

# **Regulatory fees and levies: policy proposals for 2020/21**

**Consultation Paper**

CP19/30\*\*

November 2019

## How to respond

We are asking for comments on this Consultation Paper (CP) by **13 January 2020**.

You can send them to us using the form on our website at: [www.fca.org.uk/cp19-30-response-form](http://www.fca.org.uk/cp19-30-response-form)

### Or in writing to:

David Cheesman (for chapters 1-5)  
Telephone: 0207 066 5406

Lucinda Puls (for chapter 6)  
Telephone: 0207 066 7736

Financial Conduct Authority  
12 Endeavour Square London E20 1JN

### Email:

[cp19-30@fca.org.uk](mailto:cp19-30@fca.org.uk)

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# 1 Summary

## Why we are consulting

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- 1.1** This consultation paper (CP) sets out our proposed policy changes to the way we will raise FCA fees from 2020/21. We are funded entirely by the fees and levies from the firms we regulate. We do not receive any funding from other sources.

## Who this applies to

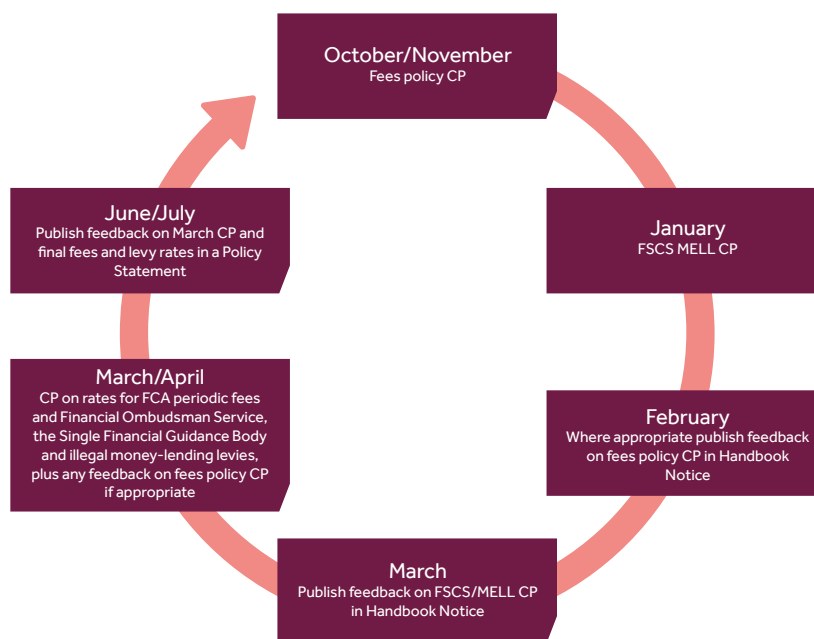
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- 1.2** This document applies to all FCA fee-payers and to the following types of business who will be coming under our supervision over the coming year:
- cryptoasset businesses
  - proxy agents
- 1.3** Each chapter deals with a specific policy area and identifies the bodies it will affect. See Table 1.1 of this CP.
- 1.4** This CP is not directly relevant to retail financial services consumers, although our fees are indirectly paid by users of financial services.

## The wider context

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- 1.5** Our annual fees consultation follows this cycle:
- October to November – we consult on any changes to our policy on how we raise fees and levies and give our feedback on the consultation responses in the following February/March Handbook Notice or the March/April CP.
  - January – we consult on the Financial Services Compensation Scheme (FSCS) management expenses levy limit (MELL), a joint consultation with the Prudential Regulation Authority (PRA). We give our feedback on the consultation responses in the March Handbook Notice.
  - March to April – we consult on FCA periodic fees rates for the next financial year (1 April to 31 March) and any proposed changes to application fees or other fees. We also consult on the Financial Ombudsman Service general levy, the Single Financial Guidance Body levies and illegal money-lending levies for the next financial year.
  - June to July – we publish feedback on responses received to the March CP together with final fees and levy rates in a policy statement.



## Summary of proposals

**1.6** Each chapter deals with a self-contained area of policy, summarised below.

- Chapter 2 proposes a charge of £5,000 per year for proxy advisors.
- Chapter 3 proposes income as the basis for calculating periodic fees for Multi-lateral Trading Facilities (MTFs), Organised Trading Facilities (OTFs) and Recognised Overseas Investment Exchanges (ROIEs).
- Chapter 4 proposes changes to:
  - Special project fees – updating who they apply to, adding a restructuring transaction, guidance to cover using relieving provisions where authorisation application fees are also payable
  - D.1 fee-block designated professional bodies – incorporating in our rules the basis for calculating periodic fees
  - E. fee-block premium listed issuer variable fee – change to valuation date
  - Illegal money lending levy – updating cross references to FCA rules
  - Proposed amendment to FEES App 3.1.2(2) to make clear that the 2019/20 fee-rate for persons registered under the Money Laundering Regulations, covered by the G.1 fee-block G.1, is £460.
- Chapter 5 proposes an administration charge of £50 for fee-payers requiring paper invoices.
- Chapter 6 invites interested parties to share views on mechanisms for funding free-to-consumer debt advice in the UK, including the debt advice levies for the Money and Pensions Service (MaPS) and the devolved authorities.

## Next steps

- 1.7** Please consider our proposals and send us your comments on the questions in this CP by 13 January 2020.
- 1.8** Use the [online response form](#) or write to us at the address on page 2.
- 1.9** We will consider your comments and publish our feedback, along with our rules, in our Handbook Notice in February or March 2020.

## Equality and diversity considerations

- 1.10** We have considered the equality and diversity issues from our proposals.
- 1.11** Overall, we do not consider that the proposals negatively affect any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules.
- 1.12** In the meantime, we welcome your input to this consultation on this.

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

Issue	Fee-payers likely to be affected	Chapter
£5,000 fee for proxy advisors	Businesses which are or intend to become proxy advisors	2
Using income to calculate periodic fees for remaining B fee-block market infrastructure providers	<ul style="list-style-type: none"> <li>• MTFs</li> <li>• OTFs</li> <li>• ROIEs</li> </ul>	3
Special project fees	<ul style="list-style-type: none"> <li>• Consumer credit firms</li> <li>• Claims management companies</li> <li>• Fee payers in the 'A', 'B' and 'G10' fee-blocks</li> </ul>	4
Calculating periodic fees	Designated professional bodies in D.1 fee-block	
Valuation date for variable fees	Premium listed issuers in E. fee-block	
Illegal money lending levy – updating cross references to FCA rules	Consumer credit firms in the CC2 (full permission) fee-block	
Clarifying 2019/20 fee-rate as £460	Fee-payers registered with us under the Money Laundering Regulations in G.1 fee-block	5
Administration charge of £50 for fee-payers requiring paper invoices	All fee-payers	
Funding for free-to-consumer debt advice in the UK	Home finance providers and administrators in fee-block A.2 and consumer credit lenders in fee-block CC.3	6

## 2 Fees for proxy advisors

### *(Draft instrument in Appendix 1)*

- 2.1** This chapter presents our proposals for recovering our costs from proxy advisors under the revised Shareholders Rights Directive (SRD II).
- 2.2** SRD II creates a new regulatory regime for proxy advisors, who analyse corporate disclosures and other information of listed companies with a view to informing investors' voting decisions through research, advice or recommendations. SRD II came into effect on 10 June 2019 and firms will have to notify us from 1 April 2020 if they intend to carry on business as proxy advisors. The regulations allow us to recover our costs from the firms registered with us.
- 2.3** Our powers are restricted to administering and enforcing SRD II disclosure provisions. We expect to deliver the regime within our existing resources:
- average cost of staff-time from 1 April 2020 approximately £35,000 per year
  - project development costs (up to 31 March 2020) approximately £35,000 per year
- 2.4** We believe a flat-rate charge of £5,000 per year is to be fair and in line with the Treasury's explanatory memorandum to the statutory instrument implementing SRD II.
- 2.5** Process:
- We will collect the 2020/21 charge in advance from 1 April 2020.
  - There will be no separate application charge.
  - We will invoice firms annually.
  - Firms will not have to take any action or provide any information to trigger the fee.
- 2.6** Since SRD II has been in force since June 2019, we will charge the full year's fee from businesses already trading, regardless of the date of their application. Going forward, fees of new applicants will follow standard practice and be pro-rated in proportion to the months of the financial year remaining after registration.
- 2.7** We will keep the charge under review as we gain experience of supervising proxy advisors.

**Q1: Do you have any comments on our proposed charge of £5,000 per year for proxy advisors?**

## 3 Introducing income to calculate periodic fees for remaining B fee-block market infrastructure providers

### *(FEES 4 Annex 11AR and Annex 13G – draft rules in Appendix 1)*

**3.1** In this chapter, we set out our proposals to introduce income to calculate periodic fees for the following remaining market infrastructure provider sub-sets of the B fee-block:

- Multi-lateral Trading Facilities (MTFs)
- Organised Trading Facilities (OTFs)
- Recognised Overseas Investment Exchanges (ROIES)

### Background

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**3.2** Following consultation, that started with our 'Regulatory fees and levies: policy proposals for 2017/18' [CP16/33](#), chapter 4 (November 2016) we have:

- moved the way we calculate periodic fees for Recognised Investment Exchanges (RIEs) and Regulated Benchmark Administrators (RBAs) to one based on the income they derive from these activities
- standardised the way we use income to calculate periodic fees for Service Companies (SCs) in line with RIEs and RBAs

These changes for RIEs, RBAs and SCs were implemented from 2017/18.

**3.3** In [CP16/33](#) (chapter 4) we committed to consulting on moving MTFs and OTFs on to an income measure when the Markets in Financial Instrument Directive II (MiFID II) was implemented.

**3.4** We repeated this commitment in our Policy Statement [PS19/19](#) 'FCA regulated fees and levies 2019/20: Including feedback on CP19/16 and made rules' chapter 3 (July 2019) following feedback to introduce a more uniform assessment for all trading venues by applying the same income measure to MTFs and OTFs.

**3.5** We are also consulting on introducing income as the basis for calculating the periodic fees for ROIEs. This will complete the movement to using income as a measure of size for all market infrastructure provider sub-sets of the B fee-block.

### Current periodic fee structure of market infrastructure providers in the B fee-block

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**3.6** The current periodic fee structure is set out in table 3.1 including the 2019/20 fee-rates. In the case of RIEs, RBAs and SCs the table also includes the size thresholds determining the level of annual income covered by the minimum fee and above which

the variable fee-rate applies. For RIEs the threshold is £10m and for RBAs and SCs the threshold is £100,000.

- 3.7** The variable fee-rate applicable to income above the thresholds is applied in units of £1,000 of annual income. The valuation point, at which RIEs, RBAs and SCs are required to calculate the relevant annual income, is the amount that applies in their financial year ending in the calendar year that ends 31 December prior to the fee-year that the fees calculation relates. For example, the valuation point for fees calculated in fee-year 2019/20 was their financial year ending in the calendar year that ended 31 December 2018.

**Table 3.1: Current periodic fee structure of market infrastructure providers in the B fee-block**

B fee-block subsets	Current periodic fee structure and 2019/20 fee- rates	
RIEs	Annual income (AI) up to and including £10m	£105,060 (minimum fee)
	AI over £10m	£4.11 (per £1,000 AI)
RBAs	AI up to and including £100,000	£1,151 (minimum fee)
	AI over £100,000	£1.59 (per £1,000 AI)
SCs	AI up to and including £100,000	£1,132 (minimum fee)
	AI over £100,000	£2.76 (per £1,000 AI)
MTFs or OTFs	MTF or OTF operator that has a named individual fixed portfolio supervisor Flat fee	£343,358
	All other MTFs or OTFs (ie, those supervised by a team of flexible portfolio supervisors) Flat fee	£32,380
ROIEs	Flat fee	£60,000

- 3.8** This periodic fees structure for RIEs, RBAs and SCs is included in the FEES Manual rules under Parts 3 and 5 of [FEES 4 Annex 1AR](#) and Part 1 of [FEES 4 Annex 2AR](#).
- 3.9** The definition of annual income for RIEs, RBAs and SCs (referenced in Part 3 of FEES 4 Annex 1AR) is set out in [FEES 4 Annex 11AR](#) which also refers to the guidance in [FEES 4 Annex 13G](#).
- 3.10** Our consultation on introducing income to calculate periodic fees for MTFs, OTFs and ROIEs will aim, where appropriate, to mirror the existing fees structure and adapt the income definition rules and guidance that apply to RIEs, RBAs and SCs.

## Consultation timetable

- 3.11** We are proposing to consult in three stages commencing with this November 2019 consultation paper (CP) consulting on the definition of annual income for MTFs, OTFs and ROIEs.
- 3.12** Subject to the responses we receive from this first stage we will move to the second stage consultation. We do not currently have the income data that MTFs, OTFs and



ROIEs derive from these activities, the total of which we need to propose and consult on a size threshold for the minimum fee and calculate indicative minimum fee and variable fee-rates. At the second stage we will therefore consult on a requirement for MTFs, OTFs and ROIEs to provide us with their income data for periodic fees purposes (tariff data) by September 2020. We propose to consult on this reporting requirement in our April 2020 annual fees-rates CP

**3.13** Subject to the responses we receive from the second stage we will move to the third stage consultation. Using the total income data reported by end September 2020 we will set the threshold for the minimum fee level and calculate indicative minimum and variable fee-rates. We propose to consult on these in our November 2020 fees policy CP which will enable MTFs, OTFs and ROIEs to assess the impact of the changes to their fees. Subject to responses we receive we will implement the threshold for the minimum fee level from the 2021/22 fee-year.

**3.14** Table 3.2 gives the full consultation timetable including that for the 2020/21 fee-year the existing flat fee structure for MTFs, OTFs and ROIEs will continue to be the basis used for calculating their fees. We will consult on changes to the current levels in the April 2020 fees rates CP. Flat periodic fees are linked to annual movements in our ongoing regulatory activities (ORA) core budget.

**Table 3.2: Consultation timetable to implement proposals from 2021/22 fee-year**

When	Consultation covering
November 2019 annual fees policy CP	<ul style="list-style-type: none"> <li>Introducing using income to calculate periodic fees for MTFs, OTFs and ROIEs.</li> <li>Income definition.</li> </ul> Feedback on responses and final rules published February to March 2020.
April 2020 annual fees-rates CP	<ul style="list-style-type: none"> <li>Requirement to report income data based on financial year ending in:               <ul style="list-style-type: none"> <li>2019 calendar year, by September 2020, for purposes of the November 2020 CP</li> <li>2020 calendar year, by February 2021, for purposes of April 2021 fees-rates CP</li> </ul> </li> <li>Annual funding requirement (AFR) allocation to B fee-blocks and fee-rates using existing flat fee basis for 2020/21.</li> </ul> Feedback on responses and final rules published in July 2020 and invoices issued from July 2020.
November 2020 annual fees policy CP	<ul style="list-style-type: none"> <li>Threshold, minimum fee and indicative minimum and variable fee-rates (based on 2019 calendar year income data reported September 2020).</li> </ul> Feedback on responses and final rules published in February to March 2021.
April 2021 annual fees-rates CP	AFR allocation to B fee-blocks and minimum and variable fee-rates using new income measure periodic fee basis for 2021/22. Feedback on responses and final rules published in July 2021 and invoices issued from July 2021.

## Using income to calculate periodic fees for MTFs, OTFs and ROIEs

**3.15** The amount of our total AFR, £558.5m in 2019/20, allocated to the B fee-block (£7.9m in 2019/20) is further allocated to the various market infrastructure providers as sub-sets of the B fee-block. The proportion allocated to the sub-sets MTFs, OTFs and ROIEs is currently recovered from individual fee-payers within these sub-sets through flat periodic fees that do not take into account the scale of the regulated business they undertake.

- 3.16** We believe using income as a measure of size (tariff base) increases transparency for fee-payers and represents an effective proxy for the impact risk they pose to our objectives. Income as a measure ensures an equitable distribution of cost recovery between fee-payers in the same fee-block provided all are reporting on the same basis. The definition must be clear, easy to understand and minimise the risk of inconsistent interpretation.
- 3.17** Therefore, we propose to incorporate MTFs, OTFs and ROIEs into the definition of annual income we have already applied to RIEs, RBAs and SCs. The definition of annual income for these sub-sets is in FEES 4 Annex 11AR, with guidance in FEES 4 Annex 13G Table 1.

## MTFs and OTFs annual income definition

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- 3.18** We are proposing the following definition of annual income for MTFs and OTFs:
- "Annual income" for an operator of a *multi-lateral trading facility* or *organised trading facility* is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the *firm's* accounts during the reporting year in respect of, or in relation to activities that comprise a necessary part of the *firm's* business as an operator of a *multi-lateral trading facility* or *organised trading facility*.
  - For the purposes of calculating annual income of the operator of a *multi-lateral trading facility* or *organised trading facility* include amounts received in relation to the operation of its markets; access to those markets; the submission, management and execution of orders; quotes or transactions on those markets; the supply of pre-and post-trade transparency information about those markets; fees for *admission to trading* or listing; membership of connectivity charges; fees for order execution or management; trade reporting; market data and any other relevant revenue streams.
- 3.19** We are also proposing to apply the guidance in FEES 4 Annex 13G Table 1. This includes the following guidance we believe will be particularly relevant to MTFs and OTFs when identifying their annual income for fees purposes:
- Only include income that relates to the regulated activity of operating a MTF or OTF.
  - Only include income that relates to the regulated activity which is carried out in the UK.
  - Include a fair value price for any services for which it has made a business decision not to charge clients.
  - Apportion their income where they cannot separate their income on the basis of activities.

MTFs and OTFs should refer to the full guidance in FEES 4 Annex 13G.

## ROIE annual income definition

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**3.20** We are proposing the following definition of annual income for ROIEs:

- "Annual income" for a *recognised overseas investment exchange* is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in their accounts during the reporting year in respect of income derived from their *UK* members.

**3.21** We are not proposing to apply the guidance in FEES 4 Annex 13G Table 1 to ROIEs as we do not believe it is relevant. However, we welcome any comments putting forward a case for including the guidance.

**Q2:** **Do you have any comments on our proposal to introduce using income to calculate periodic fees for MTFs, OTFs and ROIEs and our proposed definitions of annual income?**

## 4 Other fees policy proposals

4.1 In this chapter, we consult on:

- Special project fees – updating who they apply to, adding a restructuring transaction, guidance to cover using relieving provisions where authorisation application fees are also payable
- D.1 fee-block designated professional bodies – incorporating in our rules the basis for calculating periodic fees
- E. fee-block premium listed issuer variable fee – change to valuation date
- Illegal money lending levy – updating cross references to FCA rules
- Proposed amendment to FEES App 3.1.2(2) to make it clear that the 2019/20 fee-rate for persons registered under the Money Laundering Regulations, covered by the G.1 fee-block, is £460

### Special project fees

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*(FEES 3 Annex 9R and Annex 11G – draft rules in Appendix 1)*

#### Background

- 4.2 Special project fees (SPFs) are charged to recover our exceptional supervisory costs where a firm undertakes certain restructuring transactions, as set out in [FEES 3 Annex 9R](#). These include mergers or acquisitions, reorganising their group structure, a significant change to their business model or a significant internal change programme or raising additional capital.
- 4.3 SPFs are calculated based on the number of hours individuals work on the specific restructuring transactions, plus external costs of professional advisers we need to engage. The hourly rates are based on the costs we use for funding our projects internally.
- 4.4 SPFs are charged only where our additional costs exceed:
- £25,000 where the firm is dual-regulated by us and the PRA
  - £50,000 for firms that are solo-regulated by us

#### Updating who SPFs apply to

- 4.5 SPFs currently apply to all authorised firms in the A fee-blocks which includes banks, building societies, insurance companies, portfolio managers, securities brokers and financial, mortgage and general insurance intermediaries.
- 4.6 Consumer credit firms and claims management companies are also authorised firms. We are proposing to amend our SPF rules to include both these types of authorised firm.

## Adding a restructuring transaction

- 4.7** Where firms are entering into a Scheme of Arrangement under the Companies Act 2006 (a proposal to compromise its liabilities to its creditors) we have been asked to review these arrangements. The current SPF restructuring transactions include those relating to insolvency orders and voluntary winding up arrangements. We are proposing to add these Companies Act 2006 schemes as a SPF restructuring transaction.

## Introduce guidance to cover using relieving provisions where a SPF and authorisation application fees are also payable

- 4.8** Under our [FEES 2.3](#) relieving provisions rules, if it appears to us that in the exceptional circumstances of a particular case the payment of a fee would be inequitable, we may reduce or remit all or part of a fee.
- 4.9** Currently, where we charge a SPF for a restructuring transaction, which includes a Part VII insurance business transfer under which a separate application fee is payable, we have included guidance in [FEES 3 Annex 11G](#) to set out how we will consider using our relieving provisions.
- 4.10** In 'FCA regulated fees and levies: Rates proposals 2018/19' [CP18/10 \(Chapter 8\) \(April 2019\)](#) we consulted on several changes to our SPF rules. These included extending the scope of our SPFs by adding to the restructuring transactions:
- a significant change to the firm's business model
  - a significant internal change programme
- 4.11** As part of that consultation we noted that when a firm undertakes a SPF restructuring transaction it can result in new entities seeking authorisation or existing firms seeking a variation in their permission (VoP), for which a separate application fee is payable. Work carried out on such a SPF restructuring transaction can be connected to the work on the authorisation or VoP and so it may be inequitable to also charge the authorisation or VoP fee as well as the SPF.
- 4.12** As part of our consultation in [CP18/10 \(Chapter 8\)](#) we said that where such a SPF restructuring transaction is undertaken we will, on a case-by-case basis, consider using the relieving provisions and not charge the authorisation or VoP fees. However, we did not include guidance setting out how we will consider using our relieving provisions in these circumstances as we have done in the case where a SPF includes a Part VII insurance business transfer.
- 4.13** We are therefore now proposing to expand the guidance in [FEES 3 Annex 11G](#) to cover cases where a SPF and an authorisation application fee is chargeable that we will consider using our relieving provisions to not charge the authorisation fee or VoP fee. This will ensure that firms will continue to be aware of these particular circumstances where our relieving provisions can be considered on a case-by-case basis.

**Q3: Do you have any comments on our proposed updating and additions to our Special Project Fees rules and expansion of related guidance?**

## D.1 fee-block designated professional bodies

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### *(Fees 4 Annex 5R – draft rules in Appendix 1)*

- 4.14** We calculate periodic fees for designated professional bodies (DPBs) based on the number of exempt professional firms in each body. Each DPB currently pays £10,000 (minimum fee) for its first exempt professional firm (tariff base – measure of size). The remaining amount of our annual funding requirement allocated to the D.1 fee-block is then recovered in proportion to the number of exempt professional firms reported by each DPB (variable fee). The resulting periodic fee for each DPB is then listed under FEES 4 Annex 5R.
- 4.15** In all other fee-blocks where part of the periodic fee is variable in proportion to a measure of size we set out in our rules the basis of that calculation. We define the tariff base (including the valuation date we use), state the size threshold that applies to the minimum fee and the fee-rate per unit of tariff base used to calculate the variable fee. Fee-payers can clearly see how their fees are calculated and there is no need to list the individual amount of fees paid by each fee-payer.
- 4.16** We are proposing to set out the basis for calculating periodic fees for DPBs through modifications to FEES 4 Annex 5R to incorporate the existing:
- tariff base – number of exempt professional firms
  - valuation date – as at 31 December prior to the fee-year
  - minimum fee threshold – one exempt professional firm
  - variable fee threshold – total number of exempt professional firms in excess of one
- 4.17** The minimum fee and variable fee-rate for 2020/21 will be consulted on in our annual fees and levy rate consultation paper in April 2020.

**Q4: Do you have any comments on our proposal to incorporate the existing basis for calculating periodic fees for designated professional bodies in our rules?**

## E. fee-block premium listed issuer variable fee

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### *(Fees 4 Annex 14R – draft rules in Appendix 1)*

- 4.18** The variable fee-rate paid by premium listed issuers under FEES 4 Annex 14R is based on market capitalisations provided by the London Stock Exchange (LSE). The market capitalisations are currently provided as at the last business day of the November prior to the fee-year in which the fee is payable (valuation date).
- 4.19** The LSE is changing the month to September and we are therefore proposing to reflect this change in our rules to come into effect from the 2020/21 fee-year.

**Q5: Do you have any comments on our proposal to change the valuation date for market capitalisations used to calculate the variable fee-rate paid by premium listed issuers?**

## Illegal money lending levy

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### *(FEES13.2.3R and FEES 13.2.9R – draft rules in Appendix 1)*

**4.20** The illegal money lending (IML) levy is payable by consumer credit firms and the rules are set out in FEES 13. Some of the IML levy rules cross-reference to the FCA rules under FEES 4.

**4.21** We are updating the FEES 13 cross-references to reflect changes that have been made to FEES 4 rules that relate to:

- modifications for persons becoming subject to periodic fees during the course of a fee year
- calculating the fee in the firm's first year of authorisation
- calculating fees in the second fee-year where the firm received permission between 1 January and 31 March in its first fee-year
- calculating all other fees in the second and subsequent years of authorisation where a full year of tariff data is not available

**Q6: Do you have any comments on our proposal to update the illegal money lending (IML) levy rule cross references to FCA fees rules?**

## G.1 fee-block – Firms registered under the Money Laundering Regulations

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### *(FEES App 3.1.2(2) – draft rules in Appendix 1)*

**4.22** Since 30 April 2018 the periodic fee for persons registered with us under the Money Laundering Regulations (MLRs), covered by the G.1 fee-block, has been recorded in the FEES Manual under FEES App 3.1.2 (2). At that time, the fee-rate was shown as £438 which applied to the 2017/18 fee-year.

**4.23** In our annual April fee-rates CPs we consulted on our proposed G.1 fee-block periodic fee for 2018/19 and 2019/20 under our policy that flat and minimum fees should change each year in line with increases or decreases in our ongoing regulatory activities (ORA) budget:

- Chapter 4 of CP18/10 (April 2018) – periodic fee increased to £451 for 2018/19 (from £438 in 2017/18), and
- Chapter 4 of CP19/16 (April 2019) – periodic fee increased to £460 for 2019/20 (from £451 in 2018/19).

**4.24** We did not include these consultative periodic fee amounts as changes to FEES App 3.1.2 (2) in the draft rules instruments in those CPs. As a result, the periodic fee-rate is still shown in FEES App 3.1.2 (2) as £438 applying to fee-year 2017/18 when it should be £460 applying to fee-year 2019/20.

**4.25** In this CP, we are proposing to amend FEES App 3.1.2 (2) to make it clear that the periodic fee-rate for 2019/20 is £460. The amendment is set out in the draft instrument at Appendix 1 of this CP.

**4.26** In our annual fees and levy rate consultation paper in March to April 2020, we will consult on the 2020/21 G.1 fee-block periodic fee that reflects the increase or decrease in our 2020/21 ORA budget.

**Q7:** **Do you have any comments on the proposed amendment to FEES App 3.1.2(2) to make it clear that the 2019/20 fee-rate for persons registered under the Money Laundering Regulations, covered by G.1 fee-block, is £460?**



## 5 Administration charge for paper invoicing

### *(Draft instrument in Appendix 1)*

- 5.1** We are proposing to introduce from April 2020 an administration charge of £50 for fee-payers that require us to issue paper invoices instead of taking advantage of the online invoicing portal.
- 5.2** The portal provides a 'one-stop shop' on fees. It gives firms the ability to view, download or print invoices, view statements, pay invoices online by card, set up/amend a direct debit instruction, query invoices online, submit bank details to receive refunds by bank transfer and submit fee tariff data online, as well as providing easy access to a variety of fees information. For firms which do not want to use the portal (ie, do not wish to log in to their account), they can opt to use the application as an emailing service only and receive a pdf copy of their invoice with the FCA's invoice notification.
- 5.3** In CP 17/38, Regulatory fees and levies: policy proposals for 2018/19, published in November 2017, we discussed the possibility of introducing an annual charge of £50 to £100 for firms which required paper invoicing. We explained the environmental advantages and efficiency savings of online invoicing, and pointed out that other firms were picking up the additional costs of issuing paper invoices to firms that did not use the online facilities.
- 5.4** We received six responses, which we reviewed in FCA regulated fees and levies: Rates proposals 2018/19 (CP 18/10, April 2018). Five supported a charge on the principle that users should pay, though one was concerned about the impact on smaller firms and several stressed that the charge should be justified by the cost. Only one objected to the suggestion, arguing that fee-payers may have good reasons for preferring paper invoices.
- 5.5** At that time, 15% of fee-payers were using paper invoices. Currently, less than 8% receive paper invoices. As fewer fee-payers continue to opt for paper invoicing, any economies of scale are eroded and the costs per firm of printing and posting documents become more expensive. It is unreasonable for other fee-payers to continue to bear these additional costs.
- 5.6** Issuing paper invoices involves direct costs for printing, paper and postage, as well as staff time for chasing firms over the phone and sending out reminders. The work on individual firms varies. Some pay their invoices promptly, whereas others require chasing and several reminders. We consider £50 per firm represents a fair contribution per firm but our objective is not to recover our current administrative costs. Our objective is that all fee-payers should recognise the advantages of online invoicing and so move away from paper invoicing. We will consider our policy has succeeded when we have no additional costs to recover because all fee-payers are engaging with us electronically. We hope all fee-payers will opt for online invoicing without waiting to be charged but, in the meantime, the charge will save other firms from paying for the ones that do not. If a small core of fee-payers continue to resist online invoicing, we may in the future consider making on-line invoicing mandatory.

**Q8: Do you have any comments on our proposal to charge £50 from firms which require us to send paper invoices, to cover our additional administration costs?**

## 6 Debt advice levies for the Money and Pensions Service and devolved authorities

- 6.1** The FCA is responsible for collecting funding for free-to-consumer debt advice provided by the Money and Pensions Service (MaPS) and the devolved authorities. We do this through the SFGB (Single Finance Guidance Body) debt advice levy, which funds MaPS, and the Devolved Authorities' debt advice levy.
- 6.2** We are currently considering whether a change in the way we collect the debt advice levies will result in better distribution of costs across regulated firms. Also, the FCA is working with MaPs in a joint working group on the overall funding system for free-to-client debt advice in the UK. This group will look at current funding mechanisms including the levy, and potential additional structures with the aim of developing an improved sustainable long-term funding model. The group are talking to stakeholders over the coming months to hear views on the current system and potential future models.
- 6.3** This work is at an early stage, and we are not consulting on changes in this paper. Any proposed changes to levies for financial services firms arising from this work will be subject to the usual process of public consultation and will require the consent of the Secretary of State and the Treasury.
- 6.4** If you wish to share your views on how to better support overall funding for free debt advice you can write to us at the address on page 2.

## Annex 1

### Questions in this paper

- Q1:** Do you have any comments on our proposed charge of £5,000 for proxy advisors?
- Q2:** Do you have any comments on our proposal to introduce using income to calculate periodic fees for MTFs, OTFs and ROIEs and our proposed definitions of annual income?
- Q3:** Do you have any comments on our proposed updating and additions to our Special Project Fees rules and expansion of related guidance?
- Q4:** Do you have any comments on our proposal to incorporate the existing basis for calculating periodic fees for designated professional bodies in our rules?
- Q5:** Do you have any comments on our proposal to change the valuation date for market capitalisations used to calculate the variable fee-rate paid by premium listed issuers?
- Q6:** Do you have any comments on our proposal to update the illegal money lending (IML) levy rule cross references to FCA fees rules?
- Q7:** Do you have any comments on the proposed amendment to FEES App 3.1.2(2) to make it clear that the 2019/20 fee-rate for persons registered under the Money Laundering Regulations, covered by G.1 fee-block, is £460?
- Q8:** Do you have any comments on our proposal to charge £50 from firms which require us to send paper invoices, to cover our additional administration costs?

## Annex 2

# Compatibility statement

### Compliance with legal requirements

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1. This annex explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA). Under section 138I of FSMA, the FCA is exempt from the requirement to carry out and publish a cost benefit analysis for such proposals.
2. When consulting on new rules, section 138I(2)(d) of FSMA requires us to include an explanation of why we believe making the proposed rules is (a) compatible with our general duty, under s.1B(1) of FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, and (b) our general duty under s.1B(5)(a) of FSMA to have regard to the regulatory principles in s.3B of FSMA. We are also required by s.138K(2) of FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and or integrity objectives.
4. This annex also explains how we have considered the Treasury's recommendations under s.1JA of FSMA of aspects of Her Majesty's Government's economic policy which we should consider in connection with our general duties.
5. This annex includes our assessment of the equality and diversity implications of these proposals.

### The FCA's objectives and regulatory principles: Compatibility statement

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6. Our proposals in this consultation are not intended in themselves to advance our operational objectives, but the fees we collect will fund our capacity to achieve them. Therefore, these proposals will indirectly advance our operational objectives of:
  - delivering consumer protection – securing an appropriate degree of protection for consumers
  - enhancing market integrity – protecting and enhancing the integrity of the UK financial system
  - building competitive markets – promoting effective competition in the interests of consumers

7. We also think that these proposals are compatible with our strategic objective of ensuring that the relevant markets function well, albeit indirectly. This is because they will enable us to fund the activities to help us meet that objective. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F of FSMA. In the rest of this annex, reference to objectives means both our strategic objective and operational objectives.
8. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s.3B of FSMA. Most of the relevant regulatory principles are considered below:

### **The need to use our resources in the most efficient and economic way**

9. Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We aim to carry out this work in the most efficient and economical way possible, concentrating on the areas of activity that pose the greatest risk to our objectives.
10. Our proposals in chapter 5 are intended to make our invoicing processes more cost effective by recovering the additional costs of paper invoicing directly from the firms who require it. We hope it will encourage greater take-up of online invoicing to achieve savings for ourselves and other fee-payers.

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

11. Our fees are necessary for us to meet our objectives. As outlined above, we aim to use our resources in the most efficient and economic way, while delivering benefits to UK consumers, through our regulatory activities.
12. In chapter 2, we set a flat-rate charge of £5,000 from proxy advisors to recover our costs without introducing unnecessary reporting requirements.
13. In chapter 3, our proposals to use income to calculate periodic fees for Multi-lateral Trading Facilities (MTFs), Organised Trading Facilities (OTFs) and Recognised Overseas Investment Exchanges (ROIEs) represents an effective proxy for the impact risk they pose to our objectives.
14. In chapter 4, our proposals on Special Project Fees (SPFs) will further target the recovery of our exceptional supervisory costs to relevant firms and for relevant restructuring transactions.

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

15. The simple fees structure we are establishing for proxy advisors recognises our limited engagement with them.

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

16. Our consultation processes are intended to ensure that we are transparent about the thinking behind our proposals and clearly explain what we expect to achieve. We

believe that this CP meets these objectives.

17. Our proposals in chapter 3 for MTFs, OTFs and ROIEs and our proposals in chapter 4 for Designated Professional Bodies will make the basis for how periodic fees are calculated for these fee payers more transparent.
18. Our proposals in chapter 4 to extend the guidance covering the use of our relieving provisions where SPFs and certain application fees are also charged, makes it clearer for firms that our relieving provisions may be applicable in such cases.

### Expected effect on mutual societies

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

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

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20. These proposals enable us to fund the activities we need to undertake in 2018/19. These activities include meeting our duty to promote effective competition in the interests of consumers. Fees are not intended in themselves to influence firms' behaviour.

### Equality and diversity

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21. We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment to ensure that the equality and diversity implications of any new policy proposals are considered.
22. As explained in paragraphs 1.10 to 1.12 of this CP, we do not think that the proposals negatively impact any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules.

### The Treasury's recommendations about economic policy

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23. Each year, the Treasury makes recommendations to us under section 1JA of FSMA about aspects of economic policy which we should consider when undertaking our functions. Our fees proposals indirectly take account of the Treasury's recommendations by providing the resources that enable us to meet our objectives in taking responsibility for the claims management market.

## Annex 3

### Abbreviations used in this paper

<b>AFR</b>	Annual funding requirement
<b>DPB</b>	Designated professional body
<b>FCA</b>	Financial Conduct Authority
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>IML</b>	Illegal money lending
<b>LSE</b>	London Stock Exchange
<b>MaPS</b>	Money and Pensions Service
<b>MELL</b>	Management expenses levy limit
<b>MiFID</b>	Markets in Financial Instrument Directive
<b>MLRs</b>	Money Laundering Regulations
<b>MTF</b>	Multi-lateral Trading Facility
<b>ORA</b>	Ongoing regulatory activities
<b>OTF</b>	Organised Trading Facility
<b>PRA</b>	Prudential Regulation Authority
<b>RIE</b>	Recognised Investment Exchange (RBAs)
<b>ROIE</b>	Recognised Overseas Investment Exchanges
<b>RBA</b>	Regulated Benchmark Administrator
<b>SC</b>	Service Company
<b>SFGB</b>	Single Finance Guidance Body
<b>SPF</b>	Special project fee
<b>SRD</b>	Shareholders Rights Directive

<b>AFR</b>	Annual funding requirement
<b>DPB</b>	Designated professional body
<b>FCA</b>	Financial Conduct Authority
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>IML</b>	Illegal money lending
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<b>MaPS</b>	Money and Pensions Service
<b>MELL</b>	Management expenses levy limit
<b>MiFID</b>	Markets in Financial Instrument Directive
<b>MLRs</b>	Money Laundering Regulations
<b>MTF</b>	Multi-lateral Trading Facility
<b>ORA</b>	Ongoing regulatory activities
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<b>RIE</b>	Recognised Investment Exchange (RBAs)
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<b>RBA</b>	Regulated Benchmark Administrator
<b>SC</b>	Service Company
<b>SFGB</b>	Single Finance Guidance Body
<b>SPF</b>	Special project fee
<b>SRD</b>	Shareholders Rights Directive



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We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

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

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

All our publications are available to download from [www.fca.org.uk](http://www.fca.org.uk). If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: [publications\\_graphics@fca.org.uk](mailto:publications_graphics@fca.org.uk) or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

# Appendix 1

## Draft Handbook text

**FEES (MISCELLANEOUS AMENDMENTS) (No [15]) INSTRUMENT 2020****Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of:
- (1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137A (General rule-making power);
    - (b) section 137T (General supplementary powers);
    - (c) section 139A (Power of the FCA to give guidance);
    - (d) section 333T (Funding of action against illegal money lending);
    - (e) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
  - (2) regulation 102 (Costs of Supervision) of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692);
  - (3) regulation 28 (Application of Schedule 1ZA to the Act: penalties, fees and exemption from liability in damages) and 31 (Public list of proxy advisors) of the Proxy Advisors (Shareholders’ Rights) Regulations 2019 (2019/926);
  - (4) regulation 118 (Costs of supervision) of the Payment Services Regulations 2017 (2017/752); and
  - (5) regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 1 April 2020, except for Part 2 of Annex B which comes into force on 31 March 2020.

**Amendments to the Handbook**

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below:

(1)	(2)
Glossary of definitions	Annex A

The Fees manual (FEES)	Annex B
------------------------	---------

**Citation**

- E. This instrument may be cited as the Fees (Miscellaneous Amendments) (No [15]) Instrument 2020.

By order of the Board  
[*date*]

**Annex A**

**Amendments to the Glossary of definitions**

In this Annex, underlining indicates new text.

*proxy advisor*

(1) (Except for FEES 4.2) a legal person that analyses, on a professional and commercial basis, the corporate disclosure and, where relevant, other information of listed companies, with a view to informing investors' voting decisions by providing research, advice or voting recommendations that relate to the exercise of voting rights.

(2) (In FEES 4.2) a person as defined in regulation 2 of the Proxy Advisors (Shareholders' Rights) Regulations 2019.

## Annex B

## Amendments to the Fees manual (FEES)

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

## Part 1

## 3 Application, Notification and Vetting Fees

...

## 3 Annex 9 Special Project Fee for restructuring

- (1) R The Special Project Fee for restructuring (the SPFR) is only payable by a *person* in one of the following categories:
- (a) ~~if it is in~~ that *person* falls within any of the A, CC1, CC2 and CMC fee-blocks (as defined in Part 1 of FEES 4 Annex 1AR); or
  - (b) ~~if it is in~~ that *person* falls within fee-block G.3 or G.10 (as defined in FEES 4 Annex 11R); or
  - (c) ~~if it is a recognised investment exchange; or~~
  - (d) [deleted]
  - (e) ~~if it is in~~ that *person* falls within any of the B fee-blocks (as defined in Part 1 of FEES 4 Annex 1AR).
- (2) R The SPFR becomes payable by a *person* falling into (1)(a) or (b) if it engages in, or prepares to engage in, activity which involves it undertaking or making arrangements with a view to any of the following:
- ...
- (c) a scheme of arrangement under Part 26 of the Companies Act 2006 in respect of that *person*.

**3 Annex 11G Guidance on fees due under FEES 3 Annex 1R, FEES 3 Annex 3R, FEES 3 Annex 8R, FEES 3 Annex 10R, FEES 3.2.7R(p), FEES 3.2.7R(s) and FEES 3.2.7AR 3.2.7R(ze)**

~~The following table sets out guidance on how a firm liable to pay a fee under both FEES 3.2.7R(s) and FEES 3.2.7R(ze) for the same transaction should expect to be treated.~~

- (1) ~~The transferor in insurance business transfer schemes is liable to pay the fee set out in FEES 3.2.7R(s). However, it may also be liable to pay the Special Project Fee for restructuring set out in FEES 3.2.7R(ze), calculated~~

~~in accordance with FEES 3 Annex 9. It is possible then for a firm to have to pay two types of fees in respect of the same insurance business transfer scheme.~~

- ~~(2) Where the situation described in (1) arises, the FCA will consider whether to reduce or remit a fee under FEES 2.3 (Relieving Provisions).~~

Part 1      This Part applies to the following:

(1)

- (a) FCA-*authorised persons*, PRA-*authorised persons* and persons seeking to become FCA-*authorised persons* or PRA-*authorised persons* that pay application fees under FEES 3 Annex 1R, FEES 3 Annex 3R, FEES 3 Annex 8R and FEES 3 Annex 10R; or

- (b) a firm seeking a variation of its Part 4A permission which pays an application fee under FEES 3.2.7R(p).

- (2) The following table sets out guidance on how a person liable to pay both a fee mentioned in (1) above and also in FEES 3.2.7R(ze) for the same transaction, should expect to be treated.

<u>(A)</u>	<u>The person is liable to pay the fees referred to in (1). However, it may also be liable to pay the Special Project Fee for restructuring set out in FEES 3.2.7R(ze), calculated in accordance with FEES 3 Annex 9. It is possible then for a person to have to pay two types of fees in respect of the same application.</u>
<u>(B)</u>	<u>Where the situation described in (A) arises, the FCA will consider whether to reduce or remit a fee under FEES 2.3 (Relieving Provisions).</u>

Part 2      The following table sets out guidance on how a firm is liable to pay a fee under both FEES 3.2.7R(s) and FEES 3.2.7R(ze) for the same transaction should expect to be treated.

- (1) The transferor in insurance business transfer schemes is liable to pay the fee set out in FEES 3.2.7R(s). However, it may also be liable to pay the Special Project Fee for restructuring set out in FEES 3.2.7R(ze), calculated in accordance with FEES 3 Annex 9. It is possible then for a firm to have to pay two types of fees in respect of the same insurance business transfer scheme.

- (2) Where the situation described in (1) arises, the FCA will consider whether to reduce or remit a fee under FEES 2.3 (Relieving Provisions).

...

**4 Periodic fees**

...

**4.2 Obligation to pay periodic fees**

...

4.2.3 G The *FCA* will issue invoices online at least 30 *days* before the dates on which payments fall due under *FEES* 4.2.1R.

4.2.3A R If, in response to a request from a fee payer, the *FCA* issues a paper invoice, an administration charge of £50 per year will be added to the fee otherwise payable.

...

4.2.11 R Table of periodic fees payable to the *FCA*

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
...			
<i>A benchmark endorser</i>	The tariff specified in <i>FEES</i> 4 Annex 15R	Payable in accordance with <i>FEES</i> 4.3.6R	Not applicable
<u><i>Proxy advisor</i></u>	<u>(1) £5,000</u>	<u>(1) At the time of notification</u>	<u>Not applicable</u>
	<u>(2) For a <i>proxy advisor</i> which is already trading on 1 April 2020, the amount specified in (1) upon notifying the <i>FCA</i>.</u>	<u>(2) For a <i>proxy advisor</i> which has already notified the <i>FCA</i>, within 30 days of the date of the invoice</u>	



	<p>(3) For a <i>proxy advisor</i> which starting trading after 1 April 2020, the fee payable is pro-rated in proportion to the <i>months</i> remaining in the financial year 1 April – 31 March, including the month of notification.</p>	
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...

**4 Annex 5R** **Periodic fees for designated professional bodies payable in relation to the period 1 April 2019 to 31 March 2020: tariff base, valuation date and tariff rates**

Table of fees payable by Designated Professional Bodies

Name of Designated Professional Body	Amount payable (£)
The Law Society of England & Wales	81,110
The Law Society of Scotland	15,030
The Law Society of Northern Ireland	15,140
The Institute of Actuaries	10,170
The Institute of Chartered Accountants in England and Wales	43,700
The Institute of Chartered Accountants of Scotland	11,770
The Institute of Chartered Accountants in Ireland	6,580
The Association of Chartered Certified Accountants	21,400
The Council for Licensed Conveyancers	12,400
Royal Institution of Chartered Surveyors	16,950

Part 1

This table sets out the tariff base and valuation date for the *designated professional bodies* fee-block. The tariff base and valuation date in this Part is the means by which the FCA calculates the annual periodic fees payable by a *designated professional body* to the FCA.

<u>Activity group</u>	<u>Fee payer falls in the activity group if:</u>	<u>Tariff base</u>	<u>Valuation date</u>
<u>D.1 Designated professional bodies</u>	<u>It is a <i>designated professional body</i></u>	<u>Number of <i>exempt professional firms</i> regulated or supervised by a <i>designated professional body</i></u>	<u>As at 31 December prior to the <i>fee-year</i></u>

Part 2

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

<u>Fee payable in relation to 2020/21</u>	<u>Amount payable</u>
<u>Minimum fee, payable by all <i>designated professional bodies</i></u>	<u>£[tbc]</u>
<u>Variable fee, payable by <i>designated professional bodies</i> where the number of <i>exempt professional firms</i> regulated or supervised by a <i>designated professional body</i> is <u>greater than 1</u></u>	<u>£[tbc] multiplied by the total number of <i>exempt professional firms</i> in excess of 1.</u>

## Note

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

...

4 Annex  
11AR

**Definition of annual income for the purposes of calculating fees in fee blocks A.13, A.14, A.18, A.19 and B. Service Companies, Recognised Investment Exchanges, Recognised Overseas Investment Exchanges, Multilateral Trading Facilities, Organised Trading Facilities, Regulated Benchmark Administrators and Claims Management Companies**

**Annual income definition**

**General definition for all relevant fee-blocks (other than where the firm is an operator of a Recognised Investment Exchange, a Recognised Overseas**

**Investment Exchange, a Multilateral Trading Facility, an Organised Trading Facility a Regulated Benchmark Administrator or a Claims Management Company)**

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

...

**Definition for Recognised Investment Exchanges**

“Annual income” for a *recognised investment exchange* is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the *firm’s* accounts during the reporting year in respect of, or in relation to activities that comprise a necessary part of an exchange’s business as an investment exchange. This should include all revenues the firm derives from operating *multilateral trading facilities* and *organised trading facilities*.

For the purposes of calculating annual income of the *recognised investment exchange* include amounts received in relation to the operation of its markets; access to those markets; the submission, management and execution of orders; quotes or transactions on those markets; the supply of pre-and post- trade transparency information about those markets; fees for *admission to trading* or listing; membership of connectivity charges; fees for order execution or management; trade reporting; market data and any other relevant revenue streams.

**Definition for Recognised Overseas Investment Exchanges**

“Annual income” for a *recognised overseas investment exchange* is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in their accounts during the reporting year in respect of income derived from their UK members.

**Definition for firms operating Multilateral Trading Facilities and Organised Trading Facilities**

**This refers to *firms operating a multilateral trading facility or organised trading facility*.**

“Annual income” for an operator of a *multilateral trading facility* or *organised trading facility* is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the *firm’s* accounts during the reporting year in respect of, or in relation to activities that comprise a necessary part of the *firm’s* business as an operator of a *multilateral trading facility* or *organised trading facility*.

For the purposes of calculating annual income of the operator of a *multilateral trading facility* or *organised trading facility* include amounts received in relation to the operation of its markets; access to those markets; the submission,

management and execution of orders; quotes or transactions on those markets; the supply of pre-and post-trade transparency information about those markets; fees for *admission to trading* or listing; membership of connectivity charges; fees for order execution or management; trade reporting; market data and any other relevant revenue streams.

...

...

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

Table 1

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee blocks A.13, A.14, A.18, A.19 and B. Service Companies, Recognised Investment Exchanges, Multilateral Trading Facilities, Organised Trading Facilities, Regulated Benchmark Administrators and Claims Management Companies.

Calculating and apportioning annual income - *FEES* 4 Annex 11AR

Calculating annual income

Defining relevant income streams

- (1) The firm should refer to the fee-block definitions in *FEES* 4 Annex 1AR, Part 1 to decide which particular income streams should be taken into account when calculating its annual income for the purposes of fee-blocks A.13, A.14, A.18, A.19 and B. Service Companies, Recognised Investment Exchanges, Multilateral Trading Facilities, Organised Trading Facilities and Benchmark Administrators.

...

...

**4 Annex 14R UKLA periodic fees for the period from 1 April ~~2019~~ 2020 to 31 March ~~2020~~ 2021**

Part 1 Base fee			
Activity group or invoice code (Note 1)		Description	Base fee payable (£)
E.1	Discontinued		
E.2	Premium listed issuer	<i>A listed issuer of equity shares and certificates representing shares with a premium listing (see Note 2)</i>	<del>5,465</del> [tbc]

E.3	Standard listed issuer	<i>A listed issuer of shares and certificates representing certain securities with a standard listing and not with a premium listing (see Note 2)</i>	20,700 [tbc]
E.4	Discontinued		
E.5	Discontinued		
E.6	Non-listed issuer (in DTR)	<i>A non-listed issuer (in DTR)</i>	0 [tbc]
E.7	Primary information provider	<i>A primary information provider</i>	17,275 [tbc]
ES.01	Sponsor	<i>A sponsor (see Note 3)</i>	28,775 [tbc]

...

Part 2 Variable fee additional to base fee			
Activity Group	Market capitalisation as at the last <i>business day</i> of the <del>November</del> <u>September</u> prior to the <i>fee-year</i> in which the fee is payable in £million		Fee payable in £per £million or £part million
E.2	Premium listed issuer (as described in Part 1)	0 - 100	0 [tbc]
		> 100 - 250	28.803154 [tbc]
		> 250 – 1,000	11.113106 [tbc]
		> 1,000 – 5,000	6.840573 [tbc]
		> 5,000 – 25,000	<del>0.166862</del> [tbc]
		> 25,000	0.053909 [tbc]

...

### 13 Illegal money lending levy

...

#### 13.2 The IML levy

...

Calculation of the IML levy

13.2.3 R The *IML levy* is calculated as follows:

...

- (6) modify the result as indicated by the tables in ~~FEES 4.2.6R~~ 4.2.7ER (Modifications for persons becoming subject to periodic fees during the course of a *fee-year*), ~~and FEES 4.2.7FR~~ (Calculating the fee in the firm's first year of authorisation), FEES 4.2.7GR (Calculating fees in the second *fee-year* where the firm received permission between 1 January and 31 March in its first *fee-year*) and FEES 4.2.7HR to FEES 4.2.7KR (Calculating all other fees in the second and subsequent years of authorisation where a full year of tariff data is not available) (if applicable);

...

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

<i>FEES</i> 4 rules incorporated into <i>FEES</i> 13	Description
...	
<del><i>FEES</i> 4.2.7GR to <i>FEES</i> 4.2.7KR</del>	Calculation of periodic fee and tariff base for a <i>firm's</i> second <i>financial year</i>
...	

**Part 2**

...

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

...

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

...

App 3.1.2

(1)	Registration fee:		
	£100		
(2)	Periodic fee:		
	Activity group	Fee-payer falls in the activity group if:	Fee payable in <del>2017/18</del> <u>2019/20</u>
	G.1	it is registered with the <i>FCA</i> under the <i>Money Laundering Regulations</i> or any predecessor legislation	£438 <u>£460</u>

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

