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):

\[(X + Y) ÷ 2\] % where

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

and

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

(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 3.18A (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.

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

<table>
<thead>
<tr>
<th>Column 1 Fee block</th>
<th>Column 2 Tariff base</th>
<th>Column 3 Tariff bands</th>
<th>Column 4 Tariff rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1 deposit acceptors fee block</td>
<td>modified eligible liabilities</td>
<td>Band width (£million of MELs)</td>
<td>Fee payable per million or part million of MELs (£)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;10 - 140</td>
<td>31.87 - 31.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;140 - 630</td>
<td>31.87 - 31.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;630 - 1,580</td>
<td>31.87 - 31.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;1,580 - 13,400</td>
<td>39.84 - 39.38</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;13,400</td>
<td>52.59 - 51.98</td>
</tr>
<tr>
<td>A3 general insurers fee block</td>
<td>gross written premium for fees purposes</td>
<td>Band width (£百万 of gross written premium for fees purposes)</td>
<td>Fee payable per million of gross written premium for fees purposes (£)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;0.5</td>
<td>494.81 - 546.05</td>
</tr>
<tr>
<td></td>
<td>best estimate liabilities for fees purposes</td>
<td>Band Width (£百万 of best estimate liabilities for fees purposes)</td>
<td>Fee payable per million of best estimate liabilities for fees purposes (£)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;1</td>
<td>29.0734 - 26</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For UK ISPVs the tariff rates are not relevant and a flat fee of £430.00 is payable in respect of each fee year.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A4 Life insurers fee block</td>
<td>gross written premium for fees purposes</td>
<td>Band width (£百万 of gross written premium for fees purposes)</td>
<td>Fee payable per million of gross written premium for fees purposes (£)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;1</td>
<td>255.17 - 229.96</td>
</tr>
<tr>
<td></td>
<td>best estimate liabilities for fees purposes</td>
<td>Band width (£百万 of best estimate liabilities for fees purposes)</td>
<td>Fee payable per million of best estimate liabilities for fees purposes (£)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;1</td>
<td>7.86 - 16.11</td>
</tr>
<tr>
<td>A5 managing agents at Lloyd’s</td>
<td>active capacity</td>
<td>Band width (£百万 of active capacity)</td>
<td>Fee payable per million of active capacity (£)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;50</td>
<td>46.24 - 49.57</td>
</tr>
</tbody>
</table>
### TABLE VI – EU WITHDRAWAL COSTS ALLOCATION

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

### TABLE IX – RING-FENCING FEE

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

### 4 REGULATORY TRANSACTION FEES

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

...  

5 SPECIAL PROJECT FEE FOR RESTRUCTURING

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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 each* invoice from the PRA to the *firm*.

...