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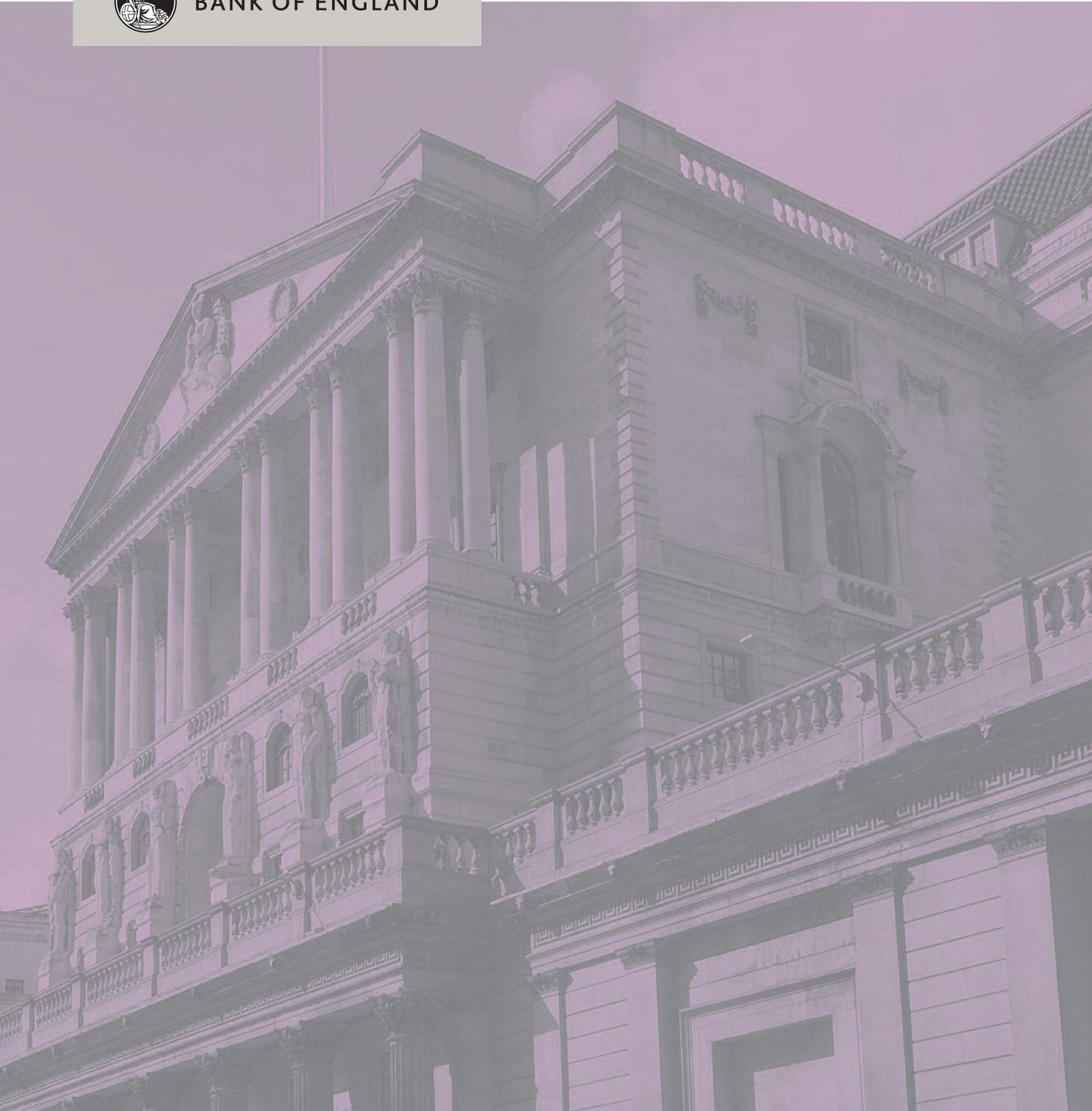
# Fees regime for the supervision of financial market infrastructure (FMI)

## Policy Statement

Responses to Consultation on 'Fees regime for financial market infrastructure supervision 2018/19', fee rates for the 2018/19 fee year, and Statement of Policy



**BANK OF ENGLAND**





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## 1: Summary

The Bank of England ('the Bank') has certain legal powers to levy fees on financial market infrastructure (FMI)<sup>1</sup> but, to date, has not exercised these.<sup>2</sup> In August 2017 the Bank published a consultation paper (CP), '*Levying fees for financial market infrastructure supervision*', seeking initial views on a proposal to introduce a new funding structure for the supervision of FMI.<sup>3</sup> In March 2018, the Bank and HMT published a second CP on the detail of the proposed fee-levying regime, '*Fees regime for financial market infrastructure supervision 2018/19*'.<sup>4</sup>

Following both of these consultations and having considered the feedback received, the Bank has decided to fund the supervision of FMIs using a fee-levying regime.

The Bank has concluded that levying fees on supervised FMIs is a more proportionate allocation of costs than the current funding model, the cash ratio deposit (CRD) scheme,<sup>5</sup> as it better reflects the recipients of the Bank's supervision.<sup>6</sup> An FMI fees regime also

aligns the Bank's FMI supervisory funding approach with that of the Prudential Regulation Authority (PRA). It provides greater transparency and accountability in the delivery of the Bank's FMI supervision functions.

This Policy Statement (PS) provides feedback to responses to the March 2018 CP '*Fees regime for financial market infrastructure supervision 2018/19*'. It also sets out the final policy of the fees regime for the supervision of FMI.

## 2: Introduction

As set out in its published approach to FMI supervision, the Bank supervises FMIs with a forward looking, risk-based approach, and '*prioritises its supervisory effort based on its assessment of where risks to financial stability are greatest*'.<sup>7</sup> Within the Bank, the Financial Market Infrastructure Directorate (FMID) has responsibility for supervising FMIs. In order to undertake its supervisory activities effectively, FMID draws in specialist resource and expertise when required from other areas of the Bank including the PRA. To date, the Bank has funded its supervision of FMIs through CRD revenue.

In February 2017, the Bank's Independent Evaluation Office (IEO) published its evaluation of the Bank's approach to FMI supervision.<sup>8</sup> The IEO report recommended that the Bank review its approach to funding FMI supervision and to consider whether levying fees on supervised FMIs would be appropriate.

<sup>1</sup> For the purposes of this policy statement, the term FMI refers to central counterparties, central securities depositories, recognised payment systems, and specified service providers to recognised payment systems.

<sup>2</sup> In order for the Bank to use its power under the Banking Act 2009 to require operators of recognised payment systems and specified service providers to recognised payment systems to pay fees, HM Treasury must approve a scale of fees to which the fees must relate. The statutory instrument providing such approval was laid on 19 June 2018 and is expected to come into force on 10 July 2018. The Bank's other fee charging powers exist without the need for further legislation.

<sup>3</sup> See: [Levying fees for financial market infrastructure supervision](#).

<sup>4</sup> See: [Fees regime for financial market infrastructure supervision 2018/19](#).

<sup>5</sup> Cash ratio deposits (CRDs) are non-interest bearing deposits lodged with the Bank by eligible institutions. The interest earned from the deposits is used by the Bank towards funding its operations. The funding model for FMI supervision was previously set out in the Bank's published approach to supervision when it assumed its new responsibilities for FMI supervision in 2013, see [www.bankofengland.co.uk/financialstability/Documents/fmi/fmisupervision.pdf](http://www.bankofengland.co.uk/financialstability/Documents/fmi/fmisupervision.pdf).

<sup>6</sup> The CRD scheme was reviewed in 2018 and the revised statutory instrument came into force June 2018. For the review, see:

[https://www.gov.uk/government/consultations/review-of-the-](https://www.gov.uk/government/consultations/review-of-the)

[cash-ratio-deposit-scheme-consultation-on-proposed-changes](#).

For the SI, see:

<https://www.legislation.gov.uk/uksi/2018/633/introduction/made>. FMI supervision and related costs will no longer be funded from the CRD upon commencement of this regime.

<sup>7</sup> See: [The Bank of England's approach to the supervision of financial market infrastructures](#).

<sup>8</sup> See: [Evaluation of the Bank of England's approach to financial market infrastructure supervision](#).

Following the IEO’s evaluation, the Governors and the Bank’s Court of Directors agreed that the Bank would consult, during 2017, on levying fees for FMI supervision with a view to commence any changes in 2018 when the current CRD review period would conclude.<sup>9</sup> This intent was set out in the Bank’s published response to the IEO review and also in the Bank’s Annual Report on its supervision of FMIs.<sup>10</sup>

Following this commitment, the Bank consulted on the broad approach to levying fees on FMIs in August 2017 (‘the 2017 CP’). The 2017 CP covered the overall approach to levying fees, which the Bank proposed would be based on the categorisation of FMIs. It also covered the legal powers that the Bank has to levy fees, the population of FMIs affected, and an estimation of the annual fees based on the 2017/18 FMI supervisory budget and the population of supervised FMIs.

Following this consultation and considering the feedback received, the Bank decided to progress with developing a fee-levying regime. The Bank published a second consultation in March 2018 (‘the 2018 CP’) seeking views on the detail of the proposed fee-levying regime and the proposed fees for the 2018/19 fee year. The 2018 CP was jointly conducted with HM Treasury (HMT) who consulted on a statutory instrument (SI) to approve the scale of fees the Bank can levy on recognised payment systems and specified service providers to recognised payment systems. This SI was laid on 19 June 2018 and

is expected to come into force on 10 July 2018.<sup>11</sup>

With this PS we:

- Provide feedback to responses to the 2018 CP;
- Confirm the fees for the 2018/19 fee year; and
- Set out the Bank’s final fees regime for the supervision for FMIs.

### **3. Feedback to responses to the Bank’s March 2018 Consultation Paper ‘Fees regime for financial market infrastructure supervision 2018/19’**

The Bank’s public consultation on the fees regime for the supervision of FMIs ran from 14 March 2018 until 9 May 2018. The Bank received six responses to the 2018 CP.

Responses were generally supportive of the principle to implement the regime. However respondents raised questions about particular aspects of the proposed fees regime including the:

- overall approach;
- methodology;
- volatility;
- special projects;
- regulatory burden; and
- operationalising of the regime.

Taking into consideration comments received, the Bank can confirm that the supervisory fees for the 2018/19 fee year will, in line with the estimates consulted on in March, be the following as set out in Table 1:

<sup>9</sup> For the Court of Directors’ agreement, see: <https://www.bankofengland.co.uk/minutes/2017/court-february-2017>.

<sup>10</sup> For the Bank’s response to the IEO’s evaluation, see: [The Bank of England’s response to the Independent Evaluation Office’s evaluation of its approach to financial market infrastructure supervision](#). For the Bank’s 2016/17 Annual Report, see: [Supervision of financial market infrastructures – Annual Report](#).

**Table 1** Fees for 2018/19 fee year

	Central counterparties (CCPs)	Central security depositories (CSDs)	Payment systems and service providers
Category 1	£1.95 million	£1.05 million	£495,000
Category 2	£1.12 million		£330,000
Category 3			

Note: This encompasses the costs of FMI supervision together with relevant policy support, specialist resources and corporate services and other costs associated with the work of the FMI Directorate.

- (a) Category rows have been left blank for which there are no currently recognised firms.
- (b) The 2018/19 will be a shortened fee year commencing at the point HMT's SI comes into force. The above fees will be a pro-rata amount.

The Bank's responses to the comments received are set out below.

### Overall approach to levy fees on FMIs

One response suggested that central counterparties (CCPs) reduce overall risk in markets and promote market stability. As such, their incentives are aligned with public policy outcomes and entities which introduce risk into the financial system, for example through trading activity, should continue to contribute to FMI supervision through the CRD scheme.

As set out above, the rationale for introducing an FMI fee-levying regime is to allocate the costs of FMI supervision to those entities that directly benefit from the Bank's supervision. The fee-levying regime is therefore a more proportionate approach compared to the current funding model and provides greater transparency and accountability in the delivery of the Bank's FMI supervision functions.

Given the different population of entities between CRD institutions and FMI participants, the Bank still believes the full allocation of FMI supervisory costs to FMIs is an appropriate and proportionate approach to funding the supervision of FMIs.

### Methodology: allocation of fees and category system

One response suggested that the allocation of fees amongst the different fee blocks was not proportionate, with reference to the higher fees for CCPs than for payment systems and central securities depositories (CSDs), and questioned whether this was aligned with their respective levels of systemic importance.

As set out in the first consultation paper, the 2017 CP, the Bank's powers to charge fees do not allow for cross-subsidisation between different types of FMI. The Bank's fees for FMIs will be based on their importance to the financial system, with reference to the allocation of supervisory resource costs across the different types of FMIs. As such, the fees levied on each type of FMI are a reflection of the powers the Bank has to levy such fees, as well as the supervisory resource which is allocated.

Two responses requested more information on the factors that are taken into account when determining categorisation.

FMIs supervised by the Bank are categorised into one of three categories for CCPs and CSDs or one of two categories for recognised payment systems and specified service providers to recognised payment systems,<sup>12</sup> according to their potential capacity to cause disruption to the financial system. The Bank's process for categorising FMIs involves an assessment against a range of qualitative and quantitative factors, including:

- The number and value of transactions processed by the FMI;

<sup>12</sup> Recognised payment systems and service providers to recognised payment systems are not authorised by the Bank under the Financial Services and Markets Act 2009 (FSMA). Due to the threshold for recognition or specification by HMT, a recognised payment system or specified service provider would not be categorised as category 3 by the Bank.

- The nature of the transactions processed;
- The availability of substitutes in the event of a disruption;
- Any links or dependencies with other FMIs.

One respondent asked whether the categorisation of FMIs will remain confidential. The Bank will inform an FMI of its own categorisation for the purposes of understanding which fee it is required to pay. The Bank does not plan on publishing a list of FMIs alongside their categories.

One respondent asked whether the Bank would re-consult if the overall ratio of fees paid between each category of FMI changes. The Bank can confirm that it would consult again if it proposed to change the ratio for calculating fees between each category of FMI.

### Volatility

A number of responses raised concerns regarding the potential volatility of the fee-levy and the potential for the Bank to make an additional call on FMIs at the end of the fee year. The Bank acknowledges the importance of this issue. In the 2018 CP the Bank stated that it would endeavour to set fees at an appropriate level to minimise this risk.

*Supervision fees* will be set on the basis of expected business-as-usual supervisory resource expenditure for each type of FMI for the upcoming fee year. Where the Bank's spend is greater than anticipated, the Bank will consider adjusting its annual supervisory levy upwards for the relevant fee block for the following fee year. Where the Bank's spend is less than anticipated, the Bank will consider adjusting downwards its annual supervisory levy for the following fee year, effectively rebating its underspend to the FMIs within

the relevant block. In this way, the Bank will recover its actual costs of business-as-usual supervision.

A similar approach will be adopted with respect to special project fees, as set out in the sub-section 'Special projects' below.

The Bank acknowledges the importance of this issue and intends to liaise with FMIs if there are any exceptional changes in the amount levied due to circumstances not anticipated at the start of the fee year, and will endeavour to do so with as much notice as possible.

### Special projects

One response made a query about the process for paying special project fees. As the Bank stated in the 2018 CP, the Bank expects to levy this fee infrequently and will liaise with FMIs in the relevant circumstances around the fee and the most appropriate fee levying process. The Bank expects to set an estimated project fee at the outset of the project. If, prior to the start of the fee-levying process, the project is scheduled to start in the forthcoming year, the Bank will collect fees (based on an estimated budget) at the same time as the Bank's annual supervisory fee. Any over or underspend will be addressed in the next annual fee-levying process. If the project is not known and only becomes scheduled during the fee year, the Bank will collect fees in the next annual levying process.

### Regulatory burden

Three responses raised the issue of regulatory burden, particularly in cases where an FMI is regulated by more than one authority. The Bank's levying of fees is linked to its responsibilities under UK legislation which apply regardless of whether FMIs are

regulated by other authorities and/or are based overseas.

The need for coordination between the Bank and the Payment Systems Regulator (PSR) was also reiterated, in order to minimise regulatory duplication as some payment systems are dual regulated. As stated in the 2018 CP, the Bank has a duty to co-ordinate with the PSR; and the Bank, the PRA, the Financial Conduct Authority (FCA) and the PSR have a Memorandum of Understanding to cover how this co-ordination works. This is reviewed on an annual basis.

Where an FMI is based overseas, the Bank may have regard to relevant supervisory work conducted by other authorities.

One response stated that the Bank should be mindful of the overall cost of regulation. The Bank is aware of this and has considered the costs to FMIs involved in regulation. The Bank's FMI fee-levying regime is designed to operate on a cost recovery basis only.

### Operationalising the regime

One response proposed a phased implementation period to allow for the build-up of extra resources by FMIs.

The first fee levied under this regime will relate to a shortened fee year and FMIs will only pay a pro-rata amount for the 18/19 fee year. The full FMI fee will be charged from the 19/20 fee year. The Bank's 'fee year' is defined later in this PS under 'Process for levying supervision fees'.

### HM Treasury feedback to a response in relation to Part 3 of the 2018 CP

Following the conclusion of this consultation and the Bank's confirmation that it wishes to continue with the direct levy model for recouping FMI oversight costs, HM Treasury is content to lay legislation agreeing the scale of fees which the Bank can recoup for oversight of recognised payment systems and specified service providers. The Treasury would also like to clarify that its statutory instrument will not explicitly set a lower bound for the oversight fee. Setting a lower bound is not required for the purposes of the legislation and will provide the Bank with added flexibility when ensuring that fees charged are not in excess of the costs of oversight and when a pro-rata fee amount is set within a given year.

Of the responses received to this consultation, one referred to Part 3 of the consultation paper on HM Treasury's statutory instrument. This response asked for clarification on the definition of the term "firm" within the context of special projects. HM Treasury can confirm that it interprets "firm" to mean recognised payment system or specified service provider, as opposed to operator. This language has been clarified in the associated explanatory memorandum.

## 4. Final fee-levying regime

This statement of policy is issued by the Bank in respect of CCPs, CSDs, recognised payment systems and specified service providers to recognised payment systems, collectively referred to as 'FMIs' in this document. It sets out the Bank's policy on the levying of fees on FMIs for the purpose of supervision and certain application by FMIs.

## Fee-levying powers

The Bank has statutory powers to require FMIs to pay fees relating to supervisory work and for certain applications.

- For recognised payment system operators and specified service providers, the Bank has fee-levying powers as set out in section 203 of the Banking Act 2009. Fees levied on recognised payment system operators and specified service providers under the Banking Act 2009 must relate to a scale of fees approved by HMT.
- For recognised clearing houses (RCHs) the Bank has fee-levying powers as set out in paragraph 36 of Schedule 17A of the Financial Services and Markets Act 2000 (FSMA), which cover discharge of the Bank’s functions under or as a result of Part 18 of FSMA, the European Market Infrastructure Regulation (EMIR) and the Central Securities Depositories Regulation (CSDR), and Part 7 of the Companies Act 1989.
- The Bank also has certain powers to charge for applications as set out in Regulation 5 of the Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (SFRs).

The Bank will charge *supervision fees* to FMIs supervised under the Banking Act 2009 or the Financial Services and Markets Act 2000 (FSMA). The Bank’s website sets out the current list of supervised FMIs.<sup>13</sup>

The Bank will charge *application fees* for certain applications under FSMA, SFRs, and section 170B of the Companies Act 1989.<sup>14</sup>

<sup>13</sup> See: <https://www.bankofengland.co.uk/financial-stability/financial-market-infrastructure-supervision>.

<sup>14</sup> In the 2017 CP the Bank proposed charging an application fee for persons seeking approval as operators of relevant

## Supervision Fees

### What supervision fees will cover

The Bank will levy fees for its FMI supervisory activity and policy activity which supports this, as permitted by the Bank’s fee-levying powers. This includes the costs of FMI supervision staff together with relevant policy support, specialist resources and corporate services and other costs associated with the work of the FMID. Other areas of activity undertaken by FMID not within the scope of the powers set out above will continue to be funded by CRD revenue.

### Methodology for levying supervision fees

#### *Fee blocks*

The Bank’s approach to fees uses ‘fee blocks’ for each type of FMI (i.e. separate fee blocks for: CCPs; CSDs; and recognised payment systems and specified service providers). This means that costs are allocated to each type of FMI and then further allocated between FMIs within that block. This approach minimises cross-subsidisation between different types of FMIs, for example ensuring that CCPs do not cross-subsidise the Bank’s work on recognised payment systems and specified service providers or vice versa. The Bank’s approach to FMIs subject to more than one of the Bank’s fee-levying powers is set out later in the section titled ‘FMIs subject to multiple regimes’.

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systems under the Uncertificated Securities Regulations 2001 (USRs). However, as part of the CSDR implementation in the UK, HMT have proposed amendments to the USRs removing the power that permits the Bank to levy fees for these applications, therefore the Bank has not set a fee level for this type of application. See: <https://www.gov.uk/government/consultations/consultation-on-the-implementation-of-the-central-securities-depositaries-regulation-csdr/consultation-on-implementing-csdr>.

### *Category based charging*

All FMIs supervised by the Bank are categorised into one of three categories for CCPs and CSDs or one of two categories for recognised payment systems and specified service providers,<sup>15</sup> according to their potential capacity to cause disruption to the financial system. FMIs will be charged based on their category, linking fees to the Bank's mission to promote the good of the people of the United Kingdom by maintaining monetary and financial stability. The Bank's supervision of FMIs and use of its supervisory resources is based on the risks presented by each type of FMI and the systemic importance of each individual FMI.

The Bank already has a process for categorising FMIs. This involves an assessment of each FMI against a range of qualitative and quantitative factors, including:

- The number and value of transactions processed by the FMI;
- The nature of the transactions processed;
- The availability of substitutes in the event of a disruption;
- Any links or dependencies with other FMIs.

The FMI categories are described as follows:

- a) Category 1 – most significant systems which have the capacity to cause very significant disruption to the financial system by failing or by the manner in which they carry out their business.
- b) Category 2 - significant systems which have the capacity to cause some disruption to the financial system by failing or by the manner in which they carry out their business.

- c) Category 3 – systems which have the capacity to cause at most minor disruption to the financial system by failing or by the manner in which they carry out their business.

### *Fee ratio across the categories of FMI*

The ratio for allocating fees between the different categories of FMIs reflects the different challenges posed in supervising different types of FMI and their categories. Supervisory effort has been used as one of the proxies for determining the respective systemic importance of the FMIs. The ratios across the categories of FMI will be the following:

- For CCPs the ratio between category one, category two and category three CCPs is 1.75:1:0.57.
- For CSDs the ratio between category one, category two and category three CSDs is 1.5:1:0.67.
- For recognised payment systems and specified service providers the ratio between category one and category two firms is 1.5:1.

### *FMIs subject to multiple regimes*

A number of FMIs are covered by more than one fee-levying regime. For example, RCHs under FSMA can also have their embedded payment systems recognised under the Banking Act 2009.

We consider it proportionate that the recognised payment systems operated by an RCH are not treated separately as payment systems for fee-levying purposes. Rather, the Bank will levy a fee on relevant RCHs under one fee block and in accordance with its powers under FSMA.

<sup>15</sup> Recognised payment systems and service providers to recognised payment systems are not authorised by the Bank under FSMA. Due to the threshold for recognition or specification by HMT, a recognised payment system or specified service provider would not be categorised as category 3 by the Bank.

### *Fees for operators of multiple recognised payment systems*

Under the Banking Act 2009, HMT recognises payment systems, rather than operators of payment systems. This means that there can be two or more recognised payment systems operated by a single legal entity. In these cases the Bank will consider the appropriate fee on a case by case basis. However the minimum the Bank will charge is the fee for the category that poses the most systemic risk (eg category one if at least one system is in this category) and the maximum is the fee for all systems combined (ie if a scheme operates a category one payment system and a category two payment system, the maximum the operator will pay is the category one fee plus the category two fee). The decision on the level of fees will reflect the supervisory work required and the resources allocated to the supervision of this type of operator. It will also reflect the benefits gained from some economies of scale. Because the efficiency gains will be case specific they will be discussed separately with each operator, however an operator of more than one system will be able to ascertain the maximum fee they could expect to pay.

The decision in respect to the fee amount levied on an operator of multiple recognised payment systems will be revisited during the annual fee setting process (set out later on in this section). In the event of any change to this decision, the Bank expects to liaise with the relevant operator bilaterally in Q1 when the Bank publishes its public consultation on expected fee rates for the year.

### *Special projects*

Fees charged to FMIs could include work on special projects that fall under the Bank's supervisory remit for FMIs and are in the scope of the Bank's fee-levying powers. As a

general principle the Bank considers special projects to be one-off or significant activities that may be time limited and require additional supervisory resource. This could apply to a specific FMI or a group of FMIs. The Bank expects to levy this fee infrequently<sup>16</sup> and will engage with the FMI or FMIs in the relevant circumstances.

### *Process for levying supervision fees*

The Bank's fee year is 12 months from 1 March to the end of February. Any new fee rates are expected to take effect from 1 March in each year. The Bank intends to consult annually on fee rates. The Bank acknowledges that FMIs may need sufficient time to plan for the payment of fees. The intention, therefore, is to follow a set annual process starting from the fee year 2019/20. From that fee year and for each subsequent year, it is expected that the Bank will publish a public consultation in Q1 setting out the expected fee rates for that year. This will give industry an opportunity to respond to the Bank's consultation on annual fee rates as they are set.

Following that public consultation, it is expected that the Bank will publish a policy statement in Q2 of each fee year which confirms the fee rates for that fee year, as well as publishing feedback from the consultation and any agreed policy changes. Invoices will be issued to FMIs soon thereafter and it is expected to be no later than Q3 of that fee year. Invoices will be issued with 30 day payment terms.

Where significant policy changes are envisaged to the fee regime, for example a change in methodology, the Bank may consult

<sup>16</sup> For operators of recognised payment systems and specified service providers, the amount that can be charged for special projects is limited by HMT's SI, to fees that cannot exceed £500,000 per system/provider per fee year.

on these separately. This could be expected to take place in the autumn preceding the start of the fee year in which they are intended to take effect.

If it appears to the Bank, 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:

- waive the payment;
- reduce the amount payable; or
- offer a whole or partial refund of sums already paid.

### *Charging points, overspends and underspends*

*Supervision fees* will be set on the basis of expected business-as-usual supervisory resource expenditure for each type of FMI for the upcoming fee year. Where the Bank’s spend is greater than anticipated, the Bank will consider adjusting its annual supervisory levy upwards for the relevant fee block for the following fee year. Where the Bank’s spend is less than anticipated, the Bank will consider adjusting downwards its annual supervisory levy for the following fee year, effectively rebating its underspend to the FMIs within the relevant block. In this way, the Bank will recover its actual costs of business-as-usual supervision.

In respect of special project fees, the Bank will set an estimated project fee at the outset of the project. If, prior to the start of the fee-levying process, the project is scheduled to start in the forthcoming year, the Bank will collect fees (based on an estimated budget) at the same time as the Bank’s annual supervisory fee. Any over or underspend will be addressed in the next annual fee-levying process. If the project is not known and only becomes scheduled during the fee year, the

Bank will collect fees in the next annual levying process.

### *Other considerations*

#### *Changes in UK FMI population*

During a given fee year there could be changes to the population of FMIs supervised by the Bank, in the form of the recognition/authorisation of new FMIs under the relevant legislation and/or the ‘de-recognition’ or withdrawal of authorisation of others.

For all newly recognised or authorised FMIs, the Bank will adopt a pro rata approach to levying fees for the Bank’s subsequent supervision activity. This would mean that the FMI pays the annual supervision fee for its category only for the remaining months of the fee year following its recognition or authorisation.

For FMIs that are de-recognised or for whom authorisation is withdrawn during the fee-levying year, the Bank will refund for the proportion of the year remaining when a FMI is de-recognised or authorisation is withdrawn, subject to any administrative costs.

FMIs may also be re-categorised (for example moved from category 2 to category 1) in the course of a year, although the Bank expects this will happen infrequently. The FMI will continue to pay fees based on its previous category until the new levy year when its fees will be based on its new category.

#### *FMI reserves*

The Bank considers that regulatory fees levied by the Bank would form part of the current operating expenses against which FMIs are expected to hold liquid net assets (equal to at

least six months operating expenses) in line with the CPMI-IOSCO *Principles for financial market infrastructures*.<sup>17</sup>

### Application fees

As stated under the ‘Fee-levying powers’ section, the Bank has powers to charge fees in relation to certain applications. The population of entities to which these fees could apply is broader than the current population of Bank supervised FMIs, and could include non-supervised FMIs or bodies seeking authorisation, as well as currently supervised FMIs. No UK FMI will be charged for an authorisation it already holds and no FMI will be charged for a formal application it has already made, as of 10 July 2018.

### Types of application fees

The Bank will charge *application fees* for applications under FSMA, SFRs, and section 170B of the Companies Act 1989.

Where the Bank receives an application for an initial recognition/authorisation of a UK-based CCP or CSD, the Bank will charge the applicant an initial fee. There will be one application fee rate for each type of application. The fee will be based on the Bank’s expected work effort in handling the application, reflecting the work it will need to undertake before the CCP or CSD is able to operate.

In respect of payment systems and service providers recognised/specified by HMT under the Banking Act 2009, there is no equivalent authorisation process by the Bank and so no upfront work is required by the Bank as a prerequisite for that payment system or service provider being recognised/specified.

Accordingly, there will not be any charge prior to the recognition of a payment system or the

specification of a service provider to a recognised payment system.

Where the Bank is the relevant designating authority under the SFRs, the Bank will charge applicants a set application fee, based on the expected work effort incurred by the Bank in determining whether to make a designation order. The Bank does not propose, at this time, to levy periodic fees for assessing ongoing compliance with the SFRs.

The Bank will also adopt the same approach in respect of overseas CCPs who apply under section 170B of the Companies Act 1989 for an order of the Bank recognising that the relevant provisions of that CCP’s default rules satisfy the relevant requirements. Part 7 of that Act provides certain safeguards for CCPs’ default management processes, most notably with respect to insolvency law.

Application fees are set out in Table 2.

**Table 2** Application fees

Application fee payer	Fee payable (£)
Fees for UK-based CCPs seeking authorisation under EMIR in accordance with FSMA.	300,000
Fees for UK-based CSDs seeking authorisation under the Central Securities Depositories Regulation (CSDR) in accordance with FSMA.	250,000
Fees for FMIs seeking designation under the SFR, where the Bank is the relevant designating authority.	5,000
Fees for overseas CCPs applying under section 170B of the Companies Act 1989 for an order of the Bank recognising that the relevant provisions of that CCP’s default rules satisfy the relevant requirements.	5,000

### Process for paying application fees

All application fees are payable at the time of application. If the cost of work required is greater or lesser than the fee charged the Bank will re-invoice to charge an additional amount or refund, where it is proportionate to do so. In the event an application is unsuccessful or withdrawn, the fee will not be refunded unless the Bank considers there to

<sup>17</sup> The relevant Principle has been encoded in law in Article 47 of CSDR and Article 16 of EMIR.

be exceptional circumstances. The amount of each application fee will be kept under review to determine whether they are set at an appropriate amount.

### **Commencement of the regime**

HMT laid the required SI on 19 June 2018. The SI and fee regime are therefore expected to come into force on 10 July. Fees for 2018/19 will be a pro-rata amount for that fee year

and FMIs should expect to receive invoices in September. The full annual process of levying fees will commence from the fee year 2019/20.

FMIs can find information on the estimated and confirmed fee rates for a fee year by consulting the Bank's website, at: <https://www.bankofengland.co.uk/news/publications>.