

## Chapter 15

# Notifications to the FCA



## 15.17 Notification of regulated income by limited scope SMCR benchmark firm

### Application

15.17.1 **R** This section of the *FCA Handbook* applies to a *limited scope SMCR benchmark firm*.

### Purpose

- 15.17.2 **G**
- (1) As explained in **SYSC 23 Annex 1 6.12R**, the *FCA* may grant a *waiver* to certain benchmark *firms* that treats them as a *limited scope SMCR firm*.
  - (2) One of the eligibility conditions that the *FCA* anticipates it will apply is that the *firm's* income from benchmark activities is below 20% of its total income.
  - (3) The purpose of this section of the *FCA Handbook* is to allow the *FCA* to monitor whether a *firm* continues to meet that condition after it has received the *waiver*.
  - (4) The *waiver* may modify or replace this section to be consistent with the basis on which a *firm* receives the *waiver* if the *firm* receives the *waiver*:
    - (a) on a different basis from the one described in (2);
    - (b) on the basis of an adjusted calculation of revenue as contemplated by **SYSC 23 Annex 1 6.17G(5)** (Benchmark firms: When the waiver is likely to be available); or
    - (c) on some other basis inconsistent with this section.

### Definitions

- 15.17.3 **R** In this section of the *FCA Handbook*:
- (1) a *firm's* reporting year means the annual period in respect of which it prepares its *annual financial statements*;
  - (2) reporting date is defined in **SUP 15.17.9R**;
  - (3) annual regulated income is defined in **SUP 15.17.6R**;
  - (4) annual income is defined in **SUP 15.17.5R**.

**Obligation to make calculations**

- 15.17.4 **R** A *firm* must calculate, for each reporting year, whether or not its annual regulated income is less than 20% of its annual income.
  
- 15.17.5 **R** A *firm's* annual income for a reporting year is the gross inflow of economic benefits (i.e. cash, receivables and other assets) recognised in the *firm's annual financial statements* for that reporting year.
  
- 15.17.6 **R** A *firm's* annual regulated income is its annual income in respect of, or in relation to, activities in the *United Kingdom* that comprise a necessary part of its business as a *regulated benchmark administrator*.
  
- 15.17.7 **R**
  - (1) Where the sales and marketing of a benchmark are undertaken by a separate legal entity, the *firm* is responsible for identifying the relevant income and treating it as its own income.
  
  - (2) To avoid double counting, the *firm* must include only the income from sales and exclude any amount paid to it from that income to pay for its expenses as a *regulated benchmark administrator*.
  
- 15.17.8 **R** A *firm* must calculate its annual regulated income fairly, consistently and in accordance with generally accepted accounting practice.
  
- 15.17.9 **R**
  - (1) A *firm* must complete the calculation in **■ SUP 15.17.4R** no later than 80 *business days* after the *accounting reference date* for the applicable reporting year.
  
  - (2) This section of the *FCA Handbook* refers to the date in this *rule* as the 'reporting date'.

**Obligation to notify the FCA**

- 15.17.10 **R** A *firm* must notify the *FCA* if its annual regulated income is 20% or more of its annual income for a reporting year if, in the previous reporting year, its annual regulated income was less than 20% of its annual income or it had no annual income.
  
- 15.17.11 **R** A *firm* must notify the *FCA* if its annual regulated income is less than 20% of its annual income for a reporting year if, in the previous reporting year, its annual regulated income was 20% or more of its annual income.
  
- 15.17.12 **R** A *firm* must make the notification in **■ SUP 15.7.10R** or **■ SUP 15.17.11R** no later than the reporting date for the reporting year in question.
  
- 15.17.13 **G** The notification obligations in this section apply whether this is the first time the relevant event has occurred or whether it has happened before.

- 15.17.14 **G** A *firm* need not include the amount of its annual regulated income or annual income in a notification under this section.
- 15.17.15 **G** A *firm's* reporting year may start or end before it became a *firm* or a *limited scope SMCR benchmark firm*.
- 15.17.16 **G** A *firm* should make the notification in **■ SUP 15.7.10R** even if it had no annual regulated income in the previous reporting year because, for example, it has only recently started its benchmark activities.
- 15.17.17 **G**
- (1) This section of the *FCA Handbook* does not require a *firm* regularly to notify the *FCA* whether its annual regulated income is 20% or more of its annual income or less than 20%.
  - (2) Instead this section only requires a *firm* to notify the *FCA* when its annual regulated income crosses (upwards or downwards) the 20% mark.
  - (3) So, for example, if the *firm's* annual regulated income stays below the 20% mark it will never need to notify the *FCA* under this section.
- How to submit notifications** .....
- 15.17.18 **R** A *firm* does not have to use the form in **■ SUP 15 Annex 4R** (Notification form) to make a notification under this section of the *FCA Handbook* but must include the details required by Section A of that form (Personal Details).
- 15.17.19 **G** Subject to **■ SUP 15.17.18R**, **■ SUP 15.7** (Form and method of notification) applies to notifications under this section of the *FCA Handbook*.