

04/15 newsletter



Financial Services Authority Consolidated policy statement on our fee-raising arrangements

May 2004

About this newsletter

This newsletter provides a summary of FSA Policy Statement 04/15.

This paper is particularly relevant for all currently authorised persons and other bodies that pay us fees, as well as those considering applying for authorisation.

- You can download the complete Policy Statement from the PS04/15 Resource Page – see details below.

Alternatively, to order hard copies of the Policy Statement:

- Copies are available at £10 each.
- Phone our helpline on 0845 608 2372, quoting reference PS04/15.
- Or alternatively order online at <http://www.tso.co.uk/bookshop/bookstore.asp?FO=38383&DI=510776>.
- Please allow five working days for delivery.

Subscription

If you wish to subscribe to our new targeted email alert service for all FSA newsletters please visit:

http://www.fsa.gov.uk/ecrm/email_communications.html

If you have previously registered for this service and have received a hard copy of this newsletter there may be a problem for us with your email address. As this is a new service we would be grateful if you would re-register as above.

Useful links

Fees website:

<http://www.fsa.gov.uk/fees/>

For information about FSA publications, please visit:

<http://www.fsa.gov.uk/pubs/>

For a full copy of the Policy Statement: Call 0845 608 2372 and quote PS04/15

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PS04/15 Resource Page: http://www.fsa.gov.uk/pubs/policy/04_15/
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Introduction

On 1 December 2001 (a date we refer to as 'N2') we became the single body overseeing the UK's financial services industry, replacing the previous sectoral regulators. We now have responsibility - to varying degrees - for regulating:

- financial services firms of differing sizes (eg banks, IFAs, insurance companies);
- the Lloyd's insurance market;
- investment exchanges and clearing houses (eg the London Stock Exchange);
- collective investment schemes (eg unit trusts and OEICS);
- professional bodies who regulate the incidental investment business carried on by their members (eg the Law Society);
- those companies (not just those involved in financial services) whose securities are admitted to the official list; and also
- organisations for which we have registration duties, but do not regulate (eg industrial and provident societies).

We do not receive any monies from government and so are entirely funded by the types of organisation listed above. Our fees policy has been developed to provide a coherent and fair treatment of all our fee-payers, while allowing our administration of that policy to be as efficient as possible.

Our fee-raising arrangements are not intended to give firms an incentive to be well managed. We do not believe our fee-raising arrangements to be a practical way for trying to promote good compliance. Rather, it is our supervisory approach that we see as providing such an incentive, as it demands less management time from well managed organisations than from badly managed ones.

Specifically, the periodic fee charged to an individual firm does not reflect the amount of work we may have spent on its regulation. It would be neither possible nor desirable to operate a system of 'individualised' fees on this basis across the whole regulated community.

Our powers to charge fees are contained in the Financial Services and Markets Act 2000 (FSMA or 'the Act') and associated legislation, and reflected in appropriate sections of our Handbook of Rules and Guidance. As our fees policy develops, we make changes to the Handbook following our usual consultation processes.

The paper explains our fee-raising arrangements in greater detail. **It necessarily provides a broad overview and readers should always consult the Handbook for details of how our rules would apply in their own particular circumstances.**

Overview of our fee-raising arrangements

Periodic fees

The majority of our funding comes from periodic fees, which are annual fees set by us each year and due from fee-payers. Our financial year (and fee periods) run from 1 April to the following 31 March.

A fee-payer's periodic fee depends on three factors:

- what activities it is undertaking;
- the costs we incur in regulating those activities; and
- the scale on which it is undertaking those activities.

The key components of our fee-raising arrangements that lie behind these three factors are:

- **fee-blocks**, which group together fee-payers carrying out similar regulated activities;
- our **annual funding requirement** (AFR), which is allocated across the fee-blocks as appropriate;
- **tariff bases** within fee-blocks, which determine the scale on which a firm is carrying out the relevant activities;
- **tariff rates**, which when applied to a firm's own tariff data, allow calculation of the periodic fee payable in a fee-block.

Application fees

Application fees are one-off charges which make a contribution towards our costs of processing certain applications, notifications or requests required under the Act or our rules – for example, by a new firm which is applying to us for authorisation to start undertaking regulated financial services activities.

Special project fees

Special project fees are similar in characteristic to application fees, but do not relate to 'routine' transactions. Instead they recover part of the costs we incur in undertaking specific regulatory activities at the request of and on behalf of a (group of) fee-payer(s), where the benefit of that activity primarily accrues to them.

This Consolidated Policy Statement (CPS) summarises the policy of the Financial Services Authority with regard to its fee-raising powers under the Financial Services and Markets Act 2000. It necessarily contains a broad overview of our fees rules and firms should always consult the current version of our Handbook of Rules and Guidance to see how the rules would apply in their particular circumstances.

Version control

This is version 4.0 of the CPS, and reflects rules made by the FSA up to and including May 2004. All previous editions of the CPS are now withdrawn.

Any comments or enquiries on the CPS can be sent to:

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Fees queries

For any general fees queries, please consult our website at <http://www.fsa.gov.uk/fees>. You can also contact the Fees Helpline by e-mail at fsafees@fsa.gov.uk or by telephone on 020 7066 1888.

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