

Chapter 6

Financial Services Compensation Scheme Funding

Financial Services Compensation Scheme - classes and categories

This table belongs to

[deleted]

Class 1	General Insurance Distribution Claims
Category 1.1	General insurance distribution
Firms with permission for:	any of the following in respect of <i>general insurance contracts</i> or <i>pure protection contracts</i> : <i>dealing in investments as agent;</i> <i>arranging (bringing about) deals in investments;</i> <i>making arrangements with a view to transactions in investments;</i> <i>assisting in the administration and performance of a contract of insurance;</i> <i>advising on investments;</i> <i>agreeing to carry on a regulated activity which is within any of the above.</i>
Category 1.2	General insurance provision
Firms with permission for:	<i>effecting contracts of insurance; and/or</i> <i>carrying out contracts of insurance;</i> that are <i>general insurance contracts</i> .
Also includes:	the <i>Society</i>
Tariff base for category 1.1	Category 1.1: <i>annual eligible income</i> where annual income is calculated as the sum of (a) and (b): (a) the net amount retained (Note 3) by the <i>firm</i> (Note 5) of all brokerages, fees, commissions and other related income (for example, administration charges, overrides and profit shares) due to the <i>firm</i> in respect of or in relation to <i>category 1.1</i> activities, including any income received from an <i>insurer</i> ; and (b) if the <i>firm</i> is an <i>insurer</i> , in relation to <i>category 1.1</i> activities (Note 4), the amount of <i>premiums</i> receivable on its <i>contracts of insurance</i> multiplied by 0.07, excluding those <i>contracts of insurance</i> which result from <i>category 1.1</i> carried out by another <i>firm</i> , where a payment has been made by the <i>insurer</i> to that other <i>firm</i> and that payment is of a type that falls under (a). Notes relating to the calculation of the tariff base for <i>category 1.1</i> : (1) [deleted] (2) [deleted] (3) Net amount retained means all the commission, fees, etc. in respect of <i>category 1.1</i> activities that the <i>firm</i> has not rebated to customers or passed on to other <i>firms</i> (for example, where there is a commission chain). Items

Class 1	General Insurance Distribution Claims
<p>Tariff base for category 1.2</p>	<p>such as general business expenses (for example, employees' salaries and overheads) must not be deducted.</p> <p>(4) <i>Category 1.1</i> activities mean activities that fall within <i>Category 1.1</i>. They also include activities that now fall within <i>Category 1.1</i> but that were not <i>regulated activities</i> when they were carried out.</p> <p>(5) A reference to a <i>firm</i> also includes a reference to any <i>person</i> who carried out activities that would now fall into <i>Category 1.1</i> but which were not at the time <i>regulated activities</i>.</p> <p>For the <i>Society</i>, the aggregate of the tariff base for Insurance Class B1 in the Policyholder Protection part of the <i>PRA Rulebook</i> that would apply to each <i>member</i> if:</p> <p>(a) that tariff base applied to each <i>member</i> in respect of their <i>insurance business</i> in relation to <i>general insurance contracts</i>; and</p> <p>(b) all references to "firm" or "participant firm" in the Policyholder Protection part of the <i>PRA Rulebook</i> were read as referring to the <i>member</i>.</p> <p>For all other <i>participant firms</i>, the tariff base for Insurance Class B1 in the Policyholder Protection part of the <i>PRA Rulebook</i>.</p>
Class 2	Investment Intermediation Claims
<p>Category 2.1</p> <p>Firms with permission for:</p>	<p>Life distribution and investment intermediation <i>intermediation of structured deposits</i> (except for <i>managing investments</i> in relation to <i>structured deposits</i>) and/or any of the following in relation to <i>long-term insurance contracts</i> (other than <i>pure protection contracts</i>) or rights under a <i>stakeholder pension scheme</i> or a <i>personal pension scheme</i>:</p> <p>any of the following in relation to <i>long-term insurance contracts</i> (other than <i>pure protection contracts</i>) and/or rights under a <i>stakeholder pension scheme</i> or a <i>personal pension scheme</i>:</p> <p><i>dealing in investments as agent;</i></p> <p><i>arranging (bringing about) deals in investments;</i></p> <p><i>making arrangements with a view to transactions in investments;</i></p> <p><i>assisting in the administration and performance of a contract of insurance;</i></p> <p><i>advising on investments;</i></p> <p><i>advising on pension transfers and pension opt-outs;</i></p> <p><i>basic advice;</i></p> <p><i>agreeing to carry on a regulated activity</i> which is within any of the above; and/or</p> <p>any of the following in relation to <i>designated investment business</i> BUT excluding activities that relate to <i>long-term insurance contracts</i> or rights under a <i>stakeholder pension scheme</i> or a <i>personal pension scheme</i>:</p> <p><i>dealing in investments as principal;</i></p> <p><i>dealing in investments as agent;</i></p>

Class 2	Investment Intermediation Claims
	<p><i>MiFID business bidding;</i> <i>arranging (bringing about) deals in investments;</i> <i>making arrangements with a view to transactions in investments;</i> <i>advising on investments;</i> <i>basic advice;</i> <i>safeguarding and administering investments;</i> <i>arranging safeguarding and administering of assets;</i> <i>operating a multilateral trading facility;</i> <i>agreeing to carry on a regulated activity which is within any of the above.</i></p>
<p>Recognised investment exchanges</p>	<p><i>Recognised investment exchanges that are operating a multilateral trading facility or operating an organised trading facility</i></p>
<p>Category 2.2 Firms with permission for:</p>	<p>Life insurance provision <i>effecting contracts of insurance; and/or</i> <i>carrying out contracts of insurance;</i> <i>that are long-term insurance contracts (including pure protection contracts); and/or</i> <i>entering as provider into a funeral plan contract.</i></p>
<p>Also includes: Category 2.3 Firms with permission for:</p>	<p>the Society Investment provision any of the following: <i>managing investments;</i> <i>managing an AIF;</i> <i>managing a UK UCITS;</i> <i>acting as trustee or depositary of an AIF;</i> <i>acting as trustee or depositary of a UK UCITS;</i> <i>establishing, operating or winding up a collective investment scheme;</i> <i>establishing, operating or winding up a stakeholder pension scheme;</i> <i>establishing, operating or winding up a personal pension scheme;</i> <i>agreeing to carry on a regulated activity which is within any of the above.</i></p>
<p>Category 2.4 Firms with permission for:</p>	<p>Structured deposits provision <i>accepting deposits and/or operating a dormant account fund. BUT does not include any fee payer who either effects or carries out contracts of insurance.</i></p>
<p>Tariff base for category 2.1</p>	<p><i>In respect of direct sales of structured deposits: the tariff base for Class A (DGS members) set out in the Depositor Protection part of the PRA Rule-book, but only to the extent that it:</i></p>

Class 2	Investment Intermediation Claims
	<p>(a) relates to <i>structured deposits</i> accepted in the <i>firm's</i> last financial year ended in the year to 31 December preceding the date for submission of the information under FEES 6.5.13R attributable to that <i>category</i>; and</p> <p>(b) multiplied by 0.07.</p> <p>Except in respect of <i>direct sales of structured deposits: annual eligible income</i> where annual income is calculated as the sum of (a) and (b):</p> <p>(a) the net amount retained (Note 4) by the <i>firm</i> of all brokerages, fees, commissions and other related income (for example, administration charges, overrides and profit shares) due to the <i>firm</i> in respect of or in relation to <i>category 2.1</i> activities (Note 5) including (in relation to a <i>firm</i> carrying out life distribution or pensions intermediation) any income received from an <i>insurer</i>; and</p> <p>(b) if the <i>firm</i> is a life and pensions <i>firm</i> (Note 2) carrying out life distribution or pensions intermediation, in relation to <i>category 2.1</i> activities, the amount of <i>premiums</i> or commission receivable on its life and pensions contracts (Note 1) multiplied by 0.07, excluding those life and pensions contracts which result from <i>category 2.1</i> activities carried out by another <i>firm</i>, where a payment has been made by the life and pensions <i>firm</i> to that other <i>firm</i> and that payment is of a type that falls under (a).</p> <p>Notes relating to the calculation of the tariff base for <i>category 2.1</i>:</p> <p>(1) Life and pensions contracts mean <i>long-term insurance contracts</i> (but not including <i>pure protection contracts</i>) and rights under a <i>stakeholder pension scheme</i> or a <i>personal pension scheme</i>.</p> <p>(2) Life and pensions <i>firm</i> means an <i>insurer</i>. It also means a <i>firm</i> that provides <i>stakeholder pension schemes</i> or <i>personal pension schemes</i> if those activities fall into <i>class 3</i>.</p> <p>(3) Box management profits are excluded from the calculation of annual income.</p> <p>(4) Net amount retained means all the commission, fees, etc. in respect of <i>category 2.1</i> activities that the <i>firm</i> has not rebated to customers or passed on to other <i>firms</i> (for example, where there is a commission chain). Items such as general business expenses (for example, employees' salaries and overheads) must not be deducted.</p> <p>(5) <i>Category 2.1</i> activities mean activities that fall within <i>category 2.1</i>.</p> <p>(6) In relation to a <i>firm</i> carrying out life distribution or pensions intermediation:</p> <p>(a) <i>category 2.1</i> activities also include activities that now fall within <i>category 2.1</i> but that were</p>

Class 2	Investment Intermediation Claims
<p>Tariff base for category 2.2</p>	<p>not <i>regulated activities</i> when they were carried out; and</p> <p>(b) a reference to a <i>firm</i> also includes a reference to any <i>person</i> who carried out activities that would now fall into <i>category 2.1</i> but which were not at the time <i>regulated activities</i>.</p> <p>For the <i>Society</i>, the aggregate of the tariff base for Insurance Class C1 in the Policyholder Protection part of the <i>PRA Rulebook</i> that would apply to each <i>member</i> if:</p> <p>(a) that tariff base applied to each <i>member</i> in respect of their <i>insurance business</i> in relation to <i>long-term insurance contracts</i> (including <i>pure protection contracts</i>); and</p> <p>(b) all references to “firm” or “participant firm” in the Policyholder Protection part of the <i>PRA Rulebook</i> were read as referring to the <i>member</i>.</p> <p>For all other <i>participant firms</i>, the tariff base for Insurance Class C1 in the Policyholder Protection part of the <i>PRA Rulebook</i>.</p>
<p>Tariff base for category 2.3</p>	<p>The tariff base for <i>class 3</i> (Investment Provision Claims).</p>
<p>Tariff base for category 2.4</p>	<p>The tariff base for Class A (DGS members) in the Depositor Protection part of the <i>PRA Rulebook</i> but only to the extent that it relates to deposits that are <i>structured deposits</i>.</p>
Class 3	Investment Provision Claims
<p>Firms with permission for:</p>	<p>any of the following:</p> <p><i>managing investments</i>;</p> <p><i>managing an AIF</i>;</p> <p><i>managing a UK UCITS</i>;</p> <p><i>acting as trustee or depositary of an AIF</i>;</p> <p><i>acting as trustee or depositary of a UK UCITS</i></p> <p><i>establishing, operating or winding up a collective investment scheme</i>;</p> <p><i>establishing, operating or winding up a stakeholder pension scheme</i>;</p> <p><i>establishing, operating or winding up a personal pension scheme</i>;</p> <p><i>agreeing to carry on a regulated activity</i> which is within any of the above.</p>
<p>Tariff base</p>	<p><i>Annual eligible income</i> where annual income is equal to the net amount retained by the <i>firm</i> of all income due to the <i>firm</i> in respect of or in relation to activities falling within <i>class D3</i>.</p> <p>Notes on <i>annual eligible income</i> for <i>class 3</i></p> <p>(1) For the purposes of calculating annual income, net amount retained means all the commission, fees, etc. in respect of activities falling within <i>class 3</i>, that the <i>firm</i> has not rebated to</p>

Class 3	Investment Provision Claims
	<p>customers or passed on to other <i>firms</i> (for example, where there is a commission chain). Items such as general business expenses (for example employees' salaries and overheads) must not be deducted.</p> <p>(2) [deleted]</p> <p>(3) Box management profits are excluded from the calculation of annual income.</p>

Class 4	Home Finance Intermediation Claims
<p>Category 4.1 Firms with permission for:</p>	<p>Home finance intermediation any of the following activities: <i>arranging (bringing about) a home finance transaction;</i> <i>making arrangements with a view to a home finance transaction;</i> <i>advising on a home finance transaction;</i> the activities of a <i>home finance provider</i> which would be arranging but for article 28A of the <i>Regulated Activities Order</i> (Arranging contracts or plans to which the arranger is a party); <i>agreeing to carry on a regulated activity</i> which is within any of the above.</p>
<p>Category 4.2 Firms with permission for:</p>	<p>Home finance provision any of the activities below: <i>entering into a home finance transaction;</i> <i>administering a home finance transaction;</i> <i>agreeing to carry on a regulated activity</i> which is within any of the above.</p>
<p>Tariff base for category 4.1</p>	<p><i>Annual eligible income</i> calculated in accordance with the fee-block A18 in part 2 of FEES 4 Annex 1AR.</p>
<p>Tariff base for category 4.2</p>	<p>The number of <i>home finance transactions</i>, calculated in accordance with the tariff base for fee-block A2 in part 2 of FEES 4 Annex 1AR.</p>

Class 5	Debt Management Claims
<p>Category 5.1 Firms with permission for:</p>	<p>Debt management any of the following except if held under a <i>limited permission</i>: <i>debt adjusting; and/or</i> <i>debt counselling;</i> in each case in relation to <i>protected debt management business</i> except where these activities are carried on by a <i>not-for-profit debt advice body</i>.</p>
<p>Category 5.2 Firms with permission for:</p>	<p>Consumer credit provision any of the following, except if held under a <i>limited permission</i>:</p>

Class 5	Debt Management Claims
Tariff base for category 5.1	entering into a regulated credit agreement as lender; exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement.
Tariff base for category 5.2	Annual debts under management being the annual total value of the participant firm's relevant debts under management. Annual lending being the annual total amount provided under all regulated credit agreements in respect of which the participant firm is the lender, or exercises, or has the right to exercise, the lender's rights and duties under such agreements.
Class 6	Deposit acceptors' contribution
Firms with permission for:	accepting deposits and/or operating a dormant account fund. BUT does not include any fee payer who either effects or carries out contracts of insurance.
Tariff base	The tariff base for Class A (DGS members) in the Depositor Protection part of the PRA Rulebook.

Notes for all classes

- (1) Any reference in this annex to a *specified investment* includes a reference to *rights to or interests in investments* in that *specified investment*.
- (2) In calculating *annual eligible income* a *firm* must apportion income between different *classes* and between income that falls within the definition of *annual eligible income* and income that does not in a reasonable and consistent way and on the basis of clear policies.
- (3) The question of whether a *person* is an *eligible claimant* or not or whether business is compensatable business or not must be judged at whichever of the following dates the *firm* chooses:
 - (a) (for a *person* who has become a new *client* during the period by reference to which the *firm's* tariff base is being calculated) the date on which the *person* becomes a *client*;
 - (b) (for a *person* who has ceased to be a *client* during that period) the date on which the *person* ceases to be a *client*; or
 - (c) (in any other case) the date to which the most recent information supplied by the *firm* under FEES 6.5.13 R is prepared.