

PERIODIC FEES (AMENDMENT) INSTRUMENT 2004

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 April 2004.

Amendments to the Handbook

- D. (1) The Authorisation manual (AUTH) is amended in accordance with Annex A to this instrument.
- (2) The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.
- (3) The Supervision manual (SUP) is further amended by inserting, as Annexes to SUP 20, the provisions in Annex C to this instrument.
- (4) The Compensation sourcebook (COMP) is amended in accordance with Annex D to this instrument.
- (5) The Collective Investment Schemes sourcebook (CIS) is amended in accordance with Annex E to this instrument.
- (6) The Credit Unions sourcebook (CRED) is amended in accordance with Annex F to this instrument.

Citation

- E. This instrument may be cited as the Periodic Fees (Amendment) Instrument 2004.

By order of the Board
18 March 2004

Annex A

Amendments to the Authorisation manual

In this Annex underlining indicates new text and striking through indicates deleted text

7.7.2G An annual fee of £1,000 will be charged to meet the costs of ongoing monitoring (see *SUP 20 Annex ~~43~~R*).

...

AUTH 4 Ann 2R

...

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~~1 of *SUP 20 Ann 1R* for details of the activities).

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 activity groups specified in Part ~~7~~1 of *SUP 20 Annex 1R* not applicable before the grant of the variation; or

(2) ...

...

20.1.5G Most of the detail of what periodic fees are payable by *firms* is set out in *SUP 20 Annex ~~4~~2R*. The provisions of the annex will vary from one financial year to another. Accordingly a fresh *SUP 20 Annex ~~4~~2R* will come into force, following consultation, for each financial year.

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20.1.10G Paragraph 17(2) of Schedule 1 to the *Act* prohibits the *FSA* from taking account of penalties received when setting its periodic and other fees. Accordingly each *SUP 20 Ann ~~4~~2R* will set the periodic fee without reference to the penalties received. The *FSA* will allocate the penalties by way of a permitted deduction specified in *SUP 20 Annex ~~4~~2R* for the relevant year. The *FSA* normally expects to allocate those deductions so that they apply to the fee blocks within which the *firms* paying penalties fall.

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20.2.1R A *firm* must pay to the *FSA* an amount equal to:

(1) ...

(2) any deductions from the periodic fee specified in part ~~3~~2 of *SUP 20 Ann ~~4~~2R*.

...

20.2.3G A *firm* will be required to pay a periodic fee for every year during which it has a *permission* subject to any reductions or exemptions applicable under this chapter. The *FSA* will issue invoices to *firms* and expects to do so at least 30 days before the dates on which payments will fall due under ~~*SUP 20 Ann 4*~~ *20.2.7R*.

20.2.4R The periodic fee referred to in *SUP 20.2.1R* is (except in relation to the *Society*) calculated as follows:

(1) identify each of the tariffs set out in part ~~21~~ of SUP 20 Ann ~~42R~~ which apply to the business of the *firm* for the period specified in that annex;

(2) ...

(3) ...

(4) apply any applicable payment charge or discount specified in ~~part 1 of SUP 20 Ann 1R~~. SUP 20.2.7AR.

...

20.2.6R The periodic fee referred to in SUP 20.2.1R in relation to the *Society* is specified against its name in SUP 20 Ann ~~42R~~.

20.2.7R (1) The *firm* must pay the total amount due under SUP 20.2.1R, using one of the payment methods specified in SUP 20.2.7AR.

~~(1) on or before the due date or dates specified in Part 1 of SUP 20 Ann 1R; and~~

~~(2) using one of the payment methods specified in Part 1 of SUP 20 Ann 1R.~~

(2) If the *firm's* periodic fee for the previous financial year was at least £50,000, the *firm* must pay:

(a) an amount equal to 50% of the periodic fee payable for the previous year, by 30 April in the financial year to which the sum due under SUP 20.2.1R relates; and

(b) the balance of the periodic fee due for the current financial year by 1 September in the financial year to which that sum relates.

(3) In any other case, the *firm* must pay the periodic fee due in full by 1 July in the financial year to which that sum relates.

20.2.7AR Table: specified payment methods

This table belongs to SUP 20.2.4R and SUP 20.2.7R

<u>Payment method</u>	<u>Additional amount or discount applicable</u>
<u>Direct debit</u>	<u>Discount of £20</u>
<u>Credit transfer (BACS/CHAPS)</u>	<u>Discount of £10</u>
<u>Cheque</u>	<u>None</u>
<u>Switch</u>	<u>None</u>
<u>Credit card (Visa/Mastercard only)</u>	<u>Additional 2% of sum paid</u>

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20.3.1R A *firm* (other than the *Society*) must notify to the *FSA* the value (as at the valuation date specified in Part 23 of *SUP 20 Ann 1R*) of each element of business on which the periodic fee payable by the *firm* is to be calculated.

20.3.2R A *firm* (other than the *Society*) must send to the *FSA* in writing the information required under *SUP 20.3.1R* as soon as reasonably practicable, and in any event within two months, after the date specified as the valuation date in Part 23 of *SUP 20 Ann 1R*.

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20.4.4R A *firm* which becomes authorised, or whose *permission* is extended, during the course of the financial year must pay a fee ~~equal to:~~ which is calculated by:

- (1) ~~the total of the sums calculated in accordance with each of the tariffs set out in Part 4 of *SUP 20 Ann 1R* for the relevant year which are only applicable to the *firm* after the *permission* is received or extended;~~ identifying each of the tariffs set out in Part 1 of *SUP 20 Ann 2R* for the relevant financial year that apply to the *firm* only after the *permission* is received or extended;
- (2) ~~modified as indicated by *SUP 20.4.6R*.~~ calculating the amount for each of those tariffs which is the higher of:
 - (a) the minimum fee specified for the tariff; and
 - (b) the result of applying the tariff to the projected valuation, for its first year (as provided to the *FSA* in the course of the *firm's* application), of the business to which the tariff relates (or, where relevant, the number of *approved persons* immediately after the *permission* is given);
- (3) adding together the amounts calculated under (2); and
- (4) modifying the result as indicated by *SUP 20.4.6R*.

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20.4.8R For an *incoming EEA firm* or an *incoming Treaty firm*, the calculation required by *SUP 20.2.4R* is modified as follows:

- (1) the tariffs set out in Part 21 of *SUP 20 Ann 42R* are applied only to the *regulated activities* of the *firm* which are carried on in the *United Kingdom*; and
- (2) those tariffs are modified in accordance with Part 53 of *SUP 20 Ann 42R*.

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20.5.2G The provision of this facility by the *FSA* incurs costs to it. Those costs depend upon the amount which the facility is used. Accordingly the income which the *FSA* receives from these transaction reporting fees will be set and accounted for separately from the fee block tariffs set out in *SUP 20 Ann 13R*.

20.5.3R A *firm* which reports its *reportable transactions* to the *FSA* using the *FSA's* Direct Reporting System (see *SUP 17*) must pay the fees specified in Part ~~6~~1 of *SUP 20 Ann 13R*.

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20.6.1R A person who holds a certificate under article 54 of the *Regulated Activities Order* must pay to the *FSA* each periodic fee specified in Part ~~8~~2 of *SUP 20 Ann 13R* applicable to him.

...

20.6.4R If a certificate is issued to a person under article 54 of the *Regulated Activities Order* during the course of a year, the periodic fee payable under *SUP 20.6.3R* for that year is the amount specified in Part ~~8~~2 of *SUP 20 Ann 13R* modified in accordance with Table *SUP 20.6.5R*.

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20.6.7R ~~1-~~The amount due must be paid using one of the payment methods specified in Part ~~1~~ of ~~*SUP 20 Ann 1R*~~ *SUP 20.2.7AR*.

Annex C

Amendments to the Supervision manual

In this Annex all the text is new and is not underlined.

Insert new SUP 20 Ann 1R:

Activity groups, tariff bases and valuation dates applicable

Part 1

This table shows how the *regulated activities* for which a *firm* has permission are linked to activity groups ('fee-blocks'). A *firm* can use the table to identify which fee-blocks it falls into based on its *permission*.

Activity group	Fee-payer falls in the activity group if
A.1 Deposit acceptors	its <i>permission</i> includes <i>accepting deposits</i> or <i>issuing e-money</i> ; BUT DOES NOT include either of the following: <ul style="list-style-type: none"> • <i>effecting contracts of insurance</i>; • <i>carrying out contracts of insurance</i>.
A.2 Mortgage lenders and administrators	its <i>permission</i> includes one or more of the following: <ul style="list-style-type: none"> • <i>entering into a regulated mortgage contract</i>; or • <i>administering a regulated mortgage contract</i>; or • <i>agreeing to carry on a regulated activity</i> which is within either of the above.
A.3 Firms conducting insurance activities subject only to prudential regulation	its <i>permission</i> includes one or more of the following: <ul style="list-style-type: none"> • <i>effecting contracts of insurance</i>; • <i>carrying out contracts of insurance</i>; BUT ONLY in respect of <i>specified investments</i> that are: <ul style="list-style-type: none"> - <i>general insurance contracts</i>; or - <i>long-term insurance contracts</i> other than <i>life-policies</i>.
A.4 Firms conducting insurance activities subject to both prudential and conduct of business regulation	its <i>permission</i> includes one or more of: <ul style="list-style-type: none"> • <i>effecting contracts of insurance</i>; • <i>carrying out contracts of insurance</i>; both in respect of <i>specified investments</i> including <i>life policies</i> ; <ul style="list-style-type: none"> • <i>entering as provider into a funeral plan contract</i>.
A.5 Managing agents at Lloyd's	its <i>permission</i> includes <i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's</i> .
A.6 The Society of Lloyd's	it is the <i>Society of Lloyd's</i> .

<p>Note for authorised professional firms:</p> <p>Generally, for fee-blocks A.7 to A.14 below, only those <i>regulated activities</i> that are not limited to <i>non-mainstream regulated activities</i> should be taken into account in determining which fee-block(s) fee-payers belong to.</p> <p>However, in the case that all the <i>regulated activities</i> within a <i>firm's permission</i> are limited to <i>non-mainstream regulated activities</i>, then that <i>firm</i> will be allocated to fee-block A.13 alone.</p>	
<p>A.7 Fund managers</p>	<p>(1) its <i>permission</i> includes <i>managing investments</i>;</p> <p>OR</p> <p>(2) its <i>permission</i> includes ONLY either one or both of:</p> <ul style="list-style-type: none"> • <i>safeguarding and administering of investments (without arranging)</i>; and • <i>arranging safeguarding and administration of assets</i>; <p>OR</p> <p>(3) the <i>firm</i> is a <i>venture capital firm</i>.</p> <p>Class (1) firms are subdivided into three classes:</p> <ul style="list-style-type: none"> - class (1)A, where the funds managed by the <i>firm</i> belong to one or more <i>occupational pension schemes</i>; - class (1)B, where: <ul style="list-style-type: none"> (a) the <i>firm</i> is not a class (1)A <i>firm</i>; and (b) the <i>firm's permission</i> includes NEITHER of the following: <ul style="list-style-type: none"> • <i>safeguarding and administering of investments (without arranging)</i>; • <i>arranging safeguarding and administration of assets</i>; and (c) the <i>firm</i> EITHER: <ul style="list-style-type: none"> • has a <i>requirement</i> that prohibits the <i>firm</i> from holding or controlling <i>client money</i>, or both; OR • if it does not have such a <i>requirement</i>, only holds or controls <i>client money</i> (or both), arising from an agreement under which <i>commission</i> is rebated to a <i>client</i>; - class (1)C, where the <i>firm</i> is not within class (1)A or class (1)B.
<p>A.8</p>	<p>Not applicable.</p>
<p>A.9 Operators, Trustees and Depositaries of collective investment schemes</p>	<p>(1) its <i>permission</i>:</p> <p>(a) includes one or more of the following:</p> <ul style="list-style-type: none"> • <i>establishing, operating or winding up a regulated collective investment scheme</i>; • <i>establishing, operating or winding up an unregulated collective investment scheme</i>; • <i>acting as trustee of an authorised unit trust scheme</i>; • <i>acting as the depositary or sole director of an open-ended investment company</i>; <p>AND</p>

	<p>(b) PROVIDED the <i>firm</i> is NOT one of the following:</p> <ul style="list-style-type: none"> • a <i>corporate finance advisory firm</i>; • a <i>firm</i> in which the above activities are limited to carrying out <i>corporate finance business</i>; • a <i>venture capital firm</i>; <p>OR</p> <p>(2) if the fee-payer has none of the <i>regulated activities</i> above within its <i>permission</i>, but ALL the remaining <i>regulated activities</i> in its <i>permission</i> are limited to carrying out trustee activities.</p>
<p>A.10 Firms dealing as principal</p>	<p>its <i>permission</i> includes <i>dealing in investments as principal</i>; BUT NOT if one or more of the following apply:</p> <ul style="list-style-type: none"> • the <i>firm</i> is acting exclusively as a matched principal broker; • the above activity is limited either to acting as an <i>operator</i> of a <i>collective investment scheme</i>, or to carrying out <i>trustee</i> activities; • the <i>firm</i> is a <i>corporate finance advisory firm</i>; • the above activity is otherwise limited to carrying out <i>corporate finance business</i>; • the <i>firm</i> is subject to a <i>limitation</i> to the effect that the <i>firm</i>, in carrying on this <i>regulated activity</i>, is limited to entering into transactions in a manner which, if the <i>firm</i> was an <i>unauthorised person</i>, would come within article 16 of the <i>Regulated Activities Order</i> (Dealing in contractually based investments); • the above activity is limited to not acting as a <i>market maker</i>; • the <i>firm</i> is an <i>oil market participant</i>, <i>energy market participant</i> or a <i>local</i>; • its <i>permission</i> includes either: <ul style="list-style-type: none"> - <i>effecting contracts of insurance</i>; or - <i>carrying out contracts of insurance</i>.
<p>A.11</p>	<p>Not applicable.</p>
<p>A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)</p>	<p>its <i>permission</i>:</p> <p>(a) includes one or more of the following:</p> <ul style="list-style-type: none"> • <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>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <i>oil market participant</i>, <i>energy market participant</i> or <i>local</i>; • <i>advising on investments (except pension transfers and pension opt-outs)</i>; • <i>advising on pension transfers and pension opt-outs</i>; • <i>advising on syndicate participation at Lloyd's</i>; <p>(b) BUT NONE of the following:</p> <ul style="list-style-type: none"> • <i>effecting contracts of insurance</i>; or • <i>carrying out contracts of insurance</i>; <p>AND</p> <p>(c) CAN HAVE one or more of the following:</p> <ul style="list-style-type: none"> • <i>safeguarding and administering of assets</i>;

	<ul style="list-style-type: none"> • <i>arranging safeguarding and administration of assets</i>; • the ability to hold or control <i>client money</i>, or both: <ul style="list-style-type: none"> - that is, there is no <i>requirement</i> which prohibits the <i>firm</i> from doing this; and - provided that the <i>client money</i> in question does not only arise from an agreement under which <i>commission</i> is rebated to a <i>client</i>; <p>AND</p> <p>(d) PROVIDED the fee-payer is NOT any of the following:</p> <ul style="list-style-type: none"> • a <i>corporate finance advisory firm</i>; • a <i>firm</i> for whom all of the applicable activities above are otherwise limited to carrying out <i>corporate finance business</i>; • a <i>firm</i> whose activities are limited to carrying out <i>venture capital business</i>; • a <i>firm</i> whose activities are limited to acting as an operator of a <i>regulated collective investment scheme</i>; • a <i>firm</i> whose activities are limited to carrying out <i>trustee</i> activities; • a <i>service company</i>.
<p>A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)</p>	<p>(1) it is an <i>authorised professional firm</i> and ALL the <i>regulated activities</i> in its <i>permission</i> are limited to <i>non-mainstream regulated activities</i>;</p> <p>OR</p> <p>(2) its <i>permission</i>:</p> <p>(a) includes one or more of the following:</p> <ul style="list-style-type: none"> • <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>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <i>oil market participant</i>, <i>energy market participant</i> or <i>local</i>; • <i>advising on investments (except pension transfers and pension opt-outs)</i>; • <i>advising on pension transfers and pension opt-outs</i>; • <i>advising on syndicate participation at Lloyd's</i>; <p>(b) BUT NONE of the following:</p> <ul style="list-style-type: none"> • <i>effecting contracts of insurance</i>; • <i>carrying out contracts of insurance</i>; • <i>safeguarding and administration of assets</i>; • <i>arranging safeguarding and administration of assets</i>; <p>AND</p> <p>(c) MUST EITHER:</p> <ul style="list-style-type: none"> • have a <i>requirement</i> that prohibits the <i>firm</i> from holding or controlling <i>client money</i>, or both; <p>OR</p> <ul style="list-style-type: none"> • if it does not have such a <i>requirement</i>, only holds or controls <i>client money</i> (or both), arising from an agreement under which <i>commission</i> is rebated to a <i>client</i>; <p>AND</p> <p>(d) PROVIDED the fee-payer is NOT any of the following:</p> <ul style="list-style-type: none"> • a <i>corporate finance advisory firm</i>; • a <i>firm</i> for whom all of the applicable activities above are otherwise limited to carrying out <i>corporate finance business</i>;

	<ul style="list-style-type: none"> • a <i>firm</i> whose activities are limited to carrying out <i>venture capital business</i>; • a <i>firm</i> whose activities are limited to acting as an <i>operator</i> of a <i>regulated collective investment scheme</i>; • a <i>firm</i> whose activities are limited to carrying out <i>trustee</i> activities; • a <i>service company</i>.
A.14 Corporate finance advisers	the <i>firm</i> is carrying on <i>corporate finance business</i> PROVIDED the fee-payer is NOT a <i>venture capital firm</i> .
A.15	Not applicable.
A.16 Pensions review levy firms	it was liable to pay the Pensions Levy to <i>PIA</i> in 2001/2002.
A.17	Not applicable.
A.18 Mortgage lenders, advisers and arrangers	its <i>permission</i> includes one or more of the following: <ul style="list-style-type: none"> • <i>entering into a regulated mortgage contract</i>; or • <i>arranging (bringing about) regulated mortgage contracts</i>; or • <i>making arrangements with a view to regulated mortgage contracts</i>; or • <i>advising on regulated mortgage contracts</i>; or • <i>agreeing to carry on a regulated activity</i> which is within any of the above.
A.19 General insurance mediation	its <i>permission</i> includes one or more of the following in relation to a <i>general insurance contract</i> or a <i>pure protection contract</i> : <ul style="list-style-type: none"> • <i>dealing in investments as agent</i>; or • <i>arranging (bringing about) deals in investments</i>; or • <i>making arrangements with a view to transactions in investments</i>; or • <i>assisting in the administration and performance of a contract of insurance</i>; or • <i>advising on investments</i>; or • <i>agreeing to carry on a regulated activity</i> which is within any of the above.
B. Market operators	<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).
B. Service companies	it is a <i>service company</i> .

Part 2

This table indicates the tariff base for each fee-block. The tariff base is the means by which we measure the 'amount of business' conducted by a *firm*.

Activity group	Tariff-base
A.1	<p>MODIFIED ELIGIBLE LIABILITIES</p> <p>For banks and e-money issuers:</p> <p>Part 1:</p> <p>Liabilities</p> <p>In sterling: $\pounds 2 + \pounds 3 + \pounds 4 + \pounds 5A + \pounds 5B + \pounds 6B + \pounds 6C + \pounds 6D + \pounds 6E + \pounds 6F + \pounds 6G + \pounds 6H + \pounds 6J + \pounds 7B + \pounds 7C + \pounds 7D + \pounds 7E + \pounds 7F + \pounds 7G + \pounds 7H + \pounds 7J + \pounds 8 + \pounds 10 + 60\% \text{ of } \pounds 11A + \pounds 44$ plus In foreign currency, one-third of: $E2 + E3 + E4 + E5A + E5B + E6B + E6C + E6D + E6E + E6F + E6G + E6H + E6J + E7B + E7C + E7D + E7E + E7F + E7G + E7H + E7J + E8 + E10 + 60\% \text{ of } E11A + E44 + C2 + C3 + C4 + C5A + C5B + C6B + C6C + C6D + C6E + C6F + C6G + C6H + C6J + C7B + C7C + C7D + C7E + C7F + C7G + C7H + C7J + C8 + C10 + 60\% \text{ of } C11A$: less</p> <p>Assets</p> <p>In sterling: $\pounds 21B + 60\% \text{ of } \pounds 22A + \pounds 23D + \pounds 23E + \pounds 23F + \pounds 30A + \pounds 30B + \pounds 31A + \pounds 31B + \pounds 32AA$ plus In foreign currency, one-third of: $E21B + 60\% \text{ of } E22A + E23D + E23E + E23F + E30A + E30B + E31A + E31B + E32AA + C21B + 60\% \text{ of } C22A + C23D + C23E + C23F + C30A + C30B + C31A + C31B + C32AA$</p> <p>Part 2: Non-resident office offset</p> <p>The fee base is adjusted by deducting from the amount calculated in accordance with part 1 above, the Non-Resident Office Offset amount obtained by subtracting item 45D from item 45BA in the Form BT. The Non-Resident Office Offset amount, if it would otherwise have been a negative number, is zero.</p> <p>Notes:</p> <p>(1) All references in the above formula are to entries on Form BT (that is, the Balance Sheet Form completed to provide information required following the Banking Statistics Review 1997 and returned by <i>banks</i> to the Bank of England as required by the Bank of England Act 1998).</p> <p>(2) 'E' refers to assets and liabilities denominated in euro (as referred to in column 2 of Form BT) and 'C' refers to assets and liabilities denominated in currencies other than sterling and euro (as referred to in column 3 of Form BT). In accordance with Form BT, assets and liabilities in currencies other than sterling are to be recorded in sterling.</p> <p>(3) The figures reported on the Form BT relate to business conducted out of offices in the <i>United Kingdom</i>.</p> <p>For credit unions:</p> <p>Deposits with the <i>credit union</i> (share capital) LESS the <i>credit union's</i> bank deposits (investments + cash at bank)</p> <p>Note:</p> <p>Only <i>United Kingdom</i> business is relevant for calculating <i>credit unions'</i> MELs.</p>

	<p>For building societies:</p> <ul style="list-style-type: none"> • deposit liabilities (including debt securities up to five years original maturity) (that is, the amounts in sterling (in column 1) and one-third of foreign currency referenced amounts (in columns 2 and 3) for items B1.1+B1.2+B2.0a+B2.0b+B2.10+B2.13+B2.14+B2.15+B2.16) <p>LESS amounts in respect of:</p> <ul style="list-style-type: none"> • sterling repo liabilities with the Bank of England (that is, ONLY the amounts in sterling (in column 5) for item B2.5a) • balances held with the Bank of England (excluding cash ratio deposits) (that is, the amounts in sterling (in column 1) and one-third of foreign currency referenced amounts (in columns 2 and 3) for item B6.2a, less the amounts in sterling (in column 1) and one-third of foreign currency referenced amounts (in columns 2 and 3) for item OW1.1) • market loans to banks, building societies (balances with and loans to, plus CDs, Commercial paper) (that is, the amounts in sterling (in column 1) and one-third of foreign currency referenced amounts (in columns 2 and 3) for items B6.3.a+B6.4.a+B6.4b+B6.5a+B6.5b+B6.12a) • investments with banks and building societies (bonds, notes and other debt instruments up to five years original maturity) (that is, the amounts in sterling (in column 1) and one-third of foreign currency referenced amounts (in columns 2 and 3) for items B6.6a1+B6.6a2+B6.10a1+B6.10a2) <p>Note: All references in the definition for building society MELs are to entries in the MFS1 which is submitted <i>monthly</i> by all <i>building societies</i> to the <i>FSA</i>.</p>
A.2	Not applicable. [Note: will be made to come into effect from 31 October 2004.]
A.3	<p>GROSS PREMIUM INCOME AND GROSS TECHNICAL LIABILITIES</p> <p>For insurers: The amount of <i>premiums</i> receivable which must be included in the documents required to be deposited under <i>IPRU (INS)</i> 9.6 in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a <i>waiver</i> or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to <i>IPRU (INS)</i> under transitional provisions relating to written concessions in <i>SUP</i>; less, <i>premiums</i> relating to <i>pension fund management</i> business where the <i>firm</i> owns the <i>investments</i> and there is no transfer of risk;</p> <p>AND</p> <p>the amount of gross technical liabilities (<i>IPRU (INS)</i> Appendix 9.1 – Form 15, line 19) which must be included in the documents required to be deposited under <i>IPRU (INS)</i> 9.6R in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a <i>waiver</i> or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to <i>IPRU(INS)</i> under transitional provisions relating to written concessions in <i>SUP</i>; less,</p>

	<p>the amount of gross technical liabilities relating to <i>pension fund management</i> business where the <i>firm</i> owns the <i>investments</i> and there is no transfer of risk.</p> <p>Notes:</p> <p>(1) in the case of either:</p> <p>(a) a <i>pure reinsurer</i> carrying on <i>general insurance business</i> through a <i>branch</i> in the <i>United Kingdom</i>; or</p> <p>(b) an <i>insurer</i> whose head office is not in an <i>EEA State</i> carrying on <i>general insurance business</i> through a <i>branch</i> in the <i>United Kingdom</i>; or</p> <p>(c) a <i>non-EEA insurer</i> other than a <i>Swiss general insurer</i> which has <i>permission</i> to carry on <i>direct insurance business</i> and which has made a deposit in an <i>EEA state</i> other than the <i>United Kingdom</i> in accordance with <i>IPRU(INS) 8.1(2)</i>, the amount only includes <i>premiums</i> received and gross technical liabilities held in respect of its <i>United Kingdom</i> business; and</p> <p>(2) for a <i>Swiss general insurance company</i>, premiums and gross technical liabilities include those relevant to the operations of the company's <i>United Kingdom branch</i>.</p> <p>For friendly societies:</p> <p>Either:</p> <p>(a) the value of "contributions" as income under Schedule 7: Part I item 1(a) to the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983) (the regulations) for a <i>non-directive friendly society</i>, included within the income and expenditure account; or</p> <p>(b) the value of "gross premiums written" under Schedule 1: Part I items I.1(a) and II.1.(a) of the regulations for a <i>directive friendly society</i> included within the income and expenditure account.</p> <p>Note:</p> <p>In both (a) and (b) above only <i>premiums</i> receivable in respect of <i>United Kingdom</i> business are relevant.</p>
A.4	<p>ADJUSTED GROSS PREMIUM INCOME AND MATHEMATICAL RESERVES</p> <p>Amount of new regular <i>premium</i> business (yearly <i>premiums</i> including reassurances ceded but excluding cancellations and reassurances accepted), times ten;</p> <p>Plus</p> <p>amounts of new single <i>premium</i> business (total including reassurances ceded but excluding cancellations and reassurances accepted). Group protection business (life and private health insurance) must be included;</p> <p>Less</p> <p><i>premiums</i> relating to pension fund management business where the <i>firm</i> owns the <i>investments</i> and there is no transfer of risk.</p> <p>For each of the above, business transacted through independent practitioners will be divided by two in calculating the adjusted gross premium income;</p> <p>AND</p> <p>the amount of mathematical reserves (<i>IPRU (INS) Appendix 9.1R – Form 9, Line 23</i>) which must be included in the documents required to be deposited under <i>IPRU (INS) 9.6R</i> in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by</p>

	<p>reason of a <i>waiver</i> or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to <i>IPRU(INS)</i> under transitional provisions relating to written concessions in <i>SUP</i>;</p> <p>Less mathematical reserves relating to <i>pension fund management</i> business where the <i>firm</i> owns the <i>investments</i> and there is no transfer of risk.</p> <p>Notes:</p> <p>(1) Business conducted through a <i>marketing associate</i> should be excluded in reporting the <i>product provider's premium</i> income.</p> <p>(2) Only <i>premiums</i> receivable and mathematical reserves held in respect of <i>United Kingdom</i> business are relevant.</p>
A.5	<p>ACTIVE CAPACITY</p> <p>The capacity of the <i>syndicate(s)</i> under management in the year in question. This includes the capacity for <i>syndicate(s)</i> that are not writing new business, but have not been closed off in the year in question.</p>
A.6	Not applicable.
A.7	<p>FUNDS UNDER MANAGEMENT (FuM)</p> <p>The total value, in pounds sterling, of all assets (see note (a) below) in portfolios which the <i>firm</i> manages, on a discretionary basis (see note (b) below), in accordance with its terms of business, less:</p> <p>(a) funds covered by the exclusion contained in article 38 (Attorneys) of the <i>Regulated Activities Order</i>;</p> <p>(b) funds covered by the exclusion contained in article 66(3) (Trustees, nominees and personal representatives) of the <i>Regulated Activities Order</i>;</p> <p>(c) funds covered by the exclusion contained in article 68(6) (Sale of goods or supply of services) of the <i>Regulated Activities Order</i>;</p> <p>(d) funds covered by the exclusion contained in article 69(5) (Groups and joint enterprises) of the <i>Regulated Activities Order</i>; and</p> <p>(e) the value of those parts of the managed portfolios in respect of which the responsibility for the discretionary management has been formally delegated to another <i>firm</i> (and which <i>firm</i> will include the value of the assets in question in its own FuM total); any such deduction should identify the <i>firm</i> to which management responsibility has been delegated.</p> <p>Notes on FuM</p> <p>(a) For the purposes of calculating the value of funds under management, "assets" means all assets that consist of or include any <i>investment</i> which is a <i>designated investment</i> or those assets in respect of which the arrangements for their management are such that the assets may consist of or include such <i>investments</i>, and either the assets have at any time since 29 April 1988 done so or the arrangements have at any time (whether before or after that date) been held out as arrangements under which the assets would do so.</p> <p>(b) Assets managed on a non-discretionary basis, being assets that the <i>firm</i> has a contractual duty to keep under continuous review but in respect of which prior specific consent of the <i>client</i> must be obtained for proposed transactions, are NOT included as this activity is covered in those charged to fees in activity groups A.12 and A.13.</p> <p>(c) In respect of <i>collective investment schemes</i>, "assets" means the total value of</p>

	<p>the assets of the scheme.</p> <p>(d) For an <i>OPS firm</i>, the FuM should also be reduced by the value of the assets held as a result of a decision taken in accordance with article 4(6) of The Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (investments in <i>collective investment schemes</i> or <i>bodies corporate</i> which have as their primary purpose the acquisition, directly, or indirectly, of "relevant investments", as defined in that article).</p> <p>(e) Only assets that are managed from an establishment maintained by the <i>firm</i> in the <i>United Kingdom</i> are relevant.</p>
A.8	Not applicable.
A.9	<p>GROSS INCOME</p> <p>For operators (including ACDs and managers of unit trusts):</p> <p>gross income from the activity relating to fee-block A.9 is defined as:</p> <ul style="list-style-type: none"> the amount of the annual charge on funds invested in <i>regulated</i> or <i>unregulated collective investment schemes</i> received or receivable in the latest accounting period (this is calculated as a % of funds invested, typically 1% p.a.); <p>PLUS</p> <ul style="list-style-type: none"> the front-end or exit charge levied on sales or redemptions of <i>collective investment schemes</i> (typically 4-5% of sales/redemptions) in that same accounting period; <p>PLUS</p> <ul style="list-style-type: none"> any additional initial or management charges levied through a product wrapper such as a <i>PEP</i> or an <i>ISA</i>; <p>BUT EXCLUDING box management profits.</p> <p>For depositaries (including trustees of collective investment schemes and ICVC depositaries):</p> <p>The amount of the annual charge levied on funds in <i>regulated collective investment schemes</i> for which they act as <i>depository</i> (typically a % of the total funds for which they act as <i>depository</i>).</p> <p>Note: Only the gross income corresponding to <i>United Kingdom</i> business is relevant.</p>
A.10	<p>NUMBER OF TRADERS</p> <p>Any <i>employee</i> or agent, who:</p> <ul style="list-style-type: none"> ordinarily acts within the <i>United Kingdom</i> on behalf of an <i>authorised person</i> liable to pay fees to the <i>FSA</i> in its fee-block A.10 (firms dealing as principal); and who, as part of their duties in relation to those activities of the <i>authorised person</i>, commits the <i>firm</i> in market dealings or in transactions in <i>securities</i> or in other <i>specified investments</i> in the course of <i>regulated activities</i>.

A.11	Not applicable.
A.12	<p>APPROVED PERSONS</p> <p>The number of <i>persons</i> approved to undertake one, or more, of the following <i>customer functions</i>:</p> <p>CF21 <i>Investment adviser function;</i> CF22 <i>Investment adviser (trainee) function;</i> CF24 <i>Pension transfer specialist function;</i> CF25 <i>Adviser on syndicate participation at Lloyd's function;</i> or CF26 <i>Customer trading function.</i></p>
A.13	<p>APPROVED PERSONS</p> <p>The number of <i>persons</i> approved to undertake one, or more, of the following <i>customer functions</i>:</p> <p>CF21 <i>Investment adviser function;</i> CF22 <i>Investment adviser (trainee) function;</i> CF24 <i>Pension transfer specialist function;</i> CF25 <i>Adviser on syndicate participation at Lloyd's function;</i> or CF26 <i>Customer trading function.</i></p>
A.14	<p>APPROVED PERSONS</p> <p>The number of <i>persons</i> approved to undertake the following <i>controlled function</i>:</p> <p>CF23 <i>Corporate finance adviser function.</i></p>
A.15	Not applicable.
A.16	Percentage share of the amount paid towards <i>PIA's</i> 2001/2002 pensions review levy by fee-payers in fee-block A.16.
A.17	Not applicable.
A.18	Not applicable. [Note: will be made to come into effect from 31 October 2004.]
A.19	Not applicable. [Note: will be made to come into effect from 31 October 2004.]
B. Market operators	Not applicable.
B. Service companies	Not applicable.

Part 3

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data by applying the tariff bases set out in Part 2 above with reference to the valuation dates shown in this table.

Activity group	Valuation date
<p>IN THIS TABLE, REFERENCES TO SPECIFIC DATES OR MONTHS ARE REFERENCES TO THE LATEST ONE OCCURRING BEFORE THE START OF THE PERIOD TO WHICH THE FEE APPLIES, UNLESS OTHERWISE SPECIFIED – E.G. FOR 2004/05 FEES (1 APRIL 2004 TO 31 MARCH 2005), A REFERENCE TO DECEMBER MEANS DECEMBER 2003</p>	
<p>A.1</p>	<p>For banks and e-money issuers: Modified eligible liabilities (MELs), valued at:</p> <ul style="list-style-type: none"> • for a <i>firm</i> which reports monthly, the average of the MELs for October, November and December; • for a <i>firm</i> which reports quarterly, the MELs for December. <p>For credit unions: MELs, valued at December or as disclosed by the most recent annual return made prior to that date.</p> <p>For building societies: MELs, valued at the average of the MELs for October, November and December.</p>
<p>A.2</p>	<p>Not applicable. [Note: will be made to come into effect from 31 October 2004.]</p>
<p>A.3</p>	<p>Annual gross <i>premium</i> income (GPI), valued at the period to which the most recent annual return relates [Note: for most <i>firms</i> this will be the 12 <i>months</i> ended 31 December].</p> <p>AND</p> <p>Gross technical liabilities (GTL) valued at the end of the period to which the most recent annual return related [Note: for most <i>firms</i> this will be the 12 <i>months</i> ended 31 December].</p>
<p>A.4</p>	<p>Adjusted annual gross <i>premium</i> income (AGPI) for the financial year ended in the calendar year ending 31 December.</p> <p>AND</p> <p>Mathematical reserves (MR) valued at the end of the financial year ended in the calendar year ending 31 December.</p>
<p>A.5</p>	<p>Active capacity (AC), in respect of the Underwriting Year (as reported to the <i>Society of Lloyd's</i>) which is current at the beginning of the period to which the fee relates.</p> <p>[Note: this is the Underwriting Year which is already in progress at the start of the fee period – e.g. for 2004/05 fees, the fee period will begin on 1 April 2004, which is in the 2004 Underwriting Year, so the AC for that Underwriting Year is the relevant measure.]</p>
<p>A.6</p>	<p>Not applicable.</p>
<p>A.7</p>	<p>Funds under management (FuM), valued at 31 December.</p>

Activity group	Valuation date
A.8	Not applicable.
A.9	Annual gross income (GI), valued at the most recent financial year ended before 31 December.
A.10	Number of traders as at 31 December.
A.11	Not applicable.
A.12	Relevant <i>approved persons</i> as at 31 December.
A.13	Relevant <i>approved persons</i> as at 31 December.
A.14	Relevant <i>approved persons</i> as at 31 December.
A.15	Not applicable.
A.16	Not applicable.
A.17	Not applicable.
A.18	Not applicable. [Note: will be made to come into effect from 31 October 2004.]
A.19	Not applicable. [Note: will be made to come into effect from 31 October 2004.]
B. Market operators	Not applicable.
B. Service companies	Not applicable.

Insert new SUP 20 Ann 2R:

Fee tariff rates, permitted deductions and EEA/Treaty firm modifications for the period from 1 April 2004 to 31 March 2005

Part 1

This table shows the tariff rates applicable to each fee-block.

(1)	For each activity group specified in the table below, the fee is the total of the sums payable for each of the tariff bands applicable to the <i>firm's</i> business, calculated as follows:
	(a) the relevant minimum fee; plus
	(b) an additional fee calculated by multiplying the <i>firm's</i> tariff base by the appropriate rates applying to each tranche of the tariff base, as indicated.
(2)	A <i>firm</i> may apply the relevant tariff bases and rates to non-UK business, as well as to its UK business, if:

	(a)	it has reasonable grounds for believing that the costs of identifying the <i>firm's UK</i> business separately from its non- <i>UK</i> business in the way described in Part 2 of <i>SUP</i> 20 Ann 1R are disproportionate to the difference in fees payable; and
	(b)	it notifies the <i>FSA</i> in writing at the same time as it provides the information concerned under <i>SUP</i> 20.3 (Information on which fees are calculated), or, if earlier, at the time it pays the fees concerned.
(3)		For a <i>firm</i> which has not complied with <i>SUP</i> 20.3.2R (Information on which fees are calculated) for this period:
	(a)	the fee is calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10;
	(b)	an additional administrative fee of £250 is payable; and
	(c)	the minimum total fee (including the administrative fee in (b)) is £350.

Activity group	Fee payable
A.1	[to be made later]
A.2	[to be made later]
A.3	[to be made later]
A.4	[to be made later]
A.5	[to be made later]
A.6	[to be made later]
A.7	[to be made later]
A.8	This activity group does not apply for this period.
A.9	[to be made later]
A.10	[to be made later]
A.11	This activity group does not apply for this period.
A.12	[to be made later]
A.13	[to be made later]
A.14	[to be made later]
A.15	This activity group does not apply for this period.
A.16	[to be made later]
A.17	This activity group does not apply for this period.
A.18	[to be made later]
A.19	[to be made later]
B. Market operators	[to be made later]
B. Service companies	[to be made later]

Part 2

This table shows the permitted deductions that apply:

Activity group	Nature of deduction	Amount of deduction
	[to be made later]	

Part 3

This table shows the modifications to fee tariffs that apply to *incoming EEA firms* and *incoming Treaty firms*.

Activity group	Percentage of tariff payable under Part 1 applicable to the firm subject to a minimum amount payable of £100 (unless specified below)
A.1	20% (for a <i>firm</i> operating on cross-border services basis only, 0% and the minimum sum is not applicable)
A.3	0% and the minimum sum is not applicable
A.4	75%
A.7, A.8 and A.9	95%
A.10, A.11, A.12 and A.13	90%

Insert new SUP 20 Ann 3R:

Transaction reporting fees and Article 54 RAO certificate fees for the period from 1 April 2004 to 31 March 2005

Part 1

This table shows the fees payable for transaction reporting.

Fee per transaction	Date payable	Method of payment
[to be made later]		

Part 2

The periodic fee payable under *SUP 20.6.1R* for a certificate issued under Article 54 of the *Regulated Activities Order* is [to be made later].

Annex D

Amendments to the Compensation sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text

13.5.10G Since a *firm* that becomes a *participant firm* in the course of a financial year of the *compensation scheme* will already be obtaining a discount in relation to the *base costs levy* and the *establishment costs levy* through the modified fee provisions of *SUP 20.4.34R*, no rule is necessary in *COMP* for discounts on the *base costs levy* or the *establishment costs levy*.

...

13.6.7R When calculating a *participant firm's* share of a *compensation costs levy* or *specific costs levy* allocated to:

(1) ...

(2) the investment business *sub-scheme*, the *FSCS* must (unless (3) applies) use as the *contribution groups* and tariff bases the correspondingly numbered activity groups and tariff bases set out in part 71 and part 2 of *SUP 20 Ann 1R* which are identified in *COMP 13.6.9R*;

(3) ...

...

13.6.9R Table: The contribution groups and tariff bases for the investment business sub-scheme (see *COMP 13.6.7R(2)*). (The contributions groups, legal bases for activity and tariff bases are the same as the correspondingly numbered activity groups and tariff bases set out in part 71 and part 2 of *SUP 20 Ann 1R*).

SUB-SCHEME	CONTRIBUTION GROUP (references to A7 etc are to the activity groups in part <u>71</u> of <i>SUP 20 Ann 1R</i>)	LEGAL BASIS FOR ACTIVITY (this is merely a summary of the basis in part <u>71</u> of <i>SUP 20 Ann 1R</i> ; references to articles are to articles of the <i>Regulated Activities Order</i>)	TARIFF BASE (this is merely a summary of the base in part <u>72</u> of <i>SUP 20 Ann 1R</i>)
...

Annex E

Amendments to the Collective Investment Schemes sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text

18.2.4R A periodic fee must be paid using one of the payment methods specified in ~~part 1 of SUP 20 Annex 1R~~ SUP 20.2.7AR.

Annex F

Amendments to the Credit Unions sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text

Schedule 3
Fees and other required payments

...

Description of fee	Reference
...	...
Schedule of periodic fees payable	<i>SUP 20 Ann 12R Part <u>21</u></i>
...	...