



Regulatory Roundup

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Issue 48



In Brief:

FCA (and PRA) Fees 2013/14: Combined Annual Funding Requirement represents increase of 24% on previous year

Platform Charges: Final policy statement released meaning platforms will no longer be allowed to be funded by rebates/payments from product providers

CRD IV: Implementation back on track following adoption by the European Parliament; FCA planning on the basis of January 2014 implementation

FCA Policy Development: FCA release useful timetable of forthcoming publications

Non-GABRIEL Paper (NGP) Reports: FCA reminder on use of templates for close links and controllers reports

Venture Capital & Social Entrepreneurship Funds: Update: Regulations published concerning use of EuVECA and EuSEF designations

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If any of the topics discussed above raise questions or a need for guidance or support, please feel free to contact [Peter Carlisle](#).

FCA (and PRA) Fees 2013/14



Useful links:

[Regulatory Roundup 47](#)

[Regulatory Roundup 42](#)

[FCA CP13/1](#)

[FCA Fees Calculator](#)

As advised in Regulatory Roundup 47, the FCA Business Plan identified an Annual Funding Requirement (AFR) of £432.1m which, of course, has to be met by fees.

The FCA has now published its very first consultation paper **CP13/1** (not to be confused with the FSA's CP13/1 concerning the FSCS Funding Model Review which was published in January) "FCA Regulated fees and levies: Rates proposals 2013/14".

The **combined** FCA and PRA AFR amounts to **£646.3m**. The figures are combined to allow comparison with the FSA's position for 2012/13; unless a firm is dual regulated it will only need to concern itself with the FCA figures.

In the FSA's previous consultation, the FSA AFR for **2012/13** was originally £578.4m, but this was later trimmed back to **£559.8m** as a combined result of a reduction in IS budget and a £10.6m surplus from the previous year (PS12/11 refers). On a like-for-like basis we are therefore looking at a headline increase of £86.5m (**+15%**). We are told that the increase relates to the costs of increasing front line supervision staff, IT costs and an increase in central support services costs.

As will be known (see Regulatory Roundup 42), HM Treasury has decided that enforcement fines, net of enforcement costs, now have to be paid to the Exchequer. This means that of the **£381.8m** financial penalties collected by the FSA in 2012/13, **only £40.6m** (the equivalent figure **last year** was **£70.7m**) can be 'kept' by the FCA to be returned to the industry by way of discounts to their fees. Taking account of the financial penalties rebate, the combined chargeable fees amount to **£605.7m** (vs. £489.1m previous year) so that the headline increase of 15% becomes a combined **increase of 24%**. The £40.6m rebate is applied to FCA 2013/14 fees to the benefit of fee-payers e.g. fund managers (Fee-block A.7) will benefit to the extent of an £8.2m rebate. Table 6.1 in FCA CP13/1 details the distribution of the rebate.

The overall impact of all of the above (and more) means that the calculation of fees that firms actually end up paying is nothing if not complex. Fortunately the FCA has continued the tradition of providing a **fees calculator** for firms to establish the impact of proposed fees (although bear in mind that it will be based upon consultation, and not final, rates). The calculator also incorporates the FOS, FSCS and MAS levies.

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FCA (and PRA) Fees 2013/14 (cont.)

Platform Charges



Unless a firm is required to pay fees 'on account' (only where fees are at least £50,000) then firms can expect FCA invoices to be issued from July onwards. Firms are reminded that unless applications to reduce the scope of, or to cancel, permissions have been received by the **end of March** in the relevant year then they will be liable for the full periodic fee – **no refunds** are given.

Useful links:

[PS13/1](#)

[Regulatory Roundup 33](#)

It has been a long time coming - e.g. see Regulatory Roundup 33 from August 2011 - but the final policy statement on platforms and charging has now been published (PS13/1 "Payments to platform service providers and cash rebates from providers to consumers").

At its core, platforms will **not** be allowed to be funded by rebates/payments from **product providers**, but instead will be paid for by a '**platform charge**' which is disclosed to and agreed by the **investors**. The rules will restrict the influence that product providers and platforms have on the promotion of one fund over another and will be in line with the Retail Distribution Review (**RDR**) objectives. However note that the cash rebate ban will **also** impact on the **non-advised market** (although the FCA will allow both advised and non-advised investors to receive cash rebates of up to as much as £1 per month; it will allow a platform to receive a rebate in cash, but only if this is passed on to the investor in the form of **additional units**).

The rules and guidance can be found in Appendix C of PS13/1.

The new rules will come into force on **6 April 2014**. Note that the effect of the **transitional provisions** in TP 2 mean that **platforms** will have two years (i.e. until **6 April 2016**) to move **existing** customers to the new charging model. After this time, both new and existing business will be subject to a platform charge.



Useful links:

[CRD IV EU Press Release](#)

[Adopted Text: Regulation](#)

[Adopted Text: Directive](#)

[CRD IV FCA Statement](#)

[COREP & FINREP](#)

As a result of intensive – and prolonged – negotiations between the European Council of Ministers, European Parliament and European Commission the 1 January 2013 implementation date of CRD IV came and went.

An EU press release advises us that CRD IV is now back on (albeit delayed) track following adoption by the European Parliament, although this is not the end of the story as it is still subject to a detailed review of legal drafting, translation into other official EU languages and formal approval by the Council. The FCA Statement on CRD IV confirms that if the legislation is published in the Official Journal **before** 1 July 2013 then implementation of CRD IV will be from **1 January 2014**. If it is published **from** 1 July 2013 then implementation will be from **1 July 2014** – the FCA is planning on the basis of January 2014 implementation.

CRD IV will introduce the concept of a **single rulebook** to ensure a **harmonised approach** across the EU; a consequence of this is that most of BIPRU and GENPRU will be **replaced**. Under harmonised reporting, firms will be required to comply with ‘Common Reporting’ (**COREP**) – which covers capital requirements and own funds – and ‘Financial Reporting’ (**FINREP**) – which covers reporting for supervisory purposes. As such we will see the eventual **disappearance** of FCA Data items such as **FSA003** (Capital Adequacy) under COREP and e.g. **FSA001** (Balance sheet) under FINREP (although note as far as FINREP reporting is concerned that the FCA website does say “may be replaced for some firms **if/when** UK adopts FINREP”).

Firms will find the ‘**COREP & FINREP**’ link useful as it will provide access to the FCA’s current comments and views on harmonised reporting, the **expected changes to FSA Data reporting** and a further link to the **COREP reporting templates** on the EBA website within CP50.

On the basis of the original implementation date, the FCA **was** planning to begin collecting data under COREP for the period beginning 1 July 2013. The last official statement from the FSA was that data collection would now begin from 1 January 2014. Note that the reporting of own funds will be based upon **calendar quarters** and will **not** relate to a firm’s year end.

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CRD IV (cont.)

FCA Policy Development



There will be a couple of consultations issued by the FCA later this year on CRD IV. For now, firms should give consideration to any system changes that may be needed as a result of the need to report on a calendar quarterly basis (see above) and review the data requirements within the reporting templates.

Although for convenience we refer to “CRD IV”, it is actually a combination of a **Directive** (on the access to the activity of credit institutions and investment firms) and a **Regulation** (on prudential requirements for credit institutions and investment firms).

The FCA has a **dedicated mailbox** to deal with any aspect of CRD IV harmonised reporting: COREP.Queries@fca.org.uk

Useful links:

[Policy Update](#)

[Regulatory Roundup 43](#)

The FCA’s first policy development update has recently been published.

The document acts as a useful reference source for both recently published consultations etc. which you may have missed, together with a timetable of forthcoming publications.

With regard to the latter – and in addition to the AIFMD Policy Statement expected in June - of particular interest will be the **final rules** relating to the distribution of unregulated collective investment schemes (or rather **non-mainstream pooled investments** – see Regulatory Roundup 43) sometime in May and at least one consultation on **CRD IV** (see ‘CRD IV’ article in this Regulatory Roundup) expected in Q3/4.



Non-GABRIEL Paper (NGP) Reports Venture Capital & Social Entrepreneurship Funds: Update



Useful links:

[Regulatory Roundup 34](#)

[Close Links Reporting](#)

[Controllers Reporting](#)

The FCA has recently circulated some pointers regarding the submission of NGP reports (see **Regulatory Roundup 34** for details and a link to FAQs), including a reminder that it is mandatory to use NGP001 template for reporting close links and that the FCA encourage the use of the controllers report template (NG002).

The Regulator also makes the request to clearly mark the covering email or letter with the Firm Reference Number, Firm name and the **type of report** being submitted and the period it covers.

Although the circulation then goes on to provide an FSA email address, it is recommended that you use: regulatory.reports@fca.org.uk or, for postal submissions, Central Reporting, The Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Useful links:

[Regulatory Roundup 47](#)

[Official Journal L115](#)

Regulatory Roundup 47 advised of the proposals to allow managers of Venture Capital or Social Entrepreneurship funds to use the EuVECA or EuSEF designations, as applicable, which would permit – but would not be compulsory - marketing across the EU to professional investors.

The two separate regulations have now been published in the Official Journal dated 25 April which means that they will both enter into force 20 days thereafter and apply from 22 July 2013, the same date as the AIFMD.





Useful links:

[Past issues](#)

[Searchable archive](#)

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The Regulatory Roundup archive allows search in three modes: by topic; by issue number; or by text search.

If you are using the text search for more than one word or a consecutive phrase the use of " " will help speed your search e.g. a search for "regulatory fees" will ensure that only articles that contain that term are found (rather than articles containing the words 'regulatory' and/or 'fees').

Please note that there is a small time-delay between the publication of the latest Regulatory Roundup and its availability in the searchable archive.



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