

Chapter 6

Financial Services Compensation Scheme Funding

6.2 Exemption

- 6.2.1A** **R** (1) Except as set out in (3), a *participant firm* which does not conduct business in respect of which the *FSCS* may pay compensation and has no reasonable likelihood of doing so is exempt from a *specific costs levy*, or a *compensation costs levy*, or both, provided that:
- (a) it has notified the *FSCS* in writing that those conditions apply; and
 - (b) the conditions in fact continue to apply.
- (2) The exemption takes effect from the date on which the notice was received by the *FSCS*, subject to **FEES 6.2.6 R**.
- (3) The exemption in (1) does not apply in respect of a *specific costs levy* or *compensation costs levy* arising from the *firm's* membership of any of the following:
- (a) *category 1.2* (General insurance provision) of *class 1* (the General Insurance Distribution Claims *class*); or
 - (b) *categories 2.2* (Life insurance provision), *2.3* (Investment provision) or *2.4* (Structured deposits provision) of *class 2* (Investment Intermediation Claims *class*); or
 - (c) *category 4.2* (Home finance provision) of *class 4* (the Home Finance Intermediation Claims *class*); or
 - (d) *category 5.2* (Consumer credit provision) of *class 5* (the Debt Management Claims *class*); or
 - (e) the *deposit acceptors' contribution class*.
- 6.2.2** **R** **FEES 6.2.1AR** does not apply to a *participant firm* that may be subject to a claim under **COMP 3.2.4 R**.
- 6.2.3** **G** A *participant firm* to which **COMP 3.2.4R** applies must report *annual eligible income* in accordance with **FEES 6.5.13 R**. Such a *participant firm* may take advantage of the option to report its annual income attributable to business in respect of which the *FSCS* may pay compensation.
- 6.2.4** **R** A *participant firm* which is exempt under **FEES 6.2.1AR** must notify the *FSCS* in writing as soon as reasonably practicable if the conditions in **FEES 6.2.1AR** no longer apply.

- 6.2.5** **G** A *participant firm* to which the conditions in **FEES 6.2.1AR** no longer apply will then become subject to **FEES 6.3**.
- 6.2.6** **R**
- (1) If a *participant firm* ceases to conduct business that could give rise to a *protected claim* by an *eligible claimant* and notifies the *FSCS* of this under **FEES 6.2.1AR**, it will be treated as a *participant firm* to which **FEES 6.7.6R** applies until the end of the *financial year* of the *compensation scheme* in which the notice was given.
 - (2) Where the *FCA* grants a *person's* application for annulment of a cancellation or variation of *Part 4A permission* under Schedule 6A to the *Act* and when the *Part 4A permission* was cancelled or varied the *person* ceased to conduct business that could give rise to a *protected claim* by an *eligible claimant*, it will be treated as a *participant firm* to which **FEES 6.7.6R** applies until the end of the *financial year* of the *compensation scheme* in which the *person's Part 4A permission* was cancelled or varied (but for the annulment).
- 6.2.7** **G** The financial year of the *compensation scheme* is the twelve months ending on 31 March. The effect of **FEES 6.2.6 R** and **FEES 6.2.1AR** is that if a *firm* fails to notify *FSCS* of an exemption under **FEES 6.2.1AR** by 31 March it will be treated as non-exempt for the whole of the next *financial year*.
- 6.2.8** **R** For the purposes of **FEES 6.2.1AR** a *participant firm* will only be exempt from a *specific costs levy* or *compensation costs levy* for any given *financial year* if it met the conditions in **FEES 6.2.1AR** on 31 March of the immediately preceding *financial year*.
- 6.2.8A** **R** Where the *FCA* grants a *person's* application for annulment of a cancellation or variation of *Part 4A permission* under Schedule 6A to the *Act* and when the *person's Part 4A permission* was cancelled or varied the *person* was exempt by virtue of **FEES 6.2.1AR**, the *person* remains exempt provided that the conditions in that *rule* (apart from notification to the *FCA*) apply for the financial year of the *compensation scheme* in question.