

**MORTGAGE FIRMS AND INSURANCE INTERMEDIARIES
(APPLICATION FEES) INSTRUMENT 2003**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the "Act"):
- (1) section 156 (General supplementary powers);
 - (2) section 157(1) (Guidance); and
 - (3) paragraph 17(1) of Schedule 1 (Fees).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

- C. This instrument comes into force on 1 November 2003.

Amendments to the Handbook

- D. The Authorisation manual (AUTH) is amended in accordance with Annex A of this instrument.
- E. The Supervision manual (SUP) is amended in accordance with Annex B of this instrument.
- F. The Glossary is amended in accordance with Annex C of this instrument.

Citation

- G. This instrument may be cited as the Mortgage Firms and Insurance Intermediaries (Application Fees) Instrument 2003.

By order of the Board
18 September 2003

Annex A

Amendments to the Authorisation manual

In this annex underlining indicates new text and striking through indicates deleted text. Where an entire new section is inserted, the place it goes is indicated and the text is not underlined.

4.1.5AG *AUTH* 4 Annex 2R contains details of the application fees payable by applicants seeking to obtain *permission* to carry out any of the activities included in the A.2 (mortgage lenders and administrators), A.18 (mortgage advisers and arrangers) and A.19 (general insurance intermediaries) activity groups, for the period before these activities begin to be subject to regulation.

4.1.7G Except as set out in *AUTH* 4.1.7AG, Applications (and exercises of *Treaty rights*) are categorised by the *FSA* for the purpose of fee raising as complex, moderately complex and straightforward as identified in *AUTH* 4 Ann1R. This differentiation is based on the *permitted activities* sought and does not reflect the *FSA*'s risk assessment of the applicant (or *Treaty firm*).

4.1.7AG For the period before the activities referred to in *AUTH* 4.1.5AG are subject to regulation, applications for the A.2 (mortgage lenders and administrators), A.18 (mortgage advisers and arrangers) and A.19 (general insurance intermediaries) activity groups are categorised by the *FSA* for the purpose of fee raising using a measure of the amount of business being undertaken by the person, as detailed in *AUTH* 4 Ann 2R.

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4.2.1R A person to whom this chapter applies must pay to the *FSA* an authorisation fee for each application made (or exercise of a *Treaty right*), as set out in *AUTH* 4 Annex 1R and *AUTH* 4 Annex 2R.

4.2.2R In respect of a particular application (or exercise) the authorisation fee referred to in *AUTH* 4.2.1R is the highest of the tariffs set out in part 1 of *AUTH* 4 Annex 1R and part 2 of *AUTH* 4 Annex 2R which apply to that application (or exercise).

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After *AUTH* 4 Annex 1R, insert the following new Annex:

Annex 2R

Authorisation fees payable in relation to the A.2 and A.18 activity groups up to and including 30 October 2004 and the A.19 activity group up to and including 13 January 2005

Note: This annex specifies the application fees for applicants seeking to apply for *Part IV permission*, or to vary their existing *Part IV permission*, in order to undertake any of the activities specified in the A.2, A.18 and A.19 activity groups (see Part 7 of *SUP* 20 Ann 1R for details of the activities).

For the *permitted activities* included in the A.2 and A.18 activity groups, regulation commences on 31 October 2004. Regulation commences on 14 January 2005 for the *permitted activities* included in the A.19 activity group.

The fee *rules* set out in this annex will apply from the beginning of the application period until regulation of these *permitted activities* commences. At that time, these *rules* will cease to have effect and application fees for these types of *permitted activities* will be dealt with alongside the other *authorisation* fees as part of *AUTH 4* Annex 1R.

1 Table Part 1 - Application periods

- 1 For the A.2 and A.18 activity groups, these rates apply up to and including 30 October 2004.
- 2 For the A.19 activity group, these rates apply up to and including 13 January 2005.

2 Table Part 2 - Authorisation fees payable

Activity group	Amount payable					
	Fee bands		Fee - early applications	Fee - other applications	Discount - electronic applications	Discount - non-electronic applications paying by direct debit
	Band no.	Band				
A.2 Mortgage lenders and administrators		<u>Gross advances (£m)</u>	Fee (£)	Fee (£)	Discount (£)	Discount (£)
	1	0-10	600	1,200	100	50
	2	>10-100	8,000	10,000	250	50
	3	>100-1,000	13,000	15,000	250	50
	4	>1,000	23,000	25,000	500	50
A.18 Mortgage advisers and arrangers; and		<u>Annual income (£m)</u>	Fee (£)	Fee (£)	Discount (£)	Discount (£)
	5	0 - 1	600	1,200	100	50
A.19 General insurance intermediaries	6	>1-3	4,250	5,750	250	50
	7	>3-25	9,000	11,000	250	50
	8	>25	23,000	25,000	500	50

Notes

- (1) An early application is an application lodged:
 - (a) for A.2 or A.18 applications, before 1 April 2004; and
 - (b) for A.19 applications, before 1 June 2004.

- (2) For the purposes of this table:
- (a) An electronic application is one submitted via the electronic facility provided by the *FSA* for these purposes.
 - (b) Gross advances means the value of all new mortgage advances made (not the total mortgage balances outstanding) including loans for house purchase, remortgages, further advances and top-up loans, in the 12 *months* to 31 December 2003; PLUS
the value of all new mortgages administered (not the total mortgage balances outstanding) including loans for house purchase, remortgages, further advances and top-up loans, in the 12 *months* to 31 December 2003, multiplied by 0.5.
Note: For this purpose, a mortgage is a contract for a loan secured by a first charge over residential property in the *United Kingdom*.
 - (c) Annual income means the net amount retained by the *firm* of all brokerages, fees, commissions and other related income (e.g. administration charges, overrides, profit shares) due to the *firm* in respect of or in relation to:
 - (i) activities which would be *mortgage mediation activity* if they had been carried out after 30 October 2004; PLUS
 - (ii) activities which would be *insurance mediation activity* (in relation to *general insurance contracts* or *pure protection contracts*) if they had been carried out after 13 January 2005;

earned in its latest financial year ending on or before 31 December 2003.

The *firm* must include in its income calculation, on the same basis as above, earnings from those who will become its *appointed representatives* immediately after *authorisation*.

3 Table Part 3 - Activity Groupings

3 The activity group definitions are set out in *SUP 20 Annex 1R*.

Annex B

Amendments to the Supervision manual

In this annex underlining indicates new text and striking through indicates deleted text:

- 6.3.22R If a *firm* applies for a variation of its *Part IV permission*, it must pay the fee specified in Part 3 of *AUTH 4 Annex 1R* in either of the following cases:
- (1) if the variation is granted, the business of the *firm* will fall within one or more ~~fee blocks~~activity groups specified in ~~Part 5 of *AUTH 4 Annex 1R*~~Part 7 of *SUP 20 Annex 1R* not applicable before the grant of the variation; or
 - (2) any other circumstances specified in Part 3 of *AUTH 4 Annex 1R* apply.

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20 Annex 1R

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5 Table

Activity group (defined in Part 7)	Valuation date for tariff bases (defined in Part 7)	Fee payable (tariff bases defined in Part 7)
A.1 Deposit acceptors
<u>A.2 Mortgage lenders and administrators</u>	<u>[Not applicable for the 2003/04 period]</u>	<u>[Not applicable for the 2003/04 period]</u>
...		
<u>A.18 Mortgage advisers and arrangers</u>	<u>[Not applicable for the 2003/04 period]</u>	<u>[Not applicable for the 2003/04 period]</u>
<u>A.19 General insurance intermediaries</u>	<u>[Not applicable for the 2003/04 period]</u>	<u>[Not applicable for the 2003/04 period]</u>
B <i>Firms</i> that have been prescribed as an operator of a prescribed market under the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001, SI 2001/996.

Part 7 - Activity groups and tariff bases

15 Table

Activity group	Fee-payer falls in the activity group if	Tariff-base
A.1 Deposit acceptors
<u>A.2 Mortgage lenders and administrators</u>	<p><u>its permission includes one or more of the following:</u></p> <ul style="list-style-type: none"> • <u>entering into a regulated mortgage contract;</u> <u>or</u> • <u>administering a regulated mortgage contract;</u> <u>or</u> • <u>agreeing to carry on a regulated activity which is within either of the above.</u> 	<u>[Not applicable for the 2003/04 period]</u>
...		
<u>A.18 Mortgage advisers and arrangers</u>	<p><u>its permission includes one or more of the following:</u></p> <ul style="list-style-type: none"> • <u>arranging (bringing about) regulated mortgage contracts;</u> or • <u>making arrangements with a view to regulated mortgage contracts;</u> or • <u>advising on regulated mortgage contracts;</u> or • <u>agreeing to carry on a regulated activity which is within either of the above.</u> 	<u>[Not applicable for the 2003/04 period]</u>
<u>A.19 General insurance intermediaries</u>	<p><u>its permission includes one or more of the following in relation to a general insurance contract or a pure protection contract:</u></p> <ul style="list-style-type: none"> • <u>dealing in investments as agent;</u> or • <u>arranging (bringing about) deals in investments;</u> or • <u>making arrangements with a view to transactions in investments;</u> or • <u>assisting in the administration and performance of a contract of insurance;</u> or • <u>advising on investments;</u> or • <u>agreeing to carry on a regulated activity which is within any of the above.</u> 	<u>[Not applicable for the 2003/04 period]</u>
B

Annex C

Amendments to the Glossary

Insert the following new definitions in the appropriate alphabetical position:

- insurance mediation activity* any of the following *regulated activities* carried on in relation to a *contract of insurance* or *rights to or interests in a life policy*:
- (a) *dealing in investments as agent* (article 21);
 - (b) *arranging (bringing about) deals in investments* (article 25(1));
 - (c) *making arrangements with a view to transactions in investments* (article 25(2));
 - (d) *assisting in the administration and performance of a contract of insurance* (article 39A);
 - (e) *advising on investments* (article 53);
 - (f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).
- mortgage mediation activity* (as defined in article 26 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 1) Order 2003 (SI 2003/1475)) any of the following *regulated activities*:
- (a) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
 - (b) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
 - (c) *advising on regulated mortgage contracts* (article 53A);
 - (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).