

**FINANCIAL SERVICES COMPENSATION SCHEME (FUNDING REVIEW)  
INSTRUMENT 2018**

**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the powers and related provisions in the following sections of the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
  - (2) section 137T (General supplementary powers);
  - (3) section 139A (Power of the FCA to give guidance);
  - (4) section 213 (The compensation scheme); and
  - (5) section 214 (General).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

**Commencement**

- C. Part 1 of Annex B and Part 1 of Annex D come into force on 2 May 2018.
- D. The remainder of this instrument comes into force on 1 April 2019.

**Amendments to the Handbook**

- E. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below:

(1)	(2)
Glossary	Annex A
Fees manual (FEES)	Annex B
Supervision manual (SUP)	Annex C
Compensation sourcebook (COMP)	Annex D

**Notes**

- F. In the Annexes to this instrument the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

**Citation**

- G. This instrument may be cited as the Financial Services Compensation Scheme (Funding Review) Instrument 2018.

By order of the Board  
26 April 2018

## Annex A

## Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate position. The text is not underlined.

<i>category</i>	a category of <i>participant firms</i> within a <i>class</i> : see <i>FEES</i> 6 Annex 3AR.
<i>deposit acceptors' contribution class</i>	<i>class</i> 6 in <i>FEES</i> 6 Annex 3AR, to which the <i>FSCS</i> may allocate a <i>compensation costs levy</i> or <i>specific costs levy</i> allocated to the <i>retail pool</i> .

Amend the following definitions as shown.

<i>annual eligible income</i>	(in <i>FEES</i> ) (in relation to a <i>firm</i> , <del>and a class</del> <u>and a category</u> ) the annual income (as described in <i>FEES</i> 6 Annex 3AR) for the <i>firm's</i> last financial year ended in the year to 31 December preceding the date for submission of the information under <i>FEES</i> 6.5.13R attributable to that <i>class</i> <u>or category</u> . A <i>firm</i> must calculate <i>annual eligible income</i> from such annual income in one of the following ways: <ul style="list-style-type: none"> <li>(a) only include such annual income if it is attributable to business in respect of which the <i>FSCS</i> may pay compensation; or</li> <li>(b) include all such annual income.</li> </ul>
<i>levy limit</i>	(in <i>FEES</i> ) the maximum aggregate amount of <i>compensation costs</i> and <i>specific costs</i> that may be allocated to a particular <i>class</i> <u>or category</u> in one <del>financial year</del> <u>financial year</u> as set out in <i>FEES</i> 6 Annex 2R, whether directly or <del>(where relevant to that class)</del> through the <i>retail pool</i> . <del>FCA provider contribution classes do not have a levy limit: they have a retail pool levy limit: see FEES 6 Annex 5R.</del>

Delete the following definition. The text is not shown struck through.

<i>FCA provider contribution class</i>	a <i>class</i> to which the <i>FSCS</i> may only allocate a <i>compensation costs levy</i> or <i>specific costs levy</i> allocated to the <i>retail pool</i> , as described in <i>FEES</i> 6.5A, namely: the deposit acceptor's contribution class; the insurers - life contribution class; the insurers - general contribution class; or the home finance providers and administrators' contribution class.
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## Annex B

### Amendments to the Fees manual (FEES)

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

#### Part 1: Comes into force on 2 May 2018

## 6 Financial Services Compensation Scheme Funding

### 6.1 Application

...

- 6.1.7A G In order to allocate a share of the amount of *specific costs* and *compensation costs* to be funded by an individual *participant firm*, the funding arrangements are split into ten *classes*: the investment provision *class*; the life distribution and pensions intermediation *class*; the home finance intermediation *class*; the investment intermediation *class*; the general insurance ~~intermediation~~ distribution *class*; the deposit acceptor's contribution *class*; the insurers – life contribution *class*; the insurers – general contribution *class*; the home finance providers and administrators' contribution *class* and the debt management claims *class*. The *permissions* held by a *participant firm* determine into which *class*, or *classes*, it falls.

...

#### 6 Annex 2R Financial Services Compensation Scheme – annual levy limits

This table belongs to *FEES* 6.3.5R

Class	Levy Limit (£ million)
B2: General insurance <del>intermediation</del> <u>distribution</u>	...
C2: Life <u>distribution</u> and pensions intermediation	...
...	

...

#### 6 Annex 3AR Financial Services Compensation Scheme – classes

This table belongs to *FEES* 6.4.7AR and *FEES* 6.5.6AR

	<b>General Insurance</b>
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<b>Class B1</b>	[deleted]
<b>Class B2</b>	General Insurance <del>Intermediation</del> <u>Distribution</u>
...	
<b>Class C2</b>	Life <u>Distribution</u> and Pensions Intermediation
...	

...

**6 Annex 5R** **Classes participating in the retail pool and applicable limits**

This table belongs to *FEES* 6.5A.1R.

<b>Class</b>	<b>Attributable costs for this class in excess of levy limit allocated to the retail pool?</b>	<b>Retail pool levy limit (£ million)</b>	<b>Retail pool compensation costs levy or specific costs levy allocated to this class?</b>
...			
...	...	...	...
Life <u>distribution</u> and pensions intermediation			
...			
General insurance <del>intermediation</del> <u>distribution</u>			
...			

...

Insert the new TP 19 after FEES TP 18 (Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2018/19). The text is not underlined.

**TP 19** **Transitional provisions relating to statements provided by participant firms before 1 April 2019 with respect to the FSCS 2019/20 financial year**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provisions coming into force
19.1	FEES 6.5.13R	R	For the purposes of statements provided by <i>participant firms</i> under FEES 6.5.13R before 1 April 2019 and with respect to the <i>financial year</i> of the <i>compensation scheme</i> beginning on 1 April 2019, references in FEES 6.5.13R to <i>classes</i> must be read as references to <i>classes</i> and <i>categories</i> to which <i>firms</i> will belong after 31 March 2019; and references to tariffs must be read as references to tariffs as in force after 31 March 2019.	From 2 May 2018 to 31 March 2019	1 April 2019

## Part 2: Comes into force on 1 April 2019

### 6 Financial Services Compensation Scheme Funding

#### 6.1 Application

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- 6.1.7A G In order to allocate a share of the amount of *specific costs* and *compensation costs* to be funded by an individual *participant firm*, the funding arrangements are split into ~~ten~~ six *classes*: ~~the investment provision class; the life distribution and pensions intermediation class; the home finance intermediation class; the investment intermediation class; the general insurance distribution class; the deposit acceptor's contribution class; the insurers' life contribution class; the insurers' general contribution class; the home finance providers and administrators' contribution class and the General Insurance Distribution Claims class; the Investment Intermediation Claims class; the Investment Provision Claims class; the Home Finance Intermediation Claims class; the debt management claims Debt Management Claims class; and the deposit acceptors' contribution class.~~ The permissions held by a *participant firm* determine into which *class*, or *classes*, it falls.

The management expenses levy

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- 6.1.11A G The second element of a *management expenses levy* is a *specific costs levy* for the “specific costs” of running the *compensation scheme* in a *financial year*. These costs are attributable to a *class*, and include the salary costs of certain staff of the *FSCS* and claims handling and legal and other professional fees. It also may include the cost of any insurance cover that *FSCS* secures against the risk of *FSCS* paying out claims above a given level in any particular *class* (but below the *levy limit* for that *class* for the year). When the *FSCS* imposes a *specific costs levy*, the levy is allocated to the *class* which gives rise to those costs, up to the relevant *levy limits*. *Specific costs* attributable to certain *classes*, which exceed the *class levy limits*, may be allocated to the *retail pool*. The *FSCS* may include in a *specific costs levy* the *specific costs* that the *FSCS* expects to incur (including in respect of defaults not yet declared at the date of the levy) during the *financial year* of the *compensation scheme* to which the levy relates. The amount that each *participant firm* pays towards the *specific costs levy* imposed on a class is calculated by reference to the amount of business conducted by the *firm* in each of the classes, to which the FSCS has allocated specific costs that class, or categories within that class. Each *class* or *category* has a separate “tariff base” for this purpose, set out in *FEES 6 Annex 3AR*. *Participant firms* may be exempt from contributing to the *specific costs levy*.

...

- 6.1.15 G *Compensation costs* are principally the costs incurred in paying compensation. Costs incurred:

...

are also treated as *compensation costs*. *Compensation costs* are attributed to the *class* which gives rise to the costs up to relevant *levy limits*. ~~Certain classes~~ Classes (other than the deposit acceptors’ contribution class) may be funded, for *compensation costs levies* beyond the *class levy limit*, by the *retail pool*.

....

#### The retail pool

- 6.1.16A G The *FCA* has made *rules* providing that *compensation costs* and *specific costs* attributable to the ~~intermediation classes, the investment provision class and the debt management claims class~~ (other than the deposit acceptors’ contribution class), and which exceed the *class levy limits*, may be allocated to the *retail pool*. Levies allocated to the *retail pool* are then allocated amongst the other such *classes*, together with ~~certain classes (known as FCA provider contribution classes) (see FEES 6 Annex 5R)~~ the deposit acceptors’ contribution class. The ~~FCA provider contribution classes~~ deposit acceptors’ contribution class may contribute to *compensation costs levies* or *specific costs levies* funded by the *retail pool*, but may not ~~themselves~~ itself receive any such funding. ~~The FCA provider contribution classes have a different tariff structure to the other classes, based on regulatory costs or the PRA~~

*Rulebook (see FEES 6 Annex 3AR).*

...

## 6.2 Exemption

6.2.1A R ...

(3) The exemption in (1) does not apply in respect of a *specific costs levy* or *compensation costs levy* arising from the *firm's* membership of an ~~FCA provider contribution class~~ any of the following:

- (a) category 1.2 (General insurance provision) of class 1 (the General Insurance Distribution Claims class); or
- (b) categories 2.2 (Life insurance provision), 2.3 (Investment provision) or 2.4 (Structured deposits provision) of class 2 (Investment Intermediation Claims class); or
- (c) category 4.2 (Home finance provision) of class 4 (the Home Finance Intermediation Claims class); or
- (d) category 5.2 (Consumer credit provision) of class 5 (the Debt Management Claims class); or
- (e) the deposit acceptors' contribution class.

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## 6.3 The FSCS's power to impose levies

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Limits on compensation costs and specific costs levies on classes

6.3.5 R The maximum aggregate amount of *compensation costs* and *specific costs* for which the *FSCS* can levy each *class* (~~not including the FCA provider contribution classes~~ including levies through the retail pool) in any one *financial year* of the *compensation scheme* is limited to the amounts set out in the table in *FEES 6 Annex 2R*.

[**Note:** ~~the levy limits for the FCA provider contribution classes are set out in FEES 6 Annex 5R~~]

...

6.3.22 R The *FSCS* may adjust the calculation of a *participant firm's* share of any levy to take proper account of:

...

(5) ~~FEES 2.3 (Relieving Provisions), FEES 6.4.8R (New participant firms), FEES 6.5.9R (New participant firms), FEES 6.3.23R~~

(Remission of levy or additional administrative fee) or *FEES* 6.6 (Incoming EEA firms); or

....

## 6.4 Management expenses

...

### Specific costs levy

- 6.4.6A R The *FSCS* must allocate, and calculate a *participant firm*'s share of, a ~~any specific costs levy~~; in the same way as for a compensation costs levy (see *FEES* 6.5).
- (1) ~~first, amongst the relevant classes in proportion to the amount of relevant costs arising from the different activities for which firms in those classes have permission up to the levy limit of each relevant class. The FCA provider contribution classes are not relevant classes for this purpose; and [deleted]~~
  - (2) ~~thereafter, where the levy limit has been reached (whether as a result of compensation costs or specific costs or both) for a class whose attributable costs may be allocated to the retail pool (see *FEES* 6 Annex 5R), to the retail pool, in accordance with and subject to *FEES* 6.5A. [deleted]~~
- 6.4.7A R The *FSCS* must calculate a *participant firm*'s share of a *specific costs levy* (subject to *FEES* 6.3.22R (Adjustment to calculation of levy shares)) by:
- (1) identifying each of the relevant *classes* to which the *participant firm* belongs, using the statement of business most recently supplied under *FEES* 6.5.13R;
  - (2) identifying the *management expenses* other than *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant *financial year* of the *compensation scheme*, allocated to the *classes* identified in (1), but not yet levied;
  - (3) calculating, in relation to each relevant *class*, the *participant firm*'s tariff base (see *FEES* 6 Annex 3AR) as a proportion of the total tariff base of all *participant firms* in the *class*;
  - (4) applying the proportion calculated in (3) to the figure in (2); and
  - (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*. [deleted]

### New participant firms



6.4.8 R ~~A firm or a recognised investment exchange which becomes a participant firm part way through a financial year of the compensation scheme will not be liable to pay a share of a specific costs levy made in that year. [deleted]~~

...

6.4.10 G 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 through the modified fee provisions of FEES 4.2.7ER, no rule is necessary in FEES 6 for discounts on the base costs levy. [deleted]

#### Specific costs levy for newly authorised firms

- 6.4.10A R (1) ~~This rule deals with the calculation of:~~
- ~~(a) a participant firm's specific costs levy in the financial year of the compensation scheme following the financial year of the compensation scheme in which it became a participant firm; or~~
  - ~~(b) a participant firm's specific costs levy in the financial year of the compensation scheme in which it had its permission extended, and the following financial year of the compensation scheme; and~~
  - ~~(c) the tariff base for the classes that relate to the relevant permissions or extensions, as the case may be.~~
- (2) ~~Unless this rule says otherwise the tariff base is calculated, where necessary, using the projected valuation of the business to which the tariff relates.~~
- (3) ~~The rest of this rule only applies to a firm that becomes a participant firm, or extends its permission, on or after 1 April 2009.~~
- ~~(a) If a participant firm's tariff base is calculated using data from a period that begins on or after it became a participant firm or on or after the date that the participant firm receives its extension of permission, as the case may be, the participant firm must use that data.~~
  - ~~(b) If a participant firm satisfies the following conditions it must calculate its tariff base under (c) for the FSCS financial year following the financial year of the compensation scheme in which it became a participant firm:~~
    - ~~(i) it became a participant firm or receives its extension of permission, as the case may be, between 1 April and 31 December inclusive; and~~
    - ~~(ii) its tariff base, but for this rule, is calculated by reference to the financial year ended in the calendar year ending 31~~

December or the twelve ~~months~~ ending 31 December before the *financial year* of the *compensation scheme*.

- (c) If a *participant firm* satisfies the conditions in (b) it must calculate its tariff base as follows:
- (i) it must use actual data in relation to the business to which the tariff relates rather than projected valuations;
  - (ii) the tariff is calculated by reference to the period beginning on the date it became a *participant firm* or had its *permission* extended, and ending on the 31 December before the start of the *financial year* of the *compensation scheme*; and
  - (iii) the figures are annualised by increasing them by the same proportion as the period of 12 *months* bears to the period starting from when the *participant firm* became a *participant firm* or had its *permission* extended to the 31 December, as the case may be.
- (d) Where a *participant firm* is required to use the method in (c) it must notify the *FSCS* of its intention to do so by the date specified in *FEES* 6.5.13R (Reporting Requirements).
- (e) Where a *participant firm* is required to use actual data under this rule, *FEES* 6 Annex 3AR is disapplied, to the extent it is incompatible, in relation to the calculation of that *participant firm*'s valuation date in its second *financial year*. ~~[deleted]~~

#### Application of *FEES* 6.4.10AR

- 6.4.10B G The table below sets out the period within which a *participant firm*'s tariff base is calculated ("the data period") for second year levies calculated under *FEES* 6.4.10AR. The example is based on a *participant firm* that extends its *permission* on 1 November 2009 and has a financial year ending 31 March.

References in this table to dates or months are references to the latest one occurring before the start of the *financial year* of the *compensation scheme* unless otherwise stated. ~~[deleted]~~

Type of permission acquired on 1 November	Tariff base	Valuation date but for <i>FEES</i> 6.4.10AR	Data period under <i>FEES</i> 6.4.10AR
<i>Dealing in investments as agent in relation to General</i>	<i>Annual eligible income</i>	Financial year ended 31 March 2009—so projected valuations will be used.	1 November to 31 December 2009

Insurance Intermediation			
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...

**6.5 Compensation costs**

...

Allocation

6.5.2-A R The FSCS must allocate any *compensation costs* levy:

(1) first, to the relevant *classes* (other than the *deposit acceptors' contribution class*) in proportion to the amount of *compensation costs* arising from, or expected to arise from, claims in respect of the different activities for which *firms* in those *classes* have *permission*, up to the *levy limit* of each relevant *class*. ~~The FCA provider contribution classes are not relevant classes for this purpose;~~ and

(1A) next, amongst the *categories* (if any) within each *class*:

(a) in proportion to the *categories'* unused *levy limits* as at the date of the levy;

(b) up to those *levy limits*, subject to the conditions in FEES 6.5.2-AAR; and

(2) thereafter, where the *levy limit* for a *class* has been reached (whether as a result of *compensation costs* or *specific costs* or both) ~~for a *class* whose attributable costs may be allocated to the *retail pool* (see FEES 6 Annex 5R),~~ to the *retail pool*, in accordance with, and subject to, FEES 6.5A and subject to the conditions in FEES 6.5.2-AAR.

Cap and clawback caused by other levies on insurers, investment providers and deposit takers

6.5.2-AA R (1) This rule applies in relation to a relevant *category* or *class* in the table below.

<u>Relevant category or class</u>	<u>Relevant unused levy limit</u>	<u>Corresponding funding class</u>
<u>Category 1.2 (General insurance provision)</u>	<u>Levy limit of the corresponding funding class in the PRA Rulebook, minus any levy imposed:</u>	<u>Corresponding funding class in the PRA Rulebook</u>
<u>Category 2.2 (Life</u>	<u>(a) on that class by the FSCS under the PRA's rules; and</u>	

<u>insurance provision)</u>	<u>(b) on the relevant <i>category</i> or <i>class</i> by the FSCS under the FCA's rules;</u> <u>in the same <i>financial year</i></u>	
<u>Category 2.4 (Structured deposits provision)</u>		
<u>Deposit acceptors' contribution class</u>		
<u>Category 2.3 (Investment provision)</u>	<u>Levy limit for class 3 (Investment Provision Claims) minus any <i>compensation costs levies</i> or <i>specific costs levies</i> imposed by the FSCS in the same <i>financial year</i></u>	<u>Class 3 (Investment Provision Claims)</u>

- (2) An allocation under step (1A) or (2) of FEES 6.5.2-AR to a relevant *category* or *class* must be capped as necessary so as not at that time to exceed the relevant unused levy limit in the table in (1), with any outstanding amount reallocated starting with that step.
- (3) If a relevant unused levy limit in the table in (1) is exceeded by a subsequent levy imposed on the corresponding funding class by the FSCS (under the PRA's or FCA's rules) in the same *financial year*, the FSCS must recover any previous contributions by the relevant *category* or *class* in the way set out in (4), but only to the extent necessary to correct that relevant unused levy limit excess.
- (4) If (3) applies, then the FSCS must, as far as reasonably possible:
- (a) in the case of a previous contribution by a relevant *category* under FEES 6.5.2-AR(1A):
- (i) impose a levy on the other *categories* in the *class* to which the relevant *category* belongs and thereafter to the other *firms* in the *retail pool*, applying FEES 6.5.2-AR(1A) and (2); and
- (ii) credit the recovered amount to the relevant *category*.
- (b) in the case of a previous contribution by a relevant *category* or *class* to the *retail pool* under FEES 6.5.2-AR(2):
- (i) impose a levy on the other *firms* in the *retail pool* in accordance with, and subject to, FEES 6.5A; and

(ii) credit the recovered amount to the relevant *category* or *class*.

(5) The FSCS may, before imposing a levy under (4), raise funds to correct the unused levy limit excess by commercial or other borrowing, or by utilising funds as set out in, and subject to, FEES 6.3.17R.

6.5.2-  
AB

G

(1) This is an example of the effect of levies under the PRA's rules on levies on *category* 1.2 (General insurance provision), as a result of FEES 6.5.2-AAR.

(2) The FSCS allocates a *compensation costs levy* and *specific costs levy* totalling £205 million to *class* 1 (General Insurance Distribution Claims) under FEES 6.5.2-AR (see FEES 6.4.6AR). For the purposes of this example, this is the first levy imposed by the FSCS in that *financial year*. As a result of FEES 6.5.2-AR(1A), £155 million is allocated to *category* 1.1 and £50 million to *category* 1.2.

(3) The FSCS next imposes a levy under the PRA's rules on the funding class (general insurers) that corresponds to *category* 1.2. That levy is equal to the levy limit for that funding class (general insurers) in the PRA Rulebook.

(4) As a result of FEES 6.5.2-AAR(3) and (4), the FSCS must raise £50 million by imposing a levy on *category* 1.1 and credit those funds by way of repayment to *category* 1.2.

(5) The FSCS then allocates a further *compensation costs levy* and *specific costs levy* totalling £50 million to *class* 1 under FEES 6.5.2-AR. As a result of FEES 6.5.2-AAR(2), the FSCS must allocate the whole amount of that further levy to *category* 1.1.

(6) Subsequently but in the same *financial year*, the FSCS incurs further *compensation costs* and *specific costs* attributable to *class* 1 and totalling £75 million. However, if £75 million were allocated to *class* 1, it would cause *category* 1.1 to exceed its *levy limit* of £310 million when combined with the £255 million that *category* 1.1 has already paid in that *financial year*. Accordingly, the FSCS imposes a further *compensation costs levy* and *specific costs levy* totalling £75 million and allocates it as follows:

(a) £55 million to *category* 1.1, bringing the total levies paid by that *category* in the *financial year* to its *levy limit*;

(b) £0 to *category* 1.2; and

(c) £20 million to the *retail pool* in accordance with FEES 6.5.2-AR(2).

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Participant firm's share of a levy

- 6.5.5 R (1) *A participant firm must pay to the FSCS a share of each compensation costs levy allocated to the classes and categories of which it is a member unless either the firm is exempt under FEES 6.2 (Exemption) or the FSCS has chosen to exercise its discretion under FEES 6.3.23R in respect of that firm.*

...

- 6.5.6A R The FSCS must calculate each *participant firm's* share of a *compensation costs levy* (subject to FEES 6.3.22R (Adjustments to calculation of levy shares)) by:
- (1) identifying each of the relevant *classes and categories* to which each *participant firm* belongs, using the statement of business most recently supplied under FEES 6.5.13R(1);
  - (2) identifying the *compensation costs* falling within FEES 6.3.1R allocated, in accordance with FEES 6.5.2-AR, to the *classes and categories* identified in (1);
  - (3) calculating, in relation to each relevant *class and category*, the *participant firm's* tariff base (see FEES 6 Annex 3AR) as a proportion of the total tariff base of all *participant firms* in the *class or category as the case may be*;

...

- (5) if more than one *class or category* is relevant, adding together the figure in (4) for each *class or category*.

- 6.5.6B G (1) This is an example of the calculation under FEES 6.5.6AR of a *participant firm's* share of a *compensation costs levy* and a *specific costs levy*.
- (2) A *compensation costs levy* and *specific costs levy* totalling £100,000 is allocated to class 1 (the General Insurance Distribution Claims class) under FEES 6.5.2-AR (see FEES 6.4.6AR). That levy of £100,000 is allocated to the *categories* within that *class* under FEES 6.5.2-AR(1A), with the result that £75,610 is allocated to *category 1.1* and £24,390 is allocated to *category 1.2*.
  - (3) The reports under FEES 6.5.13R and under the PRA's compensation rules show that there are 10 *participant firms* in *category 1.1*, each doing the same amount of business in that *category*; and five *participant firms* each doing the same amount of business in *category 1.2*. Two of the *participant firms* are in both *categories*.
  - (4) In this example, as a result of FEES 6.5.6AR, each *participant firm* in *category 1.1* pays a levy of £7,561 and each *participant firm* in

category 1.2 pays a levy of £4,878. The two *participant firms* that are in both *categories* will accordingly each pay a levy in respect of *class 1* totalling £12,439.

...

#### New participant firms

- 6.5.9 R *A firm or a recognised investment exchange which becomes a participant firm part way through a financial year of the compensation scheme will not be liable to pay a share of a compensation costs levy or specific costs levy made in that year.*

[Note: 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* through the modified fee provisions of *FEES 4.2.7ER*, no *rule* is necessary in *FEES 6* for discounts on the *base costs levy*.]

#### Compensation costs levy for newly authorised firms

- 6.5.9A R ~~*FEES 6.4.10AR* applies to the calculation of a *participant firm's compensation costs levy* and its tariff base as it applies to the calculation of its *specific costs levy*. [deleted]~~
- 6.5.9B G ~~The example table in *FEES 6.4.10BG* can be applied to the calculation of the tariff bases under *FEES 6.5.9AR*. [deleted]~~
- 6.5.9C R (1) This *rule* deals with the calculation of:
- (a) a *participant firm's compensation costs levy* in the *financial year* of the *compensation scheme* following the *financial year* of the *compensation scheme* in which it became a *participant firm*;  
or
  - (b) a *participant firm's compensation costs levy* in the *financial year* of the *compensation scheme* in which it had its *permission* extended, and the following *financial year* of the *compensation scheme*; and
- the tariff base for the *classes* that relate to the relevant *permissions* or *extensions*, as the case may be.
- (2) Unless this *rule* says otherwise, the tariff base is calculated, where necessary, using the projected valuation of the business to which the tariff relates.
- (3) The rest of this *rule* only applies to a *firm* that becomes a *participant firm*, or extends its *permission*, on or after 1 April 2009.
- (a) If a *participant firm's* tariff base is calculated using data from a period that begins on or after it became a *participant firm* or on or after the date that the *participant firm* receives its extension

of permission, as the case may be, the participant firm must use that data.

- (b) If a participant firm satisfies the following conditions it must calculate its tariff base under (c) for the financial year following the financial year of the compensation scheme in which it became a participant firm or receives its extension of permission:
- (i) it became a participant firm or receives its extension of permission, as the case may be, between 1 April and 31 December inclusive; and
- (ii) its tariff base, but for this rule, is calculated by reference to the financial year ended in the calendar year ending 31 December or the twelve months ending 31 December before the financial year of the compensation scheme.
- (c) If a participant firm satisfies the conditions in (b) it must calculate its tariff base as follows:
- (i) it must use actual data in relation to the business to which the tariff relates rather than projected valuations;
- (ii) the tariff is calculated by reference to the period beginning on the date it became a participant firm or had its permission extended, and ending on the 31 December before the start of the financial year of the compensation scheme; and
- (iii) the figures are annualised by increasing them by the same proportion as the period of 12 months bears to the period starting from when the participant firm became a participant firm, or had its permission extended, to the 31 December, as the case may be.
- (d) Where a participant firm is required to use the method in (c) it must notify the FSCS of its intention to do so by the date specified in FEES 6.5.13R (Reporting requirements).
- (e) Where a participant firm is required to use actual data under this rule, FEES 6 Annex 3AR is disapplied, to the extent it is incompatible, in relation to the calculation of that participant firm's valuation date in its second financial year.

[**Note:** FEES 6.5.9CR was previously in FEES 6.4.10AR.]

#### Application of FEES 6.5.9CR

- 6.5.9D    G    The table below sets out the period within which a participant firm's tariff base is calculated ("the data period") for second year levies calculated under FEES 6.5.9CR. The example is based on a participant firm that extends its



permission on 1 November 2009 and has a financial year ending 31 March.

References in this table to dates or months are references to the latest one occurring before the start of the *financial year of the compensation scheme* unless otherwise stated.

<u>Type of permission acquired on 1 November</u>	<u>Tariff base</u>	<u>Valuation date but for FEES 6.5.9CR</u>	<u>Data period under FEES 6.5.9CR</u>
<u>Dealing in investments as agent in relation to General Insurance Distribution</u>	<u>Annual eligible income</u>	<u>Financial year ended 31 March 2009 – so projected valuations will be used.</u>	<u>1 November to 31 December 2009</u>

[**Note:** *FEES* 6.5.9DR was previously in *FEES* 6.4.10BG.]

...

#### Reporting requirements

- 6.5.13 R (1) Unless exempt under *FEES* 6.2.1AR, a *participant firm* must provide the *FSCS* by the end of February each year (or, if it has become a *participant firm* part way through the *financial year*, by the date requested by the *FCA*) with a statement of:
- (a) *classes and categories* to which it belongs; and
  - (b) the total amount of business (measured in accordance with the appropriate tariff base or tariff bases) which it conducted, in respect of the most recent valuation period (as specified by *FEES* 6 Annex 3AR (Financial Services Compensation Scheme - classes)) ending before the relevant year in relation to each of those *classes and categories* ~~except the *FCA provider contribution classes*.~~

...

- (4) ~~The *Society* must provide the statement in (1) in relation to the insurers – general contribution class and the insurers – life contribution class.~~  
[deleted]

...

- 6.5.14 R If the information in *FEES* 6.5.13R has been provided to the *FCA* under other *rule* obligations, or in accordance with the *PRA Rulebook*, a *participant firm* will be deemed to have complied with *FEES* 6.5.13R.

6.5.14A G The FSCS may use information provided in accordance with the PRA Rulebook or the FCA's rules even where that information is provided other than by the end of February each year.

6.5.14B R The FSCS may use information provided in accordance with the PRA Rulebook or the FCA's rules that relates to a previous period, if that information has not yet been provided in respect of the financial year of the compensation scheme in which a levy is being imposed, applying FEES 6.5.16R(2).

...

## 6.5A The retail pool

Allocation of compensation costs levies and specific costs levies through the retail pool

6.5A.1 R The FSCS must allocate a *compensation costs levy* or *specific costs levy*, which has been allocated to the *retail pool* (under FEES 6.5.2-AR(2) or FEES 6.4.6AR(2)):

- (1) to *classes* whose ~~*retail pool levy limit*~~ *levy limit* has not been reached as at the date of the levy;
- (2) in proportion to the relative sizes of the ~~*retail pool levy limits*~~ *levy limits* of the *classes* in (1) and up to those ~~*levy limits*~~ *levy limits*; and
- (3) in accordance with the table in FEES 6 Annex ~~5R~~ 2R; and
- (4) a class's share of a levy allocated to the retail pool must be distributed amongst any categories within that class in proportion to the unused *levy limits* for those categories and up to those *levy limits*: see FEES 6 Annex 2R.

~~[Note: The *retail pool* *levy limits* for *classes* other than the *FCA provider contribution classes* are the normal *levy limits* for that *class*. See the table in FEES 6 Annex 5R for the *retail pool* *levy limits* for all relevant *classes*.]~~

~~Effect of levies under PRA's rules on insurers and deposit takers in the retail pool~~

- 6.5A.2 R
- (1) ~~An allocation in FEES 6.5A.1R to an *FCA provider contribution class* other than the home finance providers and administrators' *contribution class* may not be of an amount that, if it were added to any levies:~~
    - (a) ~~that correspond to the *FCA's compensation costs levies* or *specific costs levies*; and~~
    - (b) ~~which have previously in the same *financial year* been imposed on the *PRA funding class* which corresponds to that *FCA provider contribution class* (as set out in FEES 6.5A.7R),~~

~~the combined figure would be greater than any levy limit of the corresponding PRA funding class.~~

~~(2) Where:~~

- ~~(a) an FCA provider contribution class has already contributed to specific costs or compensation costs (through the retail pool) in a financial year; and~~
- ~~(b) if the amount of that previous contribution by the class in (a) were added to a levy that corresponds to the FCA's compensation costs levy or specific costs levy and which is being imposed on the PRA funding class which corresponds to the class in (a) (and any previous such levies in the same financial year), the combined figure would be greater than any levy limit of the corresponding PRA funding class;~~

~~the FSCS must, so far as reasonably possible, obtain repayment of the previous contribution by the class in (a) from the retail pool (including the FCA provider contribution classes except the class in (a)) to the extent that ensures that the combined figure in (b) would no longer be greater than any levy limit of the corresponding PRA funding class, and credit the repayment to the class in (a).~~

~~(3) The FSCS may obtain the repayment in (2) by:~~

- ~~(a) a levy;~~
- ~~(b) commercial or other borrowing; or~~
- ~~(c) utilising funds as set out in, and subject to, FEES 6.3.17R. [deleted]~~

~~[Note 1: the home finance providers and administrators' contribution class does not have a corresponding PRA funding class.]~~

~~[Note 2: the levy limits for the corresponding PRA funding classes are contained in the PRA Rulebook.]~~

...

How levy limits affect allocation to classes in the retail pool

- 6.5A.4 R The calculation of the relative sizes of the ~~retail pool levy limit~~ *levy limit* (for the purpose of FEES 6.5A.1R(2)) is based on the original ~~retail pool levy limits~~ *levy limits* for the *classes* (as set out in FEES 6 Annex 5 2R) and not the remaining capacity in each *class*.

...

## 6 Annex Financial Services Compensation Scheme – annual levy limits

2R

This table belongs to FEES 6.3.5R

<u>Class</u>	<u>Class Category</u>	<u>Levy Limit (£ million)</u>
<u>Class 1: General Insurance Distribution Claims</u>	<del>B2:</del> <u>1.1: General insurance intermediation distribution</u>	300 <u>310</u>
	<u>1.2: General insurance provision</u>	100 (subject to <i>FEES</i> 6.5.2-AAR)
		<b><u>Total: 410</u></b>
<u>Class 2: Investment Intermediation Claims</u>	<del>C2:</del> <u>2.1: Life distribution and pensions investment intermediation</u>	400 <u>240</u>
	<u>2.2: Life insurance provision</u>	35 (subject to <i>FEES</i> 6.5.2-AAR)
	<u>2.3: Investment provision</u>	50 (subject to <i>FEES</i> 6.5.2-AAR)
	<u>2.4: Structured deposits provision</u>	5 (subject to <i>FEES</i> 6.5.2-AAR)
		<b><u>Total: 330</u></b>
<u>Class 3: Investment Provision Claims</u>	<del>D1:</del> <u>Investment provision</u>	200
	<del>D2:</del> <u>Investment intermediation</u>	150
<u>Class 4: Home Finance Intermediation Claims</u>	<del>E2:</del> <u>4.1: Home finance intermediation</u>	40
	<u>4.2: Home finance provision</u>	15
		<b><u>Total: 55</u></b>
<u>Class 5: Debt Management Claims</u>	<del>K:</del> <u>5.1: Debt management claims</u>	20
	<u>5.2: Consumer credit provision</u>	
<u>Class 6: Deposit acceptors' contribution</u>		105 (subject to <i>FEES</i> 6.5.2-AAR)

...

6 Annex **Financial Services Compensation Scheme – classes and categories**  
3AR

This table belongs to ~~FEES 6.4.7AR~~ and FEES 6.5.6AR

...

<b><u>Class 1</u></b>	<b><u>General Insurance Distribution Claims</u></b>
<b><u>Class B1</u></b>	{deleted}
<b><u>Class B2</u></b> <b><u>Category 1.1</u></b>	General <del>insurance intermediation</del> <u>insurance distribution</u>
<b><u>Firms with permission for:</u></b>	<del>Any</del> <u>any</u> 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>
<b><u>Category 1.2</u></b>	<u>General insurance provision</u>
<b><u>Firms with permission for:</u></b>	<i>effecting contracts of insurance; and/or</i>
	<i>carrying out contracts of insurance;</i>
	<i>that are <u>general insurance contracts</u>.</i>
<b><u>Also includes:</u></b>	<i>the Society</i>
<b><u>Tariff base for category 1.1</u></b>	Class B2 <u>Category 1.1</u> : <i>annual eligible income</i> where <del>annual eligible income</del> means annual income <del>adjusted in accordance with this box</del> . 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 <del>class B2 category 1.1</del> 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 <del>class B2 category 1.1</del> activities (Note 4), the amount of <i>premiums</i> receivable on its <i>contracts of insurance</i> multiplied by 0.07, excluding those

	<p><i>contracts of insurance</i> which result from <del>class B2 category 1.1</del> activities 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).</p> <p>Notes relating to the calculation of the tariff base for <del>class B2 category 1.1</del>:</p> <p>(1) <del>Exclude annual income for pure protection contracts. Only include general insurance contracts</del> [deleted]</p> <p>(2) <del>The calculation is adjusted in accordance with the definition of annual eligible income.</del> [deleted]</p> <p>(3) Net amount retained means all the commission, fees, etc. in respect of <del>class B2 category 1.1</del> 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>(4) <del>Class B2 Category 1.1</del> activities mean activities that fall within <del>class B2 category 1.1</del>. They also include activities that now fall within <del>class B2 category 1.1</del> 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 <del>class B2 category 1.1</del> but which were not at the time <i>regulated activities</i>.</p>
<b><u>Tariff base for category 1.2</u></b>	<p><u>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:</u></p> <p><u>(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>;</u> <u>and</u></p> <p><u>(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>.</u></p> <p><u>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>.</u></p>
<b><u>Class 2</u></b>	<b><u>Life and Pensions Investment Intermediation Claims</u></b>
<b><u>Class C1</u></b>	[deleted]
<b><u>Class C2 Category 2.1</u></b>	<u>Life Distribution and Pensions Intermediation distribution and investment intermediation</u>
<b><u>Firms with permission</u></b>	<u><i>intermediation of structured deposits</i> (except for <i>managing investments</i> in relation to <i>structured deposits</i>) and/or</u>

for:

any of the following in relation to long-term insurance contracts (other than pure protection contracts) or rights under a stakeholder pension scheme or a personal pension scheme:

~~Any~~ any of the following in relation to long-term insurance contracts (other than pure protection contracts) and/or rights under a stakeholder pension scheme or a personal pension scheme:

*dealing in investments as agent;*

*arranging (bringing about) deals in investments;*

*making arrangements with a view to transactions in investments;*

*assisting in the administration and performance of a contract of insurance;*

*advising on investments;*

*advising on pension transfers and pension opt-outs;*

*basic advice;*

*agreeing to carry on a regulated activity which is within any of the above; and/or*

~~in relation to any of the following:~~

~~*long term insurance contracts (including pure protection contracts);*~~

~~*rights under a stakeholder pension scheme or a personal pension scheme.*~~

any of the following in relation to designated investment business BUT excluding activities that relate to long-term insurance contracts or rights under a stakeholder pension scheme or a personal pension scheme:

*dealing in investments as principal;*

*dealing in investments as agent;*

*MiFID business bidding;*

*arranging (bringing about) deals in investments;*

*making arrangements with a view to transactions in investments;*

*advising on investments;*

	<p><i>basic advice;</i></p> <p><i>safeguarding and administering investments;</i></p> <p><i>arranging safeguarding and administering of assets;</i></p> <p><i>operating a multilateral trading facility;</i></p> <p><i>agreeing to carry on a regulated activity which is within any of the above.</i></p>
<b><u>Recognised investment exchanges</u></b>	<i>Recognised investment exchanges that are operating a multilateral trading facility or operating an organised trading facility</i>
<b><u>Category 2.2</u></b>	<u>Life insurance provision</u>
<b><u>Firms with permission for:</u></b>	<i>effecting contracts of insurance; and/or</i>
	<i>carrying out contracts of insurance;</i>
	<i>that are long-term insurance contracts (including pure protection contracts); and/or</i>
	<i>entering as provider into a funeral plan contract.</i>
<b><u>Also includes:</u></b>	<i>the Society</i>
<b><u>Category 2.3</u></b>	<u>Investment provision</u>
<b><u>Firms with permission for:</u></b>	<i>any of the following:</i>
	<i>managing investments;</i>
	<i>managing an AIF;</i>
	<i>managing a UCITS;</i>
	<i>acting as trustee or depositary of an AIF;</i>
	<i>acting as trustee or depositary of a 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</i>



	the above.
<b><u>Category 2.4</u></b>	<b><u>Structured deposits provision</u></b>
<b><u>Firms with permission for:</u></b>	<i>accepting deposits and/or operating a dormant account fund. BUT does not include any fee payer who either effects or carries out contracts of insurance.</i>
<b><u>Tariff base for category 2.1</u></b>	<p><u>In respect of direct sales of structured deposits: the tariff base for Class A (DGS members) set out in the Depositor Protection part of the PRA Rulebook, but only to the extent that it:</u></p> <p><u>(a) relates to structured deposits accepted in the firm's last financial year ended in the year to 31 December preceding the date for submission of the information under FEES 6.5.13R attributable to that category; and</u></p> <p><u>(b) multiplied by 0.07.</u></p> <p><u>Except in respect of direct sales of structured deposits: <del>Class C2:</del> annual eligible income where <del>annual eligible income</del> means annual income <del>adjusted in accordance with this box</del>. Annual <del>income</del> is calculated as the sum of (a) and (b):</u></p> <p><u>(a) the net amount retained (Note 4) by the firm of all brokerages, fees, commissions and other related income (for example, administration charges, overrides and profit shares) due to the firm in respect of or in relation to <del>class C2</del> category 2.1 activities (Note 5) including (in relation to a firm carrying out life distribution or pensions intermediation) any income received from an insurer; and</u></p> <p><u>(b) if the firm is a life and pensions firm (Note 2) carrying out life distribution or pensions intermediation, in relation to <del>class C2</del> category 2.1 activities, the amount of premiums or commission receivable on its life and pensions contracts (Note 1) multiplied by 0.07, excluding those life and pensions contracts which result from <del>class C2</del> category 2.1 activities carried out by another firm, where a payment has been made by the life and pensions firm to that other firm and that payment is of a type that falls under (a).</u></p> <p><u>Notes relating to the calculation of the tariff base for <del>class C2</del> category 2.1:</u></p> <p><u>(1) Life and pensions contracts mean long-term insurance contracts (but not including pure protection contracts) and rights under a stakeholder pension scheme or a personal pension scheme.</u></p> <p><u>(2) Life and pensions firm means an insurer. It also means a firm that provides stakeholder pension schemes or personal pension schemes if those activities fall into <del>class D1</del> class 3.</u></p> <p><u>(3) <del>The calculation is adjusted in accordance with the definition of annual eligible income. Box management profits are excluded from the calculation of annual income.</del></u></p>

	<p>(4) Net amount retained means all the commission, fees, etc. in respect of <del>class C2</del> <u>category 2.1</u> 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) <del>Class C2</del> <u>Category 2.1</u> activities mean activities that fall within <del>class C2</del> <u>category 2.1</u>.</p> <p>(6) In relation to a <i>firm</i> carrying out life distribution or pensions intermediation:</p> <p>(a) <del>They</del> <u>category 2.1</u> activities also include activities that now fall within <del>class C2</del> <u>category 2.1</u> but that were not <i>regulated activities</i> when they were carried out; and</p> <p><del>(6) A</del> (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 <del>class C2</del> <u>category 2.1</u> but which were not at the time <i>regulated activities</i>.</p>
<b><u>Tariff base for category 2.2</u></b>	<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 “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 C1 in the Policyholder Protection part of the <i>PRA Rulebook</i>.</p>
<b><u>Tariff base for category 2.3</u></b>	The tariff base for <i>class 3</i> (Investment Provision Claims).
<b><u>Tariff base for category 2.4</u></b>	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> .
<b><u>Class 3</u></b>	<b><u>Investment Provision Claims</u></b>
<b><u>Class D1</u></b>	Investment provision
<b>Firms with permission for:</b>	Any <u>any</u> of the following:
	<i>managing investments</i> ;
	<i>managing an AIF</i> ;
	<i>managing a UCITS</i> ;

	<i>acting as trustee or depositary of an AIF;</i>
	<i>acting as trustee or depositary of a 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>
<b>Class D2</b>	<b>Investment intermediation</b>
<b>Firms with permission for:</b>	<i>intermediation of structured deposits (except for managing investments in relation to structured deposits); and/or</i>
	<i>Any of the following activities in relation to designated investment business:</i>
	<i>dealing in investments as principal;</i>
	<i>dealing in investments as agent;</i>
	<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>
<i>BUT excluding activities that relate to long-term insurance contracts or rights under a stakeholder pension scheme or a personal pension scheme.</i>	
<b>Recognised investment</b>	<i>Recognised investment exchanges that are operating a multilateral</i>

<b>exchanges</b>	<del>trading facility or operating an organised trading facility</del>
<b>Tariff base</b>	<p><del>Class D1 : annual <u>Annual</u> eligible income where <u>annual eligible income</u> means annual income adjusted in accordance with this box. Annual income is equal to the net amount retained by the firm of all income due to the firm in respect of or in relation to activities falling within class D1 3.</del></p> <p><del>Class D2 except in respect of direct sales of structured deposits: <u>annual eligible income</u> where <u>annual eligible income</u> means annual income adjusted in accordance with this box. Annual income is equal to the net amount retained by the firm of all income due to the firm in respect of or in relation to activities falling within class D2.</del></p> <p><del>Notes on <u>annual eligible income</u> for <u>classes D1 and D2 class 3</u> (except in respect of <u>direct sales of structured deposits</u>):</del></p> <p><del>(1) For the purposes of calculating annual income, net amount retained means all the commission, fees, etc. in respect of activities falling within <u>class D1 or D2</u>, as the case may be 3, that the firm has not rebated to customers or passed on to other firms (for example, where there is a commission chain). Items such as general business expenses (for example employees' salaries and overheads) must not be deducted.</del></p> <p><del>(2) The calculation is adjusted in accordance with the definition of <u>annual eligible income</u>. [deleted]</del></p> <p><del>(3) Box management profits are excluded from the calculation of annual income.</del></p> <p><del>Class D2 in respect of <u>direct sales of structured deposits</u>: the tariff base for Class A (DGS members) set out in the Depositor Protection part of the <u>PRA Rulebook</u>, but only to the extent that it:</del></p> <p><del>(a) relates to <u>structured deposits</u> accepted in the firm's last financial year ended in the year to 31 December preceding the date for submission of the information under <u>FEES 6.5.13R</u> attributable to that class; and</del></p> <p><del>(b) multiplied by 0.07.</del></p>
<b><u>Class 4</u></b>	<b><u>Home Finance Intermediation Claims</u></b>
<b><u>Class E2 Category 4.1</u></b>	Home Finance Intermediation <u>finance intermediation</u>
<b>Firms with permission for:</b>	<p><del>Any <u>any</u> of the following activities:</del></p> <p><del><i>arranging (bringing about) a home finance transaction;</i></del></p> <p><del><i>making arrangements with a view to a home finance transaction;</i></del></p> <p><del><i>advising on <u>a</u> home finance transaction;</i></del></p>

	<p>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);</p> <p><i>agreeing to carry on a regulated activity</i> which is within any of the above.</p>
<b><u>Category 4.2</u></b>	<b><u>Home finance provision</u></b>
<b><u>Firms with permission for:</u></b>	<p>any of the activities below:</p> <p><i>entering into a home finance transaction;</i></p> <p><i>administering a home finance transaction;</i></p> <p><i>agreeing to carry on a regulated activity</i> which is within any of the above.</p>
<b><u>Tariff base for category 4.1</u></b>	<del>Class: E2: annual</del> <i>Annual eligible income</i> where the annual income is calculated in accordance with the fee-block A18 in part 2 of <i>FEES 4 Annex 1AR</i> .
<b><u>Tariff base for category 4.2</u></b>	<i>The number of home finance transactions, calculated in accordance with the tariff base for fee-block A2 in part 2 of FEES 4 Annex 1AR.</i>
<b><u>Class 5</u></b>	<b><u>Debt Management Claims</u></b>
<b><u>Category 5.1</u></b>	<b><u>Debt management</u></b>
<b><u>Firms with permission for:</u></b>	<p>any of the following except if held under a <i>limited permission</i>:</p> <p><i>debt adjusting; and/or</i></p> <p><i>debt counselling;</i></p> <p><i>in each case in relation to protected debt management business except where these activities are carried on by a not-for-profit debt advice body.</i></p>
<b><u>Category 5.2</u></b>	<b><u>Consumer credit provision</u></b>
<b><u>Firms with permission for:</u></b>	<p>any of the following, except if held under a <i>limited permission</i>:</p> <p><i>entering into a regulated credit agreement as lender;</i></p> <p><i>exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement.</i></p>
<b><u>Tariff base for category 5.1</u></b>	<i>Annual debts under management being the annual total value of the participant firm's relevant debts under management.</i>

<b><u>Tariff base for category 5.2</u></b>	<u>Annual lending being the annual total amount provided under all regulated credit agreements in respect of which the participant firm is the lender, or exercises, or has the right to exercise, the lender's rights and duties under such agreements.</u>
<b>Class F6</b>	<b>Deposit acceptor's' contribution</b>
<b>Firms with permission for:</b>	<i>accepting deposits and/or operating a dormant account fund. BUT does not include any fee payer who either effects or carries out contracts of insurance.</i>
<b>Tariff base</b>	The tariff base for Class A (DGS members) in the Depositor Protection part of the <i>PRA Rulebook</i> .
<b>Class G</b>	<b>Insurers—life contribution</b>
<b>Firms with permission for:</b>	<i>effecting contracts of insurance; and/or</i>
	<i>carrying out contracts of insurance;</i>
	<i>that are long term insurance contracts (including pure protection contracts);</i>
	<i>entering as provider into a funeral plan contract.</i>
<b>Also includes:</b>	<i>the Society</i>
<b>Tariff base</b>	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>(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 (including pure protection 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> 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> .
<b>Class H</b>	<b>Insurers—general contribution</b>
<b>Firms with permission for:</b>	<i>effecting contracts of insurance; and/or</i>
	<i>carrying out contracts of insurance;</i>
	<i>that are general insurance contracts.</i>
<b>Also includes:</b>	<i>the Society</i>

<b>Tariff base</b>	<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>
<b>Class I</b>	<b>Home finance provision</b>
<b>Firms with permission for:</b>	<p>Any of the activities below:</p> <p><i>entering into a home finance transaction;</i></p> <p><i>administering a home finance transaction;</i></p> <p><i>agreeing to carry on a regulated activity which is within any of the above.</i></p>
<b>Tariff base</b>	The number of <i>home finance transactions</i> , calculated in accordance with the tariff base for fee block A2 in part 2 of <i>FEES 4 Annex 1AR</i> .
<b>Class K</b>	<b>Debt management claims</b>
<b>Firms with permission for:</b>	<p>Any of the following except if held under a <i>limited permission</i>:</p> <p><i>debt adjusting and/or 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><i>entering into a regulated credit agreement as lender</i>;</p> <p>exercising, or having the right to exercise, the <i>lender’s</i> rights and duties under a <i>regulated credit agreement</i>.</p>
<b>Tariff base</b>	<p>For <i>debt adjusting</i> and <i>debt counselling</i>: annual debts under management being the annual total value of the <i>participant firm’s</i> <i>relevant debts under management</i>.</p> <p>For all other <i>participant firms</i> in this <i>class</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.</p>

...

## 6 Annex 4G Guidance on the calculation of tariff bases

This table belongs to FEES 6.5.8G

Calculation of annual eligible income for firms in <del>class D1</del> <u>category 2.3 and class 3</u> who carry out discretionary fund management and are in FCA fee block A7		
-1.1	G	The tariff base for <del>class D1</del> <u>category 2.3 and class 3</u> is calculated by taking gross income falling into <del>class D1</del> <u>category 2.3 and class 3</u> and then deducting commission, fees and similar amounts 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) should not be deducted. The calculation may be further adjusted so as to include only income that is attributable to business in respect of which the FSCS may pay compensation, unless the <i>firm</i> chooses to include all its annual income.
...		
1.2	G	<i>Annual eligible income</i> should exclude
		income received or receivable from 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 client must be obtained for proposed transactions, as this activity is covered in <del>class D2</del> <u>category 2.1</u> (the <u>life distribution and investment intermediation</u> <del>class</del> <u>category</u> ).
...		
Calculation of annual eligible income for firms in <del>sub-class D1</del> <u>category 2.3 and class 3</u> and who carry out activities within FCA fee block A9		
2.1	G	The calculation of income in respect of activities falling into <del>class D1</del> <u>category 2.3 or class 3</u> , and FCA fee block A9, should be based on the tariff base provisions for that fee block (in Part 3 of FEES 4 Annex 1AR). It may be adjusted so as to include only income that is attributable to business in respect of which the FSCS may pay compensation, unless the <i>firm</i> chooses to include all its annual income.
2.2	G	Although the calculation should be based on the one for fee block A9, the calculation is not the same. FCA fee block A9 is based on gross income. <del>Class D1</del> <u>Category 2.3 and class 3</u> are based on net



		income retained.
<b>Calculation of annual eligible income for a firm in class B2 or class C2 categories 1.1 or 2.1</b>		
3.1	G	...
...		

FEES 6 Annex 5R (Classes participating in the retail pool and applicable limits) is deleted in its entirety. The deleted text is not shown.

**6 Annex Classes participating in the retail pool and applicable limits [deleted]  
5R**

Insert the new TP 20 after FEES TP 19 (Transitional provisions relating to statements provided by participant firms before 1 April 2019 with respect to the FSCS 2019/20 financial year). The text is not underlined.

**TP 20 Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2019/20**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provisions coming into force
20.1	The changes made to <i>FEES</i> 6 by the Financial Services Compensation Scheme (Funding Review) Instrument 2018	R	The changes in (2) apply to any levy made after 31 March 2019. This is so even if:  (1) the claim against the <i>relevant person</i> or <i>successor in default</i> arose or relates to circumstances arising before that date; or  (2) the <i>relevant person</i> or <i>successor</i> was <i>in default</i> before that date.	From 1 April 2019 indefinitely	1 April 2019
20.2	<i>FEES</i> 6.3.19R	R	<b>Allocation of recoveries</b> Any recoveries made by the <i>FSCS</i>	From 1 April 2019	1 April 2019

	FEES 6.3.20R	<p>after 31 March 2019 in relation to <i>protected claims</i>, the costs of which were allocated prior to 1 April 2019 to a <i>class</i> in place at the time, including, if relevant, through the <i>retail pool</i> in place at the time, must be credited to the corresponding <i>class</i> in accordance with the following table:</p>	indefinitely		
		<p><b>Class in place before 1 April 2019</b></p>	<p><b>Corresponding class</b></p>		
		<p>B2 (General Insurance Distribution) H (Insurers – general contribution)</p>	<p><i>Class 1</i> (General Insurance Distribution Claims)</p>		
		<p>C2 (Life distribution and pensions intermediation) D2 (Investment intermediation) G (Insurers – life contribution)</p>	<p><i>Class 2</i> (Investment Intermediation Claims)</p>		
		<p>D1 (Investment provision)</p>	<p><i>Class 3</i> (Investment Provision Claims)</p>		
		<p>E2 (Home finance intermediation) I (Home finance provision)</p>	<p><i>Class 4</i> (Home Finance Intermediation Claims)</p>		
		<p>K (Debt management claims)</p>	<p><i>Class 5</i> (Debt Management Claims)</p>		
		<p>F (deposit acceptor's</p>	<p><i>Class 6</i> (Deposit acceptors'</p>		

			contribution)	contribution)		
20.3	<i>FEES</i> 6.3.14R	R	<b>Allocation of surplus/deficit</b> The <i>FSCS</i> must allocate any surplus or deficit in a <i>class</i> in place on 31 March 2019 to the corresponding <i>class</i> in <i>FEES</i> TP 20.2R.		From 1 April 2019 indefinitely	1 April 2019
20.4	<i>FEES</i> 6.3.17R	R	<b>Management of funds</b> In relation to <i>classes</i> C2 and D2 as existing before 1 April 2019, where:  (1) the <i>FSCS</i> has used money, in accordance with <i>FEES</i> 6.3.17R, held to the credit of one of the above <i>classes</i> (the creditor class) to pay <i>compensation costs</i> or <i>specific costs</i> attributable or allocated by way of levy to the other of those <i>classes</i> (the debtor class); and  (2) on 31 March 2019 the creditor class is not yet reimbursed by the debtor class;  the <i>FSCS</i> must ensure that the debtor class pays interest to the creditor class under <i>FEES</i> 6.3.17R(2)(b) for the period up to 1 April 2019 and no later.		From 1 April 2019 indefinitely	1 April 2019

## Annex C

## Amendments to the Supervision manual (SUP)

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

SUP 16 Annex 18AR (Section J: Data Required for Calculation of Fees, Part 1) is amended as follows.

## Section J: data required for the calculation of fees

## Part 1

	A	B	C
	FCA	FOS	FSCS
	Annual Income	Relevant Annual Income	Annual Eligible Income
	(£s)	(£s)	(£s)
<b>1</b>	Home Finance Intermediation <i>FEES 4 Annex 1AR</i> Part 3, fee block A.18	<i>FEES 5 Annex 1R</i> , industry block 16	<i>FEES 6 Annex 3AR</i> <del>Class E2</del> <u>category 4.1</u>
<b>2</b>	General Insurance Distribution <i>FEES 4 Annex 1AR</i> Part 3, fee block A.19	<i>FEES 5 Annex 1R</i> , industry block 17	<i>FEES 6 Annex 3AR</i> <del>Class B2</del> <u>category 1.1</u>
<b>3</b>	Life Distribution and <del>Pensions</del> <u>Investment</u> Intermediation <i>FEES 4 Annex 1AR</i> Part 3, fee block A.13	Annual income as applied in relation to the equivalent activity groups set out in Part 1 of <i>FEES 4 Annex 1R</i> in respect on industry blocks 8 and 9	<i>FEES 6 Annex 3AR</i> <del>Class C2</del> <u>category 2.1</u>
<b>4</b>	<del>Investment</del> Intermediation <del><i>FEES 4 Annex 1AR</i>, Part 3, fee block A.13</del>	<del>Annual income as applied in relation to the equivalent activity groups set out in Part 1 of <i>FEES 4 Annex 1R</i> in respect on industry blocks 8 and 9</del>	<del><i>FEES 6 Annex 3AR</i></del> Class D2

...

**16**      **Notes for Completion of the Retail Mediation Activities Return ('RMAR')**  
**Annex**  
**18BG**

...

**Section J: Data required for calculation of fees**

Part 1

...

This information is required so that we can calculate the fees payable by *firms* in respect of the *FCA*, *FOS* and the *FSCS*.

<b>Data for fees calculations</b>	<i>Firms</i> will need to report data for the purpose of calculating <i>FCA</i> , <i>FOS</i> and <i>FSCS</i> levies
...	...
FSCS	The relevant information required is the tariff data set out in <del>classes B2, C2, D2 and E2</del> <u>categories 1.1, 2.1 and 4.1, FEES 6 Annex 3AR</u> . Note that <i>firms</i> are required to report tariff data information relating to all business falling within <del>classes B2, C2, D2 and E2</del> <u>categories 1.1, 2.1 and 4.1, FEES 6 Annex 3AR</u> .

...

Part 2

...

Both Parts 1 and 2

...

	<b>FCA</b> Annual Income (£s)	<b>FOS</b> Relevant Annual Income (£s)	<b>FSCS</b> Annual Eligible Income (£s)
Home finance intermediation	<i>FEES</i> 4 Annex 11AR, 13G	<i>FEES</i> 5 Annex 1R industry block 16	<i>FEES</i> 6 Annex 3AR <del>class E2</del> <u>category 4.1</u>
General insurance distribution	<i>FEES</i> 4 Annex 11AR, 13G	<i>FEES</i> 5 Annex 1R industry block 17	<i>FEES</i> 6 Annex 3AR <del>class B2</del> <u>category 1.1</u>
Life distribution and <del>pensions</del> <u>investment</u> intermediation	<i>FEES</i> 4 Annex 11AR, 13G	<i>FEES</i> 5 Annex 1R industry block 8, 9	<i>FEES</i> 6 Annex 3AR <del>Class C2</del> <u>category 2.1</u>
Investment intermediation	<del><i>FEES</i> 4 Annex 11AR, 13G</del>	<del><i>FEES</i> 5 Annex 1R industry block 8, 9</del>	<del><i>FEES</i> 6 Annex 3AR class D2</del>

...

## Annex D

### Amendments to the Compensation sourcebook (COMP)

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

#### Part 1: Comes into force on 2 May 2018

#### 4 Eligible claimants

...

#### 4.3 Exceptions: Circumstances where a person coming within COMP 4.2.2R may receive compensation

...

##### Long term insurance

- 4.3.2 R ~~A person other than one which comes within any of categories (7), (9), (12) or (15) of COMP 4.2.2R is eligible to claim compensation in respect of a long term insurance contract. [deleted]~~

##### Relevant general insurance contracts

- 4.3.3 R (1) ~~A person falling within categories (1) (4) of COMP 4.2.2R is eligible to claim compensation in respect of a relevant general insurance contract if, at the date the contract commenced he was a small business.~~
- (2) ~~Where the contract has been renewed, the last renewal date shall be taken as the commencement date. [deleted]~~

- 4.3.4 R ~~A partnership which falls within category 14, or category 17, or both of COMP 4.2.2R is eligible to claim compensation in respect of a relevant general insurance contract entered into before commencement. [deleted]~~

...

#### Part 2: Comes into force on 1 April 2019

#### 7 Assignment or subrogation of rights

...

#### 7.6 Treatment of recoveries

...

- 7.6.5 G As an example of the circumstances which *COMP* 7.6.4R is designed to address, take two claimants, A and B.
- (1) Both A and B have a *protected investment business claim* of ~~£60,000~~ £120,000 against a *relevant person* (or, where applicable, a *successor*) *in default*. The *FSCS* offers both claimants ~~£50,000~~ £85,000 compensation (the maximum amount payable for such claims under *COMP* 10.2.3R). A accepts immediately, and assigns his rights against the *relevant person* (or, where applicable, a *successor*) to the *FSCS*, but B delays accepting the *FSCS*'s offer of compensation.
  - (2) In this example, the liquidator is able to recover assets from the *relevant person* (or, where applicable, a *successor*) *in default* and makes a payment of 50p in the pound to all the *relevant person*'s or *successor*'s, as appropriate, creditors. If the liquidator made the payment before any offer of compensation from the *FSCS* had been accepted, A and B would both receive ~~£30,000~~ £60,000 each from the liquidator, leaving both with a loss of ~~£30,000~~ £60,000 to be met by the *FSCS*. Both *claims* would be met in full.
  - (3) However, if the payment were made by the liquidator after A had accepted the *FSCS*'s offer of compensation and assigned his rights to the *FSCS*, but before B accepted the *FSCS* offer of compensation, A would be disadvantaged relative to B even though he has received ~~£50,000~~ £85,000 compensation from the *FSCS*. A would be disadvantaged relative to B because he promptly accepted the *FSCS* offer and assigned his rights to the *FSCS*. Because A has assigned his rights to the *FSCS*, any payment from the liquidator will be made to the *FSCS* rather than A. In this case the *FSCS* has paid A more than ~~£30,000~~ £60,000, so the ~~£30,000~~ £60,000 from the liquidator that would have been payable to A will be payable in full to the *FSCS* and not to A.
  - (4) B is able to exercise his rights against the liquidator because he delayed accepting the *FSCS*'s offer and receives ~~£30,000~~ £60,000 from the liquidator. B can then make a claim for the remaining ~~£30,000~~ £60,000 to the *FSCS* which the *FSCS* can pay in full (see *COMP* 10.2.2G). B therefore suffers no loss whereas A is left with a loss of ~~£10,000~~ £35,000, being the difference between his claim of ~~£60,000~~ £120,000 and the compensation paid by the *FSCS* of ~~£50,000~~ £85,000.

...

## 10 Limits on the amount of compensation payable

...

## 10.2 Limits on compensation payable

...

10.2.2 G The limits apply to the aggregate amount of *claims* in respect of each category of *protected claim* that an *eligible claimant* has against the *relevant person* (or, where applicable, a *successor*). Consequently, a claimant who has, for example, a *claim* against a *relevant person* (or where applicable, a *successor*) in connection with *protected investment business* of ~~£40,000~~ £70,000, and a further such *claim* of £20,000, will only receive the ~~£50,000~~ £85,000 limit.

10.2.3 R Table Limits

This table belongs to COMP 10.2.1R

Type of claim	Level of cover	Maximum payment
<i>Protected investment business (except where the <u>designated investment is a long-term care insurance contract that is a pure protection contract</u>)</i>	100% of <i>claim</i>	<del>£50,000</del> <u>85,000</u>
<i><u>Protected investment business where the designated investment is a long-term care insurance contract that is a pure protection contract</u></i>	<u>100% of claim</u>	<u>Unlimited</u>
<i>Protected home finance mediation</i>	100% of <i>claim</i>	<del>£50,000</del> <u>85,000</u>
...		
<i>Protected debt management business</i>	100% of <i>claim</i>	<del>£50,000</del> <u>85,000</u>

...

## TP 1 Transitional Provisions



## TP 1.1 Transitional Provisions Table

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook Provisions coming into force
...					
41	<u>Amendments introduced by the Financial Services Compensation Scheme (Funding Review) Instrument 2018</u>	R	<u>The changes referred to in column (2) do not apply in relation to a <i>claim</i> against a <i>relevant person</i>, or against a <i>successor</i>, that was <i>in default</i> before 1 April 2019.</u>	<u>From 1 April 2019 indefinitely</u>	<u>1 April 2019</u>