



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP40/15

The PRA Rulebook: Fees

October 2015

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Responses are requested by Tuesday 29 December 2015.

Please address any comments or enquiries to:

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London
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1 Overview

Introduction

1.1 This consultation paper (CP) is part of a planned series of consultations¹ aimed at replacing the PRA Handbook (the Handbook) material inherited from the Financial Services Authority (FSA) with a standalone PRA Rulebook (the Rulebook). It reflects the commitment made in the PRA's approach documents² to create a clear, concise set of rules specific to the needs of PRA authorised firms.

1.2 This CP sets out proposals to redraft the FEES module of the Handbook to conform to the Rulebook style.³ This consultation is relevant to all PRA-authorised firms.

1.3 The new rules are intended to take effect on 1 March 2016, the start of the 2016/17 fee year.

1.4 The Rulebook contains only rules, not guidance. All existing Handbook guidance is being converted to rules, recast as a supervisory statement or statement of policy, moved to the PRA's website or deleted as appropriate. The deletion of existing Handbook guidance is not intended to signal a change in policy.

1.5 The aim of this consultation is to effect the Rulebook transposition in relation to fees rules, not to alter the rates of fees or methods of calculation. Fee rates shown in the draft rule instrument are those in force at the date of the CP (i.e. for the 2015/16 fee year) which will still be in force when the new rules take effect. Fee rates for 2016/17 will be subject to separate consultation in Spring 2016.

1.6 The transition to the Rulebook style will benefit PRA-authorised firms, who will be able to access clearer and more concise rules, and a clearly drafted supervisory statement on PRA fees, to facilitate a more comprehensive understanding of the PRA's requirements.

Responses and next steps

1.7 Respondents are invited to comment on the CP. The consultation will close on Tuesday 29 December 2015. Please address any comments or enquiries to:

PRAFeesConsultation@bankofengland.co.uk.

The PRA will publish a policy statement, addressing any feedback, along with the final rules in due course.

Structure of the Fees Part of the Rulebook

1.8 The PRA intends to replace the rules and guidance set out in the FEES module of the Handbook with a new Fees Part of the PRA Rulebook. The PRA's approach has been to divide

1 *PRA Consultation Paper 2/14*, 'The PRA Rulebook', January 2014; www.bankofengland.co.uk/pr/Pages/publications/rulebookcon.aspx
PRA Consultation Paper 25/14, 'The PRA Rulebook: Part 2', June 2014]; www.bankofengland.co.uk/pr/Pages/publications/ps/2014/ps514.aspx
PRA Consultation Paper 17/15 'The PRA Rulebook: Part 3', April 2015
www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp1715.aspx
PRA Consultation Paper 28/15 'The PRA Rulebook Part 4', August 2015
www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2815.aspx

2 www.bankofengland.co.uk/publications/Documents/prapproach/bankingappr1406.pdf.
www.bankofengland.co.uk/publications/Documents/prapproach/insuranceappr1406.pdf

3 These are FEES 1-4, being the remaining chapters relevant to the PRA of the Fees Manual which is currently shared with the Financial Conduct Authority. FEES 6 relating to the Financial Services Compensation Scheme levy was redrafted earlier this year and can be found in the Dormant Accounts Part of the Rulebook.

the existing Handbook material into five topic-based chapters as follows (Handbook sections in brackets):

- Chapter 1 Application and definitions [*FEES 1*];
- Chapter 2 Obligation to pay fees [*FEES 2*];
- Chapter 3 Periodic Fees, with Periodic Fees Schedule [*FEES 4*];
- Chapter 4 Regulatory Transaction fees [*FEES 3 other than Annex 9*]; and
- Chapter 5 Special project fee for restructuring [*FEES 3 Annex 9*].

1.9 New naming and numbering conventions devised for the Rulebook structure have been adopted for the Fees Part of the Rulebook. Each topic heading (e.g. ‘Periodic Fees’) is a ‘Chapter’.

1.10 As part of the Rulebook project certain terms have been redefined. A list of fees-specific definitions is included in Fees 1.2.

Online access to the Handbook and the Rulebook

1.11 A new online version of the Rulebook went live over the summer. So that firms can find all PRA rules applicable to them which are in force at any time, remaining Handbook provisions, including FEES 1 to 4, are accessible on the Rulebook website.¹ When the Fees Part of the Rulebook enters into force, the Handbook provisions relating to fees will be deleted. However, they will still be accessible via the ‘time travel’ system on the Rulebook website.

1.12 The new high-level structure of the Rulebook divides rules by sector – deposit-takers and investment firms on the one hand and insurance on the other – and then into directive and non-directive firms. The Fees Part of the Rulebook is applicable to all sectors. When accessing fees rules online, firms should nonetheless enter the site via their sector, where the fees rules in their entirety are available to view.

Statutory obligations

1.13 In discharging its general functions of making rules and determining the general policy and principles by reference to which it performs particular functions, the PRA must, so far as reasonably practicable, act in a way that advances its general objective to promote the safety and soundness of PRA-authorized persons as set out in the Financial Services and Markets Act 2000 (FSMA).² Overall, the proposals in this CP advance the PRA’s general objective by assisting firms in meeting the PRA’s requirements.

1.14 In making its rules and establishing its practices and procedures, the PRA must have regard to the Regulatory Principles.³ This involves assessing which, if any, of the Regulatory Principles apply to its proposals and ensuring that they are aligned. The PRA considers the proposals in this CP to be compatible with the PRA’s duties under the Regulatory Principles.

1 www.prarulebook.co.uk

2 FSMA section 2B(1)-(2).

3 FSMA sections 2H and 3B.

Interaction with the FCA fees rules

1.15 The PRA and FCA have a statutory duty under section 3D of FSMA to ensure the coordinated exercise of their functions, including in relation to fees.

1.16 From 1 March 2016, PRA and FCA rules on fees will no longer appear in one Handbook, but in substance will remain closely aligned. Firms are asked to note some divergence in terminology, though not in substance, in FEES 3 where ‘application, notification and vetting fees’ are now described as ‘regulatory transaction fees’ (Chapter 4 in the new Fees Part). New PRA authorisations and variations of Part 4A permission are included in this term.

1.17 The FCA will continue to act as collection agent for PRA fees and arrangements for invoicing and collection will not change as a result of this CP.

Impact on mutual societies

1.18 The PRA has a statutory obligation to state whether the impact of the proposed rules on mutuals will be significantly different from the impact of the proposed rules on other firms.¹ These proposals apply to all PRA-authorized firms and the effect on mutuals is unlikely to be any different to other firms.

Impact on competition

1.19 When discharging its general rule-making function, the PRA is legally required, so far as is reasonably possible, to act in a way which, as a secondary objective, facilitates effective competition in the markets for services provided by PRA-authorized persons in carrying on regulated activities.²

1.20 In the PRA’s opinion the content of this consultation does not give rise to any adverse effects on competition and is compatible with its secondary competition objective.

Equality and diversity

1.21 The PRA must have due regard to equality and diversity issues that may arise from its proposals, including its specific responsibilities under the Equality Act 2010 in relation to non-discrimination and promoting equality of opportunity when carrying out its policies, services and functions.³ The PRA has concluded that the proposals outlined in this CP do not give rise to any discrimination, equality or diversity issues.

Cost benefit analysis

1.22 The PRA is exempt from the requirement to carry out a cost benefit analysis in relation to fees rules.⁴

2 Fees Supervisory Statement

2.1 A draft supervisory statement (SS) ‘Fees: PRA approach and application’ can be found in Appendix 1. The SS gives guidance to firms on how the rules should be interpreted and operational instructions. It should be read alongside the Fees Part of the PRA Rulebook.

1 FSMA, section 138K - mutuals are defined as building societies, friendly societies, industrial and provident societies and mutual societies

2 FSMA, section 2H(1).

3 Equality Act 2010, section 149(1).

4 FSMA, section 138J (6)

3 Fees Rules

3.1 The proposed rules which will form the new Fees Part of the Rulebook are set out in Appendix 2. The main proposed changes to the rules are:

- (i) most Handbook rules have been replaced with equivalent rules in the Rulebook or moved to the SS;
- (ii) certain Handbook guidance has been converted to a rule or moved to the SS; and
- (iii) some Handbook text (rules and guidance) has been deleted where it is considered unnecessary. For example, the new Chapter 3 on Periodic Fees is considerably shorter than the equivalent section of the Handbook (FEES 4). This is made possible by the removal of some general guidance on fees and fee blocks. Only six of the former FSA fee blocks (A-G) are relevant to the PRA, all sub-categories of fee block A. The Solvency II Special Project Fee rules have been removed as these will not be in use from 1 March 2016.

4 Consequential

4.1 The PRA proposes to make a consequential instrument which deletes various fee-related Handbook provisions that are no longer relevant to the PRA (see Appendix 3). Most Handbook topics will no longer be in force from 1 March 2016, when these proposals are intended to take effect.

4.2 There will be consequential amendments to the Rulebook following the introduction of the fees rules instrument. These are not set out in this consultation given ongoing changes to the PRA Rulebook due to the Rulebook project. Any consequential amendments to the Rulebook will be set out in the policy statement in response to this CP.

Appendices

1 Draft Supervisory Statement - 'Fees: PRA approach and application'

2 Draft instrument: Fees Part of the Rulebook

3 Draft instrument: consequential

Appendix 1: Supervisory Statement - Fees: PRA approach and application

1 Introduction

1.1 This supervisory statement is addressed to all PRA-authorized firms and anyone seeking to become PRA-authorized. It should be read alongside the Fees Part of the PRA Rulebook (the 'Fees Part' or 'Fees').

2 Fee year and consultation timetable

2.1 The PRA consults annually on fee rates with the publication of a consultation paper (CP). Feedback on the proposals in the CP is then published in a policy statement (PS), together with the final rule-making instrument and any agreed policy.

2.2 The PRA's fee year is twelve months from 1 March to the end of February in the following year. New fee rates take effect from 1 March in each year.

2.3 Where significant policy changes are envisaged, the PRA may consult on these separately. This normally happens in the autumn preceding the start of the fee year in which they are intended to take effect.

3 Periodic fees – Fees Chapter 3

3.1 Periodic fees are set by the PRA and collected each year in order to recover the PRA's annual funding requirement ('AFR'). The AFR reflects:¹

- costs relating to Ongoing Regulatory Activities ('ORA'), being the costs which the PRA incurs in performing its functions as regulator; and
- any exceptional costs (e.g. to reflect recent changes in the scope of regulation) not incorporated into ORA costs.

3.2 An example of the latter are the costs of establishing the PRA in 2013, referred to in the rules as 'transition costs', which are being recovered from PRA-regulated firms in five equal tranches between 2013/14 and 2017/18. In each of those fee years, periodic fees payable by firms will include a contribution towards transition costs.

3.3 The AFR is allocated across 'fee blocks',² which are groupings of firms conducting broadly similar regulated activities. Firms pay a fee for each fee block into which they fall, the amount of fee being linked to the volume of activity undertaken by each firm within the fee block. These fees are known as 'periodic fees' and are the main source of fee income for the PRA.

3.4 Rules relating to periodic fees can be found in Fees Chapter 3 and the Periodic Fees Schedule annexed to Chapter 3. The Periodic Fees Schedule is updated each year to reflect the PRA's budgeted AFR and the fee rates consultation.

¹ Note: the AFR does not include any SPF costs, where these are budgeted.

² PRA fee blocks are currently: A0 - the minimum fee block, A1 - the deposit acceptors fee block, A3 - the general insurance fee block, A4 - the life insurance fee block, A5 - the Lloyd's managing agents fee block, A6 - the Society of Lloyd's fee block, A10 - designated firms dealing as principal fee block, PT1 - the transition costs fee block.

3.5 In most cases the firm's compliance with normal regulatory reporting will provide the necessary data for the periodic fees calculation. Where this is not the case, the PRA may invoke its own-initiative information gathering powers under statute or the Rulebook to require other information to be provided, either direct to the PRA or to its collection agent.

Regulatory transaction fees - Fees Chapter 4

4.1 The PRA may charge fees relating to certain applications and transactions in some circumstances. Fees Chapter 4 uses the term 'regulatory transaction fee' to describe such payments.

Authorisation fees

4.2 Chapter 4 includes information on the fees that firms pay when applying to become PRA-authorized (called 'new authorisations' in Chapter 4).

4.3 All PRA firms are dual regulated i.e. they are authorised initially and thereafter regulated by both the PRA and the FCA for different aspects of their business. Dual regulated firms have a single Part 4A permission which describes the PRA and FCA regulated activities which they may carry on.

4.4 The level of authorisation fee is dependent on the complexity of the application, based on the regulated activities to which the application relates. Where a firm is applying to undertake multiple regulated activities, only one authorisation fee is payable, which is the highest of the authorisation fees payable under Chapter 4.

Variations of Permission

4.5 If a firm, once authorised, decides to undertake a new regulated activity or expand into new areas of business, this may necessitate a change to its permission.

4.6 Wherever a PRA-regulated activity is involved, the firm should submit a Variation of Part 4A Permission (or VoP) application to the PRA. As with new authorisations, firms seeking to vary their permissions should make a single application to both regulators, on which the PRA will lead.

4.7 If the firm's application means that it moves into a new fee block for the purposes of periodic fees, the relevant fee for the fee block should be paid on submission of the application.

4.8 Firms applying for authorisation by both the PRA and the FCA, or to vary their Part 4A permission, pay a single application fee. This will be the sum of amounts due to the PRA as shown in the Fees Part of the PRA Rulebook and any amounts payable to the FCA under the FCA's fees rules.

Other regulatory transaction fees

4.9 At the time of publication, the other regulatory transaction fees in Chapter 4 are:

- fees for EEA firms seeking permissions in relation to PRA regulated activities for which they do not have automatic passporting rights;
- fees payable by a transferor seeking consent for an insurance business transfer scheme under Part VII of FSMA;

- fees payable by a ceding insurer in relation to treatment of assets of an insurance special purpose vehicle;
- fees for CRR firms (banks, building societies and certain investment firms) seeking permission to use specified internal approaches to assessing risk;
- fees payable in some circumstances where the PRA has commissioned a skilled person's investigation or report.

5 Special Project Fee for restructuring – Fees Chapter 5

5.1 Chapter 5 of Fees sets out the rules for Special Project Fees, or 'SPFs', which PRA-authorized firms may have to pay in addition to any other fees.

5.2 At the time of publication, there is only one SPF mechanism available under the rules. This is the Special Project Fee for restructuring, charged to firms involved in mergers and acquisitions, corporate fund-raising or other significant restructuring requiring additional oversight by the PRA.

5.3 The PRA will not ordinarily charge an SPF for restructuring if the amount calculated under Chapter 5 is less than £50,000. Where this threshold is reached and an SPF is charged, the full amount calculated under Chapter 5 is payable and not just the excess over £50,000.

The PRA has indicated that it may in future introduce other types of special project fee, subject to appropriate consultation.¹

6 Invoicing and collection of fees

6.1 The PRA appoints a collection agent for all its fees. Currently this is the FCA.

6.2 PRA fees may be paid by firms individually or on a group basis or through an agent. Where payment is made by a group or through an agent, it is the responsibility of the firm to ensure that the PRA's collection agent is notified in writing of the firm or firms on whose behalf fees are being paid.

6.3 Notwithstanding group and agent arrangements, liability for payment remains with the firm. Should the PRA's collection agent receive an amount from a group which is insufficient to meet the total fees liability of all firms notified as being part of the group, the sums received will be allocated across firms in proportion to the fees they owe, but each firm's debt to the PRA will be discharged only upon payment in full of its own fees.

6.4 It is expected that firms will settle their fees liability to both regulators in a single payment to the FCA, which the FCA receives on its own behalf in respect of FCA fees and as collection agent for the PRA in respect of PRA fees.

¹ A non-exhaustive list of factors which the PRA will take into account when approving a new SPF are set out in PRA Policy Statement PS 5/13 <http://www.bankofengland.co.uk/pradocuments/publications/ps/2013/ps513.pdf>

PRA RULEBOOK: FEES [2016]

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 166 and 166A (Reports by skilled persons); and
 - (4) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Fees Instrument [2016]

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on [DATE].

Citation

- F. This instrument may be cited as the PRA Rulebook: Fees Instrument [2016].

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

In this Annex, the text is all new and is not underlined.

Part

FEES

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. OBLIGATION TO PAY FEES**
- 3. PERIODIC FEES AND PERIODIC FEES SCHEDULE**
- 4. REGULATORY TRANSACTION FEES**
- 5. SPECIAL PROJECT FEE FOR RESTRUCTURING**

1. APPLICATION AND DEFINITIONS

1.1 This Part, unless otherwise stated, applies to every *firm* and every *person* required to pay a fee to the *PRA*.

1.2 In this Part, the following definitions shall apply:

active capacity

means the capacity of the *syndicate(s)* under management in the *fee year* in question, including the capacity of *syndicates* that are not writing new business but have not been closed off in the year in question.

adjusted gross premium income or AGPI

means adjusted gross premium income of an *insurer* calculated as follows (all business transacted through independent practitioners or tied agents, whether single or multi-tie, being divided by two):

1. amount of new regular *premium* business (yearly *premiums* including reassurances ceded but excluding cancellations and reassurances accepted) x10;

plus

2. amounts of new single *premium* business (total including reassurances ceded but excluding cancellations and reassurances accepted). Group protection business (life and private health insurance) must be included;

less

3. *premiums* relating to *pension fund management*;

less

4. *premiums* relating to *trustee investment plans*.

advanced IRB

means the internal ratings based approach for assessing credit risk referred to in Article 151(4) and (9) of the *CRR*.

advanced measurement approaches or AMA

means advanced measurement approaches to operational risk based on a *firm's* own operational risk management systems as referred to in s312(2) *CRR*.

annual funding requirement or AFR

means, in respect of any *fee year*, the total ongoing costs of the *PRA* as determined by the *PRA*.

application

means a request to the *PRA*, in any format, for the *PRA* to exercise its functions in relation to the applicant or for approval, waiver or confirmation of any matter relating to the applicant.

collection agent

means the agent, currently the FCA, designated from time to time by the *PRA* to collect and analyse tariff data from firms and to calculate, invoice and collect fees on its behalf.

consumer credit-related activity(ies)

means:

any of the activities 1 (a) – (m) in Part 2 or 3A; and

advising on regulated credit agreements for the acquisition of land under Article 53DA

of the *Regulated Activities Order* in the manner specified in Part 3 of the *Regulated Activities Order* as being relevant to those activities.

contributions as income

means contributions as income of a *friendly society* under Schedule 7: Part I item 1 (a) to the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983).

deposit acceptors fee block

means the *fee block* for *firms* whose *Part 4A permission* includes *accepting deposits* but does not include either of the following:

1. *effecting contracts of insurance; or*
2. *carrying out contracts of insurance.*

designated firms dealing as principal fee block

means *firms* whose *Part 4A permission* includes *dealing in investments as principal* where the *PRA* has designated 'dealing in investments as principal' a *PRA regulated activity* in respect of that *firm*.

due date for payment

means the due date for payment of any fee under this Part, payment being required in cleared funds on or before 5pm on that day or, where it is not a *business day*, the next *business day*.

fee block

means *firms* conducting broadly similar regulated activities grouped together for the purposes of calculating and collecting fees as follows:

A0 - the *minimum fee block*

A1 – the *deposit acceptors fee block*

A3 – the *general insurance fee block*

A4 – the *life insurance fee block*

A5 – the *Lloyd's managing agents fee block*

A6 - the *Society of Lloyd's fee block*

A10 – the *designated firms dealing as principal fee block*

PT1 – the *transition costs fee block*

fee payer

means any *firm* or *person* required to pay a fee in accordance with this Part of the Rulebook.

fee tariff (s) or tariff

means a payment or scale of payments in accordance with the *PRA's* fee-charging system.

fee year

means the *PRA's* *fee year*, being twelve months from 1 March in one calendar year to the last day of February in the following calendar year.

first fee year

means the *fee year* during which a *firm* becomes authorised or receives an extended *Part 4A permission* in relation to *PRA-regulated activity*.

Form ELS

means the eligible liabilities return by which *banks* and *building societies* provide information to the *Bank of England* as required by the Bank of England Act 1998.

foundation IRB

means the internal ratings based approach for assessing credit risk referred to in Article 143(1) of the *CRR*.

general insurance fee block

means *firms* whose *Part 4A permission* includes effecting or carrying out *contracts of general insurance* or *contracts of long term insurance* other than life policies.

gross premium income or GPI

means either:

1. the *gross premium income* of an *insurer* which must be included in the documents required to be deposited under IPRU(INS)9.6 in relation to the financial year to which the documents relate; or
2. the *gross premium income* of a *friendly society* under Schedule 7: Part I item 1 (a) to the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983).

gross technical liabilities or GTL

means the amount of gross technical liabilities which must be included in the documents required to be deposited under IPRU(INS)9.6R in relation to the financial year to which the documents relate.

insolvency proceedings

means:

1. any proceedings under the Insolvency Act 1986 or Companies Act 2006 to have a *firm* declared insolvent or to wind up its business including, without limitation, administration, company voluntary arrangement, scheme of arrangement, receivership, administrative receivership, liquidation, sequestration or appointment of a trustee in bankruptcy;
2. any proceedings under the Banking Act 2009 special insolvency regime; or
3. any equivalent process in any jurisdiction outside the *United Kingdom*.

insurance business transfer scheme

means a scheme to transfer the whole or part of the business of an *insurance undertaking* or *member* or *former member* of the *Society* which meets the conditions of Part VII *FSMA* or, where applicable, the Financial Services and Markets Act 2000 (Control of Transfers of Business Done at Lloyd's) Order 2001(SI 2001/3626).

internal model method

means the internal approach to counterparty credit risk referred to in Article 283 of the *CRR*.

late payment interest

means interest at the rate of 5% per annum above the official bank rate of the Bank of England from time to time in force.

life insurance fee block

means *firms* whose permission includes effecting or carrying out *contracts of insurance* which are, or include, life policies or entering into a funeral plan contract as provider.

Lloyd's managing agents fee block

means *firms* whose permission includes managing the underwriting capacity of a *syndicate* as a *managing agent* at the *Society*.

mathematical reserves

means mathematical reserves of an *insurer* calculated as follows:

1. the amount of mathematical reserves which must be included in the documents required to be deposited under IPRU(INS) 9.6R in relation to the financial year to which the documents relate;

less

2. mathematical reserves relating to *pension fund management*;

less

3. mathematical reserves relating to *trustee investment plans*.

modified eligible liabilities or MELs

means:

1. for *banks* and *building societies* their modified eligible liabilities relating to *United Kingdom* business only, calculated in accordance with the following formula:

$$(1 + 2 + 3 + 4 + 0.6*5 + 6 - 8 - 9A - 9B - 10A - 10B - 10C - 11A - 11B - 0.6*12) + (1/3)*(F1 + F2 + F3 + F4 + 0.6*F5 + F6 - F8 - F9A - F9B - F10A - F10B - F10C - F11A - F11B - 0.6*F12) - 13M$$

where each variable refers to an entry on *Form ELS*;

and

2. for *credit unions*, modified eligible liabilities relating to their *United Kingdom* business only, being deposits with the *credit union* (that is its share capital) less the *credit union's* bank deposits (investments + cash at bank).

minimum fee block

means the *fee block* comprising all *firms* referred to in Table I of the *Periodic Fees Schedule*.

new authorisations

means any *application*, or granting of an *application*, for (1) a *Part 4A permission* which includes a *PRA regulated activity* or (2) a *top-up permission* which includes a *PRA regulated activity*.

number of traders

means the number of employees or agents who, as part of their ordinary duties on behalf of a *firm* in the *designated firms dealing as principal fee block* (A10) commit the *firm* in market dealings or in transactions in securities or other investments in the course of *PRA regulated activities*, but excluding anyone working solely for the *firm's* multi-lateral trading facility operation.

pension fund management

means the class of *contract of insurance* specified in paragraph VII of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance) where effected or carried out by a *person* who does not carry on a banking business but otherwise carries on *insurance business*.

periodic fee(s)

means the fee or fees payable in accordance with Chapter 3.

Periodic Fees Schedule

means the schedule of *periodic fees* annexed to Chapter 3, which is replaced annually following the *PRA's* fee rates consultation.

retribution

means the process under which an *insurer* seeks to redefine the rights and interests of policy holders.

regulatory transaction fee(s)

means the fee or fees payable in accordance with Chapter 4.

second fee year

means the *fee year* commencing on 1 March immediately following the end of the *firm's* *first fee year*.

special project fee(s) or SPF (s)

means the fee or fees payable in accordance with Chapter 5.

Society of Lloyd's fee block

means the *fee block* of which the Society is the sole member.

tariff bands

means broad groupings of business volumes for the purpose of calculating *periodic fees*.

tariff base

means the *PRA's* methodology for calculating volumes of business for the purposes of determining *periodic fees*.

tariff data

means information about a *firm's* business used in the calculation of *periodic fees*.

tariff rate

means the rate of fee applied to a particular activity for the purpose of calculating *periodic fees*.

transition costs

means the costs of establishing the *PRA* which are being recovered from *firms* over a period of five years from 2013/14 to 2017/18.

transition costs fee block

means *firms* which are liable to pay *transition costs* as shown in Table II of the Periodic Fees Schedule.

Treaty firm

means, as defined in paragraph 1 of Schedule 4 of *FSMA*, a *person* whose head office is situated in an EEA state other than the United Kingdom and which is recognised by the law of that state as its national.

trustee investment plans

means the class of *contracts of insurance* specified in Class 3 of Part II of Schedule 1 to the *Regulated Activities Order* and which are invested in pooled funds beneficially owned by an *insurer* and not earmarked for individual beneficiaries by that *insurer*.

valuation point

means the relevant date or period for assessing a firm's *tariff data* and calculating *periodic fees* under Chapter 3.

Version 1 credit union

means a *credit union* whose *Part 4A permission* requires that it must not lend more than £15,000, or such lesser amount as may be specified in the permission, in excess of a member's shareholding, being any shares held by a member of the *credit union* in accordance with sections 5 and 7 of the Credit Unions Act 1979 or articles 14 and 23 of the Credit Unions (Northern Ireland) Order 1985 (as appropriate).

Version 2 credit union

means a *credit union* which is not a *Version 1 credit union*.

2. OBLIGATION TO PAY FEES

Fees to be paid in full without deduction on the due date for payment

2.1 All fees must be paid in full and without deduction on the *due date for payment*.

- 2.2** The *due date for payment* of:
- (1) *periodic fees* is as specified in 3.15;
 - (2) *regulatory transaction fees* is as specified in 4.2;
 - (3) *special project fees* is as specified in 5.8.
- 2.3** As permitted by paragraphs 31(7) and 35 of Schedule 1ZB of *FSMA*, the *PRA* may take all steps and seek all remedies available to a creditor to recover, as a debt due to the *PRA*, any fee or other amount, such as interest, which remains unpaid after it falls due.
- 2.4** The *PRA* may take regulatory action in relation to non-payment of fees in addition to, or instead of, any steps taken or remedies pursued under 2.3.
- 2.5** *Fee-payers* must comply with directions, whether in an invoice, form, notice or otherwise, of the *collection agent* when acting in that capacity on behalf of the *PRA*.

Late payment interest

- 2.6** Subject to 2.8, a *fee payer* who does not pay the full amount of a fee by the *due date for payment* will incur *late payment interest* on any unpaid part of the fee, accruing on a daily basis from the *due date for payment* until payment is made.
- 2.7** The *PRA* will not charge interest on *late payment interest*.
- 2.8** *Late payment interest* does not apply to *regulatory transaction fees* and *special project fees*.

Relieving provisions

- 2.9** If it appears to the *PRA* in relation to any fee that in the exceptional circumstances of a particular case it would be inequitable to require payment or to retain sums previously paid, it may at its discretion:
- (1) waive the payment;
 - (2) reduce the amount payable; or
 - (3) offer a whole or partial refund of sums already paid.
- 2.10** The *PRA* will not consider a claim by a *fee payer* for waiver, reduction or refund under 2.9 based on the *fee payer's* error if the claim is made more than two years after the beginning of the period to which the fee relates.

3. PERIODIC FEES

Application, allocation to fee blocks and due date for payment

- 3.1** *Periodic fees* are payable in respect of each *PRA fee year* by any *person* who is, or becomes, a *firm* during the *fee year*.
- 3.2** The amount payable depends upon the *fee block* to which the *firm* has been allocated. *Firms* falling into more than one *fee block* pay *periodic fees* in relation to each.

Tariff bases, valuation points and the Periodic Fees Schedule

3.3 *Periodic fees payable by firms in any fee year will be the sum of the following (so far as applicable to them):*

- (1) a minimum *periodic fee* at the rate specified in Table I of the *Periodic Fees Schedule*.
- (2) a *transition costs* allocation calculated in accordance with Table II of the *Periodic Fees Schedule*; and
- (3) *periodic fees* at the rate specified in Table III, subject to any modifications in Table IV, of the *Periodic Fees Schedule* calculated as follows:
 - (a) applying the *tariff bases* and *valuation points* set out in 3.4 to the *tariff data* which they have supplied to the *PRA* or its *collection agent*;
 - (b) where applicable, grouping *tariff data* into the *tariff bands* shown in Column 3 of Table III of the *Periodic Fees Schedule*; and
 - (c) applying the appropriate *tariff rate* as shown in Column 4 of Table III of the *Periodic Fees Schedule*;

the fee being the total of sums payable in respect of all *tariff bands*.

3.4 The *tariff bases* and *valuation points* referred to in 3.3 (3)(a) are:

- (1) for *firms* in the *deposit acceptors fee block* (A1):
 - (a) if the *firm* is a *bank* and reports monthly, average *MELs* for October, November and December prior to commencement of the *fee year*; or
 - (b) if the *firm* is a *bank* and reports quarterly, *MELs* for the December prior to commencement of the *fee year*; or
 - (c) if the *firm* is a *building society*, average *MELs* for October, November and December prior to commencement of the *fee year*; or
 - (d) if the *firm* is a *credit union*, either its *MELs* for the December preceding the commencement of the *fee year* or, in the absence of December *MELs* its *MELs* as disclosed by its most recent annual return submitted for regulatory reporting purposes prior to the December preceding commencement of the *fee year*.
- (2) for *firms* in the *general insurance fee block* (A3):
 - (a) if the *firm* is an *insurer*, the sum of its annual *gross premium income* for, and its *gross technical liabilities* at, the end of the *firm's* financial year which ends in the calendar year to 31 December prior to commencement of the *fee year*; or
 - (b) if the *firm* is a *non-directive friendly society*, the value of *contributions as income* included in its income and expenditure account at the end of the *firm's* financial year which ends in the calendar year to 31 December prior to commencement of the *fee year*; or
 - (c) if the *firm* is a *directive friendly society*, its annual *gross premium income* included in its income and expenditure account at the end of the *firm's*

financial year which ends in the calendar year to 31 December prior to commencement of the *fee year*.

- (3) for *firms* in the *life insurance fee block (A4)*, the sum of *adjusted annual gross premium income* for, and *mathematical reserves* valued at the end of, the *firm's* financial year ending in the calendar year to 31 December prior to commencement of the *fee year*.
- (4) for *firms* in the *Lloyd's managing agents fee block (A5)*, *active capacity* as reported to the *Society* for the underwriting year which is in progress at the beginning of the *fee year*.
- (5) for *firms* in the *designated firms acting as principal fee block (A10)* *number of traders* as at 31 December prior to commencement of the *fee year*.

3.5 The *periodic fees* payable by the *Society* are as specified in Table III of the *Periodic Fees Schedule*.

Information for assessment of periodic fees

3.6 The following requirements apply to all *firms* whose activities give rise to *periodic fees*, other than *firms* which pay only a flat rate of fee:

- (1) within two months after, or where relevant after the end of, the relevant *valuation point*, the *firm* must provide to the *PRA's collection agent* the *tariff data* on which the *periodic fee* payable by the *firm* is to be calculated as at that *valuation point*;
- (2) if the *PRA* does not, on its own behalf or through its *collection agent*, obtain sufficient, or sufficiently detailed, information, the *PRA* may obtain this through its general information-gathering powers;
- (3) for an incoming *EEA firm* or an incoming *Treaty firm*, the information required is in relation to the *regulated activities* of the *firm* carried on in the *United Kingdom*, other than those provided on a *cross border services* basis;
- (4) as *periodic fees* in respect of any *fee year* are calculated on the basis of *firms' tariff data* for the previous *fee year*, there may be insufficient *tariff data* on which the *periodic fees* may be calculated under 3.4 where a *firm* becomes authorised for the first time or undertakes a new *PRA-regulated activity*, resulting in a significant change to its business. In those circumstances, the *periodic fees* payable will be calculated in accordance with:
 - (a) 3.7 for *firms* in their *first fee year*;
 - (b) 3.9 and 3.10 for *firms* in the *deposit acceptors fee block (A1)*, the *general insurance fee block (A3)* or the *life insurance fee block (A4)* in their *second fee year* or any subsequent *fee year*;
- (5) a *firm* intending to apply any of the methods of calculation in 3.9 must notify the *PRA's collection agent* by the date specified in 3.6 (1).
- (6) Unless 3.7 or 3.9 applies, where a *firm* has not complied with 3.6 (1) for any period by reference to which *periodic fees* are to be calculated, but a valuation is available for the previous period by reference to which *periodic fees* are to be calculated, the fee should be calculated using the *tariff data* applicable to the previous period multiplied by 1.10. An additional administration fee of £125 is payable in this case in addition to

the minimum fee.

- (7) Where a new requirement is imposed on *firms* under the *PRA Rulebook* or an existing requirement amended but does not take effect until a future *fee year*, in the absence of an express statement to the contrary, *firms* must comply with the new requirement immediately in so far as it relates to the supply of information under 3.6 (1).

Firms becoming subject to periodic fees during the course of a fee year

3.7 A *firm* in its *first fee year* pays *periodic fees* based on its projected valuation for the first twelve months of its new business as follows:

- (1) The calculation requires the *firm* to identify, in Table III of the *Periodic Fees Schedule*, the *tariff rates* which will be relevant to it as a result of its new or extended permission and apply the formula in 3.7 (2). The resulting figure will be the *periodic fee* payable by the *firm* for its *first fee year*.

- (2) The formula referred to at 3.7(1) is $(A+B) \times C$, where:

A = the amount arrived at by applying the *tariff rates* in Table III of the *Periodic Fees Schedule* to the *firm's* projected valuation for its first year of new business, as provided to the PRA or its *collection agent* during the *application* and data collection process;

B = the A.0 minimum fee, unless already paid; and

C = the number of calendar months (inclusive) between the calendar month during which the firm received its new or extended permission and the last calendar month of the *fee year* $\div 12$.

A1, A3 and A4 firms in their second and subsequent fee years where full tariff data not available

3.8 3.9 applies only to *firms* in the *deposit acceptors fee block* (A1), the *general insurance fee block* (A3) or the *life insurance fee block* (A4).

3.9 Subject to 3.10, where in:

- (1) its *second fee year*; or
 (2) any subsequent *fee year*,

a *firm* has not yet submitted sufficient *tariff data* to enable the *periodic fees* calculation at 3.6 (1) to be made in respect of that *fee year*, *periodic fees* will be calculated in accordance with Table A below:

Table A	
Deposit acceptors fee block (A1)	<p>Either:</p> <ol style="list-style-type: none"> 1. if the firm is in its <i>second fee year</i> and received permission relevant to the activity between 1 January in its <i>first fee year</i> and 1 April in its <i>second fee year</i>, apply projected valuations as set out in 3.7; <p>or</p> <ol style="list-style-type: none"> 2. apply the formula $(A \div B) \times 12$ to arrive at an annualised figure, where <p>A = its <i>tariff base</i>, as if its <i>MELS</i> for the month of December prior to commencement of the relevant <i>fee year</i> were its <i>tariff base</i> for the whole <i>fee year</i>; and</p> <p>B= the number of complete months in the period referred to in A.</p>
General insurance fee block (A3) and life insurance fee block (A4)	<p>Where under 3.4, the tariff base for an activity is to be calculated by reference to data for the <i>firm's</i> financial year ending on the 31 December before the start of the <i>fee year</i>, a <i>firm</i> which has not completed a full financial year by that date should:</p> <ol style="list-style-type: none"> 1. if it is in its <i>second fee year</i> and received its new or extended permission relevant to the activity between 1 January in its <i>first fee year</i> and 1 April in its <i>second fee year</i>, apply projected valuations as set out in 3.7; and 2. in any other case, apply the formula $(A \div B) \times 12$ to annualise the <i>tariff data</i> it has available, where: <p>A = its <i>tariff base</i> calculated by reference to <i>tariff data</i> for the period starting on the date the firm received permission for the relevant activity and ending on the earlier of the 31 December prior to the start of its <i>second fee year</i> or the 31 December prior to the start of the <i>firm's</i> financial year; and</p> <p>B= the number of complete calendar months in the period referred to in A.</p>

3.10 Except in the circumstances to which 3.9 applies, firms in their *second fee year* or any subsequent *fee year* after receiving a new or extended permission must calculate their new or additional liability for *periodic fees* in accordance with 3.4.

Modifications to periodic fees for incoming EEA and Treaty firms

3.11 In relation to incoming *EEA firms* and incoming *Treaty firms*:

- (1) the modifications in 3.7 apply only in relation to the relevant regulated activities of the *firm* which are *EEA passported activities* or activities of a *Treaty firm* exercising rights under Schedule 4 of FSMA.
- (2) the *tariff rates* set out in Table III of the *Periodic Fees Schedule* only apply to the regulated activities of the *firm* in the *United Kingdom* and the *tariffs* are modified in accordance with Table IV of the *Periodic Fees Schedule*.

Firms acquiring businesses from other firms

3.12 Where:

- (1) a *firm* (A) acquires all or part of the business of another *firm* (B) in relation to which a *periodic fee* would have been payable by B; or
- (2) A becomes authorised as a result of B's simple change of legal status as defined in 4.5 (4), the following rules apply:
 - (a) if before the date of the acquisition, B had already paid the *periodic fees* in relation to the business or part of the business acquired by A, A will not pay a further fee; and
 - (b) if the acquisition occurs after the *valuation point* applicable to the business or part of the business acquired as set out in 3.4, A will pay *periodic fees* in relation to the period following the acquisition as if the acquisition had occurred immediately before the relevant valuation point.

Firms applying to cancel or reduce the scope of their permission before the start of the fee year

- 3.13** If a *firm* makes an application to cancel or reduce the scope of its *Part 4A permission* before the start of a *fee year*, the obligation to pay *periodic fees* under 3.1 will apply as if the relevant variation or reduction in scope had also taken effect immediately before the start of the *fee year*.

No waiver or refund of periodic fees after start of fee year

- 3.14** Other than where the *PRA* exercises the discretion in 2.9 it will not waive liability for, or refund, *periodic fees* after the start of the *fee year* to which they relate should the *firm* cancel its *Part 4A permission* or if the new business activity or event which has given rise to the fee no longer applies to the *firm*.

Time of payment

- 3.15** The *due date for payment of periodic fees* is as follows:

- (1) Subject to 3.15 (3), any *firm* whose total liability for *periodic fees* in the previous *fee year* was less than £50,000 must pay the total *periodic fee* due for the current *fee year* in full by 1 August.
- (2) Any *firm* whose total liability for *periodic fees* payable in the previous *fee year* was £50,000 or above must pay its *periodic fees* for the current year in two tranches as follows:
 - (a) an amount equal to 50% of the *PRA periodic fee* payable in the previous *fee year* on or before 1 April in the current *fee year*; and
 - (b) the balance of the *periodic fee* for the current *fee year* by 1 September.
- (3) If a *firm* cancels its *Part 4A permission* in the way set out in Permissions and Waivers or the *PRA* has exercised its own-initiative powers to cancel a *firm's Part 4A permission*, the total amount of *periodic fees* for the *fee year*, less any amounts already paid, become payable immediately before the cancellation takes effect.

Extension of time

- 3.16** A *fee payer* need not pay a *periodic fee* on the *due date for payment* under the relevant provision of 3 if that date falls during a period during which circumstances described in

General Provisions 2.2 exist and the *firm* has reasonable grounds to believe that those circumstances impair its ability to pay the fee, in which case the *firm* must pay on or before the fifth business day after the end of that period.

Compliance with year-end adjustments to AFR

3.17 *Fee-payers* must comply with directions from the *PRA* or its *collection agent* as to payment of *periodic fees* arising from any variance between budgeted and actual *AFR* or any corrections to the *AFR* once final, audited figures are available in relation to any *fee year*. As the *PRA* may determine:

- (1) a surplus of fee income against *AFR* may result in a credit to *firms* or *fee blocks*; and
- (2) a shortfall may necessitate a call for additional fees.

PERIODIC FEES SCHEDULE – FEE RATES AND EEA/TREATY FIRM MODIFICATIONS FOR THE PERIOD FROM 1 MARCH 2015 TO 29 FEBRUARY 2016

This schedule sets out the *periodic fees* payable by *firms* under Chapter 3.

TABLE 1 MINIMUM PERIODIC FEES RATES

Fee payer	Fee payable (£)
<i>Credit unions with MELs under £2 million:</i>	
<i>With modified eligible liabilities of 0 – 0.5million</i>	80.00
<i>With modified eligible liabilities greater than 0.5million and less than 2.0million</i>	270.00
<p><i>Non-directive friendly societies which either:</i></p> <p>(1) fall within the A3, but not the A4, <i>fee block</i> and have, in relation to their A3 activities, <i>gross premium income</i> of 0 - £0.5million and <i>gross technical liabilities</i> of 0- £1.0million; or</p> <p>(2) fall within the A4, but not the A3, <i>fee block</i> and have, in relation to their A4 activities, <i>adjusted gross premium income</i> of 0 - £1million and hold 0 - £1million of <i>mathematical reserves</i> of £1million; or</p> <p>(3) fall within both the A3 and A4 <i>fee blocks</i> and meet condition (1) above in relation to their A3 activities and condition (2) above in relation to their A4 activities.</p>	215.00
All other firms	500.00

TABLE II - TRANSITION COSTS ALLOCATION

Fee payer	Tariff base for allocations to firms
All <i>firms</i> , except those paying only the minimum fee and <i>insurance special purpose vehicles</i> .	Total <i>periodic fees</i> , excluding minimum fees, payable by the <i>firm</i> multiplied by 0.0626 .

TABLE III – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM AND TRANSITION COSTS FEE BLOCKS

Column 1 Fee block	Column 2 Tariff base	Column 3 Tariff bands	Column 4 Tariff rates	
A1 deposit acceptors fee block	modified eligible liabilities	Band width (£million of <i>MELs</i>)	Fee payable per million or part million of <i>MELs</i> (£)	
		>10 - 140	38.87	
		>140 – 630	38.87	
		>630 - 1,580	38.87	
		>1,580 - 13,400	48.59	
		>13,400	64.14	
A3 general insurers fee block <i>gross premium income + gross technical liabilities</i>	gross premium income (GPI)	Band width (£million of <i>GPI</i>)	Fee payable per million of <i>GPI</i> (£)	
		>0.5 - 10.5	494.15	
		>10.5 – 30	494.15	
		>30 – 245	494.15	
		>245 - 1,900	494.15	
		>1,900	494.15	
	gross technical liabilities (GTL)	Band Width (£ million of <i>GTL</i>)	Fee payable per million of <i>GTL</i> (£)	
		>1 - 12.5	27.31	
		>12.5 – 70	27.31	
		>70 – 384	27.31	
		>384 - 3,750	27.31	
		>3,750	27.31	
		For <i>UK ISPVs</i> the <i>tariff rates</i> are not relevant and a flat fee of £430.00 is payable in respect of each <i>fee year</i> .		
A4 Life insurers fee block <i>adjusted gross annual income (AGPI) + mathematical reserves</i>	adjusted gross annual premium income (AGPI)	Band width (£million of <i>AGPI</i>)	Fee payable per million of <i>AGPI</i> (£)	
		>1 – 5	499.65	
		>5 – 40	499.65	
		>40 – 260	499.65	
		>260 - 4,000	499.65	
		>4,000	499.65	
	mathematical reserves	Band width [£ of <i>MR</i>]	Fee per million or part million of <i>mathematical reserves</i> (£)	
		1 – 20	10.24	
		>20 – 270	10.24	
		>270 - 7,000	10.24	
		>7,000 - 45,000	10.24	
>45,000	10.24			

A5 managing agents at Lloyd's	active capacity	Band width (£m of active capacity)	Fee per million of <i>active capacity</i> (£)
		>50 – 150	59.22
		>150 – 250	59.22
		>250 – 500	59.22
		>500 - 1,000	59.22
		>1,000	59.22
A6 Society of Lloyd's	flat fee	N/A	General periodic fee (£) 1,895,574.68
A10 Firms dealing as principal fee block	fee per trader	Fee (£ per trader)	5,776.00

TABLE IV – MODIFICATIONS TO PERIODIC FEES FOR INCOMING EEA FIRMS AND INCOMING TREATY FIRMS WITH BRANCHES IN THE UK

Fee payer	Discount applied to <i>periodic fees</i>
A1 deposit acceptors fee block	50%
A3 general insurers fee block	90%
A4 life insurers fee block	90%
PT1 transition costs fee block	100%
Incoming <i>EEA firms</i> and incoming <i>Treaty firms</i> offering <i>cross border services</i> only	100%

4. REGULATORY TRANSACTION FEES

Regulatory transaction fees – meaning and application

4.1 This chapter does not apply to *EEA firms* wishing to exercise an *EEA right*.

Due date for payment of regulatory transaction fees

4.2 Unless otherwise indicated in 4, the *due date for payment of regulatory transaction fees* is on or before the application is made.

4.3 *Regulatory transaction fees* incurred by a *firm* remain payable even if an *application* is withdrawn. *Regulatory transaction fees* once received by the *PRA*, or by the *collection agent* on its behalf, are non-refundable.

4.4 This Chapter 4 shows *regulatory transaction fees* payable to the *PRA*. As all *PRA firms* are dual regulated, fees may also be payable to the *FCA*.

Regulatory transaction fees for new authorisations

4.5 Regulatory transaction fees for new authorisations are payable as follows:

(1) All *applications* for *new authorisations* other than from *credit unions* are first assigned to the complexity groupings in Tables B and C to assist the *PRA* in determining the appropriate fee. Fees are then payable in accordance with:

(a) Table B if the permission sought does not include *consumer credit-related activities*; and

(b) Table C if the permission sought involves *consumer credit related activities*.

Table B – New authorisations not involving consumer credit-related activities	
Application type	£
Straightforward: A3 or A4 <i>fee payer</i> which is a <i>friendly society</i>	750.00
Moderately complex: A3 <i>fee payer</i> seeking permission as a UK <i>insurance special purpose vehicle</i> A5 <i>fee payer</i> seeking permission as a <i>managing agent</i> at Lloyd's	2,500.00
Complex: A1 <i>fee payer</i> (other than a <i>credit union</i>) seeking permission to accept deposits or operate dormant accounts A3 <i>fee payer</i> (other than a <i>friendly society</i> or UK <i>insurance special purpose vehicle</i>) A4 <i>fee payer</i> other than a <i>friendly society</i>	12,500.00

Table C – New authorisations involving credit-related activities		
Application type	£	
Straightforward: <i>Fee payer</i> seeking permission for credit broking or providing information services.	Annual consumer credit income £	Fee £
	50,000.00 or less	300.00
	Greater than 50,000.00 and less than 100,000.00	375.00
	Greater than 100,000.00 and less than 250,000.00	500.00
	Greater than 250,000.00 and less than 1,000,000.00	750.00
	Greater than 1,000,000.00	2,500.00
Moderately complex: <i>Fee payer</i> seeking permission for: <ol style="list-style-type: none"> 1. debt administration/debt collecting; 2. entering into regulated consumer hire agreement as lender (other than in relation to high-cost short term credit, bill of sale loan agreements and home credit loan agreements); 3. exercising or having the right to exercise the owner's rights under a regulated consumer hire agreement; 4. exercising or having the right to exercise the lender's rights and duties under a regulated consumer hire agreement (other than in relation to high-cost short term credit, bill of sale loan agreements and home credit loan agreements); or 5. operating an electronic system in relation to lending. 	Annual consumer credit income £	Fee £
	50,000 or less	400.00
	Greater than 50,000.00 and less than 100,000.00	500.00
	Greater than 100,000.00 and less than 250,000.00	750.00
	Greater than 250,000.00 and less than 1,000,000	2,500.00
	Greater than 1,000,000.00	5,000.00
Complex <i>Fee payer</i> seeking permission for: <ol style="list-style-type: none"> 1. debt adjusting/debt counselling; 2. entering into a regulated credit agreement as lender in relation to high-cost short term credit, bill of sale loan agreements and home credit loan agreements; 3. exercising, or having the right to exercise, the lender's rights and duties under a credit agreement as lender in relation to high-cost short term credit, bill of sale loan agreements and home credit loan agreements; or 4. providing credit references. 	Annual consumer credit income £	Fee £
	50,000.00 or less	500.00
	Greater than 50,000.00 and less than 100,000.00	625.00
	Greater than 100,000.00 and less than 250,000.00	1,000.00
	Greater than 250,000.00 and less than 1,000,000.00	3,500.00
	Greater than 1,000,000.00	7,500.00

(2) *Credit unions* applying for new authorisations pay fees as follows:

- (a) any *credit union* seeking registration of a common bond £100.00;
 - (b) any *credit union* applying for a Part 4A permission which is limited to *consumer credit related activities* £100.00;
 - (c) A *Version 1 credit union* applying for Part 4A permission not limited to *consumer credit related activities* £75.00;
 - (d) a *Version 2 credit union* applying for *Part 4A permission* not limited to *consumer credit related activities* £450.
- (3) Where an *application* involves a simple change of legal status as defined in 4.5 (4), the fee payable for a *new authorisation* is discounted by 50%.
 - (4) An *application* involves only a simple change of legal status under 4.5(3) if it is from an applicant which:
 - (a) is a new legal entity intending to carry on the business, using the same business plan, of an existing *firm* where the latter has no outstanding regulatory obligations and is cancelling its *Part 4A permission*; and
 - (b) will:
 - (i) have the same or a narrower *Part 4A permission* and the same *branches* as the *firm*;
 - (ii) assume all of the rights and obligations in connection with any of the *PRA regulated activities* carried on by the *firm*;
 - (iii) continue the same compliance arrangements in relation to client assets and client money as the *firm* except for any changes required only as a result of the change of legal status; and
 - (iv) continue with a risk profile and arrangements for controlling and monitoring risk which will not be materially different from those of the *firm*.
 - (5) Where an applicant for a *new authorisation* is *FCA* authorised, the *application* will be treated as a variation of permission and fees will be payable in accordance with 4.7.
 - (6) Where a *new authorisation* under 4.5 or an exercise of *Treaty rights* under 4.6 relates to more than one *PRA regulated activity*, a single fee, being the highest applicable *regulatory transaction fee*, is payable.
 - (7) An *application* for a *new authorisation* is not deemed complete until the *regulatory transaction fee* is paid.

Exercise of Treaty rights

4.6 *Regulatory transaction fees* are payable as follows by incoming *Treaty firms* seeking to exercise a *Treaty right* in order to qualify for authorisation under Schedule 4 *FSMA* in respect of *PRA regulated activities* for which it does not have *EEA passporting rights* and which are not restricted to providing *cross border services*:

- (1) unless 4.6 (2) applies:
 - (a) 50% of the amount payable under 4.5 if the permitted activities are being undertaken through the *firm's* branch in the *United Kingdom*; or

(b) 25% of the amount payable under 4.5 if the permitted activities are being undertaken by providing *cross border services* in the *United Kingdom*.

(2) No *regulatory transaction fees* are payable if *HM Treasury* has issued a certificate under paragraph 3(4) of Schedule 4 of *FSMA* confirming that equivalent protection is provided under the law of an *EEA state* other than the *United Kingdom*.

Variations of Part 4A permission and FCA authorised firms applying to carry on PRA regulated activity

4.7 Where a *fee-payer* seeks to vary its existing *Part 4A permission* or is an *FCA-authorised firm* seeking to obtain or vary a *Part 4A permission* in relation to *PRA regulated activity*, *regulatory transaction fees* are payable as follows:

- (1) if the *firm* is extending the scope of its *Part 4A permission* to include additional regulated activities, the fee will be 50% of the highest fee which would have been payable by that *firm* had it been applying for a *new authorisation* under 4.5; and
- (2) no fee is payable if the variation involves a reduction in scope of a *Part 4A permission* with no increases in permission.

Insurance business transfers under Part VII FSMA

4.8 The transferor seeking regulatory consent for an *insurance business transfer scheme* under Part VII of *FSMA* pays *regulatory transaction fees* as follows:

- (1) transfer involving *long term insurance business* £9,250.00; or
- (2) all other transfers £5,000.00,

the *due date for payment* being on or before the date of any *application* to the *PRA* for the appointment of an independent expert.

4.9 For the purposes of 4.8 an *insurance business transfer scheme* involving more than one transferor or transferee may, at the *PRA's* discretion, be treated as a single scheme to which only one fee will be applied. Where there is more than one transferor they will be jointly and severally liable for the fee.

4.10 A transferor in an *insurance business transfer scheme* may be liable to pay a *regulatory transaction fee* under 4.8 and a *special project fee* under 5 in relation to the same subject matter.

Ceding Insurer's Waiver

4.11 An applicant for a waiver or in relation to the treatment of assets of a *United Kingdom insurance special purpose vehicle* pays a fee of £20,000.

Model approaches (*CRR firms*)

4.12 4.12 - 4.15 apply only to *CRR firms*.

4.13 *Regulatory transaction fees* are payable as follows where a *CRR firm* seeks permission from the *PRA* in its capacity as *United Kingdom regulator* or *consolidating supervisor*:

- (1) for permission to use one of the internal approaches referred to in 4.15 which require consent under Part Three of the *CRR*;
- (2) to modify that approach once permission is granted; or

(3) for guidance as to the availability of such an approach or modified approach.

4.14 The *due date for payment* under 4.12 -4.15 is as follows:

- (1) where the application is made directly to the *PRA*, on or before the *application* is made;
- (2) otherwise within 30 days after the *PRA* notifies the *firm* that its *EEA* parent's *consolidating supervisor* has requested assistance.

4.15 Where a *CRR firm* seeks permission to apply the *internal model method* for counterparty credit risk the fee payable is £54,000.00 and for other model approaches as set out in Table D below:

Table D: Model approaches under CRR other than the internal model method for counterparty credit risk										
Applicant (groupings based on <i>tariff data</i> submitted by <i>firms</i> as at 31 December in the <i>fee year</i> prior to the <i>fee year</i> in which the fee is payable).	Column 1 Fee payable (£) except where Column 2 applies	Column 2 Fee payable (£) (firm with permission for foundation approach moving to an advanced approach.)								
Where the application relates to <i>CRD credit institutions</i> or <i>designated investment firms</i> with five or more significant overseas entities within the same group.	<table border="1"> <thead> <tr> <th>model approach</th> <th>£</th> </tr> </thead> <tbody> <tr> <td><i>advanced IRB</i></td> <td>268,000.00</td> </tr> <tr> <td><i>foundation IRB</i></td> <td>232,000.00</td> </tr> <tr> <td><i>advanced measurement approaches</i></td> <td>181,000.00</td> </tr> </tbody> </table>	model approach	£	<i>advanced IRB</i>	268,000.00	<i>foundation IRB</i>	232,000.00	<i>advanced measurement approaches</i>	181,000.00	67,000.00
model approach	£									
<i>advanced IRB</i>	268,000.00									
<i>foundation IRB</i>	232,000.00									
<i>advanced measurement approaches</i>	181,000.00									
Where, at 31 December prior to the <i>fee year</i> in which the fee is payable, the applicant has <ol style="list-style-type: none"> 1. <i>modified eligible liabilities</i> in excess of £40,000,000.00; or 2. more than 200 traders. 	<table border="1"> <thead> <tr> <th>model approach</th> <th>£</th> </tr> </thead> <tbody> <tr> <td><i>advanced IRB</i></td> <td>232,000.00</td> </tr> <tr> <td><i>foundation IRB</i></td> <td>198,000.00</td> </tr> <tr> <td><i>advanced measurement approaches</i></td> <td>146,000.00</td> </tr> </tbody> </table>	model approach	£	<i>advanced IRB</i>	232,000.00	<i>foundation IRB</i>	198,000.00	<i>advanced measurement approaches</i>	146,000.00	58,000.00
model approach	£									
<i>advanced IRB</i>	232,000.00									
<i>foundation IRB</i>	198,000.00									
<i>advanced measurement approaches</i>	146,000.00									
Where, at 31 December prior to the <i>fee year</i> in which the fee is payable, the applicant has <ol style="list-style-type: none"> 1. <i>modified eligible liabilities</i> greater than £5,000,000.00 and less than £40,000,000.00; or 2. between 26 and 200 traders. 	<table border="1"> <thead> <tr> <th>model approach</th> <th>£</th> </tr> </thead> <tbody> <tr> <td><i>advanced IRB</i></td> <td>94,000.00</td> </tr> <tr> <td><i>foundation IRB</i></td> <td>72,000.00</td> </tr> <tr> <td><i>advanced measurement approaches</i></td> <td>51,000.00</td> </tr> </tbody> </table>	model approach	£	<i>advanced IRB</i>	94,000.00	<i>foundation IRB</i>	72,000.00	<i>advanced measurement approaches</i>	51,000.00	23,500.00
model approach	£									
<i>advanced IRB</i>	94,000.00									
<i>foundation IRB</i>	72,000.00									
<i>advanced measurement approaches</i>	51,000.00									
Where, at 31 December prior to the <i>fee year</i> in which the fee is payable, the applicant has <ol style="list-style-type: none"> 1. <i>modified eligible liabilities</i> of £5,000,000.00 or less; or 2. between 0 and 25 traders. 	<table border="1"> <thead> <tr> <th>model approach</th> <th>£</th> </tr> </thead> <tbody> <tr> <td><i>advanced IRB</i></td> <td>42,000.00</td> </tr> <tr> <td><i>foundation IRB</i></td> <td>30,000.00</td> </tr> <tr> <td><i>advanced measurement approaches</i></td> <td>24,000.00</td> </tr> </tbody> </table>	model approach	£	<i>advanced IRB</i>	42,000.00	<i>foundation IRB</i>	30,000.00	<i>advanced measurement approaches</i>	24,000.00	10,500.00
model approach	£									
<i>advanced IRB</i>	42,000.00									
<i>foundation IRB</i>	30,000.00									
<i>advanced measurement approaches</i>	24,000.00									

Skilled persons

4.16 Where the *PRA* has given notice to a *fee payer* of its intention to itself appoint a *skilled person* to:

- (1) provide it with a report pursuant to s166(3)(b) of *FSMA*; or
- (2) collect or update information pursuant to Section 166A(2)(b) of *FSMA*;

the fee will be the amount invoiced by the skilled person.

4.17 The *due date for payment* will be within 30 days of the invoice.

5. SPECIAL PROJECT FEE FOR RESTRUCTURING

Application

5.1 In the circumstances described in this Chapter, a *firm* may be required to pay a *special project fee* for restructuring in addition to the other fees that it pays.

Events giving rise to an SPF for restructuring

5.2 An *SPF* for restructuring becomes payable by a *firm* if it engages, or prepares to engage, in activity which involves it undertaking or making arrangements with a view to any of the following:

- (1) raising additional capital; or
- (2) a significant restructuring of the *firm* or the *group* to which it belongs, including without limitation:
 - (a) mergers or acquisitions;
 - (b) reorganising the *firm's group* structure; and
 - (c) *retribution*.

5.3 No *SPF* for restructuring is payable if the transaction only involves the *firm* seeking to raise capital within the *group* to which it belongs.

5.4 An *SPF* for restructuring may also be payable by a *firm* if:

- (1) the *firm* becomes subject to *insolvency proceedings* or steps are taken by someone entitled to do so to commence *insolvency proceedings* against the *firm*; or
- (2) either the *Bank of England* or *HM Treasury* has exercised a stabilisation power in respect of the *firm* under the Banking Act 2009.

5.5 The *FCA* and the *PRA* will levy separate *SPFs* for restructuring and may do so in relation to the same event or circumstance.

5.6 *SPFs* for restructuring, once paid, are non-refundable.

Payment calculation

5.7 The *SPF* for restructuring is calculated as follows:

- (1) Determine the number of hours, or part of an hour, taken by the *PRA* in relation to regulatory work conducted as a consequence of the activities referred to in 5.2 or 5.4. The number of hours or part hours is as recorded on the *PRA*'s systems in relation to the work.
- (2) Next, multiply the applicable rate in the table of *SPF* hourly rates below by the number of hours or part hours arrived at under 5.7(1):

SPF hourly rates	
Pay grade of persons employed by the PRA	Hourly rate applicable to the pay grade
Administrator	£30.00
Associate	£60.00
Technical specialist	£90.00
Manager	£115.00
Any other person employed by the <i>PRA</i>	£170.00

- (3) Then add any fees and disbursements invoiced to the *PRA* by any third party provider in respect of services performed for the *PRA* in relation to assisting the *PRA* in performing the regulatory work referred to in 5.2 and 5.4.
- (4) The resulting figure is the fee.

Due date for payment and ongoing obligation in relation to *SPFs*

- 5.8** The *due date for payment* of an *SPF* for restructuring is 30 days from the date of the invoice.
- 5.9** The obligation to pay an *SPF* for restructuring is ongoing. There is no limit to the number of times that the *PRA* may invoice a firm for the *SPF* for restructuring in relation to the same events or circumstances.
- 5.10** The *SPF* for restructuring is a single fee which may be payable under both 5.2 and 5.4.

PRA HANDBOOK (RULEBOOK CONSEQUENTIALS) INSTRUMENT [2016]

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 166 and 166 A (Reports by skilled persons); and
 - (4) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.
- B. The rule-making powers referred to above are specified for the purpose of section 138G (2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of the proposed rules and had regard to representations made.

PRA Handbook (Rulebook Consequential) Instrument [2016]

- D. The PRA makes the rules in [the Annex to this instrument].

Commencement

- E. This instrument comes into force on [1 March 2016].

Deletion

- F. Each of the following modules and sections of the PRA’s Handbook is deleted:

FEES 1
FEES 2
FEES 3
FEES 4
FEES TP 4
FEES TP 5
FEES TP8
FEES TP10
FEES Schedule 6

Citation

G. This instrument may be cited as the Handbook (Rulebook Consequentials) Instrument [2016].

By order of the Board of the Prudential Regulation Authority

[DATE]