]

COMP TP 1
 COMP TP 1.1 Transitional Provisions Table

	Material to which the transitional provision applies		Transitional provision
11	COMP 13.4.1R, FEES 6.3.1R, COMP 13.4.19R, FEES 6.3.22R, COMP 13.5.8R, FEES 6.4.8R, COMP 13.5.6R, FEES 6.4.6R COMP 13.6.1R FEES 6.5.1R and COMP 13.6.6R FEES 6.5.6R	R	...
12	COMP 13.4.1R, FEES 6.5.7R(4), COMP 13.4.19R, FEES 6.3.22R, COMP 13.5.6R, FEES 6.4.6R, COMP 13.5.8R, FEES 6.4.8R, COMP 13.6.1R FEES 6.5.1R and COMP 13.6.6R FEES 6.5.6R	R	...
13	COMP 13.6.7R(4) FEES 6.5.7(4)R COMP 13.6.9AR FEES 6.5.10R and COMP 13.6.11R (2) FEES 6.5.13R(2)	R	...
14	COMP 13.6.7R(5) FEES 6.5.7R(5), COMP 13.6.9BR FEES 6.5.11R and COMP 13.6.11R (2) FEES 6.5.13R (2)	...	...

COMP Schedule 1 Record keeping requirements

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
--------------------	-------------------	--------------------	--------------------------	------------------

COMP 13.4.12R FEES 6.3.14R	FSCS funding
---	--------------	-----	-----	-----

COMP Schedule 2 Notification requirements

...

COMP Sched 2.2 G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time Allowed
...				
COMP 13.3.1R FEES 6.2.1R
COMP 13.3.4R FEES 6.2.4R
COMP 13.6.11R FEES 6.5.13R
COMP 13.8 FEES 6.7

COMP Schedule 3 Fees and other required payments

Sch 3.1	G	The <i>rules</i> in COMP 13 <u>FEES 6</u> give <i>FSCS</i> (the scheme manager) the power to raise levies on participant <i>firms</i> in order to meet its expenses. The <i>rules</i> in COMP 13 <u>FEES 6</u> do not specify the amount of any levy but do specify how a participant <i>firm's</i> share of a levy is to be calculated and any limit on the amount leviable by the <i>FSCS</i> is a particular period.
---------	---	---

COMP Sch 6 Rules that can be waived

COMP Sch 6.1

Sch 6.1	G	The <i>rules</i> in <i>COMP</i> cannot be waived by the <i>FSA</i> , except: (1) COMP 13.6.11 R <u>FEES 6.5.13R</u> ;
---------	---	--

Annex I

Amendments to the Collective Investment Schemes manual

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

CIS 1.2 Arrangement of this sourcebook and definitions

...

1.2.18 G ~~CIS 18 (Fees)~~ FEES 1, 2, 3 and 4 sets out the application and periodic fees payable for the authorisation or recognition of *regulated schemes*.

CIS 18 (Fees)

Delete CIS 18.1 to CIS 18.3 inclusive and insert the following:

The provisions relating to collective investment scheme fees are set out in FEES 1, 2, 3 and 4.

Move CIS 18 Annex 1 to FEES 4 Annex 4R amended as follows:

~~CIS 18 Annex 1 Fees payable in relation to the period from 1 April 2005 to 31 March 2006~~

...

Move CIS 18 Annex 2 to FEES 3 Annex 2R part 1 and amend as follows:

~~CIS 18 Annex 2 Application and notification fees payable~~

Legislative provision	Nature and purpose of fee	Payable by	Amount of fee	Umbrella scheme factor (see note 1)
<u>Part 1 Application fees payable for firms to be subject to CIS</u>				
Regulation 12...	...	An applicant (note 2)	...	...
Section 242 of the <i>Act</i>	...	An applicant (note 2)	...	...
<u>Section 272 of the <i>Act</i></u>	<u>On application for an order declaring a</u>	<u>An applicant</u>	<u>£14,000</u>	<u>2</u>

	<u>scheme to be an individually recognised overseas scheme</u>			
<u>Part 2 Application fees payable for firms to be subject to COLL</u>				
<u>Regulation 12 of the Act</u>	<u>On application for an order declaring a scheme to be an ICVC, where the scheme is:</u>	<u>An applicant</u>		<u>2</u>
	<u>UCITS scheme</u>		<u>£1,200</u>	
	<u>Non-UCITS retail scheme</u>		<u>£1,500</u>	
	<u>Qualified investor scheme</u>		<u>£2,400</u>	
<u>Section 242 of the Act</u>	<u>On application for an order declaring a scheme to be an AUT, where the scheme is:</u>	<u>An applicant</u>		<u>2</u>
	<u>UCITS scheme</u>		<u>£1,200</u>	
	<u>Non-UCITS retail scheme</u>		<u>£1,500</u>	
	<u>Qualified investor scheme</u>		<u>£2,400</u>	
<u>Section 272 of the Act</u>	<u>On application for an order declaring a scheme to be an individually recognised overseas scheme</u>	<u>An applicant</u>	<u>£14,000</u>	<u>2</u>
<u>Part 3 (notifications)</u>				
Section 264	...	The operator (note 3)		
Section 270...	...	The operator		

		(note 3)		
Section 272 of the Act	On application for an order declaring a scheme to be an individually recognised overseas scheme	An applicant (note 2)	£14,000	2

Notes:

...

~~2. The fee must accompany the application.~~

~~3. The fee must accompany the notice.~~

In the next section, delete entire section and insert the following wording:

CIS Sch 3 Fees and other required payments

Delete Sched 3.1 and 3.2 and insert the following:

[deleted: the provisions in relation to collective investment scheme fees are set out in FEES 1,2, 3 and 4]

CIS Sch 6 Rules that can be waived

Sched 6.1	G	...	
		4.	No rules in CIS 18 can be waived by FSA.

Annex J

Amendments to the New Collective Investment Schemes sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

FEES (COLL 10)

Delete COLL 10.1 to 10.3 inclusive and insert the following:

The provisions in relation to fees for collective investments schemes are set out in FEES 1,2, 3 and 4.

COLL 10 Annex 1 Periodic fees payable...

Delete whole annex.

COLL 10 Annex 2 Application and notification fees payable ...

Delete whole annex.

COLL TP 1 Transitional Provisions

...	Material to which the transitional provision applies		Transitional provision	...	...
10	COLL 10.3.1R <u>FEES 3.2.1R</u>	R	(1) ...	...	...
...					
12	COLL 10.2.1R	R	COLL 10.2.1R does not apply if the scheme has paid a periodic fee under CIS 18.2	From 1 April 2004 until 12 February 2007 <u>Expired</u>	1 April 2004

COLL Sched 3 Fees and other required payments

Delete COLL sched 3.1 and 3.2 and insert the following:

[deleted: The provisions relating to fees for collective investment schemes are set out in FEES 1, 2, 3 and 4]

COLL Schedule 6 Rules that can be waived

COLL Sch 6.3-	G	No rules in COLL 10 (Fees) and COLL Transitional Provision 10 can be waived by the FSA.
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Annex K

Amendments to the Credit Unions sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

CRED 13

...				
13.2.5	G	Applications should be accompanied by the relevant application fees set by the FSA for registration and <i>authorisation</i> (see CRED Sch 3 <u>FEES</u>).		

...				
13.5.4	G	<p>...in relation to <i>authorisation</i>. <u>FEES 3 (Application, Notification and Vetting Fees)</u> sets out the authorisation fees that are payable. ...</p> <p>(1) ...; <u>and</u></p> <p>(2) AUTH 4: Authorisation fees <u>AUTH 6 Approved Persons</u>; and</p> <p>(3) [deleted]AUTH 6 Approved Persons. .</p>		

CRED Schedule 3 Fees and other required payments

...

CRED Sch 3.2 G

Description of fee	Reference
FSA fees...	SUP 20 <u>FEES 4</u>
Schedule...	SUP 20 Annex 2R Part 1 <u>FEES 4 Annex 2R Part 1</u>
<i>FSA rules</i> ...	AUTH 4 <u>FEES 3</u>
Schedule...	AUTH 4 Annex 1 <u>FEES 3 Annex 1R</u>
<i>FSCS funding</i> ...	COMP 13 <u>FEES 6</u>
<i>Financial Ombudsman Service</i> <u>FOS</u> funding	DISP 5 <u>FEES 5</u>

Annex L

Amendments to the Professional Firms Sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

PROF 1 (Application and Purpose)

1.1.1 R Application

...

(2) ... ; and

(3) ~~PROF 6 applies to every designated professional body and to any person who requests the Treasury to make an order under section 326(1) of the Act (Designation of professional bodies); and~~ [deleted]

(4) ...

Fees (PROF 6)

Delete PROF 6.1 to 6.3 inclusive and insert the following:

[deleted:the provisions in relation to designated professional bodies are set out in FEES 1,2, 3 and 4]

Move PROF 6 Annex 1 to FEES 4 Annex 5R amended as follows:

~~PROF 6 Annex 1 Fees payable in relation to the period from 1 April 2005 to 31 March 2006~~

...

Delete the whole of PROF 6 Annex 2

PROF 6 Annex 2 [deleted]

Annex M

Amendments to the Recognised Investment Exchanges and Recognised Clearing Houses sourcebook (REC)

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

REC 1 (Application)

...

1.1.3 G ...

- (6) The fees *rules* for *recognised bodies* and applicants are set out in ~~REC 7~~ FEES 1,2,3 and 4.

Fees (REC 7)

Delete REC 7.1 to 7.3 inclusive and insert the following:

[deleted: the provisions in relation to *Recognised Investment Exchanges* and *Recognised Clearing Houses* are set out in *FEES 1,2, 3 and 4*]

Move REC 7 Annex 1R to FEES 4 Annex 6R amended as follows:

~~REC 7 Annex 1 Fees payable in relation to the period from 1 April 2005 to 31 March 2006~~

...

Move REC 7 Annex 2R to FEES 3 Annex 3R amended as follows:

~~REC 7 Annex 2 Application fees payable~~

REC 7 FEES 3			
	R	Description of applicant	Amount payable
		–	
		<u>Part 1 (UK recognised bodies)</u>	
		Applicant for recognition as a <i>UK RIE</i>	...
		...	
		<u>Part 2 (overseas recognised bodies)</u>	

		Description of applicant	Amount payable	Due date
		Applicant for recognition as a recognised overseas investment exchange	...	
		...		

LR APP 2.1 Fees and financial penalty income

Insert the following:

The provisions outlined in LR App 2.1 in relation to fees are set out in FEES 3 and 4

Move LR App 2.1.1R Annex 1 to FEES 4 Annex 7R, amended as follows

LR App 2.1.1 R Fees and financial penalty income	
Fee type	Fee amount
...	
Annual Sponsor Fees	£10,000
Annual fees are charged in annual cycles beginning on 1 April of a year and ending on 31 March of the following year. An issuer or sponsor which becomes subject to the listing rules during the course of the financial year must pay a proportion of the annual fee which is calculated in accordance with the following Table 3.	

...

Table 3

Quarter in which the issuer/sponsor becomes subject to the Listing Rules	Proportion payable
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 31 March inclusive	25%

Move LR App 2.1.1 Annex 2 to FEES 3 Annex 5R Part 1 amended as follows:

~~Annex 2~~

Document vetting and approval fees in relation to listing rules.

Fee type	Fee amount
Transaction vetting fees for the period 1 July 2005 to 31 March 2006 Transaction vetting fees relate to specific events or transactions that an <i>issuer</i> might be involved in during the year and fall due when documentation is first submitted to the FSA	
...	

Move LR App 2.1.1 Annex 3 to FEES 3 Annex 4R amended as follows:

~~Annex 3~~

Part 1

...	
Application for <i>listing</i> An application fee becomes payable when an <i>issuer</i> makes an application for <i>listing</i>.	...
...	
An upfront fee is required per tranche for draw downs in the following 12 months....	...

Part 2

...	
Application for approval as <i>sponsor</i> An application fee becomes payable when a <i>person</i> applies for approval as a <i>sponsor</i>.	...

Financial penalty income

G	<p>Section 100 of the <i>Act</i> (Penalties) provides that the <i>FSA</i> must prepare and operate a scheme for ensuring that the amounts paid to it as penalties are applied for the benefit of <i>issuers</i>.</p> <p>The <i>FSA</i> will allow a permitted deduction from the annual fees of an amount equal to that <i>issuer's</i> share of the amounts paid to the <i>FSA</i> by way of penalties.</p> <p>The <i>FSA</i> will notify <i>issuers</i> annually of the amount of the permitted deduction for each relevant year.</p>
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Annex O

Amendments to the Prospectus Rules

In this Annex underlining indicates new text and striking through indicates deleted text. Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

PR 3.1: Approval of prospectus

...

3.1.2 ~~R~~ G ~~The *applicant* must also pay to the *FSA* the relevant application fee calculated in accordance with the scale of fees in *PR App 2*. *FEES 3* sets out the relevant application fee payable to the *FSA*.~~

...

3.1.16 ~~R~~ G ~~A *person* must pay to the *FSA* any relevant fee specified in *PR App 2* *FEES 3* sets out the relevant fee payable in relation to the vetting of an equivalent document or a summary document.~~

PR 5.4: Qualified investors register

...

5.4.9 R The application must be in writing in form C and must include the relevant fee specified in ~~*PR App 2*~~ *FEES 3*.

PR App 2.1

Move PR App 2.1 to *FEES 3* Annex 5R Part 2 amended as follows:

~~PR App 2.1~~

Document vetting and approval fees in relation to prospectus rules.

~~PR App 2.1.1~~ R Fees for the period...during the year ~~and fall due when documentation is first submitted to the *FSA*.~~

...

Annex P

Amendments to the Disclosure Rules

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

Where an entire section is being deleted, the place where the change will be made is indicated and the text will not be struck through.

DR 1.5 Fees, market abuse safe harbours and sanctions

1.5.1 ~~R~~ An issuer must pay the fees set out in DR 1 Annex 2 FEES 4 sets out the
~~G~~ fees payable by an issuer to the FSA when they are due

DR 1 Annex 2

Move DR 1 Annex 2 to FEES 4 Annex 8R amended as follows:

~~DR 1 Annex 2 Annex 2R Fees payable in relation to the period 1 April 2005 to 31 March 2006~~

~~This annex belongs to DR 1.5.1R~~

Annual fees for the period 1 April 2005 to 31 March 2006	
All non-listed <i>issuers</i> of <i>shares</i> , depositary receipts and securitised derivatives. Annual fees for listed <i>issuers</i> in respect of Disclosure Rules obligations are incorporated in the annual fee for listed <i>issuers</i> under the Listing Rules. A non-listed issuer which becomes subject to the disclosure rules during the course of the financial year must pay a proportion of the annual fee which is calculated in accordance with the following Table 3.	...
	...
	...
	...
Fees from other fee schedules contained in other sections of the sourcebook may be applicable to a single submission.	

Table 3

	Quarter in which the non-listed issuer becomes subject to the Disclosure Rules	Proportion payable
	1 July to 30 September inclusive	75%
	1 October to 31 December inclusive	50%
	1 January to 31 March inclusive	25%

Annex Q

Amendments made by the Financial Ombudsman Service Limited

The amendments in this instrument relating to the provisions set out below are made exclusively by the FOS, subject to the approval and consent of the FSA, and not by the FSA:

FEES reference	DISP reference
N/A	4.2.12R
N/A	4.2.13R
5.5.1R	5.6.1R
5.5.3R	5.6.3R
5.5.4R	5.6.4R
5.5.6R	5.6.6R
5.5.7R	5.6.7R
5.5.8R	5.6.8R
5.5.10R	5.6.10R
5.5.11R	5.6.11R
5.5.12R	5.6.12R
5.5.15R	5.6.15R
5.7.2R	5.8.2R
5.7.3R	5.8.4R
5.9.1R	5.10.1R

The amendments in this instrument relating to the parts of the provisions set out below, to the extent that they relate solely to rule making powers exercisable by FOS under parts III and IV of schedule 17 of FSMA, are made exclusively by FOS, subject to the approval and consent of the FSA, and not by the FSA:

FEES reference	DISP reference
2.1.1R	N/A
2.2.1R	5.8.6R
2.3.1R	5.8.8R
2.3.2R	5.8.9R
5.1.1R and 1.1.2R	5.1.1R
5.1.4R	5.1.4R
5.1.5R	5.1.5R
5.1.6R	5.1.6R