CP21/23

Regulatory Fees and Levies: Proposals for 2022/23

December 2021

Contents

IFAC

Document History

Revision History

Version	Date	Description	Reviewer
1.0	13/12/2021	First Draft	Kirsty Turner

Distribution

Description
Firms
IFAC Ltd

Latest Updates

Document Information

Background

This document provides a summary of CP21/23 Regulatory fees and levies: policy proposals for 2022/23. This document is designed to provide high level information to relevant parties and ensure that everyone is up to date with FCA Guidance and Consultations.

Purpose

This guide is intended solely for use by IFAC and its clients and lays out the FCA guidance and useful processes and policies to implement. It would be useful for:

- Compliance
- Senior Managers in firms

Useful Information

The Consultation closes on 31 January 2022.

This Guide concentrates only on those areas relevant for our firms.

Summary

Who this affects

All FCA fee-payers and to any businesses considering applying for FCA authorisation or registration

What are the FCA consulting?

This consultation paper (CP) sets out the FCA's proposed policy changes to the way they will raise FCA fees from 2022/23. They are funded entirely by the fees and levies from the firms they regulate. They do not receive any funding from other sources.

Review of FCA Minimum Fees

Fee Block A.0

Almost all FCA fee-blocks have a structure of minimum fees and variable fees. All firms in the fee-block pay a minimum fee, and then the larger ones whose fees metric takes them above a certain threshold pay variable fees on top of that.

Firms in the A fee-blocks pay a single minimum fee in fee-block A.0, currently £1,151, no matter how many A-blocks they fall into.

In the fee-blocks which use income as a metric, the most common threshold is £100,000 of regulated income. So, for example, a financial intermediary in fee-block A.13 pays the A.0 minimum fee of £1,151 plus £2.443 per £1,000 on regulated income above the £100,000 threshold.

About 37% of firms in the A fee-blocks pay minimum fees only.

At this stage, the FCA propose to limit the model to the firms in fee-block A.0. These account for 83% (£510.9m) of the FCA's Annual Funding Requirement (AFR) costs and cover major regulated activities such as deposit taking by banks and building societies, insurance, fund management, retail investment, claims management, investment, mortgage and general insurance intermediation.

At 83% of the AFR, the A fee-blocks would be liable to about £41.5m of the £50m generated by our model, compared to £21m currently raised by A.0. This is equivalent to a minimum fee of £2,200 per firm.

Fee Block CC.2: Integrate fully authorised c minimum fees into fee-block A.0

The FCA proposed in April 2021 to merge the CC (Consumer Credit) and "A" fee paying structures and are now proposing removing the minimum CC2 fee and bringing fully authorised Consumer Credit firms into A.0. Instead of paying different minimum fees in fee block CC.2 based upon income, firms will now pay the standard minimum fee in block A.0.

There are around 13,000 fee payers in CC.2, however approximately 65% of these are already in fee block A.0 (i.e., mortgage firms and other financial intermediaries holding consumer credit permissions). These firms will no longer pay an additional fee in fee block CC.2.

Approx. 4,500 firms will be new to block A.0 paying that fee instead of their CC.2 minimum fee.

Fee Block CC.1: rebase consumer credit limited permission minimum fees on the A.0 fee

These firms hold limited permission consumer credit licences. The proposal is to set the minimum fee at half of the A.0 minimum fee i.e., £1,100.

It is proposed that this is staggered from the current £250 fee to £500 in 2022/23 and £1,100 in 2023/24.

Fee-block AP.0: Integrate fully authorised consumer credit firms into the prudential fee-block

Firms in the A fee-blocks which pay variable fees on top of the A.0 minimum fee pay an additional charge in fee-block AP.0 to cover prudential regulation. This seeks to ensure that firms prudentially regulated by the PRA do not inadvertently pay for FCA prudential regulation.

The fee is calculated from the sum of all their fees in the respective A fee-blocks, multiplied by 0.1055 in 2021/22.

Consumer credit firms were excluded from AP.0 to target recovery of the project costs. Most of the variable fee-payers already pay fees in the A fee blocks, so this only brings 602 new fee-payers into fee-block AP.0. 95% of consumer credit firms pay minimum fees only so the firms affected by this proposal are larger fee-payers, with incomes above the minimum fee threshold of £250,000 for consumer credit firms.

Summary

Credit-related income	2020/21	2021/22	Proposed 2022/23	Proposed 2023/24
Fee-block A.0				
Not applicable	£1,151	£1,151	£2,200	£2,200
Fee-block CC.1 (limited consumer credit permission)				
Up to £10,000	£106	£250	£500	£1,100
£10,000 - £50,000	£266	£500	£1,100	
£50,000 - £100,000	£424			
Over £100,000	£530	£750		
Fee-block CC.2 (full consumer credit authorisation)				
Up to £50,000	£318	£750	£2,200*	£2,200*
£50,000 - £100,000	£530	£1,000		
Over £100,000	£1,061	£1,151		

*Note: Fee-block CC.2 integrated into fee-block A.0 from 2022/23

Investment firms prudential regime

Application Fees

The FCA previously explained they did not intend to charge fees for the majority of applications under MIFIDPRU and would instead recover costs from all affected firms through periodic fees.

However, some applications would put significant demands on our resources because they would require a high level of external expertise and take a substantial amount of time to determine. The FCA would consider extending the model of special project fees (SPFs) to recover these costs. SPFs are charged to recover our exceptional supervisory costs where a firm requires major input from the FCA. They are calculated from the number of hours individuals work on the specific project, plus the costs of any professional advisers the FCA need to engage.

The hourly FCA rates are set out in FEES 3 Annex 9R. External payments are charged at cost. They start charging when costs go above £50,000 and give firms advance notice of their intention. At that stage firms may, if they wish, withdraw their application with no charge. If the FCA proceed, they charge the full amount, including costs below the £50,000 threshold.

The FCA therefore propose for an amendment to the term SPF to include MIFIDPRU for permission to use for advanced internal models to calculate K-NPR (market risk) own fund requirements.

Periodic Fees

No consultation at this stage, though the paper includes some information for IFPR firms to consider