

**PERIODIC FEES (SOLVENCY 2) INSTRUMENT 2008**

**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); and
  - (2) paragraph 17(1) (Fees) of Schedule 1 (The Financial Services Authority).
- B. The rule-making powers listed above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 6 October 2008.

**Amendments to the Handbook**

- D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

**Citation**

- E. This instrument may be cited as the Periodic Fees (Solvency 2) Instrument 2008.

By order of the Board  
25 September 2008

## Annex

### Amendment to the Fees manual (FEES)

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

...

Time of payment

4.3.6 R ...

(5) Paragraphs (1) and (2) do not apply to any Solvency 2 fee (as defined in Part 1 of FEES 4 Annex 2R) and such fee is not taken into account for the purposes of the split in (1). Instead any Solvency 2 fee is payable on the date specified in (1)(a) or (2) (depending on which applies to the rest of its periodic fee) or any earlier date required by (3) or (4).

...

FEES 4 Fee tariff rates, permitted deductions and EEA/Treaty firm modifications for the  
Annex period from 1 April 2008 to 31 March 2009  
2R

Part 1

This table shows the tariff rates applicable to each fee block

...	
Activity Group	Fee payable
...	
A.3	Gross premium income (GPI)
	...
	PLUS
	Gross technical liabilities (GTL)
	...

	>1,000	5.54
	<u>PLUS</u>	
	<u>Solvency 2 Special Project Fee (the “Solvency 2 fee”)</u>	
	<u>Minimum fee (£)</u>	<u>0</u>
	<u>There is only a single tariff band.</u>	<u>The fee is calculated in accordance with Part 4 of this Annex. The percentage for this fee block (by which periodic fees are multiplied as described in Part 4) is 3.2%.</u>
	...	
A.4	Adjusted annual gross premium income (AGPI)	
	...	
	<u>PLUS</u>	
	Mathematical reserves (MR)	
	...	
	>15,000	8.83
	<u>PLUS</u>	
	<u>Solvency 2 Special Project Fee (Solvency 2 fee)</u>	
	<u>Minimum fee (£)</u>	<u>0</u>
	<u>There is only a single tariff band.</u>	<u>The fee is calculated in accordance with Part 4 of this Annex. The percentage for this fee block (by which periodic fees are multiplied as described in Part 4) is 1.41%.</u>
	...	
...		

Part 2

This table shows the permitted deductions that apply:

Activity group	Nature of deduction	Amount of deduction
...		
A.3	Financial penalties received	1.4% of the fee payable by the <i>firm</i> for the activity group (see Part 1). <u>The deduction does not apply to any Solvency 2 fee (as defined in Part 1).</u>
A.4	Financial penalties received	1.4% of the fee payable by the <i>firm</i> for the activity group (see Part 1). <u>The deduction does not apply to any Solvency 2 fee (as defined in Part 1).</u>
...		

...

Part 4	
<u>This table shows the calculation of the Solvency 2 fee for <i>firms</i> falling into fee block A3 or A4</u>	
(1)	<u>The Solvency 2 fee forms part of the periodic fee payable under fee block A3 and A4 (the “insurance fee blocks”).</u>
(2)	<u>The Solvency 2 fee is only payable by a <i>firm</i> if:</u>
	(a) <u>it was in one or both of the insurance fee blocks at the start of the financial year 2008/9;</u>
	(b) <u>FEES 4.3.13R (Firms Applying to Cancel or Vary Permission Before Start of Period) does not apply with respect to the fee block in (a); and</u>
	(c) <u>it has not notified the FSA before the start of the financial year 2008/9 that it intends to migrate out of the United Kingdom for regulatory purposes before the proposed Solvency II Directive is implemented.</u>
(3)	<u>The Solvency 2 fee is payable by the top ten <i>firms</i> in the list of <i>firms</i> that fall into (2). A <i>firm</i>'s ranking in this list is measured by reference to the amount of the periodic fees payable by it under FEES 4.3 in respect of the financial year 2007/8 with respect to the insurance fee blocks.</u>

(4)	<u>The fee for a particular insurance fee block is calculated by multiplying the periodic fee payable by the <i>firm</i> with respect to that fee block (ignoring the Solvency 2 fee) by the percentage specified in Part 1.</u>
(5)	<u>The total Solvency 2 fee payable by a <i>firm</i> (taking into account amounts payable under both insurance fee blocks) is capped at £50,000.</u>
(6)	<u>For the purpose of (3) <i>firms</i> falling into (2) that are in the same group at the start of the financial year 2008/9 must be treated as a single <i>firm</i>, so that the total number of <i>firms</i> liable to pay the Solvency 2 fee may be greater than 10.</u>
(7)	<u>Where (6) applies, the Solvency 2 fee payable by the <i>firms</i> in the group concerned for a particular insurance fee block is calculated by multiplying the total amount of the periodic fees payable by those <i>firms</i> with respect to that fee block (ignoring the Solvency 2 fee) by the percentage specified in Part 1. All those <i>firms</i> are liable jointly and severally to pay the Solvency 2 fee. No <i>incoming EEA firm</i> or <i>incoming Treaty firm</i> that has established a <i>branch</i> in the UK is liable to pay any such joint fee.</u>
(8)	<u>Where (7) applies, (5) is applied to the group as a whole so that the total joint Solvency 2 fee payable by the group is capped at £50,000.</u>
(9)	<u>The definition of a <i>group</i> is restricted for the purpose of calculating the Solvency 2 fee to <i>parent undertakings</i> and their <i>subsidiary undertakings</i>.</u>
(10)	<u>In calculating the fee to which the percentage in (4) or (7) is applied, no account is taken of any change in the fee that takes place after the Solvency 2 fee has been billed.</u>
(11)	<u>The Solvency 2 fee is not reduced under the table in FEES 4.2.6R (Modifications for persons becoming subject to periodic fees during the course of a financial year). Instead the fee to which the percentage in (4) or (7) is applied takes account of any reduction under that table. The same applies for the reductions in Part 3 of this Annex (Modifications to fee tariffs that apply to incoming EEA firms and incoming Treaty firms).</u>