

PRA RULEBOOK: PRA PERIODIC FEES (2017/18) AND OTHER FEES INSTRUMENT 2017

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.

PRA Rulebook: PRA Periodic Fees (2017/18) and Other Fees Instrument 2017

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

Commencement

- E. This instrument comes into force on 8 July 2017.

Citation

- F. This instrument may be cited as the PRA Rulebook: PRA Periodic Fees (2017/18) and Other Fees Instrument 2017.

By order of the Prudential Regulation Committee

20 June 2017

Annex

Amendments to the Fees Part of the PRA Rulebook

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

1. APPLICATION AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

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assets outside expected RFB subgroups

means assets of a *ring-fencing fees group* which ~~its ring-fencing business plan indicated were~~ it has advised the PRA are not intended to be held within by a *ring-fenced body* (or its UK sub-group for *ring-fencing* purposes) ~~on~~ from 1 January 2019.

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core deposit

means core deposits within the meaning of ~~a~~Article 2(2) of the FSMA (Ring-Fenced Bodies and Core Activities) Order 2014.

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EU withdrawal costs

means the PRA's costs associated with the United Kingdom's withdrawal from the European Union, as determined by the PRA.

EU withdrawal costs fee block

means the firms which are liable to pay EU withdrawal costs as shown in Table VI of the Periodic Fees Schedule.

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FRS 101

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

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general insurance fee block

means firms whose Part 4A permission includes effecting or carrying out contracts of general insurance or contracts of long term insurance other than life policies or firms whose Part 4A permission is insurance risk transformation.

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Group internal model

means the internal models referred to in Articles 230 and 231 of the Solvency II Directive.

IFRS 9 implementation fee(s)

means the fee or fees in 3.21.

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Internal models approach or IMA

means the internal models approach referred to in Article 363 of the CRR.

Internal model method or IMM

means the internal approach to counterparty credit risk referred to in Article 283 of the CRR.

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.

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non-EEA branches

means United Kingdom branches of firms which are incorporated outside the EEA.

non-trading book assets for fees purposes

means total non-trading book assets as reported to the PRA under item 20B of form FSA001 minus £500 million.

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~~ring-fencing business plan~~

~~means the near-final business plans submitted to the PRA on or before 1 March 2016 setting out firms' proposals for ring-fencing.~~

ring-fencing fees group

means a banking group, or part of a banking group, which (i) has submitted ~~a ring fencing business plan~~ 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) ~~was~~ has been notified by the PRA ~~on or prior to between~~ 1 May 2016 and 1 May 2017 that a fee relating to the implementation of ring-fencing ~~would~~ will be payable by one or more members of its group.

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Solo internal model

means the internal model referred to in Article 112 of the Solvency II Directive.

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3 PERIODIC FEES

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

- (1) a minimum *periodic fee* at the rate specified in Table I of the *Periodic Fees Schedule*;
- (2) a *transition costs* allocation calculated in accordance with Table II of the *Periodic Fees Schedule*;
- (3) *periodic fees* at the rate specified in Table III, subject to any modifications in Table IV and Table V, of the *Periodic Fees Schedule* calculated as follows:
 - (a) applying the *tariff bases* and *valuation points* set out in 3.4 to the *tariff data* which they have supplied to the *PRA* or its *collection agent*;
 - (b) where applicable, grouping *tariff data* into the *tariff bands* shown in Column 3 of Table III of the *Periodic Fees Schedule*; and
 - (c) applying the appropriate *tariff rate* as shown in Column 4 of Table III of the *Periodic Fees Schedule*;

the fee being the total of sums payable in respect of all *tariff bands*; ~~and~~

- (4) an *EU withdrawal costs* allocation calculated in accordance with Table VI, subject to any modifications in Table IV and Table V, of the *Periodic Fees Schedule*;
- (5) the *ring-fencing implementation fee* if applicable; 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*.

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3.5 The *periodic fees* payable by:

- (1) the *Society* are as specified in Table III of the *Periodic Fees Schedule*; ~~and~~
- (2) *fee-payers* subject to the *ring-fencing implementation fee* are as specified in 3.18; ~~and~~
- (3) *fee-payers* subject to the *IFRS 9 implementation fee* are as specified in 3.21.

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Modifications to periodic fees for incoming EEA, Treaty firms and non-directive ~~insurers~~ firms

3.11 The following modifications to *periodic fees* will apply:

- (1) In relation to *incoming EEA firms* and *incoming Treaty firms*:
 - (a) the modifications in 3.7 apply only in relation to the relevant regulated activities of the *firm* which are *EEA passported activities* or activities of a *Treaty firm* exercising rights under Schedule 4 of FSMA; ~~and~~

- (b) the *tariff rates* set out in Table III 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 9 implementation fee* in Table VII are modified in accordance with Table IV of the *Periodic Fees Schedule*.

(2) *Periodic fees* in the A3 *general insurance fee block* and the A4 *life insurance fee block* payable by *firms* outside the scope of the *Solvency II Directive* are subject to the modifications in Table V of the *Periodic Fees Schedule*, to be applied to the final figure arrived at under 3.3-(3) once all other modifications relevant to ~~the firm~~ this part of the *firm's periodic fees* have been taken into account.

(3) The *EU withdrawal costs* allocation in Table VI payable by *non-directive firms* in the A1 *deposit acceptors fee block*, A3 *general insurance fee block* and A4 *life insurance fee block* is subject to the modifications in Table V of the *Periodic Fees Schedule*.

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Ring-fencing implementation fee

3.18 In the *fee year* commencing on 1 March 2016~~7~~ and subsequent *fee years*:

- (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* ~~as at 1 March 2016~~ for the 2017/18 *fee year* in accordance with the following formula (all figures rounded to the nearest whole number):

$$[(X + Y) \div 2] \%$$

where

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

and

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

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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.

PERIODIC FEES SCHEDULE – FEE RATES AND EEA/TREATY FIRM MODIFICATIONS FOR THE PERIOD FROM ~~1 MARCH 2016 TO 28 FEBRUARY 2017~~ 1 MARCH 2017 TO 28 FEBRUARY 2018

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

TABLE 4I - MINIMUM PERIODIC FEES RATES

Fee payer	Fee payable (£)
<i>Credit unions with MELs under £2.0 million:</i>	
<i>With modified eligible liabilities of 0 – 0.5 million</i>	80.00
<i>With modified eligible liabilities greater than 0.5 million and less than 2.0 million</i>	270.00

<p><i>Non-directive friendly societies</i> which either:</p> <p>(1) fall within the A3, but not the A4, <i>fee block</i> and have, in relation to their A3 activities, <i>gross premium income</i> of 0-£0.5million and <i>gross technical liabilities</i> of 0-£1.0million; or</p> <p>(2) fall within the A4, but not the A3, <i>fee block</i> and have, in relation to their A4 activities, <i>adjusted gross premium income</i> of 0-£1.0 million and hold 0-£1.0 million of <i>mathematical reserves for fees purposes</i>; or</p> <p>(3) fall within both the A3 and A4 <i>fee blocks</i> 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 II - TRANSITION 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 <u>0.06270.0609</u>

TABLE III – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM AND TRANSITION COSTS FEE BLOCKS

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	<u>36.6637.49</u>
		>140 - 630	<u>36.6637.49</u>
		>630 - 1,580	<u>36.6637.49</u>
		>1,580 - 13,400	<u>45.8346.86</u>
		>13,400	<u>60.4961.86</u>
A3 general insurers fee block	<i>gross premium income (GPI)</i>	Band width (£million of <i>GPI</i>)	Fee payable per million of <i>GPI</i> (£)
		>0.5	<u>541.25583.14</u>
<i>gross premium income + gross technical</i>			

<i>liabilities</i>	gross technical liabilities (GTL)		
		Band Width (£ million of GTL)	Fee payable per million of GTL (£)
		>1	<u>30.3032.82</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>adjusted gross annual income (AGPI) + mathematical reserves</i>	adjusted gross annual premium income (AGPI)	Band width (£million of AGPI)	Fee payable per million of AGPI (£)
		>1	<u>546.20567.65</u>
	mathematical reserves	Band width (£million of <i>mathematical reserves for fees purposes</i>)	Fee per million or part million of <i>mathematical reserves for fees purposes</i> (£)
		>1	<u>41.5711.95</u>
A5 managing agents at Lloyd's	active capacity	Band width (£million of active capacity)	Fee per million of <i>active capacity</i> (£)
			<u>57.1553.20</u>
A6 Society of Lloyd's	flat fee	N/A	General periodic fee (£) <u>1,795,750.101,827,317.70</u>
A10 Firms dealing as principal fee block	fee per trader	Fee (£ per trader)	<u>5,537.006,154.30</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>
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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%
<u>EU withdrawal costs fee block</u>	<u>100%</u>
<u>IFRS 9 implementation fee</u>	<u>100%</u>

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

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

Table VI – EU WITHDRAWAL COSTS ALLOCATION

<u>Fee payer</u>	<u>Tariff base for allocations to firms</u>
<i>All firms, except those paying only the minimum fee and insurance special purpose vehicles</i>	<i>Total periodic fees, excluding minimum fees, payable by the firm multiplied by 0.0223</i>

Table VII – IFRS 9 IMPLEMENTATION FEE

<u>Non-trading book assets for fees purposes</u>	<u>Fee payable (in pence) per £1million or part million of non-trading book assets for fees purposes</u>
<u>Zero</u>	<u>0</u>
<u>Greater than zero and up to £199,500million</u>	<u>42.5</u>
<u>Greater than £199,500million</u>	<u>98.6</u>

4 REGULATORY TRANSACTION FEES

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4.4 This Chapter 4 shows *regulatory transaction fees* payable to the PRA. As all PRA firms are dual regulated, fees may also be payable to the FCA.

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~~Model approaches (CRR firms) Model types~~

4.12 ~~4.12 – 4.15 apply only to CRR firms. [deleted]~~

4.12A 4.12A to 4.15A apply to CRR firms and UK Solvency II firms.

4.13 ~~Regulatory transaction fees are payable as follows where a CRR firm seeks permission from the PRA in its capacity as United Kingdom regulator or consolidating supervisor:~~

~~(1) for permission to use one of the internal approaches referred to in 4.15 which require consent under Part Three of the CRR;~~

~~(2) to modify that approach once permission is granted; or~~

~~(3) for guidance as to the availability of such an approach or modified approach. [deleted]~~

4.13A Regulatory transaction fees are payable:

(1) as set out in 4.14A where a CRR firm seeks permission from the PRA in its capacity as United Kingdom regulator or consolidating supervisor to use one of the model types referred to in 4.14A which require consent under Part Three of the CRR;

(2) as set out in 4.14B where any of the following applications are made which require consent under Title I or Title III of the Solvency II Directive:

(a) a UK Solvency II firm seeks permission from the PRA in its capacity as United Kingdom regulator for permission to use a solo internal model;

(b) a UK Solvency II firm seeks permission from the PRA in its capacity as Solvency II group supervisor for permission to use a group internal model; or

(c) a Solvency II undertaking seeks permission from its group supervisor to use a group internal model which includes within the model's scope one or more UK Solvency II firms.

4.14 ~~The due date for payment under 4.12 – 4.15 is as follows:~~

~~(1) where the application is made directly to the PRA, on or before the application is made;~~

~~(2) otherwise within 30 days after the PRA notifies the firm that its EEA parent's consolidating supervisor has requested assistance. [deleted]~~

4.14A (1) Where a CRR firm seeks permission to apply any model type the fee payable is as set out in Table D below.

(2) The fees set out in Table D are also payable by a *CRR firm* which seeks to modify that model type once permission is granted and for guidance as to the availability of such a model type or modified model type.

Table D: - Model approaches types under CRR other than the internal model method for counterparty credit risk

Applicant (groupings based on <i>tariff data</i> submitted by firms as at 31 December in the <i>fee year</i> prior to the <i>fee year</i> in which the fee is payable).	Column 1 Fee payable (£) except where Column 2 applies		Column 2 Fee payable (£) (firm with permission for foundation approach moving to an advanced approach.)
Where the application relates to <i>CRD credit institutions</i> or <i>designated investment firms</i> with five or more significant overseas entities within the same group	model approach type	£	67,000.00
	<i>advanced IRB₁</i> <i>IMM or IMA</i>	268,000.00	
	<i>foundation IRB</i>	232,000.00	
	<i>advanced measurement approaches</i>	181,000.00	
Where, at 31 December prior to the <i>fee year</i> in which the fee is payable, the applicant has (1) <i>modified eligible liabilities</i> in excess of £40,000,000.00; or (2) more than 200 traders	model approach type	£	58,000.00
	<i>advanced IRB₁</i> <i>IMM or IMA</i>	232,000.00	
	<i>foundation IRB</i>	198,000.00	
	<i>advanced measurement approaches</i>	146,000.00	
Where, as at 31 December prior to the <i>fee year</i> in which the fee is payable, the applicant has (1) <i>modified eligible liabilities</i> greater than £5,000,000.00 and less than £40,000,000.00; or (2) between 26 and 200	model approach type	£	23,500.00
	<i>advanced IRB₁</i> <i>IMM or IMA</i>	94,000.00	
	<i>foundation IRB</i>	72,000.00	

traders	<i>advanced measurement approaches</i>	51,000.00	
Where, as at 31 December prior to the <i>fee year</i> in which the fee is payable, the applicant has (1) <i>modified eligible liabilities</i> of £5,000,000.00 or less; or (2) between 0 and 25 traders.	model approach type	£	10,500.00
	<i>advanced IRB₂ IMM or IMA</i>	42,000.00	
	<i>foundation IRB</i>	30,000.00	
	<i>advanced measurement approaches</i>	24,000.00	

4.14B (1) Where a *UK Solvency II firm* or a *Solvency II undertaking* seeks permission for an *internal model*, the fee payable is as set out in Table E below, subject to 4.14B(2) and 4.14B(3).

(2) Where a *firm* or a *group* falls within both the *general insurance fee block* and the *life insurance fee block*, the fee payable is the greater of the fees due under each *fee block*.

(3) Where a *Solvency II undertaking* seeks permission for a *group internal model* which includes one or more *UK Solvency II firms* within its scope, the fee is calculated using aggregated tariff data for all in-scope *UK Solvency II firms*, and is payable by such of those *firms* and in such proportions as the *PRA* directs.

Table E – Internal model application fees

Applicant (groupings based on <i>tariff data</i> submitted by <i>firms</i> as at 31 December 2015, and subject to any adjustments made under 3.20)	Fee payable (£)
Group Internal Model (Full and Partial)	
Sum of <i>gross technical liabilities</i> for <i>groups</i> in the <i>general insurance fee block</i> of £200million or more	268,000.00
Sum of <i>gross technical liabilities</i> for <i>groups</i> in the <i>general insurance fee block</i> less than £200million	100,000.00
Sum of <i>mathematical reserves for fees purposes</i> for <i>groups</i> in the <i>life insurance fee block</i> of £5,000million or more	268,000.00
Sum of <i>mathematical reserves for fees purposes</i> for <i>groups</i> in the <i>life insurance fee block</i> less than £5,000million	100,000.00
Solo Internal Model (Full and Partial)	
<i>Gross technical liabilities</i> for <i>firms</i> in the <i>general insurance fee block</i> of £200million or more	232,000.00

<u>Gross technical liabilities for firms in the general insurance fee block less than £200million</u>	<u>80,000.00</u>
<u>Mathematical reserves for fees purposes for firms in the life insurance fee block of £5,000million or more</u>	<u>232,000.00</u>
<u>Mathematical reserves for fees purposes for firms in the life insurance fee block less than £5,000million</u>	<u>80,000.00</u>

4.15 Where a *CRR firm* seeks permission to apply the internal *model method* for counterparty credit risk the fee payable is £54,000.00 and for other model approaches as set out in Table D below: [deleted]

4.15A The due date for payment under 4.12A to 4.14B is as follows:

(1) where the application is made directly to the *PRA*, on or before the application is made;

(2) within 30 days after the *PRA* notifies a *CRR firm* that its *EEA* parent's consolidating supervisor has requested assistance; or

(3) within 30 days after the *PRA* notifies a *UK Solvency II firm* that it has received a copy of a group internal model application from the Solvency II group supervisor which includes the *UK Solvency II firm* within its scope.

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5 SPECIAL PROJECT FEE FOR RESTRUCTURING

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5.2 An *SPF* for restructuring becomes payable by a *firm* if it engages, or prepares to engage, in activity which involves it undertaking or making arrangements with a view to any of the following:

(1) raising additional capital; or

(2) a significant restructuring of the *firm* or the *group* to which it belongs, including without limitation:

(a) *mergers or acquisitions*;

(b) reorganising the *firm's group* structure; and

(c) *retribution*;

(d) a significant change to the *firm's* business model; and

(e) a significant internal change programme.

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Payment calculation

5.7 The *SPF* for restructuring is calculated as follows:

(1) Determine the number of hours, or part of an hour, taken by the *PRA* in relation to regulatory work conducted as a consequence of the activities referred to in 5.2 or 5.4. The number of hours or part hours is as recorded on the *PRA*'s systems in relation to the work.

(2) Next, multiply the applicable rate in the table of *SPF* hourly rates below by the number of hours or part hours arrived at under 5.7(1):

SPF hourly rates

Pay grade of persons employed by the PRA	Hourly rate
Administrator	£30.00 <u>50.00</u>
Associate	£60.00 <u>105.00</u>
Technical specialist	£90.00 <u>155.00</u>
Manager	£145.00 <u>195.00</u>
Any other persons employed by the PRA	£170.00 <u>290.00</u>

(3) Then add any fees and disbursements invoiced to the *PRA* by any third party provider in respect of services performed for the *PRA* in relation to assisting the *PRA* in performing the regulatory work referred to in 5.2 and 5.4.

(4) The resulting figure is the fee.

(5) Where an *SPF* for restructuring is charged and the restructuring directly affects more than one *firm*, the *PRA* may combine the total fees calculated under 5.7(4) in relation to that restructuring and reapportion those fees among all *firms* directly affected by the restructuring, using metrics which, in the opinion of the *PRA*, reflect the *firms*' relative nature, scale and complexity.

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