BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP10/15

Regulated fees and levies: rates proposals 2015/16

March 2015

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This consultation paper proposes the fee rates to meet the PRA's 2015/16 Annual Funding Requirement and the 2015/16 rates for Special Project Fees.

Responses are requested by 19 May 2015.

Please address any comments or enquiries to:
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Contents

1 Overview

Introduction

1.1 This paper consults on the following in respect of the Prudential Regulation Authority's (PRA's) fees and levies for 2015/16:

- fee rates to meet the PRA's 2015/16 Annual Funding Requirement (AFR);
- fee rates in respect of the Special Project Fee (SPF) for Solvency II;
- fee rates for the SPF for restructuring; and
- an amendment to the Financial Penalty Scheme (FPS).

1.2 The paper also sets out how the PRA intends to refund unspent budget from the 2014/15 AFR and Solvency II SPF.

1.3 This consultation applies to all PRA-authorised firms.

Summary of proposals

1.4 Set out below is a summary of the key proposals in this consultation paper (CP).

Annual Funding Requirement and allocation to fee blocks

1.5 The PRA's AFR for 2015/16 is made up of the budgeted cost of Ongoing Regulatory Activities (ORA) and a proportion of transition costs arising from the establishment of the PRA. Further information on these can be found in Chapter 2. The proposed AFR for 2015/16 is £257.8 million.

Special Project Fee for Solvency II

1.6 The PRA proposes to continue to raise an SPF for the PRA's implementation costs of the Solvency II Directive, the Non-IMAP Solvency II SPF.(1) The estimated 2015/16 budget is £13.4 million and further information can be found in Chapter 3.

Special Project Fee for restructuring

1.7 An SPF for restructuring is a funding mechanism by which fees are raised for individual firms or groups of firms which undertake significant restructuring or raising of capital. An SPF is charged based on the number of hours used by the regulator to undertake the work arising as a consequence of the restructuring. The PRA is consulting on new hourly rates for 2015/16 which are set out in Chapter 3.

1.8 The PRA expects that costs arising from the implementation of the PRA's structural reform project (also known as 'ring-fencing') will be covered through this funding mechanism and not through the AFR. Firms impacted by structural reform and expected to pay an SPF will be consulted separately.

Financial Penalty Scheme

1.9 In June 2013 the PRA published its FPS,(2) describing how it will treat financial penalties paid by firms. The PRA collected financial penalties in 2014/15 and there are estimated retained penalties(3) of £1.4 million that will be paid to all eligible PRA-authorised firms.

1.10 The PRA proposes to allocate retained penalties across fee blocks using firm population data from 2014/15. This is a small change to the original scheme, which would have based calculations on the following year's data. Details of the distribution of retained penalties to firms are in Chapter 6.

Additional information

Distribution of refund for 2014/15

1.11 The PRA estimates there will be a refund to fee payers from the AFR in 2014/15 amounting to £4 million. Information on the reasons for this and how it will be refunded to fee payers is in Chapter 4.

1.12 The expected underspend of the Non-IMAP Solvency II SPF for 2014/15 is £2.5 million, which the PRA will refund to the same fee blocks (A3, A4 and A6) and in the same percentages as the 2014/15 Non-IMAP Solvency II SPF cost was levied. This is covered in Chapter 5.

(1) Referred to as the 'Solvency II Implementation Fee' in Fees 4 Annex 2B, Part 5.
(2) *PRA Policy Statement PS4/13* 'PRA Regulated fees and levies: rates proposals', June 2013, Chapter 5, page 13. www.bankofengland.co.uk/pra/Documents/publications/policy/2013/regfeesleviesps4-13.pdf.
(3) 'Retained penalties' are the amounts representing enforcement costs which the PRA is entitled to retain from financial penalties received as a result of its regulatory enforcement activity.

Calculating the actual rates for 2015/16 and refunds for 2014/15

1.13 Fee payers should be aware that the final rates for 2015/16 and the final refunds for 2014/15, which will be published by the PRA in June 2015, may vary from those presented in this CP. The following may have a material effect on the final figures:

- the estimated number of fee payers and estimated tariff data for each fee payer, set out in **Table 2.D**, which are used to calculate the rates proposed in this CP are draft and may be subject to change;
- the proposed refunds set out in **Table 4.A**, **Table 4.B**, **Table 5.A** and **Table 6.A** are draft, unaudited figures and hence may be subject to change; and
- the proposed rates and refunds will be reviewed in light of any responses to this CP.

Consultation period

1.14 The proposals are subject to a consultation period of two months which closes on 19 May 2015. The PRA invites comments on this paper.

1.15 The draft fee rates and rules are contained in Appendix 1. The PRA expects the proposed rules in Appendix 1 to be confirmed in a policy statement in June 2015.

PRA Rulebook

1.16 The PRA will be consulting on the portion of the PRA Rulebook which will replace the FEES 1 to 4 section of the current Handbook. This will be part of the wider PRA project to transpose the shared PRA/Financial Conduct Authority (FCA) Handbook into the PRA Rulebook. A CP will be issued later this year and changes will come into effect at the beginning of fee year 2016/17.

Statutory obligations

1.17 The proposals are compatible with the PRA's statutory objectives under the Financial Services and Markets Act 2000 (FSMA):

- to promote the safety and soundness of PRA-authorised firms;(1)
- in the context of insurance, to contribute to policyholder protection;(2) and
- as a secondary objective, to facilitate effective competition in the markets for services provided by PRA-authorised persons in carrying out regulated activities.(3)

1.18 The PRA considers that the proposed PRA Periodic Fees (2015/2016) and Other Fees Instrument 2015 set out in Appendix 1 will enable the PRA to fund the regulatory activities required to meet its statutory objectives during 2015/16. The proposed fee levels are not expected to have a material impact on the PRA's secondary competition objective since the cost will be spread proportionately across all PRA regulated entities and is therefore not expected to act as a deterrent for new entrants to the industry. For these reasons, the PRA considers the proposals to be compatible with the requirements on the PRA to act in a way that advances its objectives.(4)

1.19 The PRA considers the proposals to be consistent with the general principles of good regulation and compliant with the Regulatory Principles.(5) The fee rates are proportionate and enable sustainable growth in the economy of the United Kingdom in the long term.(6)

Cost benefit analysis

1.20 The PRA is exempt from having to carry out a cost benefit analysis on its draft fee rates.(7)

Mutual societies

1.21 Within each fee block, the costs to be recovered from individual firms are based on the size of their business. Therefore, the PRA does not expect the impact of these proposed fee rates on mutual societies to be significantly different from their impact on other types of authorised persons.(8)

Equality and diversity

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

(1) See s.2B(1) and s.2B(2) FSMA.
(2) See s.2C FSMA.
(3) See s.2H FSMA.
(4) See s.138J(2) FSMA.
(5) See s.2H and s.3B FSMA.
(6) See s.3B1(b) and s.3B1(c) FSMA.
(7) See s.138J(6)(d) FSMA.
(8) See s.138KJ(2)(c) and s.138K(2) FSMA.

2 Regulated fees and levies for 2015/16

2.1 This chapter sets out the proposed fee rates to meet the PRA's AFR for 2015/16.

2015/16 Annual Funding Requirement and comparison to 2014/15

2.2 The AFR is the budget required by the PRA to meet its statutory objectives. This chapter sets out the PRA's proposed AFR for 2015/16.

2.3 The PRA's proposed AFR for 2015/16 is £257.8 million which reflects:

- the budget for ORA, which amounts to £243 million; and
- recovery of a proportion of transition costs, which amounts to £14.8 million.

2.4 **Table 2.A** shows the calculation of the PRA's total AFR for 2015/16, which is an increase of 4% on the PRA's AFR for 2014/15.

Table 2.A Estimated Annual Funding Requirement for 2015/16 and movement from 2014/15 Annual Funding Requirement

£ million	2015/16	2014/15	Change	Percentage change
Ongoing Regulatory Activity	243.0	232.0	11.0	5
Transition costs	14.8	14.8	—	—
Annual Funding Requirement	**257.8**	**246.8**	**11.0**	**4**

2015/16 Ongoing Regulatory Activities

2.5 The PRA's 2015/16 proposed budget for ORA is £243 million compared to £232 million for 2014/15. The £11 million increase from fee year 2014/15 is attributable to:

(i) a one-off cost uplift of £6 million arising from the transition to bring all Bank staff onto the same terms and conditions. This alignment will increase mobility across the Bank of England for all employees and aid retention; and

(ii) costs of £5 million to meet the requirement for additional resource to deliver an expansion in the PRA's responsibilities and implement specific new policy initiatives:

- implementation of the Parliamentary Commission on Banking Standards recommendations through the new Senior Managers Regime and Senior Insurance Managers Regime;
- preparation for the implementation of the Solvency II Directive outside those costs recovered by the Non-IMAP Solvency II SPF;
- implementation of the Capital Requirements Directive IV for banks, building societies and designated investment firms; and
- evolution of the framework to undertake regular stress testing of the UK banking system to assess capital adequacy of the most systemic firms in line with Financial Policy Committee (FPC) recommendations.

Transition costs

2.6 The PRA's AFR for 2015/16 includes an amount of £14.8 million to recover a proportion of transition costs, incurred in preparation for the establishment of the PRA, consulted on in 2013 and set out in PS4/13.(1) These costs are being recovered over a period of five years from 2013/14 to 2017/18, from all fee blocks except the A0 minimum fee block, in proportion to the allocation of fees for ORA as set out in **Table 2.B**. Recovery of the outstanding amount will result in £14.8 million per year being included in the PRA's AFR until 2017/18.

Allocation of 2015/16 Annual Funding Requirement to fee blocks

2.7 The proposed allocation of the AFR across the seven PRA-regulated fee blocks including the minimum fee block is set out in **Table 2.B**. Firms are allocated to PRA fee blocks based on the regulated activities they hold permissions for and pay a periodic fee for each fee block into which they fall. The

(1) *PRA Policy Statement PS4/13* 'PRA Regulated fees and levies: rates proposals', June 2013. www.bankofengland.co.uk/pra/Documents/publications/policy/2013/regfeesleviesps4-13.pdf.

Table 2.B Proposed 2015/16 Annual Funding Requirement allocation

£ million

	Ongoing Regulatory Activities	Transition costs	Annual Funding Requirement	Percentage allocation
A0 Minimum fee	0.6	—	0.6	—
A1 Deposit takers	158.6	9.6	168.2	65
A3 Insurers — general	30.8	1.9	32.7	13
A4 Insurers — life	38.7	2.4	41.1	16
A5 Managing agents at Lloyd's	1.4	0.1	1.5	<1
A6 The Society of Lloyd's	1.9	0.1	2.0	<1
A10 Firms dealing as principal	11.0	0.7	11.7	5
Total	**243.0**	**14.8**	**257.8**	—

proposed allocation to fee blocks is based on the work performed within each area, which reflects the PRA's focus on the firms that pose the greatest risk to the PRA's objectives.

Allocation of Ongoing Regulatory Activities costs

2.8 The cost of ORA is allocated across fee blocks based on the proportion of the PRA's frontline staff undertaking activities relating to each fee block.

Allocation of transition costs

2.9 Transition costs are allocated across fee blocks (with the exception of the A0 minimum fee block) in proportion to the allocation of ORA costs.

Allocation within fee blocks

2.10 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 AFR. As for previous years, cost recovery from the A1 fee block will be weighted further towards 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 Ongoing Regulatory Activity allocations to fee blocks relative to 2014/15

2.11 **Table 2.C** sets out the change from 2014/15 to 2015/16 in the allocation of the PRA's ORA.

Table 2.C Proposed allocation of Ongoing Regulatory Activities to fee blocks and movement from 2014/15 allocation

£ million

	2015/16	2014/15	Change	Percentage change
A0 Minimum fee	0.6	0.6	—	—
A1 Deposit takers	158.6	152.2	6.4	4.2
A3 Insurers — general	30.8	28.6	2.2	7.7
A4 Insurers — life	38.7	37.0	1.7	4.6
A5 Managing agents at Lloyd's	1.4	1.3	0.085	7.7
A6 The Society of Lloyd's	1.9	1.8	0.093	5.6
A10 Firms dealing as principal	11.0	10.5	0.5	4.8
Total	**243.0**	**232.0**	**11.0**	**4.7**

Minimum A0 fee block

2.12 The PRA is able to increase the minimum fee in line with the overall increase in the budgeted ORA. For 2015/16 the PRA proposes to maintain the minimum fee at the same level as 2014/15 in order to support its secondary competition objective.

Deposit takers A1 fee block

2.13 The proposed increase in the fee allocated to the deposit takers fee block is broadly in line with the overall increase in the ORA.

General insurance A3 fee block

2.14 The proposed general insurance fee block allocation has risen above the average increase in the ORA compared to 2014/15. This reflects the greater proportion of the PRA's staff undertaking general insurance supervision work in preparation for the start of the Solvency II regime on 1 January 2016.

Life insurance A4 fee block

2.15 The proposed increase in the fee allocated to the life insurance fee block is broadly in line with the overall increase in the ORA.

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

2.16 The PRA's proposals for the A5 and A6 fee blocks show a rise above the overall increase in the ORA compared to 2014/15. This reflects an increase in the PRA's staff undertaking the supervision of managing agents and Lloyd's in 2015/16.

Firms dealing as principal A10 fee block

2.17 The proposed increase in the fee allocated to the A10 fee block is broadly in line with the overall increase in the ORA.

Online fees calculator

2.18 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 1. The fees calculator for 2015/16 fees and levies will be available to firms from 25 March 2015.

Changes to tariff data used in Annual Funding Requirement allocations to fee blocks relative to 2014/15

2.19 **Table 2.D** sets out the analysis of tariff data for 2014/15 and 2015/16 used to allocate the PRA's AFR to firms within fee blocks.

2.20 The PRA proposes an increase in fee rates for 2015/16 compared to 2014/15 for all fee blocks with the exception of the PT1 Transition costs fee block and the A0 minimum fee block. The proposed changes are due to the movement in the AFR between the two years. This change is lessened where there is an increase in tariff data within the fee blocks and magnified where there is a decrease in the tariff data. The proposed fee rates for the PT1 Transition costs fee block have fallen as the total cost of ORA has increased leading to the transition costs being spread over higher tariff data.

Table 2.D Analysis of tariff data for allocation of fees within fee blocks compared to 2014/15

Fee Block	Tariff basis	2015/16 Number of firms	2014/15 Number of firms	Mvt percentage	2015/16 draft tariff data	2014/15 tariff data	Mvt percentage	Movement in fee rates from 2015/16 percentage
A0	Minimum fee	1,508	1,518	(0.7)	na	na	na	—
A1	Modified eligible liabilities	889	895	(0.7)	£2,858.2 billion	£2,857.0 billion	0.0	4.2
A3	Gross premium income	364	370	(1.6)	£66.6 billion	£65.9 billion	0.9	6.7
	Gross technical liabilities				£135.2 billion	£135.8 billion	(0.4)	8.6
A4	Gross premium income	200	204	(2.0)	£60.1 billion	£62.1 billion	(3.2)	8.1
	Mathematical reserves				£889.4 billion	£893.4 billion	(0.5)	5.1
A5	Active capacity	62	61	1.6	£26.8 billion	£26.4 billion	1.4	6.3
A10	Traders	9	10	(10.0)	2,107	2,130	(1.1)	5.4
PT1	ORA fee	1,509	1,519	(0.7)	na	na	na	(1.7)

3 Special Project Fees for 2015/16

3.1 This chapter sets out proposals for the recovery of the PRA's implementation costs of the Solvency II Directive and the proposed rates for the recovery of supervisory time spent on special projects for restructuring.

Non-IMAP Solvency II Special Project Fee(1)

3.2 The transposition of the Solvency II Directive on 31 March 2015 and its implementation on 1 January 2016 require a significant amount of work to be undertaken by the PRA in 2015/16.

3.3 The total expenditure 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 cost is expected to be in the region of £108 million.

3.4 The Solvency II budgeted costs for 2015/16 are £13.4 million, compared to £13.2 million in 2014/15.

3.5 The budgeted costs for 2015/16 include the cost of:

- developing, building and testing an IT system to receive regulatory reporting in 2015;
- designing and implementing post-Solvency II supervisory processes and procedures which align with the PRA's approach to insurance supervision;
- consulting on and publishing the changes required by Solvency II in the PRA Rulebook and any supervisory statements;
- modifying the current processes for authorisations and regulatory transactions;
- review of applications submitted from 1 April 2015; and
- collecting and analysing data for Solvency II as part of the European and Insurance Occupational Authority (EIOPA) preparatory guidelines.

3.6 These activities are specific to the requirements of the Solvency II Directive and are not part of the PRA's normal supervisory activity. The PRA, therefore, proposes to continue to raise the Non-IMAP Solvency II SPF for 2015/16.

3.7 **Table 3.A** sets out the Non-IMAP Solvency II SPF 2015/16 budget and allocation to fee blocks.

Table 3.A Estimated 2015/16 Non-IMAP Solvency II Special Project Fee and movement from 2014/15

£ million

	2015/16	2014/15	Change	Percentage change
A3 Insurers — general	5.0	4.9	0.1	2
A4 Insurers — life	8.1	8.0	0.1	1
A6 The Society of Lloyd's	0.3	0.3	—	—
Total	**13.4**	**13.2**	**0.2**	**2**

Special Project Fee rates for restructuring

3.8 An SPF for restructuring is a funding mechanism by which fees are raised for individual firms or groups of firms which undertake significant restructuring or raising of capital. An SPF is charged based on the number of hours used by the regulator to undertake the work arising as a consequence of the restructuring.

3.9 For the fee year 2015/16, the PRA proposes that the time spent on special projects for restructuring will be charged at hourly rates as set out in **Table 3.B**.

Table 3.B Proposed PRA SPF hourly rates for restructuring

£/hour	Proposed rate	Current rate	Change
Administrator	30	30	—
Associate	60	55	5
Technical Specialist	90	90	—
Manager	115	115	—
Any other(a)	170	165	5

(a) The 'any other' category is predominantly used for senior management

3.10 It is expected that costs arising from the implementation of the PRA's structural reform project (also known as 'ring-fencing') will be covered through this funding mechanism and not through the AFR.

(1) Referred to as the 'Solvency II Implementation Fee' in Fees 4 Annex 2B, Part 5.

4 Annual Funding Requirement refund for 2014/15

4.1 The PRA proposes to refund unspent budget arising from the 2014/15 AFR. The amount of the AFR to be refunded to fee payers is estimated to be £4 million (see **Table 4.A**). It is the PRA's policy to refund all unspent AFR unless the PRA Board determines that a portion should be retained as reserves. The PRA Board has determined that the unspent AFR should not be retained for the purpose of reserves in 2015/16.

Ongoing Regulatory Activities refund

4.2 The PRA estimates that there will be an unspent amount relating to ORA of £4.5 million. This figure is the difference between the amount levied in 2014/15 and the actual expenditure for 2014/15. Unspent budget can arise for a number of reasons including:

- over-collection of fees due to changes in tariff data throughout the fee year;
- planned PRA expenditure falling outside the fee year; and
- savings attributable to the PRA's continued commitment to provide value for money.

Transition costs recovery

4.3 As outlined in Chapter 2, the PRA is recovering transition costs of £14.8 million a year for five years until 2017/18. In the 2014/15 fee year £14.3 million of transition costs were recovered due to administration errors. The shortfall of £0.5 million will be recouped from the unspent ORA budget referred to above.

Annual Funding Requirement refund

4.4 An estimated net amount of £4 million will be refunded. This is a draft, unaudited figure and therefore will be subject to change, with the final figure to be confirmed in the June policy statement. **Table 4.A** sets out the estimated 2014/15 AFR refund and the comparison to the 2013/14 refund.

Table 4.A Estimated 2014/15 Annual Funding Requirement refund and comparison to 2013/14 refund

£ million

	2014/15	2013/14	Change
Ongoing Regulatory Activities	4.5	20.3	(15.8)
Transition costs under-recovery	(0.5)	—	(0.5)
Total	**4.0**	**20.3**	**(16.3)**

4.5 The AFR refund will be allocated to firms in two stages:

Stage 1 — Allocation to fee blocks

4.6 The PRA proposes to allocate the AFR refund across all fee blocks, with the exception of the A0 minimum fee block, in proportion to the AFR allocation for the 2014/15 fee year.

Stage 2 — Allocation to individual firms

4.7 Within each fee block the AFR refund is allocated with reference to fee block population and tariff data for the 2014/15 fee year, excluding firms that are no longer PRA fee payers.

4.8 **Table 4.B** sets out the proposed allocation of the AFR refund for 2014/15 to fee blocks.

Table 4.B Proposed allocation of Annual Funding Requirement refund for 2014/15 to fee blocks

£ million

	Ongoing Regulatory Activities	Transition costs under-recovery	Total
A0 Minimum fee	—	—	—
A1 Deposit takers	3.0	(0.3)	2.7
A3 Insurers — general	0.6	(0.1)	0.5
A4 Insurers — life	0.7	(0.1)	0.6
A5 Managing agents at Lloyd's	<0.1	<0.1	<0.1
A6 The Society of Lloyd's	<0.1	<0.1	<0.1
A10 Firms dealing as principal	0.2	<0.1	0.2
Total	**4.5**	**(0.5)**	**4.0**

5 Non-IMAP Solvency II Special Project Fee refund for 2014/15

5.1 The PRA proposes to refund unspent budget raised through the 2014/15 Non-IMAP Solvency II SPF. The refund is forecast to be £2.5 million. The PRA will allocate this to the same fee blocks (A3, A4 and A6) and percentages as the 2014/15 Non-IMAP Solvency II SPF costs were levied.

5.2 As with the AFR refund, the Non-IMAP Solvency II SPF refund will be allocated with reference to the firm population and tariff data for the 2014/15 fee year, excluding firms that are no longer PRA fee payers.

5.3 **Table 5.A** sets out the proposed allocation of the Non-IMAP Solvency II SPF refund for 2014/15 to fee blocks.

Table 5.A Proposed allocation of SII SPF refund for 2014/15 to fee blocks

	£ million
A3 Insurers — general	0.9
A4 Insurers — life	1.5
A6 The Society of Lloyd's	0.1
Total	**2.5**

6 Financial Penalty Scheme and application of Retained Penalties for 2014/15

Financial Penalty Scheme

6.1 Under FSMA[1] the PRA must:

- pay any fines and other financial penalties received as a result of regulatory enforcement activity to HM Treasury after deducting certain enforcement costs (these costs are referred to as 'retained penalties');
- publish and operate a financial penalty scheme (the 'FPS') to ensure that retained penalties are applied for the benefit of PRA-authorised firms; and
- ensure that any firm that has had a penalty imposed does not share in the distribution of retained penalties for the relevant fee year.

6.2 The PRA published its FPS in June 2013.[2] This provides for retained penalties to be refunded as a rebate to the periodic fees payable by firms in the six fee blocks below. There is no allocation to the A0 minimum fee or the PT1 Transition costs fee blocks as they do not bear any share of enforcement costs.

6.3 This CP proposes one minor modification to the FPS. Total retained penalties from any financial year will be allocated across fee blocks in proportion to the allocations of periodic fees for ORA for that financial year and not the following financial year. The PRA considers this to be a more equitable approach that aligns the treatment of retained penalties with that of unspent AFR.

6.4 Accordingly, the PRA proposes that the last bullet point of the current paragraph 57 of the FPS be deleted and that the paragraphs currently numbered 54 and 55 be amended as follows:

> *54. The PRA will apply retained penalties paid in any financial year as a rebate to the periodic fees paid in **that** ~~the following~~ financial year by firms in the following fee blocks…*

> *55. The total retained penalties from any financial year will be allocated across these fee blocks in proportion to the allocation of fees for ongoing regulatory activity for **that** ~~the following~~ financial year except for the firm(s) upon whom any penalty was levied.*

6.5 The amended FPS, taking account of any responses received on these proposals, will be published in the policy statement in June 2015.

Application of Retained Penalties for 2014/15

6.6 In 2014/15 successful enforcement activity by the PRA resulted in fines and penalties in excess of £14 million. The total retained penalties for this period of £1.4 million will be refunded to firms across all fee blocks (except for the A0 minimum fee block) excluding those firms that incurred the fines.

Table 6.A Proposed allocation of Financial Penalty Scheme refund for 2014/15 to fee blocks

	£ million
A0 Minimum fee	—
A1 Deposit takers	0.9
A3 Insurers — general	0.2
A4 Insurers — life	0.2
A5 Managing agents at Lloyd's	<0.1
A6 The Society of Lloyd's	<0.1
A10 Firms dealing as principal	0.1
Total	**1.4**

(1) Paragraphs 28 and 29 of Schedule 1ZB FSMA.
(2) *PRA Policy Statement PS4/13* 'PRA Regulated fees and levies: rates proposals', June 2013, Chapter 5, page 13; www.bankofengland.co.uk/pra/Documents/publications/policy/2013/regfeesleviesps4-13.pdf.

Appendix 1

PRA PERIODIC FEES (2015/2016) AND OTHER FEES INSTRUMENT 2015

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.

Pre-conditions to making

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

Amendments to the Handbook

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

Commencement

E. This instrument comes into force on [*date*] 2015.

Citation

F. This instrument may be cited as the PRA Periodic Fees (2015/2016) and Other Fees Instrument 2015.

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) AR	Table of *PRA* hourly rates:	
	PRA pay grade	Hourly rate (£)
	Administrator	30
	Associate	~~55~~ <u>60</u>
	Technical Specialist	90
	Manager	115
	Any other person employed by the *PRA*	~~165~~ <u>170</u>
(12) G	…	

…

4 Annex 2B FEES 4 Annex 2B PRA fee rates and EEA/Treaty firm modifications for the period from ~~1 March 2014 to 28 February 2015~~ 1 March 2015 to 29 February 2016

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)	…
…	

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	~~36.81~~ 38.34	
	>140 - 630	~~36.81~~ 38.34	
	>630 - 1,580	~~36.81~~ 38.34	
	>1,580 - 13,400	~~46.01~~ 47.93	
	>13,400	~~60.74~~ 63.26	
A.3	Gross premium income (GPI)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee
	Minimum fee (£)	Not applicable	25.00
	Band Width (£ million of GPI)	Fee (£/£m or part £m of GPI)	
	>0.5 - 10.5	~~439.00~~ 468.30	~~66.82~~ 67.67
	>10.5 - 30	~~439.00~~ 468.30	~~66.82~~ 67.67
	>30 - 245	~~439.00~~ 468.30	~~66.82~~ 67.67
	>245 - 1,900	~~439.00~~ 468.30	~~66.82~~ 67.67
	>1,900	~~439.00~~ 468.30	~~66.82~~ 67.67
	Plus		
	Gross technical liabilities (GTL)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee
	Band Width (£ million of GTL)	Fee (£/£m or part £m of GTL)	
	>1 - 12.5	~~24.41~~ 26.50	~~3.62~~ 3.71
	>12.5 - 70	~~24.41~~ 26.50	~~3.62~~ 3.71
	>70 - 384	~~24.41~~ 26.50	~~3.62~~ 3.71
	>384 - 3,750	~~24.41~~ 26.50	~~3.62~~ 3.71
	>3,750	~~24.41~~ 26.50	~~3.62~~ 3.71

	For *UK ISPVs* the tariff rates are not relevant and a flat fee of £430.00 is payable in respect of each *fee year*.		
A.4	Adjusted annual gross premium income (AGPI)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee
	Minimum fee (£)	Not applicable	25.00
	Band Width (£ million of AGPI)	Fee (£/£m or part £m of AGPI)	
	>1 - 5	~~451.00~~ 487.50	~~97.49~~ 101.18
	>5 - 40	~~451.00~~ 487.50	~~97.49~~ 101.18
	>40 - 260	~~451.00~~ 487.50	~~97.49~~ 101.18
	>260 - 4,000	~~451.00~~ 487.50	~~97.49~~ 101.18
	>4,000	~~451.00~~ 487.50	~~97.49~~ 101.18
	PLUS		
A.4	Mathematical reserves (MR)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee
	Minimum fee (£)	Not applicable	25.00
	Band Width (£ million of MR)	Fee (£/£m or part £m of MR)	
	>1 - 20	~~10.41~~ 10.94	~~2.26~~ 2.28
	>20 - 270	~~10.41~~ 10.94	~~2.26~~ 2.28
	>270 - 7,000	~~10.41~~ 10.94	~~2.26~~ 2.28
	>7,000 - 45,000	~~10.41~~ 10.94	~~2.26~~ 2.28
	>45,000	~~10.41~~ 10.94	~~2.26~~ 2.28
A.5	Band Width (£ million of Active Capacity (AC))	Fee (£/£m or part £m of AC)	
	>50 - 150	~~55.10~~ 58.58	
	>150 - 250	~~55.10~~ 58.58	
	>250 - 500	~~55.10~~ 58.58	
	>500 - 1,000	~~55.10~~ 58.58	
	>1,000	~~55.10~~ 58.58	

A.6	Flat fee Solvency 2 Implementation Flat Fee (£)	~~1,772,360.08~~1,900,000.00 ~~264,360.00~~ 300,000.00	
A.10	Band Width (No. of traders)		Fee (£/trader)
	2 - 3		~~4,951.00~~ 5,221.00
	4 - 5		~~4,951.00~~ 5,221.00
	6 - 30		~~4,951.00~~ 5,221.00
	31 - 180		~~4,951.00~~ 5,221.00
	>180		~~4,951.00~~ 5,221.00

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 1BR

PA.0	(1)	The minimum fee payable by any *firm* referred to in (3) is 500 unless:	
		(a)	…
		…	
PT.1	Periodic fees payable under Part 1 multiplied by rate ~~£0.0639~~ 0.0628		

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 to the *firm*
A.1	…
…	