

PRA RULEBOOK: PRA PERIODIC FEES (2019/20) AND OTHER FEES INSTRUMENT 2019

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 (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.

PRA Rulebook: PRA Periodic Fees (2019/20) and Other Fees Instrument 2019

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

Commencement

- E. This instrument comes into force on 1 July 2019.

Citation

- F. This instrument may be cited as the PRA Rulebook: PRA Periodic Fees (2019/20) and Other Fees Instrument 2019.

By order of the Prudential Regulation Committee

11 June 2019

Annex

Amendments to the Fees Part

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

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~international financial reporting standards or IFRS~~

~~means the international accounting standards issued by the International Accounting Standards Board, whether as adopted in the EU under Regulation 1606/2002 or otherwise.~~

...

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~~ does 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 2017 and 1 May 2018 that a fee relating to the implementation of ring-fencing will be payable by one or more members of its group~~ does not fall within the exemptions set out in Article 11 of the *FSMA (Ring-fenced Bodies and Core Activities) Order 2014*.

...

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.~~

ring-fencing fee(s)

means the fee or fees in 3.18A.

...

Society of Lloyd's fee block

means the *fee block* of which the *Society* is ~~the sole member~~ and its subsidiaries are members.

...

3 PERIODIC FEES

...

3.2 The amount payable depends upon the *fee block* to which the *firm* has been allocated. *Firms* falling into more than one *fee block* pay *periodic fees* in relation to each, other than *firms* falling within the A6 *Society of Lloyd's fee block* and any other *fee block*, which pay *periodic fees* in relation to the A6 *fee block* only.

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*~~ *ring-fencing fee*; and

...

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

...

(2) for *firms* in the *general insurance fee block* (A3) the *firm's gross written premium for fees purposes* and its *best estimate liabilities for fees purposes* for the *firm's* financial year which ends in the calendar year to 31 December prior to commencement of the *fee year*, unless the *firm* is a *UK ISPV*, in which case the *tariff base* is not relevant and a flat fee shown in Table IIIA of the *Periodic Fees Schedule* is payable, noting that:

(a) this *tariff base* (A3) does not include *gross written premium for fees purposes* and *best estimate liabilities for fees purposes* on which a *composite firm* reports data relevant for the *life insurance fee block* (A4).

(b) where any figure used in the calculation of this *tariff base* (A3) is a negative number, it shall instead be deemed to be zero.

(c) in the calculation of the *periodic fee* due under 3.3(3) for this *fee block* (A3), the following weightings shall apply:

(i) 90% of the *periodic fee* shall be determined from *gross written premium for fees purposes*; and

(ii) 10% of the *periodic fee* shall be determined from *best estimate liabilities for fees purposes*.

(3) for *firms* in the *life insurance fee block* (A4):

(a) for *UK Solvency II firms*, including *composite firms* which are also *UK Solvency II firms* to the extent that they are required to report data used for this *tariff base (A4)*, the *firm's gross written premium for fees purposes* and its *best estimate liabilities for fees purposes*, for the *firm's financial year* which ends in the calendar year to 31 December prior to commencement of the *fee year*;

(b) for *non-directive firms*, including *non-directive firms* which are also *composite firms* to the extent that they come within the *life insurance fee block*, the *tariff base* is not relevant to the level of fees due and only the minimum fee as specified in Table IA of the Periodic Fees Schedule is payable.

(c) Where any figure used in the calculation of this *tariff base (A4)* is a negative number, it shall instead be deemed to be zero.

(d) in the calculation of the *periodic fee* due under 3.3(3) for this *fee block (A4)*, the following weightings shall apply:

(i) 60% of the *periodic fee* shall be determined from *gross written premium for fees purposes*; and

(ii) 40% of the *periodic fee* shall be determined from *best estimate liabilities for fees purposes*.

...

(5) for *firms in the designated firms dealing as principal fee block (A10)*, *total assets for fees purposes* as at 31 December preceding commencement of the *fee year* and the *firm's total operating income for fees purposes* for the four quarters ending on or before 31 December preceding commencement of the *fee year*. In the calculation of the *periodic fee* due under 3.3(3) for this *fee block (A10)*, the following weightings shall apply:

(a) 50% of the *periodic fee* shall be determined from *total assets for fees purposes*; and

(b) 50% of the *periodic fee* shall be determined from *total operating income for fees purposes*.

...

Ring-fencing implementation fee

3.18 In the ~~fee year commencing on 1 March 2017 and subsequent fee years:~~ [deleted]

~~(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* for the 2018/19 *fee year* in accordance with the following formula (all figures rounded to the nearest whole number):

$[(X + Y) \div 2] \% \text{ where}$

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

and

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

(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*.

Ring-fencing fee

3.18A (1) The *PRA* will charge a *ring-fencing fee* to recover the annual cost to the *PRA*, as determined by the *PRA*, of fulfilling its functions in relation to *ring-fencing*.

(2) All *firms* within *ring-fencing fees groups* are subject to *ring-fencing fees*, based on the total *modified eligible liabilities* of the *ring-fenced bodies* within the *group*, and payable in accordance with Table IX of the *Periodic Fees Schedule*. The *PRA* may require that a single *firm* pays all *ring-fencing fees* due to the *PRA* by the *group*.

(3) *Fee payers* must comply with directions from the *PRA* or its *collection agent* as to payment of *ring-fencing fees* arising from any variance between the *PRA's* budgeted costs under 3.18A (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.

...

PERIODIC FEES SCHEDULE – FEE RATES AND EEA/TREATY FIRM MODIFICATIONS FOR THE PERIOD FROM ~~1 MARCH 2018 TO 28 FEBRUARY 2019~~ 1 MARCH 2019 TO 29 FEBRUARY 2020

...

TABLE IIIA – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM FEE BLOCK FOR THE FEE YEAR 2018-19 2019-20

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	<i>modified eligible liabilities</i>	Band width (£million of <i>MELs</i>)	Fee payable per million or part million of <i>MELs</i> (£)	
		>10 - 140	31.87 <u>31.50</u>	
		>140 - 630	31.87 <u>31.50</u>	
		>630 - 1,580	31.87 <u>31.50</u>	
		>1,580 - 13,400	39.84 <u>39.38</u>	
		>13,400	52.59 <u>51.98</u>	
A3 general insurers fee block	<i>gross written premium for fees purposes</i>	Band width (£million of <i>gross written premium for fees purposes</i>)	Fee payable per million of <i>gross written premium for fees purposes</i> (£)	
		>0.5	494.81 <u>546.05</u>	
	<i>gross written premium for fees purposes + best estimate liabilities for fees purposes</i>	<i>best estimate liabilities for fees purposes</i>	Band Width (£ million of <i>best estimate liabilities for fees purposes</i>)	Fee payable per million of <i>best estimate liabilities for fees purposes</i> (£)
			>1	29.07 <u>34.26</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	<i>gross written premium for fees purposes</i>	Band width (£million of <i>gross written premium for fees purposes</i>)	Fee payable per million of <i>gross written premium for fees purposes</i> (£)
>1			255.17 <u>229.96</u>	
<i>gross written premium for fees purposes + best estimate liabilities for fees purposes</i>		<i>best estimate liabilities for fees purposes</i>	Band width (£million of <i>best estimate liabilities for fees purposes</i>)	Fee payable per million of <i>best estimate liabilities for fees purposes</i> (£)
			>1	7.86 <u>16.11</u>
A5 managing agents at Lloyd's	<i>active capacity</i>	Band width (£million of <i>active capacity</i>)	Fee payable per million of <i>active capacity</i> (£)	
		>50	46.24 <u>49.57</u>	

A6 Society of Lloyd's	flat fee	N/A	General periodic fee (£) 1,748,266.95-1,802,787.50
A10 Firms dealing as principal fee block <i>Trading assetstotal assets for fees purposes, + financial and operating incometotal operating income for fees purposes</i>	<i>trading assets-total assets for fees purposes</i>	Band width (£million of <i>trading-assetstotal assets for fees purposes</i>)	Fee payable per million or part million of <i>trading assets total assets for fees purposes</i> (£)
		N/A	2.63 <u>2.30</u>
	<i>financial and operating incometotal operating income for fees purposes</i>	Band width (£million of <i>financial and operating income total operating income for fees purposes</i>)	Fee payable per million or part million of <i>financial and operating income total operating income for fees purposes</i> (£)
	N/A		201.46 <u>307.05</u>

...

TABLE VI – EU WITHDRAWAL COSTS ALLOCATION

<i>Fee payer</i>	<i>Tariff base for allocations to firms</i>
All firms, except those paying only the minimum fee and <i>insurance special purpose vehicles</i>	Total <i>periodic fees</i> under 3.3(3), excluding minimum fees , payable by the <i>firm</i> multiplied by 0.03540 <u>0.057857</u>

...

TABLE IX – RING-FENCING FEE

<i>Fee payer</i>	<i>Tariff base for allocations to firms</i>
All firms within <i>ring-fencing fees groups</i>	Total <i>periodic fees</i> under 3.3(3) payable by the <i>ring-fenced bodies</i> within the <i>ring-fencing fees group</i> , multiplied by 0.093379

...

4 REGULATORY TRANSACTION FEES

...

Skilled persons

...

4.17 The *due date for payment by the firm* ~~will be within~~ is 30 days of from the date of each invoice from the PRA to the firm.

...

5 SPECIAL PROJECT FEE FOR RESTRUCTURING

...

Due date for payment and ongoing obligation in relation to *SPFs*

5.8 The *due date for payment* of an *SPF* for restructuring is 30 days from the date of ~~the~~ each invoice from the PRA to the firm.

...