

PRA RULEBOOK: PRA PERIODIC FEES (2018/19) AND OTHER FEES INSTRUMENT 2018

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.

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

Commencement

- E. This instrument comes into force on 28 June 2018.

Citation

- F. This instrument may be cited as the PRA Rulebook: PRA Periodic Fees (2018/19) and Other Fees Instrument 2018.

By order of the Prudential Regulation Committee

21 June 2018

Annex

Amendments to the Fees Part

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

1 DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

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fee block

means *firms* conducting broadly similar regulated activities grouped together for the purposes of calculating and collecting fees as follows:

A0 - the *minimum fee block*

A1 – the *deposit acceptors fee block*

A3 – the *general insurance fee block*

A4 – the *life insurance fee block*

A5 – the *Lloyd's managing agents fee block*

A6 - the *Society of Lloyd's fee block*

A10 – the *designated firms dealing as principal fee block*

~~PT1 – the *transition costs fee block*~~

...

~~*FRS 101*~~

~~means Financial Reporting Standard 101 issued by the Financial Reporting Council~~

...

gross written premium for fees purposes

means:

(1) for *UK Solvency II firms* in the *general insurance fee block* (A3), the total of items entered under row codes R0110, R0120 and R0130, as expressed in column code C0200 where this column is completed for those row codes, of the *annual quantitative reporting template* S.05.01.01, as reported to the *PRA*;

(2) for *non-directive firms* in the *general insurance fee block (A3)*, a *firm's* gross premium written as reported to the *PRA* under item 11 of form 11, or where this is not reported because the *firm* is a *Swiss general insurer* or holds a *relevant waiver*, the entry at sheet 1, line 1, column 1, of form 20A, or where the *firm* is a *friendly society*, the income and expenditure account entry for gross premium written or contributions as income receivable, as appropriate under the Friendly Societies (Accounts and Related Provisions) Regulation 1994 (SI 1994/1983); and

...

...

~~IFRS9 implementation fee(s)~~

~~means the fee or fees in 3.21~~

...

ring fencing fees group

means a banking group, or part of a banking group, which (i) has submitted forecasts to the *PRA* indicating that, from 1 January 2019, it will not meet the *core deposit* level condition in Article 12 of the *FSMA* (Ring-fenced Bodies and Core Activities) Order 2014 and (ii) has been notified by the *PRA* between 1 May 2016¹⁷ and 1 May 2017¹⁸ that a fee relating to the implementation of ring-fencing will be payable by one or more members of its *group*

3 PERIODIC FEES

...

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

...

(5) the *ring-fencing implementation fee*; and

(6) ~~the IFRS 9 implementation fee calculated in accordance with Table VII, subject to any modifications in Table IV, of the Periodic Fees Schedule; and [deleted]~~

(7) a *model maintenance fee* calculated in accordance with Table VIII of the Periodic Fees Schedule.

...

3.4 The tariff bases and valuation points referred to in 3.3 (3)(a) are:

...

(6) For all firms, if the data source specified in the applicable tariff base is not available to the PRA for any reason and the same data is available to the PRA from an alternative source, periodic fees applicable to any firm under 3.3(3) will be calculated using that alternative source.

...

3.5 The periodic fees payable by:

...

~~(3) fee-payers subject to the IFRS 9 implementation fee are as specified in 3.21.[deleted]~~

...

3.11 The following modifications to periodic fees will apply:

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

...

b) the tariff rates set out in Table IIIA 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; and

(c) the EU withdrawal costs allocation in Table VI and the IFRS implementation fee in ~~Table VII~~ is modified in accordance with Table IV of the Periodic Fees Schedule.

...

...

Ring fencing implementation fee

3.18 In the fee year commencing on 1 March 2017 and subsequent fee years:

...

(4) The proportion referred to in 3.18 (3) was determined by the PRA for the ~~2017/18~~ 2018/19 fee year in accordance with the following formula (all figures rounded to the nearest whole number):

...

...

~~IFRS 9 implementation fee~~

~~3.21 In the fee year commencing on 1 March 2017 and subsequent fee years:~~

~~(1) The PRA will charge an IFRS 9 implementation fee to recover the annual cost to the PRA, as determined by the PRA, of implementing the IFRS 9 accounting standard for firms in the deposit acceptors fee block and designated firms dealing as principal fee block.~~

~~(2) All firms within the deposit acceptors fee block and designated firms dealing as principal fee block other than non-EEA branches and firms paying only the minimum periodic fee which prepared their most recent set of annual accounts for the firm's financial year ending on or before 31 March 2017 in accordance with IFRS or FRS 101 are subject to the IFRS 9 implementation fee.~~

~~(3) The IFRS 9 implementation fee is calculated in accordance with Table VII of the Periodic Fees Schedule.~~

~~(4) Fee payers must comply with directions from the PRA or its collection agent as to payment of IFRS 9 implementation fees arising from any variance between the PRA's budgeted costs under 3.21(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 firms making payment and a shortfall may necessitate a call for additional fees. [deleted]~~

Model maintenance fee

...

3.23 In the fee year commencing on 1 March 2018 and subsequent fee years:

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(8) For models incorporating more than one UK firm, the model maintenance fee shall be determined by reference to aggregated figures for all UK firms included within the scope of that model, and shall usually be payable by the firm which pays the largest periodic fee under 3.3(3) or otherwise by such firms and in such proportions as the PRA directs. To facilitate the aggregation calculation where a model incorporates one or more CRD credit institutions and one or more designated investment firms within its scope, for each designated investment firm which is also a UK firm, trading assets shall be rounded to the nearest £1million, and each £1million of trading assets shall be deemed equivalent to £0.4million in modified eligible liabilities. Total modified eligible liabilities shall then be added together for all UK firms within scope of the model.

...

PERIODIC FEES SCHEDULE – FEE RATES AND EEA/TREATY FIRM MODIFICATIONS FOR THE PERIOD FROM ~~1 MARCH 2017 TO 28 FEBRUARY 2018~~ 1 MARCH 2018 TO 28 FEBRUARY 2019

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

TABLE IA - MINIMUM PERIODIC FEES RATES

Fee payer	Fee payable (£)
Credit unions with MELs under £2.0 million:	
With modified eligible liabilities of 0 – 0.5 million	80.00

With modified eligible liabilities greater than 0.5 million and less than 2.0 million	270.00
<p>Non-directive friendly societies which either:</p> <p>(1) fall within the A3, but not the A4, fee block and have, in relation to their A3 activities, gross premium income<u>gross written premium for fees purposes</u> of 0-£0.5million and gross technical liabilities <u>best estimate liabilities for fees purposes</u> of 0-£1.0million; or</p> <p>(2) fall within the A4, but not the A3, fee block and have, in relation to their A4 activities, adjusted gross premium income<u>gross written premium for fees purposes</u> of 0-£1.0million and <u>best estimate liabilities for fees purposes</u> held of 0-£1.0 million of mathematical reserves for fees purposes; or</p> <p>(3) fall within both the A3 and A4 fee blocks <u>fee blocks</u> and meet condition (1) above in relation to their A3 activities and condition (2) above in relation to their A4 activities.</p>	215.00
All other firms	500.00

...

TABLE IIIA – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM AND TRANSITION COSTS FEE BLOCKS FOR THE FEE YEAR 2017-18 2018-19

Column 1 <i>Fee block</i>	Column 2 <i>Tariff base</i>	Column 3 <i>Tariff bands</i>	Column 4 <i>Tariff rates</i>
A1 deposit acceptors fee block	modified eligible liabilities	Band width (£million of <i>MELs</i>)	Fee payable per million or part million of <i>MELs</i> (£)
		>10 - 140	<u>33.9731.87</u>
		>140 - 630	<u>33.9731.87</u>
		>630 - 1,580	<u>33.9731.87</u>
		>1,580 - 13,400	<u>42.4639.84</u>
		>13,400	<u>56.0552.59</u>
A3 general insurers fee block	gross premium income (GPI) gross written premium for fees purposes	Band width (£million of <i>GPI gross written premium for fees purposes</i>)	Fee payable per million of <i>GPI gross written premium for fees purposes</i> (£)
		>0.5	<u>580.70494.81</u>
gross premium income + gross technical liabilities gross written	gross technical	Band Width (£ million of <i>GTL best estimate</i>)	Fee payable per million of <i>GTL best estimate liabilities for fees purposes</i> (£)

<u>premium for fees purposes</u> + <u>best estimate liabilities for fees purposes</u>	<u>liabilities (GTL)best estimate liabilities for fees purposes</u>	<u>liabilities for fees purposes</u>	
		>1	<u>32.6329.07</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> .			
A4 Life insurers fee block <u>adjusted gross annual income (AGPI)</u> + <u>mathematical reserves gross written premium for fees purposes</u> + <u>best estimate liabilities for fees purposes</u>	<u>adjusted gross annual premium income (AGPI) gross written premium for fees purposes</u>	Band width (£million of <u>AGPI gross written premium for fees purposes</u>)	Fee payable per million of <u>AGPI gross written premium for fees purposes</u> (£)
		>1	<u>567.64255.17</u>
	<u>mathematical reserves best estimate liabilities for fees purposes</u>	Band width (£million of <u>mathematical reserves for fees purposes best estimate liabilities for fees purposes</u>)	Fee payable per million or part million of <u>mathematical reserves for fees purposes best estimate liabilities for fees purposes</u> (£)
		>1	<u>41.957.86</u>
A5 managing agents at Lloyd's	<u>active capacity</u>	Band width (£million of <u>active capacity</u>)	Fee payable per million of <u>active capacity</u> (£)
		>50	<u>53.1746.24</u>
A6 Society of Lloyd's	flat fee	N/A	General periodic fee (£) <u>1,827,317.701,748,266.95</u>
A10 Firms dealing as principal fee block <u>Trading assets + financial and operating income</u>	<u>fee per trader trading assets</u>	<u>Fee (£ per trader)</u> Band width (£million of <u>trading assets</u>)	<u>6,154.22</u> Fee payable per million or part million of <u>trading assets</u> (£)
		N/A	<u>2.63</u>
	<u>financial and operating income</u>	Band width (£million of <u>financial and operating income</u>)	Fee payable per million or part million of <u>financial and operating income</u> (£)
		N/A	<u>201.46</u>

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%
EU withdrawal costs fee block	100%
<i>IFRS 9 implementation fee</i>	100%

TABLE V – MODIFICATIONS TO PERIODIC FEES FOR NON-DIRECTIVE FIRMS IN THE A1, AND A3 AND A4-FEE BLOCKS

Fee payer	Discount applied to <i>periodic fees</i> in Table IIIA	Discount applied to <i>EU withdrawal costs fee block</i>
A1 deposit acceptors fee block	0%	50%
A3 general insurers fee block	11%	50%
A4 life insurers fee block	11%	50%

Table VI – EU WITHDRAWAL 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 0.02230.03540

Table VII – IFRS 9 IMPLEMENTATION FEE [Deleted]

Non-trading book assets for fees purposes	Fee payable (in pence) per £1million or part million of non-trading book assets for fees purposes
Zero	0
Greater than zero and up to £199,500million	42.5

Greater than £199,500million	98.6
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