

Chapter 6

Financial Services Compensation Scheme Funding

Financial Services Compensation Scheme - classes and categories

This table belongs to ■ FEES 6.5.6AR

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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 carrying out contracts of insurance;</i> <i>that are long-term insurance contracts (including pure protection contracts).</i></p>
<p>Also includes:</p>	<p>the Society</p>
<p>Category 2.3 Firms with permission for:</p>	<p>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 asset 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>In respect of <i>direct sales of structured deposits</i>: the tariff base for Class A (DGS members) set out in the Depositor Protection part of the <i>PRA Rulebook</i>, but only to the extent that it: (a) relates to <i>structured deposits</i> accepted in the <i>firm's</i> last financial year ended in the year to 31</p>

Class 2	Investment Intermediation Claims
	<p>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 not <i>regulated activities</i> when they were carried out; and</p>

Class 2	Investment Intermediation Claims
<p>Tariff base for category 2.2</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 “<i>firm</i>” or “<i>participant firm</i>” 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> <ul style="list-style-type: none"> <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</i> which is within any of the above.
<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 3</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 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</p>

Class 3	Investment Provision Claims
	<p>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;</i> and/or <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>: <i>entering into a regulated credit agreement as lender;</i> exercising, or having the right to exercise, the</p>

Class 5	Debt Management Claims
Tariff base for category 5.1	<i>lender's</i> rights and duties under a <i>regulated credit agreement</i> .
Tariff base for category 5.2	Annual debts under management being the annual total value of the <i>participant firm's relevant debts under management</i> .
	Annual lending being the annual total amount provided under all <i>regulated credit agreements</i> in respect of which the <i>participant firm</i> is the <i>lender</i> , or exercises, or has the right to exercise, the <i>lender's</i> rights and duties under such agreements.
Class 6	Deposit acceptors' contribution
Firms with permission for:	<i>accepting deposits</i> and/or <i>operating a dormant asset fund</i> . BUT does not include any fee payer who either effects or carries out <i>contracts of insurance</i> .
Tariff base	The tariff base for Class A (DGS members) in the Depositor Protection part of the <i>PRA Rulebook</i> .
Class 7	Funeral Plan Claims
Firms with permission for:	any of the following in relation to a <i>funeral plan contract</i> : <i>entering as provider into a funeral plan contract</i> ; <i>carrying out a funeral plan contract as provider</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>managing investments</i> ; <i>safeguarding and administering investments</i> ; <i>sending dematerialised instructions</i> ; <i>causing dematerialised instructions to be sent</i> ; <i>advising on investments</i> ; <i>agreeing to carry on a regulated activity</i> which is within any of the above.
Tariff base	<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 7</i> .
Notes on <i>annual eligible income</i> for <i>class 7</i> : For the purposes of calculating annual income, "net amount retained" means all the commission (where relevant), fees, etc. in respect of activities falling within <i>class 7</i> that the <i>firm</i> has not rebated to <i>customers</i> 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.	
Notes for all classes	
(1) Any reference in this annex to a <i>specified investment</i> includes a reference to <i>rights to or interests in investments</i> in that <i>specified investment</i> .	
(2) In calculating <i>annual eligible income</i> a <i>firm</i> must apportion income between different <i>classes</i> and between income that falls within the definition of <i>annual eligible income</i> 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.