

FINANCIAL SERVICES COMPENSATION SCHEME (TRANSITIONAL LEVY PROVISIONS) INSTRUMENT 2018

Powers exercised

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

Commencement

- C. The transitional provisions in Part 1 of Annex B come into force on 23 February 2018.
- D. The remainder of this instrument comes into force on 1 April 2018.

Amendments to the Handbook

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

Citation

- G. This instrument may be cited as the Financial Services Compensation Scheme (Transitional Levy Provisions) Instrument 2018.

By order of the Board
22 February 2018

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

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

annual levy the first *management expenses levy* and the first *compensation costs levy* in any one financial year of the *compensation scheme*.

interim levy a levy imposed by the *FSCS*, other than an *annual levy*.

Annex B

Amendments to the Fees manual (FEES)

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

Part 1: Comes into force on 23 February 2018

FEES TP 18 (Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2018/19) is amended as follows.

TP 18 Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2018/19

(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
<u>Reporting requirements</u>					
18.1	<i>FEES</i> 6.5.13R	R
<u>Managing investments in relation to structured products</u>					
18.2	<i>FEES</i> 6 Annex 3AR	R
<u>Matters arising before 1 April 2018</u>					
[18.3 to follow from 1 April 2018]					
<u>2017/18 financial year: compensation levies</u>					
<u>18.4</u>	<u><i>FEES</i> 6.3.1R(3), 6.1.6G, and 6.1.14G</u>	<u>R</u>	<u>In relation to an interim <i>compensation costs levy</i> within the 2017/18 financial year of the <i>compensation scheme</i>, the <i>FSCS</i> must take into account the <i>FSCS's</i> expenditure in respect of <i>compensation costs</i> expected in the period until 30 June 2018 instead of expenditure expected in the periods in the provisions in column (2).</u>	<u>From 23 February 2018 to 31 March 2018</u>	<u>Already in force</u>

2018/19 financial year: levies and levy limits					
<u>18.5</u>	<u>FEES</u> <u>6.3.1R(3),</u> <u>6.1.6G and</u> <u>6.1.14G</u>	<u>R</u>	<u>In relation to a <i>compensation costs levy</i> for the 2018/2019 financial year of the <i>compensation scheme</i>, the <i>FSCS</i> must take into account:</u> <u>(1) the <i>FSCS</i>'s expenditure in respect of <i>compensation costs</i> expected between 1 July 2018 and 31 March 2019; or, if greater</u> <u>(2) 75% of one third of the <i>compensation costs</i> expected in the 36 months following 1 April 2018,</u> <u>instead of expenditure expected in the periods in the provisions in column (2).</u>	<u>From 1 April 2018 to 31 March 2019</u>	<u>Amended from 1 April 2018</u>
<u>18.6</u>	<u>FEES 6.3.5R,</u> <u>6.5A.1R,</u> <u>6.5A.4R,</u> <u>6.5A.5R, 6</u> <u>Annex 2R, and</u> <u>6 Annex 5R</u>	<u>R</u>	<u>In the 2018/19 financial year of the <i>compensation scheme</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>, whether directly or (where relevant to that <i>class</i>) through the <i>retail pool</i>, is:</u> <u>(1) 75% of the amount of the limit for each <i>class</i> as set out in <i>FEES</i> 6 Annex 2R; and</u> <u>(2) for <i>FCA provider contribution classes</i>, 75% of the amount of the <i>retail pool</i> levy limit for each <i>class</i> as set out in <i>FEES</i> 6 Annex 5R.</u>	<u>From 1 April 2018 to 31 March 2019</u>	<u>Amended from 1 April 2018</u>
<u>18.7</u>	<u>FEES</u> <u>6.3.1R(3),</u> <u>6.1.6G and</u> <u>6.1.14G,</u> <u>6.3.5R,</u> <u>6.5A.1R,</u> <u>6.5A.4R,</u> <u>6.5A.5R, 6</u> <u>Annex 2R, and</u> <u>6 Annex 5R</u>	<u>R</u>	<u>TP 18.5 and 18.6 do not apply in respect of levies imposed on the <i>debt management claims class</i>.</u>	<u>From 1 April 2018 to 31 March 2019</u>	<u>From 1 April 2018 to 31 March 2019</u>

18.8	<u>FEES 6.7.-1R</u>	<u>R</u>	<u>FEES 6.7.-1R does not apply to levies imposed in the 2018/2019 financial year of the compensation scheme.</u>	<u>From 1 April 2018 to 31 March 2019</u>	<u>Amended from 1 April 2018</u>
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Part 2: Comes into force on 1 April 2018

[*Editor's note:* the following provisions in FEES 6, as amended by the Financial Services Compensation Scheme (Funding and Scope) Instrument 2017 (FCA 2017/58) with effect from 1 April 2018, are amended as follows.]

6 Financial Services Compensation Scheme Funding

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6.3 The FSCS's power to impose levies

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6.3.2A G The *FSCS* will usually levy once in each *financial year* (the *annual levy*). However, if the *compensation costs* or *specific costs* incurred, or expected to be incurred, exceed the amounts held, or reasonably expected to be held, to meet those costs, the *FSCS* may, at any time during the *financial year*, do one or more of the following:

- (1) impose an ~~interim compensation costs levy or management expenses levy~~ interim levy; or

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6.7 Payment of levies

Payments on account by certain firms

6.7.-1 R Where a *participant firm* must pay its periodic fees for a *fee year* in accordance with *FEES* 4.3.6R(1C) to (1E), it must pay its share of any ~~levy made~~ annual levy imposed by the *FSCS* for the *financial year* of the *compensation scheme* ~~which is the same as that *fee year*~~ as follows:

- (1) by 1 April an amount equal to 50%, or such lower percentage as the *FSCS* may determine, of the *participant firm's* share of the ~~levy~~ annual levy payable for the previous *financial year* of the *compensation scheme*; and
- (2) by 1 September the balance of the ~~levy~~ annual levy due from the *participant firm* for the current *financial year* of the *compensation scheme*.

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Payments of interim levies

6.7.3A R A *participant firm*'s share of any ~~interim levy~~ interim levy is due on, and payable within 30 *days* of, the date when the invoice is issued.

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