

Chapter 6

Financial Services Compensation Scheme Funding



6.2 Exemption

- 6.2.1A

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(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

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■ 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

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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

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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.