

**FINANCIAL SERVICES COMPENSATION SCHEME (FINANCIAL SERVICES
ACT 2010) INSTRUMENT 2010**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the powers and related provisions in the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 156 (General supplementary powers);
 - (c) section 157(1) (Guidance);
 - (d) section 213 (The compensation scheme); and
 - (e) section 214 (General); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 6 August 2010.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Financial Services Compensation Scheme (Financial Services Act 2010) Instrument 2010.

By order of the Board
22 July 2010

Annex A**Amendments to the Glossary of definitions**

In this Annex, underlining indicates new text.

- compensation costs* the costs incurred:
- (a) in paying compensation; or
 - (b) as a result of making the arrangements contemplated in *COMP* 3.3.1R or taking the measures contemplated in *COMP* 3.3.3R; or
 - (c) in making payments or giving indemnities under *COMP* 11.2.3R; or
 - (d) under section 214B or section 214D of the Act; or
 - (e) by virtue of section 61 (Sources of compensation) of the Banking Act 2009.

Annex B

Amendments to the Fees manual (FEES)

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

- 6.1.9 G Section 223 of the *Act* (Management expenses) prevents the *FSCS* from recovering, through a levy, any *management expenses* attributable to a particular period in excess of the limit set in *COMP* as applicable to that period. ‘Management expenses’ are defined in section 223(3) to mean expenses incurred or expected to be incurred by the *FSCS* in connection with its functions under the *Act*, except:
- (1) expenses incurred in paying compensation; ~~and~~
 - (2) expenses incurred as a result of the *FSCS* making the arrangements to secure continuity of insurance set out in *COMP* 3.3.1R and *COMP* 3.3.2R or taking the measures set out in *COMP* 3.3.3R and *COMP* 3.3.4R when a *relevant person* is an *insurer* in financial difficulties; and
 - (3) expenses incurred under section 214B or section 214D of the *Act* as a result of the *FSCS* being required by HM Treasury to make payments in connection with the exercise of the stabilisation power under Part 1 of the Banking Act 2009.

...

- 6.1.15 G *Compensation costs* are principally the costs incurred in paying compensation. Costs incurred in securing continuity of long-term insurance in safeguarding *eligible claimants* when insurers are in financial difficulties, ~~and~~ in making payments or giving indemnities under *COMP* 11.2.3R and as a result of the *FSCS* being required by HM Treasury to make payments in connection with the exercise of the stabilisation power under Part 1 of the Banking Act 2009 are also treated as *compensation costs*. For funding purposes, these costs are allocated by the *FSCS*, and met by *participant firms*, in the same way as *specific costs* up to relevant *levy limits* and then in accordance with the allocation provisions in *FEES* 6.5.2R.