

# Complyport Limited Regulatory Alert

## 2012/13 FSA Fees Proposals

3 February 2012

February is traditionally the month when the FSA publishes details of proposals for the level of fees payable for the year (the FSA year runs from 1 April to 31 March) and **CP12/3 – Regulated fees and levies: Rates proposals 2012/13** – has just been released. The 'fees' will actually be a combination of **FSA** periodic fees, **FSCS** and **FOS levies** and a **MAS** levy. The latter is the Money Advice Service which is the new name for the Consumer Financial Education Body (CFEB) – although the draft Rules for FEES 7 still refer to CEFB.

The MAS/CFEB levy will apply to any firm **'having a Part IV permission'**.

For an overview of which firms can **claim exemption** from **FSCS** and **FOS levies** (although all firms are liable to the 'FSCS base cost levy') please see Regulatory Roundup 25.

The FSA's **Annual Funding Requirement** (AFR) – basically how much it needs to do the day job – has increased from £500.5M to **£578.4M**. Out of the £77.9M increase, £51.5M is attributable to 'Ongoing Regulatory Activity' which is a combination of its 'core work programme' (which includes a provision for a 3.5% salary increase) and its 'IS infrastructure investment' (including support for systems being designed for conduct regulation under the FCA). Unlike last year, there is no allowance in the budget for 'Making a Real Difference' (see Table 4.1 of CP12/3 for details).

The 15.6% increase in the AFR will be allocated at varying amounts amongst the fee-blocks. By way of example, the AFR for the **'fund managers' fee-block (A7)** will increase by 32.4% whereas **'advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)' fee-block (A12)** falls by 19%. The increase in fee-block A7 is, we are told, mainly due to increased enforcement activity focussing on significant influence functions, systems and controls and market abuse in this sector.

The AFR rate of increase does not necessarily directly translate into a similar increase of a firm's periodic fees: other factors to be taken into account include the increase or decrease of the number of firms in a fee-block; and increases or decreases in the tariff unit e.g. FUM or headcount. The link to the fees calculator will allow firms to get an idea of the likely fees and levies they will have to face.

As an example, and using the FSA's fees calculator, a hypothetical fund manager (fee-block A7) that is exempt from the FSCS and FOS levies, with FUM of between £100M and £500M, will see a increase in fees of approximately **10%**.

As a consultation paper the final fees and levies will not be confirmed until a later date (they will be approved at the May 2012 board meeting). Firms can expect FSA fees invoices in June (although there are special 'payment on account' arrangements in place for those firms whose 2011/12 FSA fees were £50,000 or more) payable within 30 days, failing which a £250 surcharge will be levied and interest will be charged.

Note that for certain sections of the CP the consultation period ends as early as 29 February.

The proposals should be read in conjunction with **CP11/21 - Regulatory fees and levies: Policy Proposals for 2012/13** – which sets out the FSA's proposals for changes in the fees and levy regime (CP12/3 includes feedback on CP11/21). There were a number of proposed **changes** to tariff bases including those for **firms dealing as principal, advisory arrangers, dealers or brokers** and **corporate finance advisors**. A useful summary can be found in Regulatory Roundup 36.

### Useful links

<http://www.fsa.gov.uk/static/pubs/cp/cp12-03.pdf>

[http://www.complyport.com/downloads/Webround\\_25.pdf](http://www.complyport.com/downloads/Webround_25.pdf)

[http://www.complyport.com/downloads/Webround\\_36.pdf](http://www.complyport.com/downloads/Webround_36.pdf)

<http://www.fsa.gov.uk/pages/Doing/Regulated/Fees/calculator/index.shtml>