



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP8/14

Regulated fees and levies: rates proposals 2014/15

April 2014

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This Consultation Paper proposes the fee rates to meet the Prudential Regulation Authority's 2014/15 Annual Funding Requirement and sets out the policy statement following CP10/13 to make new fee rules for 2014/15.

Please address any comments or enquiries by 30 May 2014 to:

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Contents

1	Overview	5
2	Policy Statement and feedback	7
3	Consultation on regulated fees and levies for 2014/15	9

Appendix 1: PRA Fees (Miscellaneous Amendments) Instrument 2014

Appendix 2: Draft PRA Periodic Fees (2014/2015) and Other Fees Instrument 2014

1 Overview

Introduction

1.1 This paper includes:

- the policy statement following CP10/13⁽¹⁾ to make new fee rules for 2014/15 (Chapter 2); and
- the consultation on the proposed fee rates to meet the Prudential Regulation Authority's (PRA's) 2014/15 Annual Funding Requirement and Special Project Fees for Solvency II for 2014/15 (Chapter 3).

1.2 This consultation applies to all PRA-authorised firms.

Summary of policy statement

1.3 The policy statement in Chapter 2 sets out the final fee rules on which the PRA consulted in October 2013.

1.4 In CP10/13, the PRA consulted on 2014/15 minimum fees, Internal Model Approval Process (IMAP) and non-IMAP Solvency II Special Project Fees for 2014/15, changes to the method of calculating pro-rated fees for new joiners in their first year, and the rates and mechanism for charging consumer credit application fees. The Instrument, which was approved by the PRA Board on the 26 March 2014, can be found in Appendix 1.

1.5 The PRA received five responses to the CP10/13 primarily from trade bodies and firms representing the insurance industry, credit unions and building societies.

1.6 Having carefully considered the feedback, the PRA believes that the rules set out in the Policy Statement are appropriate for the PRA to effectively perform its functions. As set out in Chapter 2, no amendments have been made to the proposed rules, except in relation to consumer credit application fees and payment methods.

Summary of consultation

1.7 Set out below is a summary of the key proposals in this consultation paper (covered in Chapter 3) and a timetable for consultation.

Annual Funding Requirement and allocation to fee blocks

1.8 The PRA's budgeted cost of Ongoing Regulatory Activities for 2014/15 is £232.0 million. Transition costs to be recovered for 2014/15 amount to £14.8 million representing the accumulated regulatory reform costs of the Bank of England which are being recovered over a period of five years. Taking into account the estimated 2013/14 underspend of £19.6 million, the PRA's proposed Annual Funding Requirement for 2014/15 is £227.2 million.

1.9 The proposed allocation of costs to fee blocks differs to the previous fee year. This is due to the allocation of a greater proportion of frontline staff to insurance supervision work and the PRA's expanded remit, including developing a framework for regular stress testing of the UK banking system, delivering structural reform of financial services firms and implementing Parliamentary Commission on Banking Standards requirements.

Special Project Fees for Solvency II

1.10 The PRA will continue to levy a Special Project Fee for Solvency II in relation to non-IMAP. The estimated non-IMAP Solvency II budget for 2014/15 is £13.2 million. Taking into account the estimated 2013/14 underspend of £0.9 million, the proposed funding requirement for the non-IMAP Solvency II Special Project Fee is £12.3 million.

Consultation period

1.11 The proposals are subject to a consultation period of two months which closes on 30 May 2014. The PRA invites comments on the proposed 2014/15 minimum fees and periodic fee rates for authorised firms. The PRA expects the proposed rules in Appendix 2 to be finalised in June 2014.

Statutory Obligations

1.12 The proposals are compatible with the PRA's statutory objectives:

- to promote the safety and soundness⁽²⁾ of PRA-authorised firms;

(1) www.bankofengland.co.uk/pr/Pages/publications/feesleviesproposals.aspx.

(2) See s2B(1) and 2B(2) of the Financial Services and Markets Act 2000 ('FSMA 2000').

- in the context of insurance, to contribute to policyholder protection; and
- as a secondary objective, facilitate effective competition in the markets for services provided by PRA-authorized persons in carrying out regulated activities.

1.13 The PRA believes the proposed PRA Periodic Fees (2014/2015) and Other Fees Instrument 2014⁽¹⁾ will enable the PRA to fund the regulatory activities required to meet its statutory objectives during 2014/15. The proposed change in fee level is not expected to have an incremental impact on competition. For these reasons, the proposals are compatible with the requirements on the PRA to act in a way that advances its objectives.⁽²⁾

1.14 The proposals are consistent with the general principles of good regulation as endorsed by the compliance with Regulatory Principles.⁽³⁾ The fees rates are proportionate and enable sustainable growth in the economy of the United Kingdom in the long term.⁽⁴⁾

1.15 In light of the secondary statutory objective, the PRA has assessed whether the content of this consultation facilitates effective competition in markets for services provided by PRA-authorized persons in carrying on regulated activities. These proposals allow the PRA to meet business aims and to fund the strategic priorities. Therefore, the PRA considers the content of this consultation to be compatible with the facilitation of competition.

Cost benefit analysis

1.16 The PRA is exempt⁽⁵⁾ from having to carry out a cost benefit analysis on its draft fee rules.

Mutual societies

1.17 The PRA believes that the impact of these proposed fee rates on mutual societies is not expected to be significantly different from their impact on other types of authorised persons.⁽⁶⁾

Equality and diversity

1.18 The PRA has due regard to equality and diversity issues that may arise from the proposals in this consultation. The conclusion reached is that the proposals do not give rise to any discrimination issues and are of low relevance to the equality agenda.

(1) See Appendix 2.

(2) See s138J(2) FSMA 2000.

(3) Statement made in compliance with s2H(2) of FSMA 2000.

(4) See s3B(b) and s3B(c) of FSMA 2000.

(5) See s138J(6)(d) of FSMA 2000.

(6) See s138K of FSMA 2000.

2 Policy Statement and feedback

2.1 This section sets out the final fee rules on which the PRA consulted in CP10/13 (published in October 2013) and summarises the feedback received. The final Instrument can be found in Appendix 1.

2.2 As there have been no significant changes to the policy consulted on in CP10/13, the PRA believes that the proposals remain compatible with the PRA's objectives and Regulatory Principles and do not have a detrimental impact on competition. No additional impacts on mutual societies or equality and diversity have been identified since the consultation.

PRA minimum fee

2.3 The PRA minimum fee for the firms it regulates is £500 to be paid by all authorised firms in the PRA-regulated fee blocks.

2.4 In line with CP10/13 the minimum fee will be raised each year in line with any increase in the budgeted PRA Annual Funding Requirement. For 2014/15, the minimum fee will remain at £500 as there has been a decrease in the PRA's Annual Funding Requirement. Existing exceptions from paying the standard minimum fee will remain in place.

2.5 The majority of respondents supported changing the minimum fee in line with any increase in the Annual Funding Requirement. The respondents did however urge the PRA to ensure fees remain proportionate to the regulatory activities within each fee block and to demonstrate Value for Money.

Solvency II

2.6 In 2013/14 two separate Solvency II Special Project Fees were levied:

- (a) IMAP Solvency II Special Project Fee; and
- (b) Non-IMAP Solvency II Special Project Fee.

IMAP Solvency II Special Project Fee

2.7 From 2014/15, the PRA will not levy an IMAP Solvency II Special Project Fee. This Special Project Fee was levied to recover the implementation and processing costs from a subset of Solvency II firms in IMAP. This included the cost associated with developing the IMAP framework, reviewing and assessing internal model submissions and applications from insurers in the pre-application process. Due to policy

delays, the Financial Services Authority (FSA) decided to develop ICAS+ enabling firms to use elements of their IMAP work to meet the current regulatory requirements, ICAS. IMAP work is now integrated into the PRA's supervision of firms and ICAS+ forms part of the PRA's normal supervisory activity. Therefore the PRA no longer considers it appropriate to levy a separate IMAP Solvency II Special Project Fee and the PRA will recover this cost through the Annual Funding Requirement.

2.8 The majority of respondents supported the proposal that costs incurred in relation to the IMAP Solvency II work should be levied within the Annual Funding Requirement. However, some of the respondents called for greater transparency of the Solvency II costs included within the PRA's budget. An explanation of the costs that the PRA proposes to recover through the Non-IMAP Solvency II Special Project Fee can be found in Chapter 3.

Non-IMAP Solvency II Special Project Fee

2.9 Although IMAP work is now integrated into the PRA's supervision of firms, the stabilisation of key elements of Solvency II policy means that during 2014/15 a significant amount of work will be undertaken by the PRA to prepare for transposition of Solvency II on 31 March 2015, and implementation on 1 January 2016. Therefore, the PRA will continue to levy the Non-IMAP Solvency II Special Project Fee.

2.10 None of the respondents raised any concerns over the proposal to continue to levy a non-IMAP Solvency II Special Project Fee.

Application fees

2.11 In CP10/13, the PRA committed to reviewing the current level and methodology to levy application fees for new and existing firms for the 2015/16 fee year and beyond. Due to the implementation of the PRA's secondary competition objective, the PRA has delayed its review to ensure any revisions are considered appropriately against this new objective. The PRA will conduct the review and consult in October 2014. The rates and methodology to levy application fees for the 2014/15 fee year will remain unchanged except in relation to consumer credit application fees as set out in paragraph 2.14.

Firms granted PRA permissions during the course of the year

2.12 A firm applying for PRA and FCA dual regulation authorisation during the fee year is liable to pay regulatory fees and levies for the full year pro-rated according to the month in which authorisation begins as set out in CP10/13. Therefore PRA new joiners, in their first year only, will pay PRA fees as set out in **Table 2.A**.

Table 2.A New joiner fees for 2014/15

Date of authorisation	Proportion of periodic fees payable (per cent)
1 to 31 March inclusive	100
1 to 30 April inclusive	91
1 to 31 May inclusive	83
1 to 30 June inclusive	75
1 to 31 July inclusive	66
1 to 31 August inclusive	58
1 to 30 September inclusive	50
1 to 31 October inclusive	41
1 to 30 November inclusive	33
1 to 31 December inclusive	25
1 to 31 January inclusive	16
1 to 28 February inclusive	8

2.13 None of the respondents raised concerns over the proposed amendments to new joiner fees.

Consumer credit application fees

2.14 The FCA will take over the regulation of consumer credit from the Office of Fair Trading on 1 April 2014. Firms who wish to continue trading will have to apply for FCA authorisation to bring them into the full FCA consumer credit regime, for which an application fee will be payable. When firms apply for FCA

authorisation, they will pay a fee to contribute towards the cost of processing their applications. Following feedback received in response to CP10/13, the rates have been adjusted by the FCA. The fee payable will now be based on a complexity grouping and the level of annual consumer credit income. Specific exceptions have also been introduced for credit unions and not-for-profit debt advisory services with limited permissions. **Table 2.B** sets out the fees for consumer credit. For dual-regulated firms applying for this permission 50% of the application fee will be due to the PRA.

2.15 None of the respondents raised concerns over the PRA receiving 50% of the consumer credit application fees levied, although some of the respondents commented on the lack of proportionate weighting of the application fees originally proposed in relation to complexity. The FCA has amended the application fees in response to this feedback.

Payment methods for application fees for authorisation

2.16 As set out in CP10/13, the FCA, as fee collecting agent for the PRA, is introducing new authorisation systems which will enable it to receive payments for application fees for authorisation online by credit or debit card. Changes have been made to the rules to support this. Dual-regulated firms will continue to be able to apply by cheque, banker's draft or other payable orders. The FCA have amended this rule to apply only to applications or variations of part 4A permissions that are exclusively for credit-related activities and to increase the transaction fee payable for American Express cards from 2% to 3.2%.⁽¹⁾

2.17 None of the respondents raised concerns over the proposed amendments to payment methods.

Table 2.B Consumer credit application fees

(1) Credit unions and community finance organisations

	Amount payable
Credit unions — registration of a common bond	£200
Credit unions or community finance organisations — where application is for a Part 4A permission limited to permission to carry on credit-related regulated activities (*)	£200
Version 1 credit unions — authorisation (other than where (*) applies)	£300
Version 2 credit unions — authorisation (other than where (*) applies)	£1,800

(2) Complexity groupings not relating to credit-related regulated activities^(a)

Straightforward	£1,500
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(3) Complexity groupings relating to credit-related regulated activities^(b)

	Consumer credit annual income				
	0–50,000	>50,000	>100,000	>250,000	>1,000,000
Limited permission (except as a not-for-profit debt advice body, in which case the amount payable is £nil)	£100	£500	£500	£500	£500
Straightforward	£600	£750	£1,000	£1,500	£5,000
Moderately complex	£800	£1,000	£1,500	£5,000	£10,000
Complex	£1,000	£1,250	£2,000	£7,000	£15,000

(a) See Appendix 1 for explanations of complexity groupings.

(b) See Appendix 1 for explanations of complexity groupings.

(1) See Appendix 1 for final rule.

3 Consultation on regulated fees and levies for 2014/15

3.1 This chapter sets out the consultation proposals on the fee rates to meet the Prudential Regulation Authority's 2014/15 Annual Funding Requirement.

2014/15 Annual Funding Requirement and comparison to 2013/14

3.2 The Annual Funding Requirement is the amount of money that the PRA needs to raise to fund the regulatory activities required to meet its statutory objectives, as set out in Chapter 1. This chapter sets out the factors that determine the PRA's proposed Annual Funding Requirement for 2014/15 and the principal movements from the Annual Funding Requirement for 2013/14. The draft rules proposed are set out in the Instrument in Appendix 2.

3.3 The PRA's Annual Funding Requirement for 2014/15 reflects (i) the budget for Ongoing Regulatory Activities, which amounts to £232.0 million; (ii) recovery of transition costs, which amounts to £14.8 million; (iii) refund of the surplus on the Annual Funding Requirement for the eleven-month period from 1 April 2013 to 28 February 2014, which amounts to £17.7 million; and (iv) refund of the surplus on the prior year IMAP Solvency II Special Project Fee, which amounts to £1.9 million.

3.4 **Table 3.A** shows the calculation of the PRA's total Annual Funding Requirement for 2014/15, which is a decrease of 4% on the PRA's adjusted Annual Funding Requirement for 2013/14.

2014/15 Ongoing Regulatory Activities

3.5 The PRA's 2014/15 budget for Ongoing Regulatory Activities has been set at £232.0 million compared to an equivalent of £223.6 million for 2013/14. The 2013/14 Ongoing Regulatory Activities has been adjusted to include the previous year's IMAP Solvency II Special Project Fee and has been annualised so that it is on the same basis as the 2014/15 Ongoing Regulatory Activities.

3.6 In advance of the transition to the new regulatory structure, a counterfactual cost estimate of £234.0 million was established to estimate the cost of the PRA's regulatory responsibilities for 2013/14 had those responsibilities remained with the FSA.

Table 3.A 2014/15 budget Annual Funding Requirement calculation and movement from 2013/14 budget Annual Funding Requirement

£ millions	2014/15	2013/14 Adjusted	Change
Ongoing Regulatory Activities			
Twelve months to 28 February 2014	232.0		
Eleven months to 28 February 2013		199.4	
PRA adjustment to twelve months		18.2	
Ongoing Regulatory Activities	232.0	217.6	14.4
IMAP Solvency II Special Project Fee ^(a)		6.0	(6.0)
Total adjusted Ongoing Regulatory Activities^(b)	232.0	223.6	8.4
<i>Year on year change in adjusted Ongoing Regulatory Activities</i>			4%
Additions			
Bank of England transition costs	14.8	14.8	–
Surplus in prior year^(c)			
Ongoing Regulatory Activities	(17.7)		(17.7)
IMAP Solvency II Special Project Fee surplus	(1.9)	(2.9)	1.0
Total adjusted Annual Funding Requirement^(d)	227.2	235.5	(8.3)
<i>Year on year change in adjusted AFR</i>			(4)%

- (a) The IMAP Solvency II Special Project Fee for the prior fee year has been included in the total adjusted Ongoing Regulatory Activities as in the 2014/15 fee year these costs will be recovered through the Annual Funding Requirement rather than through a Special Project Fee.
- (b) The Ongoing Regulatory Activities for 2013/14 has been adjusted to reflect a full year of operation and the IMAP Solvency II Special Project Fee costs previously recovered through a Special Project Fee so that they are comparable to the 2014/15 Ongoing Regulatory Activities.
- (c) To be finalised on completion of the statutory audit of the PRA.
- (d) The Annual Funding Requirement for 2013/14 has been adjusted to reflect a full year of operation, the IMAP Solvency II Special Project Fee costs previously recovered through a Special Project Fee and IMAP Solvency II Special Project Fee surplus so that they are comparable to the 2014/15.

3.7 **Table 3.B** sets out the change from 2013/14 to 2014/15 in the PRA's cost of Ongoing Regulatory Activities. The £8.4 million (4%) increase is predominantly attributable to the increase in front-line staff costs (£7.8 million). The increase reflects the cost of the PRA's expanded remit in relation to specific new policy initiatives or where the scope of the work being undertaken is at a substantially enhanced level or to a shortened timescale, such as the implementation of the Banking Reform Bill. This includes developing a framework for regular stress testing of the UK banking system to assess capital adequacy in line with Financial Policy Committee recommendations, delivering structural reform of financial services firms, with ring-fencing and loss-absorbing-capacity proposals, implementing Parliamentary Commission on Banking Standards requirements and facilitating effective competition for services provided by PRA-licensed persons carrying out regulated activities as a secondary objective.

Table 3.B Change in Ongoing Regulatory Activity

£ millions	2014/15	2013/14 Adjusted	Change	Change (per cent)
Front-line staff costs	125.3	117.5	7.8	7
Support costs				
IT and depreciation	35.8	35.6	0.2	<1
Central and support services	38.8	38.6	0.2	<1
Accommodation	12.7	12.6	0.1	<1
Other	19.4	19.3	0.1	<1
Total support costs	106.7	106.1	0.6	<1
Total adjusted Ongoing Regulatory Activities	232.0	223.6	8.4	4

Transition costs

3.8 The PRA's Annual Funding Requirement for 2014/15 includes an amount of £14.8 million⁽¹⁾ to recover transition costs, which are incurred in preparation for the exercise of, or to facilitate the exercise of, the PRA's functions under the Act. The Bank of England spent £73.9 million (excluding capital expenditure) on regulatory reform and the creation of the PRA. These costs will be recovered over a period of five years from 2013/14 to 2017/18, from all fee blocks (except the minimum fee block), in proportion to the allocation of fees for ongoing regulatory activity as set out in **Table 3.A**. Recovery of the outstanding amount will result in an amount of £14.8 million per year to be added to the PRA's Annual Funding Requirement from 2015/16 through 2017/18.

3.9 The PRA recovered transition costs in 2013/14 based on an estimate of the total costs of £74.1 million expected to be incurred by the Bank of England. Actual costs incurred were £73.9 million, £0.2 million lower than the previous estimate, resulting in the recovery of transition costs in 2014/15 being broadly in line with those for 2013/14.

Surplus in prior year

3.10 The PRA estimates there will be an underspend on the cost of Ongoing Regulatory Activities of £17.7 million and on the IMAV Solvency II Special Project Fee of £1.9 million for the eleven-month period from 1 April 2013 to 28 February 2014. As 2013/14 was the PRA's first period of operation there was no comparable refund of overspend on Ongoing Regulatory Activities in the previous period's Annual Funding Requirement. The allocation of this surplus is set out in paragraph 3.18 below.

Financial penalties

3.11 There were no financial penalties collected by the PRA in 2013/14.

Value for Money

3.12 The PRA adheres to the principles of good regulation including the efficient and effective use of resources.

Supervisory and policy resources are focused on those risks and issues most material to the PRA's statutory objectives. In addition, the National Audit Office, as the PRA's auditor has recently conducted a Value for Money review the results of which were published on 25 March 2014. The PRA will review whether any recommendations affect any of the proposals in relation to fees and levies.

3.13 The PRA will continue to make every effort to reduce its costs where appropriate. It will take advantage of sharing support costs with the Bank of England and seek efficiencies in its operations as part of the Bank of England's ongoing Value for Money initiatives.

Allocation of 2014/15 Annual Funding Requirement to fee blocks

3.14 The proposed allocation of the Annual Funding Requirement across the six PRA-regulated fee blocks (and the minimum fee block) is set out in **Table 3.C**. This proposed allocation is largely based on staff activity data, which reflects the PRA's focus on the firms that pose the greatest risk to the PRA's objectives.

Table 3.C Proposed 2014/15 Annual Funding Requirement allocation

£ millions	Ongoing Regulatory Activities	Transition costs	Prior year surplus	Annual Funding Requirement	Allocation (per cent)
A0 Minimum fee	0.6	–	–	0.6	–
A1 Deposit acceptors	152.2	9.7	(12.2)	149.7	66
A3 Insurers — general	28.6	1.8	(2.7)	27.7	12
A4 Insurers — life	37.0	2.4	(3.6)	35.8	16
A5 Managing agents at Lloyds	1.3	0.1	(0.1)	1.3	<1
A6 The Society of Lloyds	1.8	0.1	(0.2)	1.7	<1
A10 Firms dealing as principal	10.5	0.7	(0.8)	10.4	5
Total	232.0	14.8	(19.6)	227.2	

3.15 The PRA has utilised allocation keys in line with the previous year, except where the activities are new, in which case an allocation key is assigned to allocate costs to the fee blocks benefitting from the work performed. Due to the PRA's expanded remit, including developing a framework for regular stress testing of the UK banking system, implementing structural reform of financial services firms, and the allocation of a greater proportion of frontline staff to insurance supervision work, the proposed allocation of costs to fee blocks differs to the previous fee year.

Allocation of Ongoing Regulatory Activities costs

3.16 Ongoing Regulatory Activities costs are allocated across fee blocks in two ways:

(1) See PT.1 in Appendix 2.

- Direct costs: these are costs the PRA is able to allocate to individual fee blocks, eg individual firm supervision and sector-specific policy development. These direct costs include the costs of staff and premises.
- Indirect costs: these are costs that cannot be directly allocated to individual fee blocks, eg thematic supervision and non sector-specific policy development. Fee blocks are also charged a share of overhead costs. These include the cost of shared information technology and human resource services, as well as other operational support costs needed to support the PRA. All indirect costs are allocated to fee blocks in proportion to the direct cost allocations.

Allocation of transition costs

3.17 Transition costs are allocated across fee blocks in proportion to the allocation of Ongoing Regulatory Activities costs.

Allocation of Surplus

3.18 The PRA will allocate the 2013/14 surplus on the Ongoing Regulatory Activities across all fee blocks except for the A0 minimum fee block in proportion to the Ongoing Regulatory Activities for the 2013/14 fee year. The PRA will allocate the 2013/14 surplus on the IMAP Solvency II Special Project Fee to the same fee blocks (A3, A4 and A6) and percentages as the 2013/14 IMAP Solvency II Special Project Fee costs were allocated.

Allocation within fee blocks

3.19 Within each fee block, the costs to be recovered from individual firms are based on the size of their business. Consequently, those firms that could potentially cause the greatest harm to the stability of the UK financial system will be the main contributors to the PRA's funding needs. As in the past, cost recovery from the A1 fee block will be weighted further towards these higher-impact firms. Any firm authorised to carry out any of the regulated activities covered by the 'A' fee blocks is also subject to the A0 minimum fee, with the exception of the A6 fee block which consists of The Society of Lloyd's only and is invoiced on an individual basis.

Changes in Annual Funding Requirement allocations to fee blocks relative to 2013/14

3.20 Table 3.D sets out the change from 2013/14 to 2014/15 in the allocation of the PRA's cost of Annual Funding Requirement.

3.21 To enable comparison, the 2013/14 Annual Funding Requirement has been adjusted to include what would have been charged to each fee block if the fee period had been twelve months and the IMAP Solvency II costs had been recovered through the Annual Funding Requirement rather than through a Special Project Fee.

Table 3.D Allocation of Annual Funding Requirement costs to fee blocks

£ millions	2014/15	2013/14 Adjusted ^(a)	Change	Change (per cent)
A0 Minimum fee	0.6	0.6	–	–
A1 Deposit acceptors	149.7	158.5	(8.8)	(6)
A3 Insurers — general	27.7	27.5	0.2	1
A4 Insurers — life	35.8	34.6	1.2	3
A5 Managing agents at Lloyds	1.3	1.4	(0.1)	(7)
A6 The Society of Lloyds	1.7	1.8	(0.1)	(6)
A10 Firms dealing as principal	10.4	11.1	(0.7)	(6)
Total	227.2	235.5	(8.3)	(4)

(a) The Annual Funding Requirement for 2013/14 has been adjusted to reflect a full year of operation, the IMAP Solvency II Special Project Fee costs previously recovered through a Special Project Fee and IMAP Solvency II Special Project Fee surplus so that they are comparable to the 2014/15.

Minimum A0 fee block

3.22 The minimum fee for 2014/15 remains flat compared to 2013/14.

Deposit acceptors A1 fee block

3.23 There has been a decrease in the fee allocated to the deposit acceptors fee block, predominantly due to the refund of the 2013/14 underspend. The impact of the rebate is countered by additional weighting of costs to deposit acceptors for delivery of the PRA's expanded remit as set out in paragraph 3.15.

General and Life Insurance A3 and A4 fee blocks

3.24 The general and life insurance fee blocks allocation has increased compared to 2013/14. This is due to a greater proportion of the PRA's frontline staff budget designated to insurance supervision work. The impact of this increase has been lessened by the refund of the 2013/14 underspend in both Annual Funding Requirement and IMAP Solvency II Special Project Fee.

Managing Agents at Lloyd's and the Society of Lloyd's A5 and A6 fee blocks

3.25 The increase in insurance supervision effort as set out in paragraph 3.24 also has the impact of increasing the costs allocated to the A5 and A6 fee blocks. This has been more than countered by the refund of 2013/14 underspend on Annual Funding Requirement for both fee blocks and additionally on IMAP Solvency II Special Project Fee for the A5 fee block.

Firms dealing as principal A10 fee block

3.26 Fee allocation to firms dealing as principal has decreased, predominantly due to the refund of the 2013/14 underspend. The impact of the rebate is countered slightly by some weighting of costs to the A10 fee block for delivery of the PRA's expanded remit as set out in paragraph 3.15.

Online fees calculator

3.27 The FCA will provide a facility on its website to enable firms to calculate their periodic fees for the forthcoming year based on the draft PRA consultative rates in Appendix 2 of this consultation paper. The fees calculator for 2014/15 fees and levies will be available from 31 March 2014 for firms to use.

Special Project Fees for Solvency II

3.28 This section sets out proposals for the recovery of the project development and implementation costs of Solvency II.

Non-IMAP Solvency II Special Project Fee

3.29 The stabilisation of key elements of Solvency II policy means that a significant amount of work will be undertaken by the PRA during 2014/15 to prepare for transposition of Solvency II on 31 March 2015, and implementation on 1 January 2016.

3.30 The total expected spend on Solvency II was originally planned to fall in the range of £100 million to £150 million. Despite significant delays in the legislation stretching the delivery timeframe, the total spend is expected to be in the region of approximately £115 million, within the target range. The non-IMAP Solvency II budgeted costs for 2014/15 are £13.2 million, an increase of £6.5 million compared to 2013/14.

3.31 This includes, but is not limited to:

- developing, building and testing an IT system ready to receive regulatory reporting from July 2015;
- designing post-Solvency II supervisory processes and procedures ready for 'day 1' of Solvency II and align it to the PRA's approach to insurance supervision;
- consulting on and publishing the changes required by Solvency II in the PRA Rulebook before transposition on 31 March 2015;
- developing the tools to introduce non-IMAP approvals from 1 April 2015; and
- collecting and analysing data to assess preparedness for Solvency II.

3.32 The PRA will train its staff in these areas to ensure the requirements of the Solvency II Directive are met at implementation and will continue to communicate with firms as they prepare for transposition and implementation. These activities are specific to the requirements of the Solvency II Directive and are not part of the PRA's normal supervisory activity. Therefore the PRA will continue to levy the Non-IMAP Solvency II Special Project Fee.

3.33 **Table 3.E** sets out the estimated 2014/15 budget and impact of the estimated 2013/14 underspend.

Table 3.E Estimated 2014/15 Non-IMAP Solvency II Special Project Fee

£ millions	2014/15	2013/14	Change
Non-IMAP Solvency II budgeted costs	13.2	6.7	6.5
Adjustment for eleven-month period	–	(0.5)	0.5
Underspend on prior fee year	(0.9)	(11.2)	10.3
Recovery from/(repayment to) firms	12.3	(5.0)	17.3

Calculating the actual fees for 2014/15

3.34 Fee-payers should be aware that the final fee rates for 2014/15, which will be determined by the PRA in June 2014, could vary materially from the proposed rates presented in this consultation paper. The following factors could affect the final fee rates:

- the estimated number of fee-payers and estimated tariff data for each fee-payer used to calculate the rates proposed in this consultation paper are draft and could be subject to change;
- the prior year Ongoing Regulatory Activities surplus and IMAP Solvency II Special Project Fee surplus as set out in **Table 3.A** are draft, unaudited figures, and hence could be subject to change; and
- the proposed rates will be reviewed in light of any responses to this consultation paper.

Miscellaneous fee rule amendments

3.35 This section sets out the proposed rates for the recovery of supervisory time spent on Special Projects for restructuring.

Rates for special project fees for restructuring

3.36 For fee year 2014/15, it is proposed the costs of supervisory time spent on Special Projects for restructuring will be recharged at hourly rates as set out in **Table 3.F**. The change in rates is proposed to reflect the actual average cost of supervisory time.

Table 3.F Proposed PRA Special Project Fee staff rates for restructuring

£	Current rate	Proposed rate
Administrator	30	30
Associate	55	55
Technical specialist	100	90
Manager	110	115
Any other	160	165

Appendices

-
- 1 PRA Fees (Miscellaneous Amendments) Instrument 2014
 - 2 Draft PRA Periodic Fees (2014/2015) and Other Fees Instrument 2014
-

PRA FEES (MISCELLANEOUS AMENDMENTS) INSTRUMENT 2014

Powers exercised by the Prudential Regulation Authority

- A. The Prudential Regulation Authority 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); and
 - (3) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.
- B. The rule making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 April 2014.

Amendments to the Handbook

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

Citation

- F. This instrument may be cited as the PRA Fees (Miscellaneous Amendments) Instrument 2014.

By order of the Board of the Prudential Regulation Authority

26 March 2014

Annex A

Amendments to the Glossary of definitions

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

<i>client money</i>	(A)	In the PRA Handbook: ... (2A) (in <u>FEES</u> , CASS 6, CASS 7, CASS 7A and CASS 10 and, in so far as it relates to matters covered by CASS 6, CASS 7, <i>COBS</i> , <i>GENPRU</i> or <i>IPRU(INV)</i>), subject to the <i>client money rules</i> , <i>money</i> of any currency: (a) that a <i>firm</i> receives or holds for, or on behalf of, a client in the course of, or in connection with, its <i>MiFID business</i> ; and/or (b) which, in the course of carrying on <i>designated investment business</i> that is not <i>MiFID business</i> , a <i>firm</i> holds in respect of any <i>investment agreement</i> entered into, or to be entered into, with or for a <i>client</i> , or which a <i>firm</i> treats as <i>client money</i> in accordance with the <i>client money rules</i>
<i>client money rules</i>	...	(3) (in CASS 3, CASS 6, CASS 7, CASS 7A, <u><i>UPRU</i></u> , and <i>COBS</i> , <u>and</u> <u><i>FEES</i></u>) CASS 7.1 to 7.8.
<u><i>community finance organisation</i></u>		<u>a community benefit society, a registered charity or a community interest company limited by guarantee (within the meaning of Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004);</u>
<i>relevant business</i>	(A)	(In the PRA Handbook) (1) (in <i>DISP</i> and <i>FEES</i>) that part of a <i>firm's</i> business which it conducts with <i>consumers</i> and which is subject to the jurisdiction of the <i>Financial Ombudsman Service</i> as provided for in <i>DISP</i> 2.3 (To which activities does the Compulsory Jurisdiction apply?), <i>DISP</i> 2.4 (To which activities does the Consumer Credit Jurisdiction apply?) and <i>DISP</i> 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each <i>industry block</i>

Annex B

Amendments to the Fees manual (FEES)

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

3 Application, Notification and Vetting Fees

3.1 Introduction

...

- 3.1.6 G Applications for *Part 4A permission* (and exercises of *Treaty rights*) other than in respect of credit-related regulated activities are categorised by the *appropriate regulator* for the purpose of fee raising as straightforward, complex, moderately complex and complex and straightforward as identified in *FEES 3 Annex 1R*. This differentiation is based on the *permitted activities* sought and does not reflect the *appropriate regulator's* risk assessment of the applicant (or *Treaty firm*).

...

- 3.1.8 G Application fees for applications for and variations of *Part 4A permission* in respect of credit-related regulated activities are also set out in *FEES 3 Annex 1R*. Applications for *Part 4A permission* in respect of credit-related regulated activities are categorised by the *appropriate regulator* for the purposes of fee raising as straightforward, moderately complex and complex as identified in *FEES 3 Annex 1R* unless the application is for a *limited permission*.

...

3.2 Obligation to pay fees

...

Method of payment

- 3.2.3 R (1) Unless (2), (3) or (4) applies, the sum payable under *FEES 3.2.1R* must be paid by bankers draft, cheque or other payable order.
- ...
- (3) The sum payable under *FEES 3.2.1R* by a *firm* applying for a variation of its *Part 4A permission* which is not an application for new *permission* solely in respect of one or more credit-related regulated activities (*FEES 3.2.7R(p)(1)* or *FEES 3.2.7R(p)(4)* and, if applicable, *FEES 3.2.7AR(c)*) must be paid by any of the methods described in (1) or by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express only). ~~Any payment by a permitted credit card must include an additional 2% of the sum paid.~~
- (4) Unless *FEES 3.2.3AR* applies, the sum payable under *FEES 3.2.1R* by a *firm* applying for a *Part 4A permission* in respect of credit-related regulated activities only or a variation of its *Part 4A permission* to add solely one or more credit-related regulated activities must be paid by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express only).
- (5) Payments by credit card must include an additional:
- (a) 2% of the sum paid when paying by Visa or Mastercard; or

(b) 3.2% of the sum paid when paying by American Express.

3.2.3A R (1) If the fee payer (as specified in column (1) of FEES 3.2.7AR) in relation to FEES 3.2.3R(4) is:

(a) unable to make a payment by credit or debit card; or

(b) permitted to make a paper application rather than an online application for a Part 4A permission in respect of credit-related regulated activities only or a variation of its Part 4A permission to add a credit-related regulated activity;

... the sum payable under FEES 3.2.1R can be paid by bankers draft, cheque or other payable order.

3.2.3B G If FEES 3.2.3AR(1)(a) applies to a fee payer, that fee payer would be expected to notify the FCA of these circumstances in advance of making its payment (and, in any event, no less than 7 days before the date on which the application for a Part 4A permission or the variation of a Part 4A permission is made) unless such notification is impossible in the circumstances, eg, there is a sudden technological failure.

3.2.7A R Table of application, notification and vetting fees payable to the PRA

(1) Fee payer	(2) Fee payable	(3) Due date
(a)...
<u>(aa) A person who makes an application under section 24A of the Consumer Credit Act 1974 which meets the conditions of article 31 (Applications for a standard licence where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) Order 2013 (the "relevant application")</u>	<u>As (a) above less any amount paid to the Office of Fair Trading in relation to the relevant application.</u>	<u>Within 30 days of the date of the invoice.</u>
...
<u>(c) A firm applying for a variation of its Part 4A permission or an FCA-<i>authorised person</i> applying to carry on a PRA-<i>regulated activity</i></u>	<u>(1) Unless (2), (2A), (3), (3A) or (3B) applies, if the proposed new business of the firm would fall within one or more activity groups specified in Part 1 of FEES 4 Annex 1AR or Part 1 of FEES 4 Annex 1BR not applicable before the application, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1R which apply to that</u>	

	<p>application;</p> <p>(2) If the only change is that the A. 12 activity group tariff applied to the <i>firm's</i> business before the variation and the A.13 activity group will apply after the variation, no fee is payable. Subject to (2A) below, if the <i>firm's</i> application includes an application for a <u>Part 4A permission to carry on a new credit-related regulated activity</u>, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1R that would be payable under (1) above or, if higher, 50% of the highest of the tariffs set out in FEES 3 Annex 1R that would be payable in relation to the new <u>credit-related regulated activity</u>.</p> <p>(2A) If the applicant which already has a <u>Part 4A permission to carry on a credit-related regulated activity</u> exclusively applies for a <u>Part 4A permission to carry on a new credit-related regulated activity</u>, that is specified in Part 3 of FEES 3 Annex 1AR in the straightforward category (or if it exclusively applies for a number of such <u>permissions</u>), the fee is £250</p> <p>(3) ...</p> <p>(3A) If the applicant had a <u>limited permission</u> prior to the application to vary its <u>Part 4A permission</u>, 100% of the highest of the tariffs set out in FEES 3 Annex 1R which apply to that application</p> <p>(3B) If the applicant has a <u>limited permission</u> and its application exclusively relates to another <u>limited permission</u>, the fee is 0</p> <p>(4)...</p>	
<p><u>(ca) A person who makes an application under section</u></p>	<p><u>As (a) or (c) above, less any amount paid to the Office of Fair Trading in relation to the</u></p>	<p><u>Within 30 days of the date of the invoice.</u></p>

<u>30(1) of the Consumer Credit Act 1974 which meets the conditions of article 33 (Variations at request of licensee where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (the “relevant variation application”)</u>	<u>relevant variation application.</u>	
...

...

3 Annex 1R Authorisation fees payable

Part 1 – Authorisation fees payable

For *PRA-authorized persons* and *persons* seeking to become *PRA-authorized persons*, the amount payable to the *PRA* is 50% of the amount payable under Part 1 and the amount payable to the *FCA* is 50% of the amount payable under Part 1. The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

For *FCA-authorized persons* and *persons* seeking to become *FCA-authorized persons*, the amount payable to the *FCA* is the amount payable under Part 1;. No amount is payable to the *PRA*.

The table below sets out the following:

- (1) fees for applications by *credit unions* and *community finance organisations*;
- (2) application fees in respect of the complexity groupings that relate to *regulated activities* that are not *credit-related regulated activities*; and
- (3) application fees in respect of the complexity groupings that relate to *credit-related regulated activities*.

Application type (see Part 2)	Amount payable (£)
<u>(1) <i>Credit unions</i> and <i>community finance organisations</i></u>	
(a) <i>Credit unions</i> – registration of a common bond	200
<u>(aa) <i>Credit unions</i> or <i>community finance organisations</i> – where application is for a <i>Part 4A permission</i> limited to <i>permission</i> to carry on <i>credit-related regulated activities</i></u>	<u>200</u>
(b) <i>Version 1 credit unions</i> – authorisation (other than where (aa) applies)	300
(c) <i>Version 2 credit unions</i> – authorisation (other than where (aa) applies)	1,800
<u>(2) <i>Complexity groupings</i> not relating to <i>credit-related regulated activities</i> – see Part 2</u>	

(d) Straightforward	1,500 (unless otherwise specified in Part 2)				
...	...				
(3) Complexity groupings relating to <i>credit-related regulated activities</i> – see Part 3					
	<u>Consumer credit annual income (£)</u>				
	<u>0 - 50,000</u>		<u>> 50,000</u>		
<u>(g) Limited permission</u>	100 unless the application is for <i>limited permission as a not-for-profit debt advice body</i> , in which case the amount payable is 0.		500 unless the application is for <i>limited permission as a not-for-profit debt advice body</i> , in which case the amount payable is 0.		
	<u>Consumer credit annual income (£)</u>				
	<u>0 - 50,000</u>	<u>≥ 50,000</u> <u>–</u> <u>100,000</u> <u>0</u>	<u>≥ 100,000</u> <u>0 –</u> <u>250,000</u> <u>0</u>	<u>≥ 250,000</u> <u>0 –</u> <u>1,000,000</u>	<u>≥ 1,000,000</u>
<u>(h) Straightforward</u>	<u>600</u>	<u>750</u>	<u>1,000</u>	<u>1,500</u>	<u>5,000</u>
<u>(i) Moderately complex</u>	<u>800</u>	<u>1,000</u>	<u>1,500</u>	<u>5,000</u>	<u>10,000</u>
<u>(j) Complex</u>	<u>1,000</u>	<u>1,250</u>	<u>2,000</u>	<u>7,000</u>	<u>15,000</u>

Part 2 – Complexity Groupings not relating to *credit-related regulated activities*

Straightforward Cases

...

Activity grouping	description
...	
A.12	Advisory arrangers, dealers or brokers (holding or controlling <i>client money</i> and/or assets)
A.13	Advisory only forms and advisory Advisors, arrangers, dealers or brokers (not holding or controlling <i>client money</i> and/or assets)

...	
<u>A.21</u>	<u>Holding client money or assets or both.</u>

Part 3 – Complexity Groupings relating to credit-related regulated activities

Straightforward cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.2</u>	<u>Credit broking;</u> <u>Providing credit information services</u>

Moderately complex cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.2</u>	<u>Debt administration</u> <u>Debt collecting</u> <u>Entering into a regulated consumer hire agreement as owner</u> <u>Entering into a regulated credit agreement as lender (excluding in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements)</u> <u>Exercising, or having the rights to exercise, the owner's rights and duties under a regulated consumer hire agreement</u> <u>Exercising, or having the right to exercise, the lender's rights or duties under a regulated credit agreement (excluding in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements)</u> <u>Operating an electronic system in relation to lending</u>

Complex cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.2</u>	<u>Debt adjusting</u> <u>Debt counselling</u> <u>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</u>

	<p><u>Exercising or having the right to exercise the lender's rights or duties under a regulated credit agreement in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</u></p> <p><u>Providing credit references</u></p>
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

4 Periodic Fees

...

4.1.3 G Most of the detail of the periodic fees that are payable by *firms* is set out in FEES 4 Annexes 1A to 11. FEES 4 Annex 12G and (in respect of the FCA only) FEES 4 Annex 13G ~~provides~~ provide guidance on the calculation of certain tariffs. Most of the provisions of the Annexes will vary from one *fee year* to another. Accordingly fresh FEES 4 Annexes will come into force, following consultation, for each *fee year*.

...

4.2 Obligation to pay periodic fees

...

4.2.6 R (1) Unless (2) applies, if for the *fee year* during which the event as described in column 4 of the table in FEES 4.2.11R and/or FEES 4.2.11AR, giving rise to, or giving rise to an increase in, the fee payable in FEES 4.2.1R, occurs ~~on or after 1 July of the relevant fee year~~, the periodic fee required under FEES 4.2.1R is modified for:

(a) *firms* (other than AIFM qualifiers, ICVCs and UCITs qualifiers), in accordance with FEES 4.2.7R and 4.2.8R;

(b) ~~for~~ all other fee payers in column (1) of the table in FEES 4.2.11R or FEES 4.2.11AR, in accordance with the ~~table below~~ formula set out below.

Period in which event (in column 4 of the table in FEES 4.2.11R or FEES 4.2.11AR) occurs	Proportion of periodic fee payable
Fees payable to the FCA	
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 31 March inclusive	25%

Fees payable to the PRA for <i>fee year</i> 2013/2014	
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 28 February inclusive	25%
Formula for the calculation of fees payable under <i>FEES</i> 4.2.6R(1)	
(1)	calculate the number of calendar months between and including:
	(i) the calendar month in which the event described in column 4 of the table in <i>FEES</i> 4.2.11R and/or <i>FEES</i> 4.2.11AR occurred; and
	(ii) the last month of the relevant <i>fee year</i> .
(2)	divide the number of calendar months calculated in (1) by 12;
(3)	multiply the total fee payable for the relevant <i>fee year</i> by the number calculated in (2).

(2) ...

- 4.2.7 R A *firm* (other than an *AIFM qualifier*, *ICVC*, or *UCITS qualifier*) which becomes authorised or registered, or whose *permission* and/or *payment service* activities are extended, during the course of the *fee year* must pay a fee which is calculated by:
- (1) identifying each of the tariffs set out in Part 1 of *FEES* 4 Annex 2AR, Part 1 of *FEES* 4 Annex 2BR and/or Part 1 of *FEES* 4 Annex 11R as appropriate for the relevant *fee year* that apply to the *firm* only after the *permission* is received or extended or *payment service* activities are authorised or registered or extended or *electronic money* issuance activities are authorised or registered under the *Electronic Money Regulations*.~~but ignoring:~~
 - (a) The A13 activity group if, before the variation, the A12 activity group applied to the *firm's* business; or
 - (b) The A12 activity group if, before the variation, the A13 activity group applied the *firm's* business;
 - (2) calculating the amount for each of the applicable tariffs which is the higher of:
 - (a) any applicable minimum fee specified in relation to a particular tariff in *FEES* 4 Annex 2AR or *FEES* 4 Annex 2BR (but note, for the avoidance of doubt, these are not the A.0 or PA.0 minimum fees set out in Part 2 of *FEES* 4 Annex 2AR and Part 2 of *FEES* 4 Annex 2BR); and

...

...
 - (4) working out whether an A.0 or PA.0 minimum fee is payable under Part 2 of

FEES 4 Annex 2AR and Part 2 of FEES Annex 2BR and if so how much (except that ~~that~~ the minimum fee is not payable again by a *firm* whose *permission* is extended if the fee was already payable before the extension);

...

- (6) ~~the table in accordance with the formula set out in FEES 4.2.6R~~ (except that ~~FEES 4 Annex 10R~~ (Periodic fees for MTF operators) deals with a ~~firm~~ *firm* that receives *permission* for *operating a multilateral trading facility* or has its *permission* extended to include this activity during the course of the relevant *fee year* and ~~FEES 4.2.6R~~ does not apply).

...

4.3 Periodic fee payable by firms (other than AIFM qualifiers, ICVCs and UCITS qualifiers)

...

- 4.3.2 G (1) The amount payable by each *firm* will depend upon the category (or categories) of *regulated activities* or *payment services* it is engaged in (fee-blocks) and whether it is issuing *electronic money*, and on the amount of business it conducts in each category (tariff base). The fee-blocks and tariffs are identified in *FEES 4 Annex 1AR* in respect of the *FCA* and *FEES 4 Annex 1BR* in respect of the *PRA* (and guidance on calculating certain of the tariffs is at *FEES 4 Annex 12G* and (in respect of the *FCA*) *FEES 4 Annex 13AG*), while *FEES 4 Annex 2AR* in respect of the *FCA* and *FEES 4 Annex 2BR* in respect of the *PRA* set out the tariff rates for the relevant *fee year*. In case of *firms* that provide *payment services* and/or issue *electronic money*, the relevant fee blocks, tariffs and rates are set out in *FEES 4 Annex 11R*.

...

4 Annex 12G Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3 and Fees 4 Annex 1BR Part 3

~~The following tables set out guidance on how a *firm* should calculate relevant tariffs.~~

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee-block A.4.

~~Table 1: Fee block A.4~~

Adjusted Gross Premium Income and Mathematical reserves – calculation of new regular premium business
...

Delete the following Table 2 of *FEES 4 Annex 12G* in its entirety. The deleted text is not shown.

After *FEES TP9* insert the following new *FEES TP10*. The text is not underlined.

TP 10 Transitional Provisions relating to FEES 4.2.7BR for firms carrying on credit related regulated activities

(1)	(2) Material to which the transitional	(3)	(4) Transitional provision	(5) Transitional provision:	(6) Handbook provision: coming into force
-----	----------------------------------------	-----	----------------------------	-----------------------------	-------------------------------------------

	provision applies			dates in force	
10.1	<i>FEES</i> 4.2.7BR(2)(b)	R	Insert a new paragraph after (5)(c) as follows: “(5)(ca): paragraph (5)(c) does not apply to a <i>firm’s credit-related regulated activities.</i> ”	From 1 April 2014 until 1 April 2016	

PRA PERIODIC FEES (2014/2015) AND OTHER FEES INSTRUMENT 2014

Powers exercised by the Prudential Regulation Authority

- A. The Prudential Regulation Authority 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); and
 - (3) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.
- B. The rule making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [date] 2014.

Amendments to the Handbook

- D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

Citation

- F. This instrument may be cited as the PRA Periodic Fees (2014/2015) and Other Fees Instrument 2014.
- G. The Prudential Regulation Authority gives as guidance each provision in the Annex that is marked with a G.

By order of the Board of the Prudential Regulation Authority

[date]

Annex

Amendments to the Fees manual (FEES)

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

3 Application, Notification and Vetting Fees

...

FEES 3 Annex 9 Special Project Fee for restructuring

(11) R	...	
	...	
(11)A R	Table of <i>PRA</i> hourly rates:	
	PRA pay grade	Hourly rate (£)
	Administrator	30
	Associate	55
	Technical Specialist	400 <u>90</u>
	Manager	440 <u>115</u>
	Any other person employed by the <i>PRA</i>	460 <u>165</u>
(12) G	...	

...

4 Periodic Fees

FEES 4 Annex 2B PRA fee rates and EEA/Treaty firm modifications for the period from ~~1 April 2013 to 28 February 2014~~ 1 March 2014 to 28 February 2015

Part 1
This table shows the tariff rates applicable to each of the fee blocks set out in Part 1 of *FEES 4 Annex 1BR*.

(1)	...
...	

Note	In the case of activity groups A.3 and A.4 there are three <u>two</u> tariff rates. The rate in column 1 applies to all <i>firms</i> in their respective fee-blocks. The rate in column 2 relates to the Solvency 2 Implementation fee and <i>firms</i> must determine their obligation to pay this fee by reference to Part 5 of this Annex. The rate in Column 3 relates to the Solvency 2 Special Project fee and <i>firms</i> must determine their obligation to pay this fee by reference to Part 4 of this annex. The total periodic fee for each of these fee-blocks is determined by adding the amounts obtained under all three <u>both</u> columns, as applicable.			
Activity group	Fee payable			
A.1	Band width (£ million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)		
		General Periodic fee		
	>10 - 140	33.38 <u>35.56</u>		
	>140 - 630	33.38 <u>35.56</u>		
	>630 - 1,580	33.38 <u>35.56</u>		
	>1,580 - 13,400	41.73 <u>44.45</u>		
	>13,400	55.08 <u>58.67</u>		
A.3	Gross premium income (GPI)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee	Column 3 Solvency 2 special project fee
	Minimum fee (£)	Not applicable	25.00	25.00
	Band Width (£ million of GPI)	Fee (£/£m or part £m of GPI)		
	>0.5 - 10.5	370.25 <u>459.35</u>	-27.03 <u>66.65</u>	20.84
	>10.5 - 30	370.25 <u>459.35</u>	-27.03 <u>66.65</u>	20.84
	>30 - 245	370.25 <u>459.35</u>	-27.03 <u>66.65</u>	20.84
	>245 - 1,900	370.25 <u>459.35</u>	-27.03 <u>66.65</u>	20.84
	>1,900	370.25 <u>459.35</u>	-27.03 <u>66.65</u>	20.84
	Plus			
	Gross technical liabilities (GTL)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee	Column 3 Solvency 2 special project fee
	Band Width (£	Fee (£/£m or part £m of GTL)		

	million of GTL)			
	>1 - 12.5	19.93 <u>24.63</u>	-1.41 <u>3.50</u>	1.22
	>12.5 - 70	19.93 <u>24.63</u>	-1.41 <u>3.50</u>	1.22
	>70 - 384	19.93 <u>24.63</u>	-1.41 <u>3.50</u>	1.22
	>384 - 3,750	19.93 <u>24.63</u>	-1.41 <u>3.50</u>	1.22
	>3,750	19.93 <u>24.63</u>	-1.41 <u>3.50</u>	1.22
	For <i>UK ISPVs</i> the tariff rates are not relevant and a flat fee of £430.00 is payable in respect of each <i>fee year</i> .			
A.4	Adjusted annual gross premium income (AGPI)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee	Column 3 Solvency 2 special project fee
	Minimum fee (£)	Not applicable	25.00	25.00
	Band Width (£ million of AGPI)	Fee (£/£m or part £m of AGPI)		
	>1 - 5	360.32 <u>476.17</u>	-38.31 <u>99.20</u>	20.39
	>5 - 40	360.32 <u>476.17</u>	-38.31 <u>99.20</u>	20.39
	>40 - 260	360.32 <u>476.17</u>	-38.31 <u>99.20</u>	20.39
	>260 - 4,000	360.32 <u>476.17</u>	-38.31 <u>99.20</u>	20.39
	>4,000	360.32 <u>476.17</u>	-38.31 <u>99.20</u>	20.39
	PLUS			
A.4	Mathematical reserves (MR)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee	Column 3 Solvency 2 special project fee
	Minimum fee (£)	Not applicable	25.00	25.00
	Band Width (£ million of MR)	Fee (£/£m or part £m of MR)		
	>1 - 20	8.06 <u>10.10</u>	-0.86 <u>2.11</u>	0.44
	>20 - 270	8.06 <u>10.10</u>	-0.86 <u>2.11</u>	0.44
	>270 - 7,000	8.06 <u>10.10</u>	-0.86 <u>2.11</u>	0.44
	>7,000 - 45,000	8.06 <u>10.10</u>	-0.86 <u>2.11</u>	0.44
	>45,000	8.06 <u>10.10</u>	-0.86 <u>2.11</u>	0.44

A.5	Band Width (£ million of Active Capacity (AC))	Fee (£/£m or part £m of AC)
	>50 - 150	54.36 <u>58.15</u>
	>150 - 250	54.36 <u>58.15</u>
	>250 - 500	54.36 <u>58.15</u>
	>500 - 1,000	54.36 <u>58.15</u>
	>1,000	54.36 <u>58.15</u>
A.6	Flat fee Solvency 2 Special Project Flat Fee (£) Solvency 2 Implementation Flat Fee (£)	1,394,436.00 <u>1,675,221.99</u> 272,293.06 -92,775.96 <u>246,360.00</u>
A.10	Band Width (No. of traders)	Fee (£/trader)
	2 - 3	4,507.98 <u>5,142.00</u>
	4 - 5	4,507.98 <u>5,142.00</u>
	6 - 30	4,507.98 <u>5,142.00</u>
	31 - 180	4,507.98 <u>5,142.00</u>
	>180	4,507.98 <u>5,142.00</u>

Part 2

This table sets out the tariff rate applicable to each of the fee blocks set out in Part 2 of FEES 4 Annex 1B R

PA.0	(1)	The minimum fee payable by any <i>firm</i> referred to in (3) is ² 500 ² unless:	
		(a)	...
		...	
PT.1	Periodic fees payable under Part 1 multiplied by rate £0.0745 <u>£0.0653</u>		

Part 3

This table shows the modifications to fee tariffs that apply to *incoming EEA firms* and *incoming Treaty firms* which have established branches in the UK.

Activity Group	Percentage deducted from the tariff payable under Part 1 applicable
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	to the <i>firm</i>
A.1	...
...	

Part 4	
This part sets out when a Solvency 2 Special Project fee is due for <i>firms</i> falling into fee block A.3 or A.4.	
(1)	The Solvency 2 Special Project fee forms part of the periodic fee payable under fee blocks A.3 and A.4.
(2)	The Solvency 2 Special Project fee is only payable by a <i>firm</i> if it meets the conditions in Part 5 and the condition set out in paragraph (3) of this Part.
(3)	The condition is that before 1 June 2013 the <i>firm</i> , or a member of the group of which the <i>firm</i> is also a member (in either case, the recipient), received a written communication from the <i>FSA</i> or, on or after 1 April 2013, the <i>PRA</i> that it has met the criteria for entry into pre-Internal Model Approval Process status (pre-IMAP) and the recipient remains in pre-IMAP status on 1 June 2013.
(4)	For the purposes of (3), the recipient will be deemed to remain in pre-IMAP status unless, before 1 June 2013:
	(a) the recipient informs the <i>FSA</i> or, on or after 1 April 2013, the <i>PRA</i> in writing that it wishes to withdraw from pre-IMAP status; or
	(b) the recipient has been informed by the <i>FSA</i> or, on or after the 1 April 2013, the <i>PRA</i> in writing that it is no longer in pre-IMAP status.
(5)	For the purposes of this Part, a reference to pre-IMAP means the status achieved by the recipient by joining the process established by the <i>FSA</i> whereby the <i>FSA</i> or, on or after 1 April 2013, the <i>PRA</i> and the recipient engage with a view to the <i>FSA</i> or, on or after 1 April 2013, the <i>PRA</i> establishing whether an internal model developed by the recipient is likely to meet the tests and standards specified in the <i>Solvency 2 Directive</i> .
(6)	FEES 4.2.6R and FEES 4.2.7R do not apply to the Solvency 2 Special Project Fee.

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