



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

# Consultation Paper | CP17/17

## Regulated fees and levies: Adjustment to rates for 2017/18

September 2017





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Responses are requested by Thursday 12 October 2017.

**Please address any comments or enquiries to:**

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## Introduction

This consultation paper (CP), sets out the Prudential Regulation Authority's (PRA) proposal to correct the fee rates for the PRA's Annual Funding Requirement (AFR) for 2017/18 published in Policy Statement (PS) 17/17 'Regulated fees and levies: rates for 2017/18' (the PS).<sup>1</sup>

This CP is relevant to all firms that currently pay PRA fees or are expecting to do so within the 2017/18 fee year (1 March 2017 to 28 February 2018).

## Proposal

The fee rates published in the PS did not reflect the most up-to-date data received from firms prior to its publication. The PRA therefore proposes to correct the rates by amending Table III of the Fees Part of the PRA Rulebook (see Appendix).

The fee rates used in the fees calculator on the Financial Conduct Authority (FCA) website, and the invoices issued by the FCA to firms on behalf of the PRA for the 2017/18 year, reflect the correct rates.

For all firms, the correct fee rates will be lower than those published in the PS.

## Implementation

The PRA proposes that the amended rates will take effect for all firms for the 2017/18 fee year.

## Responses and next steps

This consultation closes on Thursday 12 October 2017. The consultation period is one month as the correct rates have been invoiced to firms. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP17\_17@bankofengland.co.uk.

## The PRA's statutory obligations

Before making any rules, the Financial Services and Markets Act 2000 (FSMA)<sup>2</sup> requires the PRA to publish a draft of the proposed rules accompanied by:

- a cost benefit analysis;
- an explanation of the PRA's reasons for believing that making the proposed rules is compatible with the PRA's duty to act in a way that advances its general objective,<sup>3</sup> insurance objective<sup>4</sup> (if applicable), and secondary competition objective;<sup>5</sup>
- an explanation of the PRA's reasons for believing that making the proposed rules are compatible with its duty to have regard to the regulatory principles;<sup>6</sup> and

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<sup>1</sup> July 2017: [www.bankofengland.co.uk/pru/Pages/publications/ps/2017/ps1717.aspx](http://www.bankofengland.co.uk/pru/Pages/publications/ps/2017/ps1717.aspx).

<sup>2</sup> Section 138J of FSMA.

<sup>3</sup> Section 2B of FSMA.

<sup>4</sup> Section 2C of FSMA.

<sup>5</sup> Section 2H(1) of FSMA.

<sup>6</sup> Sections 2H(2) and 3B of FSMA.

- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons.<sup>1</sup>

The PRA should have regard to aspects of the government's economic policy recommended by HM Treasury.<sup>2</sup>

The PRA is also required by the Equality Act 2010<sup>3</sup> to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

### **Cost benefit analysis**

There are no economic costs or benefits associated with the proposed changes to PRA fee rates set out in this CP. The proposed changes correct errors in the table of fees and levies in the Fees Part as amended by 'PRA Rulebook: PRA Periodic Fees (2017/18) and Other Fees Instrument 2017' (PRA2017/24) published in the PS. The actual rates used to generate firms' invoices are correct and unchanged.

### **Compatibility with the PRA's objectives**

The PRA considers that the proposals are compatible with the PRA's statutory objectives to promote the safety and soundness of PRA-authorised firms, and to contribute to ensuring that policyholders of insurers are appropriately protected, by making the rules firms are required to follow consistent with the actual fee rate being levied for 2017/18.

The PRA does not consider that the proposed amendment will either hinder or promote effective competition, as the proposed changes will have no impact on the fees paid by firms.

### **Regulatory principles**

In developing the proposal in this CP, the PRA has had regard to the regulatory principles. The PRA considers that the most relevant principle is that the regulators should exercise their functions as transparently as possible, by clearly identifying where an error has occurred and proposing a correction subject to consultation.

### **HM Treasury recommendation letter**

In March 2017, HM Treasury made recommendations to the Prudential Regulation Committee (PRC) about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the objectives of the PRA and apply the regulatory principles set out in FSMA.<sup>4</sup> The PRA considers that the reference to transparency in the recommendation letter is most relevant to the proposals (as noted in the paragraph on regulatory principles above).

### **Impact on mutuals**

In the PRA's opinion, the impact of the proposed rule changes on mutuals is expected to be no different from the impact on other firms.

### **Equality and diversity**

The PRA does not consider that the proposals give rise to equality and diversity implications.

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1 Section 138K of FSMA.

2 Section 30B of the Bank of England Act 1998.

3 Section 149.

4 Information about the Prudential Regulation Committee and the recommendations from HM Treasury are available on the Bank's website at [www.bankofengland.co.uk/about/Pages/people/prapeople.aspx](http://www.bankofengland.co.uk/about/Pages/people/prapeople.aspx).

## Appendix: PRA Periodic Fees (2017/18) Correction Instrument 2017

### PRA RULEBOOK: PRA PERIODIC FEES (2017/18) CORRECTION INSTRUMENT 2017

#### **Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
  - (1) section 137G (The PRA’s general rules);
  - (2) section 137T (General supplementary powers); 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 referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

#### **Pre-conditions to making**

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

### PRA Rulebook: PRA Periodic Fees (2017/18) Correction Instrument 2017

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

#### **Commencement**

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

#### **Citation**

- F. This instrument may be cited as the PRA Rulebook: PRA Periodic Fees (2017/18) Correction Instrument 2017.

#### **By order of the Prudential Regulation Committee**

[date]

**Annex****Amendments to the Fees Part**

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

**3 PERIODIC FEES**

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**TABLE III – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM AND TRANSITION COSTS FEE BLOCKS FOR THE FEE YEAR 2017-18**

<b>Column 1 Fee block</b>	<b>Column 2 Tariff base</b>	<b>Column 3 Tariff bands</b>	<b>Column 4 Tariff rates</b>
<b>A1 deposit acceptors fee block</b>	<b><i>modified eligible liabilities</i></b>	Band width (£million of MELs)	Fee payable per million or part million of MELs (£)
		>10 - 140	<u>37.4933.97</u>
		>140 - 630	<u>37.4933.97</u>
		>630 - 1,580	<u>37.4933.97</u>
		>1,580 - 13,400	<u>46.8642.46</u>
		>13,400	<u>61.8656.05</u>
<b>A3 general insurers fee block</b>  <i>gross premium income + gross technical liabilities</i>	<b><i>gross premium income (GPI)</i></b>	Band width (£million of GPI)	Fee payable per million of GPI (£)
		>0.5	<u>583.14580.70</u>
	<b><i>gross technical liabilities (GTL)</i></b>	Band Width (£ million of GTL)	Fee payable per million of GTL (£)
		>1	<u>32.8232.63</u>
			For UK ISPVs the <i>tariff rates</i> are not relevant and a flat fee of £430.00 is payable in respect of each <i>fee year</i> .
<b>A4 Life insurers fee block</b>  <i>adjusted gross</i>	<b><i>adjusted gross annual premium income (AGPI)</i></b>	Band width (£million of AGPI)	Fee payable per million of AGPI(£)
		>1	<u>567.65567.64</u>

<i>annual income (AGPI) +mathematical reserves</i>	<i>mathematical reserves</i>	Band width (£million of <i>mathematical reserves for fees purposes</i> )	Fee per million or part million of <i>mathematical reserves for fees purposes</i> (£)
		>1	11.95
<b>A5 managing agents at Lloyd's</b>	<i>active capacity</i>	Band width (£million of <i>active capacity</i> )	Fee per million of <i>active capacity</i> (£)
		>50	<u>53.2053.17</u>
<b>A6 Society of Lloyd's</b>	<b>flat fee</b>	N/A	<b>General periodic fee (£)</b> 1,827,317.70
<b>A10 Firms dealing as principal fee block</b>	<b>fee per trader</b>	<b>Fee (£ per trader)</b>	<u>6,154.306,154.22</u>