

**PRA RULEBOOK: PRA PERIODIC FEES (2016/17) AND OTHER FEES INSTRUMENT 2016**

**Powers exercised**

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

**Pre-conditions to making**

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

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

**Commencement**

- E. This instrument comes into force on **30 June 2016**.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: PRA Periodic Fees (2016/17) and Other Fees Instrument 2016.

**By order of the Board of the Prudential Regulation Authority**

27 June 2016

## Annex

## PRA RULEBOOK: PRA PERIODIC FEES (2016/2017) AND OTHER FEES INSTRUMENT 2016

## Amendments to the Fees Part of the PRA Rulebook

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

## 1. APPLICATION AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

assets outside expected RFB subgroups

means assets of a ring-fencing fees group which its ring-fencing business plan indicated were not intended to be held within a ring-fenced body or its UK sub-group for ring-fencing purposes on 1 January 2019.

core deposit

means core deposits within the meaning of article 2(2) of the FSMA (Ring-Fenced Bodies and Core Activities) Order 2014.

ring-fencing fees group

means a banking group, or part of a banking group, which (i) has submitted a ring-fencing business plan and (ii) was notified by the PRA on or prior to 1 May 2016 that a fee relating to ring-fencing would be payable by one or more members of its group.

ring-fencing business plan

means the near-final business plans submitted to the PRA on or before 1 March 2016 setting out firms' proposals for ring-fencing.

ring-fenced body or RFB

has the meaning in Section 142A of FSMA.

ring-fencing

means the UK ring-fencing regime as provided for in the Financial Services (Banking Reform) Act 2013, including statutory instruments and PRA rules made or to be made pursuant thereto.

ring-fencing implementation fee(s)

means the fee or fees in 3.18.

~~Version 1 credit union~~

~~means a credit union whose Part 4A permission requires that it must not lend more than £15,000, or such lesser amount as may be specified in the~~

permission, in excess of a member's shareholding, being any shares held by a member of the *credit union* in accordance with sections 5 and 7 of the Credit Unions Act 1979 or articles 14 and 23 of the Credit Unions (Northern Ireland) Order 1985 (as appropriate).

~~Version 2 credit union~~

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

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### 3 PERIODIC FEES

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

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

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

- (4) the *ring-fencing implementation fee* if applicable.

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3.5 The *periodic fees* payable by:

- (1) the *Society* are as specified in Table III of the *Periodic Fees Schedule*; and
- (2) *fee-payers* subject to the *ring-fencing implementation fee* are as specified in 3.18.

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Modifications to periodic fees for incoming EEA, ~~and~~ Treaty firms and non-directive insurers

3.11 The following modifications to *periodic fees* will apply:

- (1) In relation to *incoming EEA firms* and *incoming Treaty firms*:

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

(2) Periodic fees in the A3 general insurance fee block and the A4 life insurance fee block payable by firms outside the scope of the Solvency II Directive are subject to the modifications in Table V of the Periodic Fees Schedule, to be applied to the final figure arrived at under 3.3 (3) once all other modifications relevant to the firm have been taken into account.

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#### Ring-fencing implementation fee

3.18 In the fee year commencing on 1 March 2016 and subsequent fee years:

- (1) The PRA will charge a ring-fencing implementation fee to recover the annual cost to the PRA, as determined by the PRA, of implementing ring-fencing.
- (2) All firms within ring-fencing fees groups are subject to ring-fencing implementation fees. The PRA may require that a single firm pays all ring-fencing implementation fees due to the PRA by the group.
- (3) In each fee year the PRA will allocate to each ring-fencing fees group the proportion referred to in 3.18 (4) of the cost referred to in 3.18 (1). An amount reflecting this proportion will be the total fee payable by the group.
- (4) The proportion referred to in 3.18 (3) was determined by the PRA as at 1 March 2016 in accordance with the following formula (all figures rounded to the nearest whole number):

$$\frac{X + Y}{2} \%$$

where

$$X = \frac{\text{core deposits (ring-fencing fees group)}}{\text{core deposits (all ring-fencing fees groups)}} \times 100$$

and

$$Y = \frac{\text{assets outside expected RFB sub-group (ring-fencing fees group)}}{\text{assets outside expected RFB sub-groups (all ring-fencing fees groups)}} \times 100$$

- (5) Fee payers must comply with directions from the PRA or its collection agent as to payment of ring-fencing implementation fees arising from any variance between the PRA's budgeted costs under 3.18 (1) and its actual costs once final, audited figures are available in relation to any fee year. A surplus of fee income against the PRA's actual costs may result in a credit to the firms making payment and a shortfall may necessitate a call for additional fees.

- (6) Where an application for a new authorisation or variation of Part 4A permission is made in the context of ring-fencing, no regulatory transaction fee will be payable under 4.5 or 4.7 if a ring-fencing implementation fee is payable under 3.18 whether by the applicant or another fee payer.

**PERIODIC FEES SCHEDULE – FEE RATES AND EEA/TREATY FIRM MODIFICATIONS FOR THE PERIOD FROM ~~1 MARCH 2015 TO 29 FEBRUARY 2016~~ 1 MARCH 2016 TO 28 FEBRUARY 2017**

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

**TABLE I4 MINIMUM PERIODIC FEES RATES**

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

**TABLE II - TRANSITION COSTS ALLOCATION**

Fee payer	Tariff base for allocations to firms
All <i>firms</i> , except those paying only the minimum fee and <i>insurance special purpose vehicles</i> .	Total <i>periodic fees</i> , excluding minimum fees, payable by the <i>firm</i> multiplied by <b><u>0.06260.0627</u></b>

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

<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>modified eligible liabilities</b>	Band width (£million of <i>MELs</i> )	Fee payable per million or part million of <i>MELs</i> (£)	
		>10 - 140	<del>38.87</del> 36.66	
		>140 - 630	<del>38.87</del> 36.66	
		>630 - 1,580	<del>38.87</del> 36.66	
		>1,580 - 13,400	<del>48.59</del> 45.83	
		>13,400	<del>64.14</del> 60.49	
<b>A3 general insurers fee block</b>  <i>gross premium income + gross technical liabilities</i>	<b>gross premium income (GPI)</b>	Band width (£million of <i>GPI</i> )	Fee payable per million of <i>GPI</i> (£)	
		>0.5 - 10.5	<del>494.15</del> 541.25	
		>10.5 - 30	<del>494.15</del>	
		>30 - 245	<del>494.15</del>	
		>245 - 1,900	<del>494.15</del>	
		>1,900	<del>494.15</del>	
	<b>gross technical liabilities (GTL)</b>	Band Width (£ million of <i>GTL</i> )	Fee payable per million of <i>GTL</i> (£)	
		>1 - 12.5	<del>27.31</del> 30.30	
		>12.5 - 70	<del>27.31</del>	
		>70 - 384	<del>27.31</del>	
		>384 - 3,750	<del>27.31</del>	
		>3,750	<del>27.31</del>	
		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 annual income (AGPI) + mathematical reserves</i>	<b>adjusted gross annual premium income (AGPI)</b>	Band width (£million of <i>AGPI</i> )
>1 - 5	<del>499.65</del> 546.20			
>5 - 40	<del>499.65</del>			
>40 - 260	<del>499.65</del>			
>260 - 4,000	<del>499.65</del>			
>4,000	<del>499.65</del>			
<b>mathematical reserves</b>	Band width (£million of <i>MR mathematical reserves for fees purposes</i> )		Fee per million or part million of <i>mathematical reserves for fees purposes</i> (£)	
	>1 - 20		<del>40.24</del> 11.57	
	>20 - 270		<del>40.24</del>	
	>270 - 7,000		<del>40.24</del>	
	>7,000 - 45,000		<del>40.24</del>	
>45,000	<del>40.24</del>			

A5 managing agents at Lloyd's	<i>active capacity</i>	Band width (£million of active capacity)	Fee per million of <i>active capacity</i> (£)
		>50 –150	<del>59.22</del> 57.15
		>150 –250	<del>59.22</del>
		>250 –500	<del>59.22</del>
		>500 –1,000	<del>59.22</del>
		>1,000	<del>59.22</del>
A6 Society of Lloyd's	flat fee	N/A	General periodic fee (£) 4,895,574.68-1,795,750.10
A10 Firms dealing as principal fee block	fee per trader	Fee (£ per trader)	<del>5,776.00</del> 5,537.00

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

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

**TABLE V – MODIFICATIONS TO PERIODIC FEES FOR NON-DIRECTIVE FIRMS IN THE A3 AND A4 FEE BLOCKS**

<u>Fee payer</u>	<u>Discount applied to <i>periodic fees</i></u>
<u>A3 general insurers fee block</u>	<u>11%</u>
<u>A4 life insurers fee block</u>	<u>11%</u>

## 4 REGULATORY TRANSACTION FEES

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

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

(a) ~~any credit union~~ applying for a Part 4A permission for *consumer credit related activities* £100.00; and

(b) a *credit union* which, prior to 3<sup>rd</sup> February 2016, would have been categorised as a ~~Version 1 credit union~~ applying for Part 4A permission not limited to *consumer credit related activities* £150.00;

(c) a ~~credit union~~ which, prior to 3<sup>rd</sup> February 2016, would have been categorised as a ~~Version 2 credit union~~ applying for Part 4A permission not limited to *consumer credit related activities* £900.00.