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Financial Services Authority

Fees 1999-2000

February 1999



The Financial Services Authority
25 The North Colonnade Canary Wharf London E14 5HS
Telephone: +44 (0)171 676 1000 Fax: +44 (0)171 676 1099
Website: <http://www.fsa.gov.uk>

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Media enquiries should be made on telephone 0171 676 3232.

Representations in respect of the proposals in this paper can be made to:

Kevin Walsh
Finance Department
5th Floor (SE20G)
The Financial Services Authority
25 The North Colonnade
London E14 5HS

Telephone: 0171 676 3404
Fax: 0171 676 1083
E-mail: kevin.walsh@fsa.gov.uk

Representations should reach the FSA by 9 March 1999.

It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise.

Fees

1999-2000

Introduction

- 1 The purpose of this paper is to consult on proposed fees to be made under the Financial Services Act 1986 for recognised bodies, directly regulated firms and collective investment schemes and proposed fees to be made under the Bank of England Act 1998 for banks, money market institutions and ECHO. It should be read in conjunction with the FSA's Plan and Budget for 1999/2000 which is published at the same time as this paper. This paper does not deal with fees payable by firms regulated by PIA, IMRO or SFA nor those firms whose fees are determined by HM Treasury (insurance companies) or the Registry of Friendly Societies (building societies, friendly societies and credit unions).
- 2 The scope of the FSA's legal responsibilities under the Financial Services Act 1986 remain substantially unaltered during 1998/99. A small extension of these activities took place in July 1998 when firms previously regulated for investment business purposes by the Insurance Brokers Registration Council became directly authorised on an interim basis by the FSA. The majority of those firms are now in the process of applying for authorisation directly or indirectly by the PIA, but remain, for the time being, directly authorised by the FSA.
- 3 A significant extension of the FSA's legal responsibilities occurred on 1 June 1998 (referred to as 'N1') when it assumed responsibility for banking supervision,¹ which was transferred to it from the Bank of England under the provisions of the Bank of England Act 1998.
- 4 These additional statutory functions have been accompanied by very significant changes in the FSA's operational activities. In preparation for the transfer to the FSA of the responsibilities of the recognised self regulating organisations (SROs), under the draft Financial Services and Markets Bill, the

¹ In this paper the term 'banking supervision' includes responsibilities for supervision under section 43 of the Financial Services Act and section 171 of the Companies Act 1989.

staff of these organisations transferred to the FSA on 1 June 1998. Similarly, the FSA took over most of the activities of the Insurance Directorate of HM Treasury and the Registry of Friendly Societies early in 1999. The FSA recharges the SROs, the Treasury and the Registry for the use of the staff, accommodation and other facilities employed on these activities.

- 5 The enlarged FSA moved to a single new building by the end of January 1999.
- 6 No further changes in statutory functions or operational arrangements are included in the Plan or Budget for 1999/2000.

The FSA's costs

- 7 The FSA's Plan and Budget for 1999/2000 sets out the FSA's proposed activities for the coming year and the budget for the resources required to deliver them. The budget is based on a full year's costs for the activities of the FSA as summarised above.
- 8 As is more fully explained in the Plan and Budget for 1999/2000, the scope, and therefore the costs, of the FSA's activities in 1999/2000 is significantly increased from that budgeted or actually occurring in 1998/99. The budget for 1999/2000 of £170.3 million has been drawn up on the basis of the best assumptions that can be made about the level of resources required to perform the range of tasks set out in the Plan.
- 9 The FSA's net costs for 1998/99 are forecast to be considerably lower than originally budgeted. The principal reason for this is the high level of vacancies earlier in the year, which was due to the effects on staff retention and recruitment of the extensive operational changes referred to in paragraph 4. This level of vacancies placed a high level of pressure on existing staff. It is the Board's view that it would be unwise and unsafe to plan to operate at a significantly lower staffing level that was originally budgeted, and the budget for 1999/2000 reflects this view.
- 10 The FSA's costs are funded in part by service charges to organisations to whom it supplies services and in part by fees raised under the Financial Services Act 1986 ('the 1986 Act') and the Bank of England Act 1998. The table below shows the amount of costs to be funded by service charges.

	1999/2000 Budget £m	1998/99 Forecast £m	1998/99 Budget £m
Costs (net of sundry income) incurred by FSA	170.3	122.0	65.7
<i>less service charges:</i>			
PIA	(38.8)	(36.3)	–
IMRO	(16.7)	(10.5)	–
SFA	(28.3)	(16.6)	–
HM Treasury	(12.8)*	(2.8)*	–
Registry of Friendly Societies	(6.5)*	(1.4)*	–
Net costs for the year	67.2	54.4	65.7
Attributable to:			
Investment business	17.2	16.4	18.4
Banking supervision	50.0	38.0	47.3
	67.2	54.4	65.7

* These amounts are estimates which remain subject to agreement and a Parliamentary vote.

- 11 The FSA's budget for 1998/99 was published prior to the agreements with the SROs to transfer the staff to the FSA and establish service agreements. The service charges for 1999/2000 cover a 12 month period whereas the charges for 1998/99 cover shorter periods and are, therefore, not directly comparable.
- 12 The allocation of costs and fees by sector is shown in the Schedule on page 10. Further detail on the composition of the FSA's costs is included in the Plan and Budget.
- 13 The FSA's fees and contractual service charges are based on an allocation of its costs to the appropriate recognised bodies, category of firms, relevant aspects of banking supervision, the Treasury and to the Registry of Friendly Societies.

Costs in relation to activities under the Financial Services Act 1986

- 14 The costs of the FSA attributable to its own functions under the Financial Services Act 1986 have been separately identified, so as to raise fees from the appropriate bodies on the same basis as in previous years. These activities are budgeted to cost £17.2 million in 1999/2000.
- 15 Under the terms of the Insurance Brokers' Registration Council De-recognition order issued in July 1998, former IBRC firms authorised on an interim basis have been charged fees up to 31 March 1999 in those cases in which they would otherwise have had to pay a fee to the IBRC in that period. The FSA has been in contact with all former IBRC authorised firms and many of them have chosen from the options available to them. In many cases they will by 31 March no longer be authorised directly by FSA. Those firms who continue to be authorised by the FSA in 1999/2000 will be charged fees as follows:

- | | | |
|-----|--|--|
| (a) | Firms who have applied to join PIA or become an appointed representative under s.44 of the FSA 1986. | £900 plus £360 for each member of its investment staff plus a permitted business activity charge of £640 if applicable. |
| (b) | Firms who have requested a withdrawal from interim authorisation by the FSA but whose request has not yet been accepted. | £500 |
| (c) | Firms not in (a) or (b) above who, therefore, continue to be directly authorised by FSA. | The fee charged to a fully authorised firm (see draft regulation 3.09 in Annex A). A minimum of £5,000, the minimum fee previously charged by the FSA to directly regulated firms. |
- 16 Firms in (a) will be given a rebate on their admission to PIA or appointment as a representative (see draft regulation 3.07 in Annex A). The proposed fees in (a) are in line with the relevant PIA fees for 1998/99. The final fees will be adjusted after the fees for 1999/2000 have been set by the PIA Board.
- 17 In May 1998 the FSA received £5m from Sumitomo as a contribution to the costs of its investigation into alleged irregularities in the conduct of the copper market. The FSA has agreed to give credit to the Securities and Futures Authority (SFA) in its fees to the extent that costs of £2.0m in connection with that investigation were charged to SFA by the FSA.
- 18 The balance of £3.0m will be used by the FSA to recover costs that it incurs after 1 April 1999 in investigating cases of allegedly unauthorised conduct of investment business ('policing the perimeter'). Such costs for 1999/2000 are estimated to be £1.0m. Relevant organisations regulated by the FSA prior to N1, including SROs and Recognised Investment Exchanges, will benefit from this policy as their fees from 1999/2000 will be lower than they would otherwise have been.

Costs in respect of banking supervision

- 19 The estimated costs for 1999/2000 in respect of banking supervision amount to £50.0 million compared to a budget for 1998/99 of £47.3 million and a budget in the Bank of England for 1997/98 of £50.1 million. A comparison with previous years is difficult because of the transfer of responsibilities from the Bank of England to the FSA during 1998/99 and because the method of allocating overheads was different at the Bank of England from that now in place at the FSA. The 1998/99 budget assumed a freeze in the completion of implementation of the recommendations of the Arthur Andersen review of

banking supervision pending a review of the implications of the transfer of staff from other organisations into FSA. The 1999/2000 budget allows for a modest increase in budgeted resources for banking supervision.

- 20 At the time the 1998/99 Plan and Budget was published it was assumed that the FSA would take on responsibility for banking supervision with effect from 1 April 1998. In the event this responsibility was transferred with effect from 1 June 1998 and the forecast for 1998/99 includes only costs for 10 months. The 1999/2000 budget includes a full year's costs. When banking supervision was the responsibility of the Bank of England the costs were met from non-interest bearing deposits which were required to be placed with the Bank. The amount of such deposits was reduced on 1 June 1998.
- 21 The FSA is proposing to continue to set fees for authorised institutions according to a fee base calculated from eligible liabilities as reported on the Bank of England BT forms. The principles upon which all the regulations for banking supervision will be set follow the basis used for the 1998/99 fees. Based on provisional estimates of eligible liabilities using the most recent data (final figures as at December 1998 were not yet available at time of printing) it appears likely that the tariff for 1999/2000 will remain unchanged from that for 1998/99 (i.e. £54 per million (£18 per million for 2BCD branches) of eligible liabilities (as defined) with a reduction in respect of net liabilities to non-resident offices which satisfy certain criteria, subject to a minimum fee £10,000). There is no change of substance to the proposals for section 43 firms and section 171 institutions. Drafts of the relevant regulations appear at Annexes B, C and D.

The FSA's policy on determining fees

Recovery of costs

- 22 In general, fees for regulated bodies are set for the coming year so as to recover in total the costs budgeted for that year attributable to the relevant statutory functions. Any difference between actual allocated costs by regulated body and the fees raised is dealt with in the following year after the FSA's annual accounts have been audited, by adjusting the fee payable by each regulated body in that year. Fees charged to collective investment schemes and directly regulated firms are calculated according to scales or tables designed to achieve, in aggregate, an income equal in total to the costs to be recovered.

Reserves

- 23 In January 1998 the FSA (formerly the SIB) confirmed the policy of the former SIB that it should maintain prudent levels of reserves whilst avoiding undue burdens on the regulated institutions. The Board proposed that bodies regulated by the FSA would be expected to contribute to reserves up to 10%

of the annual costs of that body. The FSA made clear that where a regulated institution had not fully contributed to reserves in prior years, an additional fee would be charged in future years. The FSA proposes to continue this reserves policy, subject to the matter referred to in paragraphs 24 and 25.

- 24 As at 31 March 1998 there was a deficit on FSA's reserves of £1.6m as opposed to a surplus of £4.7m which would have been consistent with the FSA's policy. This shortfall is attributable to the provision of £6.3m for the estimated costs associated with assignment of the lease on the FSA's previous premises, Gavrelle House.
- 25 The Board of the FSA has resolved that this cost should be recovered evenly over 3 years from those organisations regulated under the Financial Services Act 1986. In view of the projected under-spend by the FSA in 1998/99 (see paragraph 9) the Board proposes to commence recovery in 1998/99. The costs will be allocated to the relevant organisations in proportion to their share of the FSA's reserves as at 31 March 1998, after taking into account the 1998 fees amendment regulations which were issued after the finalisation of the FSA's 1997/98 audited accounts.
- 26 So far as concerns fees under the Financial Services Act, these adjustments will be effected by means of the fees amendment regulations to be issued in June 1999 for Financial Services Act regulated bodies (see Annexe E).
- 27 For banks, the FSA proposed in January 1998 to achieve the level of 10% in two stages, the first by adding 5% to costs in arriving at the proposed fees for the year 1998/99, and the second by adding a further 5% in 1999/2000. The fact that the actual costs of banking supervision in 1998/99 are expected to be lower than those budgeted means that the reserves attributable to banking supervision as at 31 March 1999 are projected to be close to 10% of the costs of banking supervision. As a result the additional levy in 1999/2000 will be only 1%.

Proposed Fees

- 28 The amounts to be recovered from fees in 1998/99 and 1999/2000 can be reconciled to the net costs for the year as follows:

	1999/2000 Budget £m	1998/99 Forecast £m	1998/99 Budget £m
Net cost for year (paragraph 10)	67.2	54.4	65.7
Credit in relation to Sumitomo costs (paragraph 17)	(2.0)	–	–
Perimeter costs funded by the payment from Sumitomo (paragraph 18)	(1.0)	–	–
Adjustment for costs of banking supervision for April and May 1998 (paragraph 20)	–	–	(5.9)
Part recovery of Gavrelle House costs (paragraphs 24 and 25)	2.1	2.1	–
Adjustment to reserves (paragraph 23 and 27)	(2.1)	6.0	3.0
Amount recoverable from fees	<u>64.2</u>	<u>62.5</u>	<u>62.8</u>
Attributable to:			
Investment business	13.6	19.7	19.1
Banking supervision	50.6	42.8	43.7
	<u>64.2</u>	<u>62.5</u>	<u>62.8</u>

- 29 The following Schedule sets out the proposed fees for 1999/2000 in column 1, using the principles outlined above, to be made under the proposed Financial Services (Fees) Regulations 1999 and separate regulations to be made under the Bank of England Act, including schemes for the fees for section 43 institutions and section 171 institutions. These are at Annexes A to D. Column 2 of the Schedule sets out the forecast amendment to fees to be included in the proposed Financial Services (Fees) (Amendment) Regulations 1999 to be decided in June 1999 after the FSA's accounts have been audited. These draft regulations are at Annex E. Columns 3 and 4 compare the fees made in the previous year.

Schedule

	Proposed fees to be levied in 1999	Forecast fees under the Financial Services (Fees) (Amendment) Regulations 1999	Fees made under the Financial Services (Fees) Regulations 1998	Fees made under the Financial Services (Fees) (Amendment) Regulations 1998
	£'000 (1)	£'000 (2)	£'000 (3)	£'000 (4)
Self regulating organisations				
IMRO	2,473	(319)	2,795	(197)
PIA	4,014	(104)	4,772	935
SFA	3,326	(2,023)	3,674	753
	<u>9,813</u>	<u>(2,446)</u>	<u>11,241</u>	<u>1,491</u>
Recognised professional bodies				
ACCA	137	(27)	148	(52)
IA	65	(16)	69	27
ICAEW	384	(82)	412	(26)
ICAI	91	(19)	101	(28)
ICAS	91	(19)	100	(32)
IBRC	–	–	236	70
LS	516	(109)	557	(87)
LSNI	91	(19)	96	4
LSS	109	(24)	118	(34)
	<u>1,484</u>	<u>(315)</u>	<u>1,837</u>	<u>(158)</u>
Exchanges and clearing houses				
LSE	1,330	(295)	1,329	(484)
LIFFE	613	(144)	606	(58)
LME	451	(101)	448	(75)
IPE	225	(58)	219	74
OMLX	240	(59)	234	51
LCH	182	(46)	179	30
CREST*	153	–	152	–
Tradepoint	250	(63)	244	58
	<u>3,444</u>	<u>(766)</u>	<u>3,411</u>	<u>(404)</u>
Directly regulated firms, service companies and other	646		500	
Collective Investment Schemes	1,266		1,423	
	<u>16,653</u>	<u>(3,527)</u>	<u>18,412</u>	<u>929</u>
Fees for Banking Supervision	50,580		49,648	
	<u>67,233</u>		<u>68,060</u>	

***Note:** CRESTCo Limited will be charged an additional fee of £152,000 under the Uncertificated Securities Regulations 1995. An estimated refund of £45,000 to CrestCo Limited in respect of the Financial Services (Fees) (Amendment) Regulations 1999 will be offset against further instalments of application fees and costs due of £327,000.

The Financial Services (Fees) Regulations 1999 *(in draft)*

The Financial Services Authority (the 'Authority'), in exercise of the powers conferred by sections 101(3), 103(5), 112, 113 of, and also by paragraph 23(2) of Schedule 1 and by paragraph 11 of Schedule 11 to the Financial Services Act 1986 (the 'Act') and now exercisable by the Authority, hereby makes the following regulations:

Part 1: General Matters

1.01 Citation and commencement

These regulations, the 'Financial Services (Fees) Regulations 1999', are made on [•] 1999 and shall come into operation on 1 April 1999.

1.02 Purpose and application

1. These regulations replace the Financial Services (Fees) Regulations 1998 and the Financial Services (Fees) (Amendment) Regulations 1998;
2. Where these regulations prescribe a fee, then that fee is payable to the Authority -
 - a. in the case of an application fee, by the applicant, and the fee must accompany the application;
 - b. in the case of a periodical fee, by the person or body to whom the relevant regulation applies, and the fee must be paid on the basis set out in regulation 3.02;
 - c. in any other case, as provided in the relevant regulation.

3. These regulations do not apply to any person which is an open-ended investment company.

1.03 Revocation

The Financial Services (Fees) Regulations 1998, the Financial Services (Fees) (Amendment) Regulations 1998 and regulation 2.04 of The Financial Services (IBRC Interim Authorised Persons) Rules and Regulations 1998 are hereby revoked with effect from 1 April 1999.

1.04 Interpretation

Without prejudice to the Financial Services (Glossary and Interpretation) Rules and Regulations 1990, for the purposes of this instrument:

‘authorised’ includes a firm which is interim authorised pursuant to an order made by the Authority under section 11(7) of the Act;

‘CBR rule’ means a rule contained in the Financial Services (Conduct of Business) Rules 1990;

‘categories of firm’ are classified by reference to Part 2 of the Financial Supervision Rules 1990, as those rules stood at 31 December 1995, as follows:

A1(a) Low risk firms;

A1(b) Medium risk firms with business plans submitted or information notified under CBR rule 2.01(1) which do not include receiving or holding client money or other client assets.

A2 All other medium risk firms.

B1 Higher risk firms which do not receive or hold client money or other client assets.

B2 Higher risk firms with business plans submitted or information notified under CBR Rule 2.01(1) which do not fall within category B1.

T Special firms;

but -

- a. a firm which is a higher risk firm only by virtue of arranging deals in securities is in category A2 if it receives or holds client money or other client assets and in category A1 if it does not; and

- b. a firm to which the Financial Supervision Rules 1990 do not apply shall be treated for this purpose as if they applied to it;

‘employee’ means an employee as defined in the Financial Services (Glossary and Interpretation) Rules and Regulations 1990.

‘European institution’ means a European institution as defined in the Banking Coordination (Second Council Directive) Regulations 1992 (SI 1992/3218);

‘European investment firm’ means a European investment firm as defined in the Investment Services Regulations 1995 (SI 1995/3275);

‘fee’ means a fee payable (or paid) pursuant to these Regulations (or the regulations they replace);

‘financial year’ means the period from 1 April to 31 March, and ‘financial quarter’ shall be interpreted accordingly;

‘funds under management’, in relation to a firm whose fund management activity is regulated by the Authority, means:

- a. for all discretionary and non-discretionary funds, the value of assets managed;
- b. for pension funds, the value of assets managed;
- c. for collective investment schemes, the value of assets managed;

‘group’ means, in relation to a body corporate, that body, any other body corporate which is its holding company or subsidiary and any other body corporate which is a subsidiary of that holding company, but shall not apply to bodies which are not regulated by the Authority (‘subsidiary’ and ‘holding company’ have the meanings given in section 736 of the Companies Act 1985);

‘investment staff’, in relation to an authorised person (and for this purpose an applicant shall be treated as if it were an authorised person and as if it were carrying out ‘relevant activities’ as specified in its business plan), means any of the following individuals whose activities include ‘relevant activities’ which are regulated by the Authority:

- a. where the authorised person is an individual, that individual;
- b. an employee or officer of the authorised person;
- c. an appointed representative of the authorised person, where the appointed representative is an individual; and

- d. an employee or officer of an appointed representative of the authorised person (other than one not engaged in activities for which the authorised person has accepted responsibility);

‘notional income’, in relation to an insurance company or friendly society, means the sum of the following (but disregarding any income derived from activities not regulated by the Authority):

- (i) the total value of premiums received during the year in respect of all classes of long term single premium business, without deducting any reassurances ceded in that year, but deducting the value of any cancellations and refunds and reassurances accepted in the year (all receipts for group protection business being treated as long term single premium business);
- (ii) an amount equal to ten times the total annual value of premiums payable under contracts for all classes of long term regular premium business made during the year, except any falling within sub-paragraph (iii) below, without deducting any reassurances ceded in that year but deducting the value of any cancellations and refunds and reassurances accepted in that year; and
- (iii) the total value of premiums received by the firm during the year in respect of managed pension fund business and insured group pension schemes;

‘notional income’ in relation to regulation 3.11.6 (collective investment scheme operators) means the total value of the gross sales during the year made in the course of the business of managing or operating regulated collective investment schemes, so however that, in the case of a recognised scheme, gross sales to persons appearing to be resident outside the United Kingdom may be deducted;

‘pension staff’, in relation to a firm, means the individuals employed by that firm to conduct regulated business relating to or arising from the management and administration of the pension funds, schemes or any other pension arrangements established by that firm for the benefit of its officers and employees;

‘regulated’ includes ‘authorised’ and ‘regulation’ includes ‘authorisation’;

‘relevant activities’ means:

- a. in the case of a person authorised under section 25 or by virtue of section 31 of the Act, any activities within Part II of Schedule 1 to the Act other than arrangements under paragraph 13 of Schedule 1 to the Act for the introduction of a customer or potential customer to the authorised person or another authorised person;

- b. in the case of an insurance company which is authorised by virtue of section 22 of the Act:
- (i) procuring proposals for policies, the rights under which constitute an investment for the purposes of the Act and advising persons on such policies and the exercise of any rights conferred by those policies;
 - (ii) managing the investments of pension funds, procuring persons to enter into contracts for the management of such investments and advising persons on such contracts and the exercise of any rights conferred by those contracts;

other than arrangements under paragraph 13 of Schedule 1 to the Act for the introduction of a customer or potential customer to the authorised person or another authorised person.

- c. in the case of a friendly society which is authorised by virtue of section 23 of the Act:
- (i) procuring persons to transact regulated business with it and advising persons as to the exercise of rights conferred by investments acquired from the friendly society in the course of such business;
 - (ii) managing the investments of pension funds, procuring persons to enter into contracts for the management of such investments and advising persons on such contracts and the exercise of any rights conferred by those contracts;

other than arrangements under paragraph 13 of Schedule 1 to the Act for the introduction of a customer or potential customer to the authorised person or another authorised person.

‘securities’ means investments falling within any of paragraphs 1 to 5 (or 11 so far as relevant to any of those paragraphs) of Schedule 1 to the Act;

‘treasury staff’, in relation to a firm, means the individuals employed by that firm to conduct regulated business relating to or arising from the management of its or its group’s funding and of its or its group’s assets.

1.05 Reduction, remission or return of fees

1. Where it appears to the Authority that, owing to the exceptional circumstances of a particular case, the payment of any fee would be

inequitable, the Authority may reduce or remit all or part of the fee in question which would otherwise be payable.

2. Where it appears to the Authority that, owing to the exceptional circumstances of a particular case to which paragraph 3 does not apply, the retention by the Authority of a fee which has been paid would be inequitable, the Authority may refund all or part of the fee.
3. Where a periodical fee has been paid under regulations 3.09 to 3.13 and the person which is regulated by the Authority ceases to be so regulated, the Authority may repay an amount, to be calculated by reference to the number of remaining complete months of the financial year.
4. Paragraphs 1 and 2 do not apply to any application fee.

Part 2: Application Fees

2.01 Introduction

This Part prescribes the fees to accompany the making of certain applications to the Authority.

2.02 Permitted Persons

An applicant for permission under paragraph 23 of Schedule 1 to the Act must pay a fee of £10,000.

2.03 Direct authorisation

An applicant for authorisation by the Authority under section 26 of the Act must pay a fee, subject to a maximum of £50,000, in accordance with Table A below:

Table A

	Categories of firm (Note 1)				
	A1(a) firm	A1(b)	A2 firm	B firm	T firm
	£	£	£	£	£
Basic fee	8,000	12,000	15,000	25,000	20,000
plus, for each member of investment staff (Note 2)	80	120	150	250	0

Note 1 If the firm is one described in CBR rule 1.15(1) (service companies) the fee is £30,000 with no addition for members of the investment staff.

Note 2 Numbers of staff are calculated as at the date on which the application is made.

Note 3 If the applicant is also a European investment firm or a European institution, the fee is calculated without regard to the home-regulated investment business carried on by the investment firm or institution in the United Kingdom.

Part 3: Periodical Fees

3.01 Introduction

This Part prescribes the periodical fees payable to the Authority by certain persons or bodies.

3.02 Payment of periodical fees: general

1. A periodical fee is payable for each financial year during the whole or any part of which a person or body is authorised or recognised or regulated by the Authority.
2. Subject to paragraph 4, a periodical fee is payable in advance within 28 days from 1 April in any financial year or, if later, from the date of any relevant invoice sent by the Authority.
3. A periodical fee for a person or body which is recognised by the Authority, or otherwise becomes regulated by the Authority, after 31 December in any financial year will be reduced by 50% for that financial year.
4. Except as otherwise provided, a periodical fee under regulations 3.03 to 3.06 is payable by four quarterly instalments in advance within 28 days of the first day of each financial quarter.
5. During a period of interim authorisation, resulting from an order made pursuant to section 11(7) of the Act, a periodical fee under regulation 3.09

shall be taken to accrue in twelve equal parts on the first day of each month, and to be payable in up to twelve instalments accordingly.

3.03 Recognised self-regulating organisations

1. A recognised self-regulating organisation must pay a periodical fee in accordance with Table B below:

Table B

Organisation	£'000
Investment Management Regulatory Organisation ('IMRO')	2,473
Personal Investment Authority ('PIA')	4,014
Securities and Futures Authority ('SFA')	3,326

2. In the case of IMRO, despite regulation 3.02.4, the fee is payable as follows:-
 - on 28 April, 1999 £619,000;
 - on 28 July, 1999 £927,000; and
 - on 28 January, 2000 £927,000.
3. In the case of PIA, despite regulation 3.02.4, the first instalment is payable on 12 May and the third instalment is payable on 14 October.
4. In the case of SFA, despite regulation 3.02.4, the first instalment is payable on 7 May and the third instalment is payable on 18 November.

3.04 Recognised professional bodies

1. A recognised professional body must pay a periodical fee in accordance with Table C below:

Table C

Organisation	£'000
Association of Chartered Certified Accountants	137
Institute of Actuaries	65
Institute of Chartered Accountants in England and Wales	384
Institute of Chartered Accountants in Ireland	91
Institute of Chartered Accountants of Scotland	91
Law Society of England and Wales	516
Law Society of Northern Ireland	91
Law Society of Scotland	109

3.05 Recognised investment exchanges

1. Subject to paragraph 2, a recognised investment exchange must pay a periodical fee of £200,000.
2. The recognised investment exchanges set out in Table D below must pay a periodical fee in accordance with that Table:

Table D

Organisation	£'000
London Stock Exchange Limited	1,330
LIFFE Administration and Management	613
London Metal Exchange Limited	451
The International Petroleum Exchange of London Limited	225
OM London Exchange Limited	240
Tradepoint Financial Networks plc	250

3.06 Recognised clearing houses

1. Subject to paragraphs 2 and 3, a recognised clearing house must pay a periodical fee of £200,000.
2. The London Clearing House Limited must pay a periodical fee of £182,000.
3. CRESTCo Limited must pay a periodical fee of £153,000.

3.07 Interim Authorised Persons

1. An interim authorised person (that is, a person or body which is interim authorised on 1 April 1999 by virtue of an order made by the Authority under section 11(7) and (8) as applied by section 19(2) of the Act) must pay a periodical fee in accordance with this regulation.
2. Where an interim authorised person has notified the Authority in writing before 1 April 1999 that it requests the withdrawal by the Authority of its interim authorisation, and has in fact ceased carrying on investment business activities pursuant to that interim authorisation before 1 April 1999, it must pay a non-refundable periodic fee of £500.
3. Where an interim authorised person has notified the Authority in writing before 1 April 1999 that it has applied for membership of a recognised self-regulating organisation, it must pay, in respect of each quarter, starting on 1 April 1999, during the whole or part of which it remains interim authorised, a periodic fee consisting of one quarter of the following aggregate amount, that is –
 - £900, together with
 - a further £360 for each member of its investment staff and
 - a further £640 if, but only if, it is advising on or arranging pension transfers and opt-outs.
4. Paragraph 3 also applies to an interim authorised person which has notified the Authority in writing before 1 April 1999 that it has applied (or will apply before that date) to become an appointed representative of a specified authorised person pursuant to section 44 of the Act.

5. For any interim authorised person who has paid a fee to the Insurance Brokers Registration Council ('IBRC') in respect of a renewal date falling in the period between 31 December 1997 and 27 July 1998, the fee under paragraph 3 will be reduced by $\frac{1}{12}$ for each complete calendar month in that period.
6. Where an interim authorised person to which paragraph 3 above applies has notified the Authority that its application has been successful, a rebate of a quarterly fee paid by the person pursuant to paragraph 3 above (ignoring, for this purpose, paragraph 5 above) will be payable by the Authority to such a person for each complete calendar month remaining in that quarter after the date of admission to membership or exemption.
7. Where an interim authorised person has not notified the Authority as specified in paragraphs 2, 3 or 6 above, it must pay fees in accordance with these regulations as if it were a directly authorised person pursuant to section 25 of the Act.
8. For the purposes of this regulation, a person or body which is, on 1 April 1999, authorised by membership of a recognised self-regulating organisation or an exempted person pursuant to section 44 of the Act (appointed representatives) is not an interim authorised person.
9. For the purposes of this regulation –
 - a. a periodical fee under paragraph 2 above is payable in advance within 28 days from 1 April for 1999;
 - b. a periodical fee under paragraph 3 above is payable in advance within 28 days of the first day of each quarter;or, in either case, if later, within 28 days from the date of any relevant invoice sent by the Authority.

3.08 Relevant dates and staff for calculation of periodical fees

1. The number of investment staff and the amount of funds under management, notional income or gross revenue are calculated as at or for the year ending on the 31 December immediately preceding the date of the invoice in question, or, if later, as at or for the year ending at the start of regulation by the Authority.

2. Where any individual member of investment staff is included as at 31 December in any year, to calculate fees for more than one firm within the same group, each such individual shall be deemed to be a pro rata fraction of an individual within each such firm (with any fractions remaining after aggregation rounded-up to the nearest whole number), and
 - a. in the case of a firm subject to Table E, shared investment staff shall be apportioned by reference to the gross operating income of the firm which is attributable to activities regulated by the Authority, but excluding income attributable to funds under management;
 - b. in the case of a firm subject to Table F, shared investment staff shall be apportioned by reference to the notional income of the firm which is attributable to such staff.
3. Where a firm which becomes regulated by the Authority at any time after the beginning of any financial year shares the same individual members of investment staff within the same group then, in order to calculate the fees for that firm within the group, each individual member of its investment staff shall be deemed to be a pro rata fraction (with any fractions remaining after aggregation rounded-up to the nearest whole number), and
 - a. in the case of a firm subject to Table E, shared investment staff shall be apportioned by reference to the gross operating income of the firm which is attributable to activities regulated by the Authority, but excluding income attributable to funds under management;
 - b. in the case of a firm subject to Table F, shared investment staff shall be apportioned by reference to the notional income of the firm which is attributable to such staff.
4. Where 75% or more of investment staff are shared by more than one firm within the same group, and
 - a. those firms operate common compliance procedures (including procedures for the provision of advice, the handling of complaints, the recruitment of staff, and training and competence);
 - b. the fees for those firms are determined by reference to the same scales;the fees in respect of such staff shall be determined on the basis that the staff are employed by one firm, and those fees shall be apportioned:

- c. in the case of a firm subject to Table E, by reference to the gross operating income of the firm which is attributable to activities regulated by the Authority, but excluding income attributable to funds under management;
 - d. in the case of a firm subject to Table F, by reference to the notional income of the firm which is attributable to such staff.
5. The category of firm, in accordance with Table E below, or any other characteristic of that firm, shall be determined as at the beginning of the financial year, or, if later, at the start of regulation by the Authority.

3.09 Firms authorised under section 25 of the Act

A firm authorised under section 25 of the Act must pay a periodical fee in accordance with Table E below (as adapted by regulation 3.10) or, where applicable, in accordance with regulation 3.11.

Table E

Category A1(a) firm (Note 1)

Number of investment staff	£		£	
1-9	8,000			
10-99	8,000	plus	555	for each additional member of
100-999	57,950	plus	225	the investment staff above the
1,000 or above	260,450	plus	100	minimum number stated

Category A1(b) firm (Notes 1 and 2)

Number of investment staff	£		£	
1-9	5,000			
10-99	5,000	plus	555	for each additional member of
100-999	54,950	plus	225	the investment staff above the
1,000 or above	257,450	plus	100	minimum number stated

Funds under management

£m	£		£	
0-100	5,000	plus	240	for each additional £1m above
100-1,000	29,000	plus	60	the minimum amount stated
1,000 or above	83,000	plus	35	

Category A2 firm (Notes 1 and 2)

Number of investment staff	£		£	
1-4	5,000	plus	2,850	for each additional member of
5-9	16,400	plus	2,140	the investment staff above the
10-99	27,100	plus	640	minimum number stated
100-999	84,700	plus	260	
1,000 or above	318,700	plus	115	

Funds under management

£m	£		£	
0-100	10,000	plus	500	for each additional £1m above
100-1,000	60,000	plus	120	the minimum amount stated
1,000 or above	168,000	plus	35	

Category B1 firm (Notes 1 and 2)

Number of investment staff	£		£	
1-9	8,000	plus	3,000	for each additional member of
10-99	35,000	plus	1,300	the investment staff above the
100-499	152,000	plus	460	minimum number stated
500 or above	336,000	plus	120	

Funds under management

£m	£		£	
0-100	5,000	plus	240	for each additional £1m above
100-1,000	29,000	plus	60	the minimum amount stated
1,000 or above	83,000	plus	35	

Category B2 firm (Notes 1 and 2)

Number of investment staff	£		£	
1-9	10,000	plus	4,500	for each additional member of
10-99	50,500	plus	1,750	the investment staff above the
100-499	208,000	plus	665	minimum number stated
500 or above	474,000	plus	125	

Funds under management

£m	£		£	
0-100	10,000	plus	500	for each additional £1m above
100-1000	60,000	plus	120	the minimum amount stated
1,000 or above	168,000	plus	35	

Category T firm

£10,000 or, if greater, 0.5% of the firm's gross revenue from the business in question

Note 1 Where a firm has no investment staff, the scales shall apply as if it had one member of investment staff.

Note 2 Where two scales apply, the fee payable is the sum of the fees calculated by reference to each scale.

3.10 Modification of Table E

1. **Treasury staff and pension staff.** Where a firm is treated for the purposes of Table E as a Category B1 or B2 firm only by virtue of the activities of its treasury staff or pension staff, the fee is modified:

- a. by disregarding the members of the treasury staff and pension staff and their activities as such;
- b. in relation to treasury staff, by increasing the fee by £2,900 and then by £1,170 for each member of the treasury staff up to a maximum of £11,700 (or 10 such individuals), with an overall maximum for treasury activities of £14,600; and
- c. in relation to pension staff,
 - (i) where there is no charge in respect of treasury staff, in accordance

with sub-paragraph b, by increasing the fee on the same basis as in that sub-paragraph;

(ii) where there is a charge in respect of treasury staff under that sub-paragraph, by adding an additional sum of £2,900.

2. **Medium risk firm.** Where the firm is a Category A1 or A2 firm which is an investment manager with authority to invest customers' funds in broker funds or units in regulated collective investment schemes the fee is increased in the case of a Category A1 firm by 33% and in the case of a Category A2 firm by 33% of the fee which would be payable if the firm was a Category A1 firm to which this paragraph did not apply.

3. **Lead regulation.** Where the firm -

- a. is an authorised institution, or
- b. is a building society, or
- c. is a member of a recognised self-regulating organisation which is responsible for monitoring all or part of the obligations of the firm pursuant to the Financial Supervision Rules 1990,

the fee, or modified or increased fee, is reduced by 15%.

4. **Journalists etc.** Where the firm is one described in CBR rule 1.14(1) (journalists, broadcasters, authors and publishers) the fee is reduced by 25%.

5. **Oil market participants.** Where the firm is one described in CBR rule 1.02(8) (oil market participants) the fee is reduced by 33%.

6. **Authorised persons which are also European investment firms or European institutions.** Where the firm is authorised under section 25 and is also a European investment firm or a European institution, the fee payable by it in the former capacity is calculated -

- a. without regard to its home-regulated investment business carried on in the United Kingdom, and

- b. on the basis that any member of the investment staff taken into account under the fee payable by it as a European investment firm or European institution is disregarded.

3.11 Fees in place of those in Table E

1. **Venture capital.** Where the firm -

- a. is a Category B firm and substantially carries on investment business only in relation to dealings as principal which fall within paragraph 12 of Schedule 1 to the Act only by virtue of paragraph 17(1)(c) thereof, or
- b. is a subsidiary of another body corporate which falls within subparagraph a. above (or would so fall if it were a firm) and the subsidiary substantially carries on activities as described in paragraph 13 of Schedule 1 to the Act in relation to dealings as principal by that other body corporate,

the fee payable will be £20,000 together with £2,000 for each member of the investment staff of the firm (up to a maximum of 40 such individuals) with an overall maximum of £100,000 .

- 2. **Service companies.** Where the firm is a service company (that is one described in CBR rule 1.15(1)), the fee is, subject to paragraphs 3, 4 and 5, £30,000.
- 3. Where the service company provides facilities under which orders are displayed and matched, then -
 - a. insofar as it provides such facilities to the members of a recognised investment exchange or designated investment exchange, and in so doing is monitored by that exchange in respect of compliance with the exchange's rules, the fee (or part of the fee), in respect of those facilities, is £30,000 increased by £15,000 for every additional such exchange above the first; and
 - b. insofar as it provides such facilities to any other person, and where the total number of transactions with other such persons exceeds 25,000 in any financial quarter, then the fee (or part of the fee), in respect of those facilities, shall be increased by 15 pence per transaction in excess of 25,000.

4. Where the service company provides facilities under which orders are cleared and settled, and those facilities appear to the Authority to be subject to regulation by the Authority to a greater extent (in terms of volume of business) than to regulation by any single regulator overseas, the fee (or part of the fee), in respect of those facilities, shall be £50,000 plus 1 penny per transaction.
5. Where a service company within paragraph 3 or 4 provides any other facilities as a service company by way of investment business, the fee in paragraph 2 is payable by it in addition to that payable under paragraphs 3 and 4.
6. **Collective investment scheme operators.** Where the manager of a unit trust scheme authorised in accordance with section 78 of the Act, or an investment company with variable capital authorised by virtue of section 24A of the Act, or the operator of a scheme recognised under sections 86 to 88 of the Act, is regulated by the Authority in respect of marketing activities only, the fee, which is not subject to reduction under regulation 3.10.3, shall be calculated in accordance with Table F below.

3.12 Firms authorised in other Member States

1. A firm authorised by virtue of section 31 of the Act, but which is not subject to the rules of a recognised self-regulating organisation or recognised professional body in respect of all the investment business which it carries on in the United Kingdom, must pay a periodical fee as if regulations 3.09 to 3.11 applied to it.
2. Regulation 3.11.6 applies to a firm which is authorised by virtue of section 24 of the Act.
3. A European investment firm or a European institution which is not a member of a recognised self-regulating organisation must pay a periodical fee which is 80% of the fee which would have been payable had the investment firm been authorised under section 25 of the Act, but on the basis that the fee is calculated having regard only to the home-regulated investment business carried on in the United Kingdom by the investment firm or institution.

3.13 Insurance companies and friendly societies

An insurance company or friendly society which is an authorised person by virtue of section 22 or 23 or 31 of the Act must pay a periodical fee in accordance with Table F below:

Table F

Number of
investment staff

	£		£	
1-3	4,000	plus	2,000	for each additional member of the investment staff above the minimum number stated
4-9	10,000	plus	1,500	
10-99	19,000	plus	450	
100-999	59,500	plus	180	
1,000 or above	221,500	plus	80	

Notional income

£m	£		£	
0-20	4,000	plus	2,000	for each additional £1m above the minimum amount stated
20-100	44,000	plus	550	
100-1,000	88,000	plus	270	
1,000 or above	331,000	plus	110	

Note 1 If there are no investment staff and no notional income then the basic fee is £4,000.

Note 2 Where two scales apply, the fee payable is the sum of the fees calculated by reference to each scale.

Note 3 If the company or society is regulated in respect of some but not all of its investment business by a recognised self-regulating organisation, that business so regulated is to be disregarded.

Part 4: Supplementary

4.01 Persons authorised in other Member States

A notice given to the Authority under section 32 of the Act by a person who is an authorised person by virtue of section 31 of the Act must be accompanied by a fee of £3,000.

4.02 Copy of a report of the Tribunal

The fee for supply of a copy of a report of the Financial Services Tribunal is 10 pence for each page of the report.

4.03 Certified copy of entry on register of authorised persons, etc

The fee for supply of a certified copy of the information contained in the entry included in the register kept in pursuance of section 102 of the Act, in respect of any one person, organisation, body, exchange, clearing house or scheme, is £5 for each page of a certified copy.

The Banking Supervision (Fees) Regulations 1999 *(in draft)*

The Financial Services Authority (the 'Authority') in exercise of the powers conferred upon it by paragraph 1 of Schedule 6 to the Bank of England Act 1998 hereby makes the following regulations.

Part 1: General matters

1.01 Citation and commencement

These Regulations, the 'Banking Supervision (Fees) Regulations 1999', are made on • and shall come into force on 1 April 1999.

1.02 Period of application

These Regulations prescribe the application and periodical fees payable by banks and by applicants for authorisation by the Authority under the Banking Act (as provided for in paragraph 1 of Schedule 6 to the Bank of England Act) for the financial year beginning on 1 April 1999 and ending on 31 March 2000.

1.03 Interpretation

These Regulations are to be interpreted in accordance with the Glossary in Appendix 1.

1.04 Revocation

The Banking Supervision (Fees) Regulations 1998 are hereby revoked.

Part 2: Fees payable by banks

2.01 Application fees

An applicant for authorisation by the Authority under the Banking Act must pay a fee of £25,000.

2.02 Payment of periodical fees by authorised institutions

An authorised institution must pay a periodical fee in respect of the current financial year of an amount equal to the greater of:

- a. an amount calculated by multiplying its fee base for the current financial year by 0.000054; and
- b. £10,000.

2.03 Payment of periodical fees by 2BCD branches

A 2BCD branch must pay a periodical fee in respect of the current financial year of an amount equal to the greater of:

- a. an amount calculated by multiplying its fee base for the current financial year by 0.000018; and
- b. £10,000.

Part 3: The fee base

3.01 Basis for calculating fee base

1. A bank's fee base for the current financial year shall
 - a. (in the case of a monthly reporting institution) be the average of the bank's modified eligible liabilities for the final three months of 1998;
 - b. (in the case of a quarterly reporting institution) be the bank's modified eligible liabilities for December 1998.
2. The fee base of a bank to which Part 2 of Appendix 2 (non-resident office offset) applies shall be adjusted in accordance with that Part of that Appendix.

3.02 Calculation of modified eligible liabilities

Modified eligible liabilities for a month shall be calculated by the formula in Part 1 of Appendix 2.

3.03 Calculation of fee base using Form BT

1. Save as hereafter provided, the Authority shall calculate the periodical fee payable by a bank for the current financial year by reference to the Forms BT submitted by that bank to the Bank for the months of October, November and December 1998 (in the case of a monthly reporting institution) or for the month of December 1998 (in the case of a quarterly reporting institution) and in addition, where relevant, its supplemental Form BT.
2. If a person became a bank before 1 January 1999 but was not required by the Bank to complete a Form BT for December 1998, the periodical fee payable by that bank for the current financial year shall be £10,000.
3. If the figures for two or more banks were consolidated for the purpose of reporting on Form BT for the period October - December 1998, or as the case may be, December 1998,
 - a. the periodical fee payable by one of those banks for the current financial year shall be calculated in accordance with Part 2 and its modified eligible liabilities shall be calculated by reference to the consolidated Form or Forms BT for the relevant period;
 - b. the other bank or, as the case may be, each of the other banks shall pay a periodical fee for the current financial year of £10,000.

The bank whose fee is to be calculated under a. shall be the one that is the parent undertaking (as defined in the Companies Act 1985) of the other or others or, if none of the banks fulfil that criterion, the one chosen by the Authority.

4. If a bank has, in respect of a month the modified eligible liabilities for which are used in the calculation of its fee base for the current financial year, submitted separate Forms BT for different parts of its business or operations, its modified eligible liabilities for that month shall be calculated by the Authority by consolidating all such Forms BT (whether on a line-by-line basis or in such other way as the Authority may consider appropriate).

3.04 Amendments to figures

Any changes to the information contained in a Form BT or supplementary Form BT which are made following the submission of that form shall be taken into consideration for the purpose of calculating a periodical fee, but only if such changes were notified to the Authority on or before 26 January 1999 (in the case of Forms BT) or 29 January 1999 (in the case of supplementary Forms BT).

Part 4: Fees: special cases

4.01 Reduction, remission or return of fees

1. Where it appears to the Authority that, owing to the exceptional circumstances of the particular case, the payment of any fee would be inequitable, the Authority may reduce or remit all or part of the fee in question which would otherwise be payable.
2. Where it appears to the Authority that, owing to the exceptional circumstances of a particular case, the retention by the Authority of a fee which has been paid would be inequitable, the Authority may refund all or part of the fee.
3. Sub-paragraphs 1 and 2 do not apply to any application fee.
4. No application fee will be returned to the applicant if the application is refused or withdrawn.
5. Sub-paragraphs 1 and 2 do not apply to a case where the circumstances referred to in those sub-paragraphs are ones that fall under Appendix 3.

4.02 Periodical fees for persons becoming banks on or after 1 January 1999

Appendix 3 (which provides for modifications to these Regulations as they apply to persons that become or became banks on or after 1 January 1999) shall have effect.

Part 5: Fees: general

5.01 Basis of periodical fees

A person shall pay a periodical fee in respect of the current financial year if it is an authorised institution or, as the case may be, a 2BCD branch during the whole or any part of the year.

5.02 Payment date

1. A periodical fee payable by a person under these Regulations is payable in advance within 28 days from the date of the relevant invoice sent by the Authority.
2. An application fee payable must accompany the application for authorisation under the Banking Act.

5.03 Payments

All fees are payable in sterling and in a single instalment.

5.04 Rounding

Any average figure for a bank's actual or estimated modified eligible liabilities for a number of months, any percentage or fractional reduction required by Part 1 of Appendix 2 and any figure calculated for a bank's fee base shall, if not a whole multiple of £1,000, be rounded downwards to the nearest whole multiple of £1,000. Any periodical fee which would otherwise be expressed in pounds and pence shall be rounded upwards to the nearest pound.

5.05 Persons ceasing to be banks

Where, at the date by which payment has to be made or on which the amount of the fee is notified or invoiced, the person concerned is no longer a bank, a fee due under these Regulations continues to be due and payable in full.

Appendix 1: Glossary

The following expressions are defined for the purposes of these Regulations as follows:

‘2BCD branch’ means a European authorised institution which has lawfully established a branch in the United Kingdom for the purpose of accepting deposits or other repayable funds from the public as referred to in paragraph 1 of Schedule 6 to the Bank of England Act;

‘Appendix’ or **‘Part’** refers to an Appendix to or Part of these Regulations;

‘authorised’ and **‘institution’** have the same meaning as in the Banking Act;

‘Bank’ means the Bank of England;

‘bank’ means an authorised institution or 2BCD branch;

‘Banking Act’ means the Banking Act 1987;

‘Bank of England Act’ means the Bank of England Act 1998;

‘current financial year’ means the year beginning on 1 April 1999 and ending on 31 March 2000;

‘European authorised institution’ has the same meaning as in Schedule 6 to the Bank of England Act;

‘fee base’ is defined in Part 3;

‘Form BT’ means the Bank’s balance sheet return (Form BT) issued pursuant to section 17 of the Bank of England Act;

‘modified eligible liabilities’ is defined in Part 3;

‘monthly reporting institution’ means a bank that has submitted Forms BT to the Bank for the months of October, November and December 1998;

‘periodical fee’ means a fee payable pursuant to regulation 2.02 or 2.03 (including any such fee adjusted under Part 4 or Appendix 3) and any fee expressed to be a periodical fee by Part 3 or 4 or Appendix 3;

‘quarterly reporting institution’ means a bank that is not a monthly reporting institution;

‘supplemental Form BT’ means the supplementary statistical return relating to net liabilities to non-resident offices of banks in respect of the period October - December 1998 which was issued by the Authority and, where relevant, returned by a bank, in January 1999.

Appendix 2: Modified eligible liabilities and non-resident office offset

Part 1: Modified eligible liabilities

Liabilities

In sterling:

$\pounds 2 + \pounds 3 + \pounds 4 + \pounds 5A + \pounds 5B + \pounds 6B + \pounds 6C + \pounds 6D + \pounds 6E + \pounds 6F + \pounds 6G$
 $+ \pounds 6H + \pounds 6J + \pounds 7B + \pounds 7C + \pounds 7D + \pounds 7E + \pounds 7F + \pounds 7G + \pounds 7H + \pounds 7J$
 $+ \pounds 8 + \pounds 10 + 60\% \text{ of } \pounds 11A + \pounds 44$

plus

In foreign currency, one-third of:

$E2 + E3 + E4 + E5A + E5B + E6B + E6C + E6D + E6E + E6F + E6G$
 $+ E6H + E6J + E7B + E7C + E7D + E7E + E7F + E7G + E7H + E7J$
 $+ E8 + E10 + 60\% \text{ of } E11A + E44$
 $+ C2 + C3 + C4 + C5A + C5B + C6B + C6C + C6D + C6E + C6F$
 $+ C6G + C6H + C6J + C7B + C7C + C7D + C7E + C7F + C7G + C7H$
 $+ C7J + C8 + C10 + 60\% \text{ of } C11A$

less

Assets

In sterling:

$\pounds 21B + 60\% \text{ of } \pounds 22A + \pounds 23D + \pounds 23E + \pounds 23F + \pounds 30A + \pounds 30B + \pounds 31A$
 $+ \pounds 31B + \pounds 32AA$

plus

In foreign currency, one-third of:

$E21B + 60\% \text{ of } E22A + E23D + E23E + E23F + E30A + E30B + E31A$
 $+ E31B + E32AA$
 $+ C21B + 60\% \text{ of } C22A + C23D + C23E + C23F + C30A + C30B$
 $+ C31A + C31B + C32AA$

Notes:

- 1 All references in the above formula are to entries on Form BT.
- 2 'E' refers to assets and liabilities denominated in euro (as referred to in column 2 of Form BT) and 'C' refers to assets and liabilities denominated in currencies other than sterling and euro (as referred to in column 3 of Form BT). In accordance with Form BT, assets and liabilities in currencies other than sterling are to be recorded in sterling.

Part 2: Non-resident office offset

Provided that the conditions and criteria (including those relating to the time by which a supplemental Form BT must have been received by the Authority) set out by the Authority in the supplemental Form BT (and accompanying letter) were duly satisfied, the fee base of a bank that has submitted a supplemental Form BT to the Authority in January 1999 shall be adjusted by deducting from the amount calculated in accordance with regulation 3.01.a. or 3.01.b. the amount obtained by deducting from item 'c' in the supplemental Form BT the sum of £1,000 million. Supplemental Forms BT must have been completed in accordance with the instructions therein and the accompanying letter and, so far as applicable, in accordance with the requirements for completing Forms BT. Each item in line 45D of a supplemental Form BT shall, if it would otherwise have been a negative number, be zero.

Appendix 3: Persons that become or became banks after 1 January 1999

1.01 Introduction

This Appendix applies to persons that become or became banks on or after 1 January 1999. References in this Appendix to paragraphs or sub-paragraphs are, unless the context otherwise requires, to paragraphs or sub-paragraphs of this Appendix.

2.01 Calculation of fee base for persons becoming banks on or after 1 January 1999

1. Sub-paragraph 2 below applies to a person that first became or becomes a bank on or after 1 January 1999 but applies to a 2BCD branch only if its periodical fee is being calculated under paragraph 3.01.2.
2. The fee base of a person to which this sub-paragraph applies shall be the average of the amount of its modified eligible liabilities as at the end of each of the twelve months following its becoming a bank (beginning with the month following the month in which it became a bank), whether actual or as estimated by the Authority. An applicant for authorisation under the Banking Act is required, as part of the process of applying for authorisation, to submit to the Authority its own estimate of such amounts and a 2BCD branch which also elects for treatment under paragraph 3.01.2 must supply the same. The Authority may fix the time by when such or any further estimates must be submitted and the form and manner in which they are to be drawn up.

3.01 Periodical fees for newly passported 2BCD branches

1. Except where the 2BCD branch elects to be treated under sub-paragraph 2 below, the periodical fee in respect of the current financial year payable by a 2BCD branch to which this Appendix applies shall be of an amount equal to the greater of:
 - a. such amount as the Authority considers appropriate to put, so far as reasonably practicable, that 2BCD branch on a basis of parity with those 2BCD branches which satisfy the following conditions –
 - (i) they pay periodical fees for the current financial year calculated in accordance with regulation 2.03 or sub-paragraph 2 below; and

- (ii) the businesses of their UK branches appear to the Authority to be (among the population of 2BCD branches satisfying condition (i)) the most similar to the business of the 2BCD branch in question, taking into account (so far as known to the Authority and so far as relevant) the plans of that 2BCD branch, the type of business conducted or to be conducted, the size and extent of the business of the branch and any other factor that the Authority considers to be relevant; and
 - b. the amount specified in regulation 2.03.b.
2. A 2BCD branch to which this Appendix applies may, by notice in writing to the Authority (which notice must be received by the Authority by 14 April 1999 or if later, 14 days after that 2BCD branch first became a 2BCD branch) irrevocably elect that the periodical fee payable by it under these regulations shall be calculated in accordance with regulation 2.03 and paragraph 2.01. The period for making that election may, in the absolute discretion of the Authority, be extended.

4.01 Periodical fees for persons becoming banks on or after 1 April 1999

1. The periodical fee for the current financial year payable by a person that becomes a bank during the current financial year shall be calculated in accordance with this Appendix and these Regulations provided that:
 - a. (in the case of an authorised institution or of a 2BCD branch whose periodical fee is being calculated in accordance with paragraph 3.01.2 above) the adjustments provided for in sub-paragraph 2 below will apply;
 - b. (in the case of a 2BCD branch whose periodical fee is being calculated in accordance with paragraph 3.01.1 above) the amount in paragraph 3.01.1.a. above shall be calculated taking into account the fact that that 2BCD branch will be a 2BCD branch for part only of the current financial year.
2. The adjustments referred to above are
 - a. the amount derived from regulation 2.02.a. or, as the case may be, 2.03.a. shall be reduced by $\frac{1}{12}$ for each complete calendar month in the period beginning on 1 April 1999 and ending on the date on which the person concerned first became a bank;

- b. the amount provided for by regulations 2.02.b. or 2.03.b. shall be reduced by 50%.

However the adjustment with respect to the periodical fee for the current financial year provided for by paragraph 4.01.2.b. shall only apply in the case of a person that first becomes a bank after 31 December 1999.

5.01 Adjustments in the calculation of fee base and modified eligible liabilities

1. If the fee base of a bank is being calculated under paragraph 2.01 and if that bank satisfies the requirements of Part 2 of Appendix 2 (as modified in accordance with the following provisions of this sub-paragraph, but excluding the requirements of Part 2 of Appendix 2 relating to the time by when supplemental Forms BT must have been submitted to the Authority), it may elect that such calculation shall include the adjustment referred to in that Part of that Appendix. However in such a case item 'c' will be calculated by taking the average of the month-end figures for each of the twelve months referred to in paragraph 2.01.2 rather than of those for any period provided for by the supplemental Forms BT. The other items provided for by the supplemental Forms BT shall be calculated accordingly. Such election shall be (or must have been) made by notice in writing to the Authority, which notice must be (or must have been) received by the Authority prior to the date on which that bank first became a bank (or such later time as the Authority may, in its absolute discretion, permit). A bank that became a bank in the first quarter of 1999 is entitled to have its fee base calculated using the adjustment referred to in this paragraph 5.01.1 but only if the estimates referred to in paragraph 2.01.2 have been prepared including that adjustment and the other provisions of this paragraph 5.01.1 have been satisfied. In such a case references above to election may include any expression of wish communicated to the Authority in or before that quarter.
2. The calculation or estimation of the modified eligible liabilities of a bank and the calculation provided for by sub-paragraph 1 above for periods falling after December 1998 shall be on the basis of the Bank's definitions of the items constituting modified eligible liabilities and the Bank's requirements for completing Forms BT applicable to Forms BT for December 1998 or, as the case may be, the definitions and requirements for completing supplemental Forms BT as set out by the Authority in the supplemental Form BT and the accompanying letter referred to in Part 2 of Appendix 2.

The Wholesale Markets Supervision (Fees) Scheme 1999 (*in draft*)

Pursuant to the authority given by section 43(2A) of the Financial Services Act 1986 the conditions for admission to the list maintained by the Financial Services Authority (the 'Authority') under section 43 of the Financial Services Act 1986 include a condition requiring the payment of application and periodical fees. This instrument is issued pursuant to that condition and prescribes such fees for the year beginning on 1 April 1999 and ending on 31 March 2000.

Part 1: General matters

1.01 Citation and commencement

This instrument, the 'Wholesale Markets Supervision (Fees) Scheme 1999', is made on • 1999 and shall come into force on 1 April 1999.

1.02 Period of operation

This scheme sets out the application and periodical fees payable by section 43 firms in respect of the current financial year.

1.03 Interpretation

This instrument is to be interpreted in accordance with the Glossary in the Appendix hereto.

1.04 Revocation

The instrument described as the Wholesale Markets Supervision (Fees) Scheme 1998 is hereby revoked.

Part 2: Fees payable by section 43 firms

2.01 Application fees

An applicant for inclusion by the Authority on the section 43 list must pay a fee of £3,000.

2.02 Payment of variable periodical fees

A section 43 broker must pay a periodical fee in respect of the current financial year of an amount equal to the greater of:

- a. an amount calculated by multiplying the amount of its regulatory capital for the current financial year by 0.004; and
- b. £5,000.

2.03 Payment of fixed periodical fees

1. A section 43 non-bank principal must pay a periodical fee in respect of the current financial year of £5,000.
2. A section 43 CoB firm must pay a periodical fee in respect of the current financial year of £1,000.

Part 3: Fees: special cases

3.01 Reduction, remission or return of fees

1. Where it appears to the Authority that, owing to the exceptional circumstances of the particular case, the payment of any fee would be inequitable, the Authority may reduce or remit all or part of the fee in question which would otherwise be payable.
2. Where it appears to the Authority that, owing to the exceptional circumstances of a particular case, the retention by the Authority of a fee which has been paid would be inequitable, the Authority may refund all or part of the fee.
3. Sub-paragraphs 1 and 2 do not apply to any application fee or to a case where the circumstances referred to in those sub-paragraphs are ones that fall under paragraph 3.02 or 3.03.

4. No fee will be returned to the applicant if the application is refused or withdrawn.

3.02 Admission to the section 43 list during the course of the current financial year

In calculating the periodical fee for the current financial year payable by a person that becomes a section 43 firm during the current financial year the amounts provided for in paragraph 2.02.a. and in paragraph 2.03 shall be reduced by $\frac{1}{12}$ for each complete calendar month in the period beginning on 1 April 1999 and ending on the date on which the person concerned first became a section 43 firm.

3.03 Regulatory capital of newly-admitted section 43 brokers

If a section 43 broker is admitted to the section 43 list during the course of the current financial year or at a time falling after the record date and before the start of the year the regulatory capital of that section 43 broker for the current financial year shall be equal to the MRCR set by the Authority for that section 43 broker that is the first MRCR of that section 43 broker in force on or after its first becoming a section 43 broker.

3.04 Categorisation of section 43 firms

In determining for any firm the category of section 43 firm into which it falls, the circumstances (including where relevant its permitted scope as referred to in Section B of the Grey Paper) as at the record date or, in the case of a section 43 firm to which paragraph 3.03 applies, the date of admission to the section 43 list, shall be taken as decisive.

Part 4: Fees: general

4.01 Basis of periodical fees

A person shall pay a periodical fee in respect of the current financial year if it is a section 43 broker, section 43 non-bank principal or section 43 CoB firm during the whole or any part of the year.

4.02 Payment date

1. A periodical fee payable by a person under this instrument is payable in advance within 28 days from the date of the relevant invoice sent by the Authority.

2. An application fee payable must accompany the application for admission to the section 43 list.

4.03 Payments

All fees are payable in sterling and in a single instalment.

4.04 Rounding

Any periodical fee and any figure for a section 43 firm's regulatory capital as adjusted under Part 3 which would otherwise be expressed in pounds and pence shall be rounded upwards to the nearest pound.

4.05 Persons ceasing to be section 43 firms

Where, at the date by which payment has to be made or on which the amount of the fee is notified or invoiced, the person concerned is no longer a section 43 firm, a fee due under this scheme continues to be due and payable in full.

Appendix: Glossary

The following expressions are defined for the purposes of this instrument as follows:

the **‘Act’** means the Financial Services Act 1986;

the **‘current financial year’** means the year beginning on 1 April 1999 and ending on 31 March 2000;

‘fixed periodical fee’ means a fee payable under paragraph 2.03 (including any such fee adjusted under Part 3);

‘Grey Paper’ means the publication ‘The regulation of the wholesale cash and OTC derivatives markets (in sterling, foreign currency and bullion)’ published by the Authority on • (or, where the context so requires, that document in the version originally published by the Bank of England in December 1995 (as amended));

the **‘MRCR’** or **‘minimum regulatory capital requirement’** of a section 43 broker

- a. means the minimum amount of capital that it is required by the Authority, pursuant to the Grey Paper, to have for the purposes of the Authority’s capital adequacy requirements; and
- b. as at any time, is the minimum capital requirement described in subparagraph a. above in force at that time.

Where the MRCR of a section 43 broker is set in a foreign currency it shall, for the purpose of this scheme, be translated into sterling at an appropriate spot rate of exchange (taken from such source as may be selected by the Authority) prevailing at the record date or, in the case of a section 43 broker to which paragraph 3.03 applies, the date of its admission to the section 43 list;

‘Part’ refers to a Part of this instrument;

‘periodical fee’ means a fixed periodical fee or a variable periodical fee;

‘record date’ means 31 December 1998;

the **‘regulatory capital’** of a section 43 broker means, as respects the current financial year and subject to paragraph 3.03, the amount of its MRCR as at the record date;

‘section 43 broker’ means a section 43 firm the principal part of whose section 43 business is considered by the Authority to be that of a broker of section 43 products, provided that that section 43 firm:

- a. is lead-supervised by the Authority in its capacity as a supervisor of section 43 firms; and
- b. is incorporated in or formed under the law of a part of the United Kingdom;

‘section 43 business’ means business for which a section 43 firm is an exempted person (as defined by the Act) by virtue of its inclusion on the section 43 list or any other business supervised by the Authority under the arrangements set out in the Grey Paper;

‘section 43 CoB firm’ means a section 43 firm that is neither a section 43 broker nor a section 43 non-bank principal;

‘section 43 firm’ means a listed institution as defined by section 43 of the Act;

‘section 43 list’ means the list maintained by the Authority as referred to in section 43(1) of the Act;

‘section 43 listing conditions’ means the conditions imposed by the Authority for admission to the section 43 list as provided for by section 43 of the Act;

‘section 43 non-bank principal’ means a section 43 firm that is neither a core principal as defined in the Grey Paper nor a section 43 broker and the principal part of whose section 43 business is considered by the Authority to fall into paragraph [19(b)] of the Grey Paper;

‘section 43 product’ means a product covered by the Authority’s wholesale markets arrangements set out in the Grey Paper;

‘variable periodical fee’ means a fee payable pursuant to paragraph 2.02 (including any such fee adjusted under Part 3).

The Listed Money Market Institutions Supervision (Fees) Scheme 1999 *(in draft)*

Pursuant to the authority given by section 171(3A) of the Companies Act 1989 the conditions for admission to the list maintained by the Financial Services Authority (the 'Authority') under section 171 of the Companies Act 1989 include a condition requiring the payment of application and periodical fees. This instrument is issued pursuant to that condition and prescribes such fees for the period beginning on 1 April 1999 and ending on 31 March 2000.

Part 1: General matters

1.01 Citation and implementation

This scheme, the 'Listed Money Market Institutions Supervision (Fees) Scheme 1999', is made on • 1999 and shall come into force on 1 April 1999.

1.02 Period of operation

This scheme sets out the application and periodical fees payable by listed money market institutions in respect of the current financial year.

1.03 Interpretation

This instrument is to be interpreted in accordance with the Glossary in the Appendix hereto.

1.04 Revocation

The scheme described as the Listed Money Market Institutions Supervision (Fees) Scheme 1998 is hereby revoked.

Part 2: Fees payable by listed money market institutions

2.01 Application fee

An applicant for inclusion by the Authority on the section 171 list shall pay an application fee of £100,000.

2.02 Periodical fees

A listed money market institution must pay a periodical fee in respect of the current financial year of £100,000.

Part 3: Fees: special cases

3.01 Reduction, remission or return of fees

1. Where it appears to the Authority that, owing to the exceptional circumstances of the particular case, the payment of any fee would be inequitable, the Authority may reduce or remit all or part of the fee in question which would otherwise be payable.
2. Where it appears to the Authority that, owing to the exceptional circumstances of a particular case, the retention by the Authority of a fee which has been paid would be inequitable, the Authority may refund all or part of the fee.
3. Sub-paragraphs 1 and 2 do not apply to any application fee or to a case where the circumstances referred to in those sub-paragraphs are ones that fall under paragraph 3.02 or 3.03.
4. No application fee will be returned to the applicant if the application is refused or withdrawn.

3.02 Admission to the section 171 list during the course of the current financial year

In calculating the periodical fee for the current financial year payable by a person that becomes a listed money market institution during the year the amount in paragraph 2.02 shall be reduced by $\frac{1}{12}$ for each complete calendar month in the period beginning on 1 April 1999 and ending on the date on which the person concerned first became a listed money market institution.

3.03 Ceasing to be on the section 171 list during the course of the current financial year

Where a periodical fee has been paid in respect of the current financial year and the person ceases, during the course of the year, to be a listed money market institution, the Authority may repay an amount of that fee, to be calculated by reference to the number of remaining complete months of the year.

Part 4: Fees: general

4.01 Basis of periodical fees

A person shall pay a periodical fee in respect of the current financial year if it is a listed money market institution during the whole or any part of the year.

4.02 Payment date

1. A periodical fee payable by a person under this scheme is payable in advance within 28 days from the date of the relevant invoice sent by the Authority.
2. Any application fee payable must accompany the application for admission to the section 171 list.

4.03 Payments

All fees are payable in sterling and in a single instalment.

4.04 Rounding

If the amount of a periodical fee (or repayment under paragraph 3.03) would otherwise not be a whole multiple of £1,000 it shall be rounded upwards (or in the case of a repayment, downwards) to the nearest whole multiple of £1,000.

Appendix: Glossary

The following expressions are defined for the purposes of this instrument as follows:

‘Companies Act’ means the Companies Act 1989;

the **‘current financial year’** means the year beginning on 1 April 1999 and ending on 31 March 2000;

‘listed money market institution’ means a person included on the section 171 list;

‘Part’ refers to a Part of this instrument;

‘periodical fee’ means a fee payable pursuant to paragraph 2.02 (including any such fee adjusted under Part 3);

‘section 171 conditions’ means the conditions imposed by the Authority for admission to the section 171 list as referred to in section 171 of the Companies Act;

‘section 171 list’ means the list maintained by the Authority as referred to in section 171(1) of the Companies Act.

The Financial Services (Fees) (Amendment) Regulations 1999 *(in draft)*

The Financial Services Authority (the 'Authority'), in exercise of the powers conferred by section 113 of the Financial Services Act 1986 (the 'Act') and now exercisable by the Authority, hereby makes the following regulations:

1.01 Citation and Commencement

These regulations, the 'Financial Services (Fees) (Amendment) Regulations 1999' are made on [•] June 1999 and shall come into operation on the day they are made.

1.02 Purpose

The purpose of this instrument is to make amendments to the Financial Services (Fees) Regulations 1999.

1.03 Recognised self-regulating organisations

Insert new regulation 3.03.5 as follows:

5. The second instalment payable in the financial year 1999-2000 by the following recognised self-regulating organisations shall be adjusted in accordance with Table B(1) below except that, if any reduction is greater than the second instalment, any balance shall be carried forward and set off against the third and fourth instalments:

Table B(1)
Organisation

£'000

Investment Management Regulatory Organisation ('IMRO') reduced by	319
Personal Investment Authority ('PIA') reduced by	104
Securities and Futures Authority ('SFA') reduced by	2,023

1.04 Recognised professional bodies

Insert new regulation 3.04.2 as follows:

2. The second instalment payable in the financial year 1999-2000 by the following recognised professional bodies shall be adjusted in accordance with Table C(1) below except that, if any reduction is greater than the second instalment, any balance shall be carried forward and set off against the third and fourth instalments:

Table C(1)
Organisation

£'000

Association of Chartered Certified Accountants reduced by	27
Institute of Actuaries reduced by	16
Institute of Chartered Accountants in England and Wales reduced by	82
Institute of Chartered Accountants in Ireland reduced by	19
Institute of Chartered Accountants of Scotland reduced by	19
Law Society of England and Wales reduced by	109
Law Society of Northern Ireland increased by	19
Law Society of Scotland reduced by	24

1.05 Recognised investment exchanges

Insert new regulation 3.05.3 as follows:

3. The second instalment payable in the financial year 1999-2000 by the following recognised investment exchanges shall be adjusted in accordance with Table D(1) below:

Table D(1)

Organisation	£'000
Crestco Limited reduced by	45
LIFFE Administration and Management reduced by	144
London Metal Exchange Limited reduced by	101
London Stock Exchange Limited reduced by	295
OM London Exchange Limited reduced by	59
The International Petroleum Exchange of London Limited reduced by	58
Tradepoint Financial Networks plc reduced by	63

1.06 Recognised clearing houses

Insert new regulation 3.06.4 as follows:

4. The second instalment payable by the London Clearing House Limited in the financial year 1999-2000 shall be reduced by £46,000.

1.07 Application

The amendments made by these regulations to the Financial Services (Fees) Regulations 1999 shall have effect in relation to any reduction of any fee only if, at the time when the reduction falls to be made, the organisation, body, exchange or clearing house has fully paid any fee due and payable under those regulations or under any regulations revoked by them.

[The amounts quoted above as draft fee amendments are based on the latest forecast of annual costs but are subject to change following the finalisation of the FSA's audited accounts for 1998/99.]