

**FINANCIAL SERVICES COMPENSATION SCHEME (FUNDING REVIEW:
RETAIL POOL) INSTRUMENT 2013**

WHEREAS:

- A. The Financial Services Authority has, in accordance with Article 5 of the Designation Order, appointed persons to exercise functions referred to in Article 5(1) of the Designation Order, which include the function of the Financial Conduct Authority of making rules, giving guidance and issuing codes.
- B. By virtue of Article 5(3)(a) of the Designation Order the persons appointed may discharge the relevant functions as if they were the governing body of the Financial Conduct Authority.
- C. By virtue of Article 7(1) of the Designation Order this Instrument shall be treated as if it had been made by the Financial Conduct Authority acting through its governing body.
- D. Article 2(1)(c) of the Early Commencement Order commenced certain of the Financial Conduct Authority's rule making and other powers for the purposes specified in Part 3 of the Schedule to that Order.

Interpretation

- 1. In this Instrument (including the Recitals):
 - (1) "Designation Order" means the Financial Services Act 2012 (Transitional Provisions) (Rules and Miscellaneous Provisions) Order 2013 (SI 2013/161);
 - (2) "Early Commencement Order" means the Financial Services Act 2012 (Commencement No. 1) Order 2013 (SI 2013/113);
 - (3) "the 2000 Act" means the Financial Services and Markets Act 2000;
 - (4) "the 2012 Act" means the Financial Services Act 2012;
 - (5) "the Authority" means the Financial Services Authority; and
 - (6) "Financial Conduct Authority" means the body corporate referred to in section 1A of the 2000 Act as amended by section 6 of the 2012 Act.

Rules, etc. made, given or amended by the Financial Conduct Authority

- 2. In accordance with Article 2(1) of the Early Commencement Order and in the exercise of the powers and related provisions specified in paragraph 3, the Financial Conduct Authority makes, amends, issues, gives, or imposes each provision in the Annexes to this Instrument.

3. The Glossary of definitions is amended in accordance with Annex A to this Instrument.
4. The Fees manual (FEES) is amended in accordance with Annex B to this Instrument.
5. In Annex B to this Instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.
6. The Financial Conduct Authority makes, amends, issues, gives or imposes the provisions in the Annexes to this Instrument in exercise of the following powers and related provisions of the 2000 Act, as amended by the 2012 Act:
 - (1) section 137T (General supplementary powers);
 - (2) section 139A (Power of the FCA to give guidance);
 - (3) section 213 (The compensation scheme); and
 - (4) section 214 (General).
7. The rule-making powers listed in paragraph 6 are specified for the purposes of section 138G (Rule-making instruments) of the 2000 Act, as amended by the 2012 Act.

Commencement

8. The Financial Conduct Authority directs that this Instrument comes into force on 1 April 2013.

Citation

9. This Instrument may be cited as the Financial Services Compensation Scheme (Funding Review: Retail Pool) Instrument 2013.

By order of the persons appointed under Article 5 of the Designation Order to discharge specified functions of the Financial Conduct Authority as if they were its governing body

19 March 2013

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

<p><i>FCA provider contribution class</i> [FCA]</p>	<p>a <i>class</i> to which the <i>FSCS</i> may only allocate a <i>compensation costs levy</i> or <i>specific costs levy</i> allocated to the <i>retail pool</i>, as described in <i>FEES</i> 6.5A, namely: the deposit acceptor's <i>contribution class</i>; the insurers - life <i>contribution class</i>; the insurers - general <i>contribution class</i>; or the home finance providers and administrators' <i>contribution class</i>.</p>
---	--

Amend the following as shown.

<p><i>class</i></p>	<p><u>(A) In the FCA Handbook:</u></p> <p>(1) <u>(in <i>GENPRU</i>, <i>INSPRU</i> and <i>SUP</i>) (in relation to a <i>contract of insurance</i>) any class of <i>contract of insurance</i> listed in Schedule 1 to the <i>Regulated Activities Order (Contracts of insurance)</i> and references to:</u></p> <p style="margin-left: 20px;">(a) <u><i>general insurance business class 1, 2 3, etc.</i> are references to <i>contracts of insurance</i> of the kind mentioned in the corresponding numbered paragraph in Part I of Schedule 1 to that Order or, as the context may require, to the <i>effecting or carrying out of contracts of insurance</i> of that kind; and</u></p> <p style="margin-left: 20px;">(b) <u><i>long-term insurance business class I, II, III, etc.</i> are references to <i>contracts of insurance</i> of the kind mentioned in the corresponding numbered paragraph in Part II of Schedule 1 to that Order, as the context may require, to the <i>effecting or carrying out of contracts of insurance</i> of that kind.</u></p> <p>(2) <u>(in <i>COLL</i>):</u></p> <p style="margin-left: 20px;">(a) <u>a particular class of <i>units</i> of an <i>authorised fund</i>; or</u></p> <p style="margin-left: 20px;">(b) <u>all of the <i>units</i> relating to a single <i>sub-fund</i>; or</u></p>
---------------------	---

(c) a particular class of *units* relating to a single *sub-fund*; or

(d) in relation to an *EEA UCITS scheme*, any arrangement equivalent to (a), (b) or (c).

(3) (in *COBS*) a particular category or type of *packaged product*.

(4) (in *LR*) *securities* the rights attaching to which are or will be identical and which form a single issue or issues.

(5) (in *FEES*) one of the broad classes to which *FSCS* allocates levies as described in *FEES* 6.4.7AR, *FEES* 6.5.6AR and *FEES* 6 Annex 3AR.

(B) In the PRA Handbook:

(1) ...

(2) ...

(3) ...

(4) ...

(5) ...

levy limit

(A) In the FCA Handbook:

(in *FEES*) the maximum aggregate amount of *compensation costs* and *specific costs* that may be allocated to a particular *class* in one financial year as set out in *FEES* 6 Annex 2R, whether directly or (where relevant to that *class*) through the *retail pool*. *FCA provider contribution classes* do not have a *levy limit*: they have a *retail pool levy limit*: see *FEES* 6 Annex 5R.

(B) In the PRA Handbook:

(in *FEES*) the maximum aggregate amount of *compensation costs* and *specific costs* that may be allocated to a particular *class* in one financial year as set out in *FEES* 6 Annex 2R.

Annex B

Amendments to the Fees manual (FEES)

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

[*Editor's Note:* In this Annex, the provisions shown as being deleted are provisions in the FCA Handbook only. The same provisions in the PRA Handbook remain unaffected by these deletions.]

6 Financial Services Compensation Scheme Funding

6.1 Application

...

General structure

...

6.1.7 G ~~In order to allocate a share of the amount of *specific costs* and *compensation costs* to be funded by an individual *participant firm*, the funding arrangements are split into eight *classes*: the *deposits class*; the *life and pensions provision class*; the *general insurance provision class*; the *investment provision class*; the *life and pensions intermediation class*; the *home finance intermediation class*, the *investment intermediation class* and the *general insurance intermediation class*. The *permissions* held by a *participant firm* determine into which *class*, or *classes*, it falls.~~ [deleted]
[FCA/
PRA]

6.1.7A G In order to allocate a share of the amount of *specific costs* and *compensation costs* to be funded by an individual *participant firm*, the funding arrangements are split into twelve *classes*: the *deposits class*; the *life and pensions provision class*; the *general insurance provision class*; the *investment provision class*; the *life and pensions intermediation class*; the *home finance intermediation class*, the *investment intermediation class*; the *general insurance intermediation class*; the *deposit acceptor's contribution class*; the *insurers - life contribution class*; the *insurers - general contribution class*; and the *home finance providers and administrators' contribution class*. The *permissions* held by a *participant firm* determine into which *class*, or *classes*, it falls.
[FCA]

...

The management expenses levy

...

6.1.11 G ~~The second element of a *management expenses levy* is a *specific costs levy* for the "*specific costs*" of running the *compensation scheme* in a financial year. These costs are attributable to a *class*, and include the salary costs of~~
[FCA/

PRA] certain staff of the *FSCS* and claims handling and legal and other professional fees. It also may include the cost of any insurance cover that *FSCS* secures against the risk of *FSCS* paying out claims above a given level in any particular *class* (but below the *levy limit* for that *class* for the year). The *specific costs* are attributed to the *class* which is responsible for those costs. When the *FSCS* imposes a *specific costs levy*, the levy is allocated to the *class* which is responsible for those costs up to the relevant *levy limits*. The *FSCS* may include in a *specific costs levy* the *specific costs* that the *FSCS* expects to incur (including in respect of defaults not yet declared at the date of the levy) during the financial year of the *compensation scheme* to which the levy relates. The amount that each *participant firm* pays towards the *specific costs levy* is calculated by reference to the amount of business conducted by the *firm* in each of the *classes* to which the *FSCS* has allocated *specific costs*. Each *class* has a separate "tariff base" for this purpose, set out in *FEES 6 Annex 3R*. *Participant firms* may be exempt from contributing to the *specific costs levy*. [deleted]

6.1.11A [FCA] G The second element of a *management expenses levy* is a *specific costs levy* for the "specific costs" of running the *compensation scheme* in a financial year. These costs are attributable to a *class*, and include the salary costs of certain staff of the *FSCS* and claims handling and legal and other professional fees. It also may include the cost of any insurance cover that *FSCS* secures against the risk of *FSCS* paying out claims above a given level in any particular *class* (but below the *levy limit* for that *class* for the year). The *specific costs* are attributed to the *class* which is responsible for those costs. When the *FSCS* imposes a *specific costs levy*, the levy is allocated to the *class* which is responsible for those costs up to the relevant *levy limits*. *Specific costs* attributable to certain *classes*, which exceed the *class levy limits*, may be allocated to the *retail pool*. The *FSCS* may include in a *specific costs levy* the *specific costs* that the *FSCS* expects to incur (including in respect of defaults not yet declared at the date of the levy) during the financial year of the *compensation scheme* to which the levy relates. The amount that each *participant firm* pays towards the *specific costs levy* is calculated by reference to the amount of business conducted by the *firm* in each of the *classes* to which the *FSCS* has allocated *specific costs*. Each *class* has a separate "tariff base" for this purpose, set out in *FEES 6 Annex 3AR*. *Participant firms* may be exempt from contributing to the *specific costs levy*.

...

The retail pool

6.1.16A [FCA] G The *FCA* has made *rules* providing that *compensation costs* and *specific costs* attributable to the *intermediation classes* and the *investment provision class*, which exceed the *class levy limits*, may be allocated to the *retail pool*. Levies allocated to the *retail pool* are then allocated amongst the other such *classes*, together with certain *classes* (known as *FCA provider contribution classes*). The *FCA provider contribution classes* may contribute to *compensation costs levies* or *specific costs levies* funded by the *retail pool*,

but not themselves receive any such funding. The *FCA provider contribution classes* have a different tariff structure to the other *classes*, based on *regulatory costs* (see *FEES* 6.5A.6R).

...

6.2 Exemption

- 6.2.1 R (1) ~~A *participant firm* which does not conduct business that could give rise to a *protected claim* by an *eligible claimant* and has no reasonable likelihood of doing so is exempt from a *specific costs levy*, or a *compensation costs levy*, or both, provided that:~~
- [FCA/
PRA]
- (a) ~~it has notified the *FSCS* in writing that those conditions apply; and~~
- (b) ~~the conditions in fact continue to apply.~~

- (2) ~~The exemption takes effect from the date on which the notice was received by the *FSCS*, subject to *FEES* 6.2.6R. [deleted]~~

- 6.2.1A R (1) Except as set out in (3), a *participant firm* which does not conduct business that could give rise to a *protected claim* by an *eligible claimant* and has no reasonable likelihood of doing so is exempt from a *specific costs levy*, or a *compensation costs levy*, or both, provided that:
- [FCA]
- (a) it has notified the *FSCS* in writing that those conditions apply; and
- (b) the conditions in fact continue to apply.
- (2) The exemption takes effect from the date on which the notice was received by the *FSCS*, subject to *FEES* 6.2.6R.
- (3) The exemption in (1) does not apply in respect of a *specific costs levy* or *compensation costs levy* arising from the *firm's* membership of an *FCA provider contribution class*.

...

6.4 Management expenses

...

Specific costs levy

- 6.4.6 R ~~The *FSCS* must allocate any *specific costs levy* amongst the relevant *classes* in proportion to the amount of relevant costs arising from the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*. [deleted]~~
- [FCA/
PRA]

- 6.4.6A [FCA] R The FSCS must allocate any *specific costs levy*:
- (1) first, amongst the relevant *classes* in proportion to the amount of relevant costs arising from the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*. The *FCA provider contribution classes* are not relevant *classes* for this purpose; and
 - (2) thereafter, where the *levy limit* has been reached (whether as a result of *compensation costs* or *specific costs* or both) for a *class* whose attributable costs may be allocated to the *retail pool* (see *FEES 6 Annex 5R*), to the *retail pool*, in accordance with and subject to *FEES 6.5A*.
- 6.4.7 [FCA/PRA] R The FSCS must calculate a *participant firm's* share of a *specific costs levy* (subject to *FEES 6.3.22R* (Adjustments to calculation of levy shares)) by:
- ~~(1) identifying each of the relevant *classes* to which the *participant firm* belongs, using the statement of business most recently supplied under *FEES 6.5.13R*;~~
 - ~~(2) identifying the *management expenses* other than *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, allocated to the *classes* identified in (1), but not yet levied;~~
 - ~~(3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under *FEES 6.5.13R*;~~
 - ~~(4) applying the proportion calculated in (3) to the figure in (2); and~~
 - ~~(5) if more than one *class* is relevant, adding together the figure in (4) for each *class*. [deleted]~~
- 6.4.7A [FCA] R The FSCS must calculate a *participant firm's* share of a *specific costs levy* (subject to *FEES 6.3.22R* (Adjustments to calculation of levy shares)) by:
- (1) identifying each of the relevant *classes* to which the *participant firm* belongs, using the statement of business most recently supplied under *FEES 6.5.13R*;
 - (2) identifying the *management expenses* other than *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, allocated to the *classes* identified in (1), but not yet levied;
 - (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see *FEES 6 Annex 3AR*) as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of

business most recently supplied under FEES 6.5.13R (but this paragraph is modified for a *specific costs levy* allocated to an *FCA provider contribution class* in the *retail pool* by FEES 6.5A.6R);

- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

...

6.5 Compensation costs

...

- 6.5.2 R ~~The *FSCS* must allocate any *compensation costs levy*:~~
- [FCA/
PRA]
- (1) ~~first, to the *classes* in proportion to the amount of *compensation costs* arising from, or expected to arise from, claims in respect of the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*; and~~
 - (2) ~~thereafter, where the *levy limit* has been reached (whether as a result of *compensation costs* or *specific costs* or both) for a *class* whose attributable costs may be allocated to the *retail pool*, to the *retail pool*, in accordance with FEES 6.5A. [deleted]~~

Allocation: all classes except A, B and C

- 6.5.2-A R The *FSCS* must allocate any *compensation costs levy*:
- [FCA]
- (1) first, to the relevant *classes* in proportion to the amount of *compensation costs* arising from, or expected to arise from, claims in respect of the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*. The *FCA provider contribution classes* are not relevant *classes* for this purpose; and
 - (2) thereafter, where the *levy limit* has been reached (whether as a result of *compensation costs* or *specific costs* or both) for a *class* whose attributable costs may be allocated to the *retail pool* (see FEES 6 Annex 5R), to the *retail pool*, in accordance with, and subject to, FEES 6.5A.

...

- 6.5.6 R ~~The *FSCS* must calculate each *participant firm's* share of a *compensation costs levy* (subject to FEES 6.3.22R (Adjustments to calculation of levy shares)) by:~~
- [FCA/
PRA]

- (1) ~~identifying each of the *classes* to which each *participant firm* belongs, using the statement of business most recently supplied under *FEES* 6.5.13R(1);~~
- (2) ~~identifying the *compensation costs* falling within *FEES* 6.5.1R allocated, in accordance with *FEES* 6.5.2R, to the *classes* identified in (1);~~
- (3) ~~calculating, in relation to each relevant *class*, the *participant firm's* tariff base as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under *FEES* 6.5.13R;~~
- (4) ~~applying the proportion calculated in (3) to the figure in (2); and~~
- (5) ~~if more than one *class* is relevant, adding together the figure in (4) for each *class*. [deleted]~~

6.5.6A [FCA] R The *FSCS* must calculate each *participant firm's* share of a *compensation costs levy* (subject to *FEES* 6.3.22R (Adjustments to calculation of levy shares)) by:

- (1) identifying each of the relevant *classes* to which each *participant firm* belongs, using the statement of business most recently supplied under *FEES* 6.5.13R(1);
- (2) identifying the *compensation costs* falling within *FEES* 6.5.1R allocated, in accordance with *FEES* 6.5.2R, to the *classes* identified in (1);
- (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see *FEES* 6 Annex 3AR) as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under *FEES* 6.5.13R (but this paragraph is modified for a *compensation costs levy* allocated to an *FCA provider contribution class* in the *retail pool* by *FEES* 6.5A.6R);
- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

Classes and tariff bases for compensation cost levies and specific costs levies

6.5.7 [FCA/ PRA] R When calculating a *participant firm's* share of a *compensation costs levy* or *specific costs levy* allocated to each *class* the *FSCS* must use the *classes* and tariff bases as set out in the table in *FEES* 6 Annex 3R. [deleted]

...

Insert the following sub-chapter after FEES 6.5. The new text is not underlined.

6.5A The retail pool

Allocation of compensation costs levies and specific costs levies through the retail pool

6.5A.1 R ~~[to follow]~~ The *FSCS* must allocate a *compensation costs levy* or *specific costs levy*, which has been allocated to the *retail pool* (under *FEES 6.5.2-AR(2)*):

- [FCA]
- (1) to *classes* whose *retail pool* levy limit has not been reached as at the date of the levy;
 - (2) in proportion to the relative sizes of the *retail pool* levy limits of the *classes* in (1); and
 - (3) in accordance with the table in *FEES 6 Annex 5R*.

[**Note:** The *retail pool* levy limits for *classes* other than *FCA provider contribution classes* are the normal *levy limits* for that *class*. See the table in *FEES 6 Annex 5R* for the *retail pool* levy limits for all relevant *classes*.]

6.5A.2 R (1) An allocation in *FEES 6.5A.1R* to an *FCA provider contribution class* other than the home finance providers and administrators' contribution *class* may not be of an amount that, if it were added to any *compensation costs levies* or *specific costs levies* which have previously been imposed on the *PRA funding class* which corresponds to that *FCA provider contribution class* (as set out in *FEES 6.5A.7R*) the combined figure would be greater than the *levy limit* of the corresponding *PRA funding class*.

- [FCA]
- (2) Where:
 - (a) an *FCA provider contribution class* has already contributed to *specific costs* or *compensation costs* (through the *retail pool*); and
 - (b) if the amount of that previous contribution by the *class* in (a) were added to a *compensation costs levy* or *specific costs levy* which is being imposed on the *PRA funding class* which corresponds to the *class* in (a) (and any previous such levies), the combined figure would be greater than the *levy limit* of the corresponding *PRA funding class*;

the *FSCS* must, so far as reasonably possible, obtain repayment of the previous contribution by the *class* in (a) from the *retail pool* (including the *FCA provider contribution classes* except the *class* in (a)) to the extent that ensures that the combined figure in (b) would no longer be greater than the *levy limit* of the corresponding *PRA funding class*, and credit the repayment to the *class* in (a).

- (3) The *FSCS* may obtain the repayment in (2) by:
- (a) a levy;
 - (b) commercial or other borrowing; or
 - (c) utilising funds as set out in, and subject to, *FEES* 6.3.17R.

[**Note:** the home finance providers and administrators' contribution *class* does not have a corresponding *PRA funding class*.]

- 6.5A.3 [FCA] G In considering which of the options in *FEES* 6.5A.2R(2) to adopt, the *FSCS* will generally impose a levy, rather than borrow or utilise funds as described in *FEES* 6.5A.2R(2)(c), unless the latter options appear to be preferable in the specific circumstances prevailing at the relevant time.
- 6.5A.4 [FCA] R The calculation of the relative sizes of the *retail pool* levy limit (for the purpose of *FEES* 6.5A.1R) is based on the original *retail pool* levy limits for the *classes* (as set out in *FEES* 6 Annex 5R) and not the remaining capacity in each *class*.
- 6.5A.5 [FCA] R When the *FSCS* allocates excess *compensation costs levies* or *specific costs levies* under *FEES* 6.5A.1R or any levy imposed under *FEES* 6.5A.2R(3)(a), a *class* to which part of the excess is allocated (a "receiving class") may, as a result of that allocation, itself reach its limit. In that case, the *FSCS* must apply *FEES* 6.5A.1R or *FEES* 6.5A.2R so that any resulting excess levy beyond the limit of the receiving class is allocated amongst the remaining *classes* whose limits have not been reached, to the exclusion of the receiving *class*. This process is repeated until the *compensation costs levy* or *specific costs levy* has been met in full or the limits of all *classes* have been exhausted.

Calculation of participant firms' shares in levies allocated to classes in the retail pool

- 6.5A.6 [FCA] R In relation to a *specific costs levy* or *compensation costs levy* allocated to an *FCA provider contribution class* in the *retail pool*, *FEES* 6.4.7AR(3) and *FEES* 6.5.6AR(3), respectively, are replaced by the following: "calculating, in relation to each relevant *class*, the *participant firm's* most recent *regulatory costs* arising from its membership of the corresponding activity group (as listed in *FEES* 4 Annex 1AR) set out in *FEES* 6.5A.7R, as a proportion of the total most recent *regulatory costs* of all *participant firms* in that activity group

arising from their membership of that group;”.

- 6.5A.7 R The corresponding *PRA* funding *classes* and corresponding activity groups referred to in *FEES* 6.5A.2R and *FEES* 6.5A.6R respectively are as follows:

FCA provider contribution class	Corresponding PRA funding class	Corresponding activity group
Deposit acceptor’s contribution <i>class</i>	Deposits	A.1: Deposit acceptors
Insurers - life contribution <i>class</i>	Life and pensions provision	A.4: Insurers - life
Insurers - general contribution <i>class</i>	General insurance provision	A.3: Insurers - general
Home finance providers and administrators’ contribution <i>class</i>	None	A.2: Home finance providers and administrators

Delete FEES 6 Annex 3R in its entirety. The deleted text is not shown.

6 Annex Financial Services Compensation Scheme - classes [deleted]
3R

...

Insert the following Annex. The new text is not underlined.

6 Annex Financial Services Compensation Scheme - classes
3AR

[FCA] This table belongs to *FEES* 6.4.7AR and *FEES* 6.5.6AR

Class A	Deposits
Firms with permission for:	<i>accepting deposits</i> and/or <i>operating a dormant account fund</i> . BUT does not include any fee payer who either effects or carries out <i>contracts of insurance</i> .
Tariff base	(1) <i>Protected deposits</i> and/or (2) <i>Protected dormant accounts</i> multiplied by 0.2 as at 31 December. Except where paragraph (4) says otherwise, <i>protected deposits</i> must be adjusted as follows.

	(1) Only include a <i>protected deposit</i> to the extent that an <i>eligible claimant</i> would have a claim in respect of it.
	(2) Exclude any amount in respect of which the <i>FSCS</i> would not pay compensation due to the maximum payment limits in <i>COMP 10.2</i> .
	(3) The tariff base calculation is made on the basis of the information that the <i>firm</i> would have to include in the <i>single customer views</i> it has to be able to produce under <i>COMP 17</i> (Systems requirements for firms that accept deposits). The information must be of the extent and standard required if the <i>firm</i> was preparing the <i>single customer views</i> as at the valuation date for the tariff base (31 December).
	(4) (a) If this paragraph applies, the adjustments in (1) to (3) do not apply and the calculation is based on <i>protected deposits</i> .
	(b) This paragraph applies with respect to a <i>protected deposit</i> to the extent that, under <i>COMP 17</i> , the <i>firm</i> does not have to identify an <i>eligible claimant</i> with respect to that <i>protected deposit</i> because the account is held by the account holder on behalf of others.
	(c) This paragraph applies with respect to a <i>protected deposit</i> that has been excluded from the <i>single customer view</i> because it is an account that is not active, as defined in <i>COMP 17.2.3R(2)</i> .

	General Insurance
Class B1	General Insurance Provision
Firms with permission for:	<i>effecting contracts of insurance; and/or</i>
	<i>carrying out contracts of insurance;</i>
	that are <i>general insurance contracts</i> .
Class B2	General Insurance Intermediation
Firms with permission for:	Any of the following in respect of <i>general insurance contracts</i> :
	<i>dealing in investments as agent;</i>
	<i>arranging (bringing about) deals in investments;</i>
	<i>making arrangements with a view to transactions in</i>

	<p><i>investments;</i></p>
	<p><i>assisting in the administration and performance of a contract of insurance;</i></p>
	<p><i>advising on investments;</i></p>
	<p><i>agreeing to carry on a regulated activity which is within any of the above.</i></p>
Tariff base	<p>Class B1: <i>Relevant net premium income</i> and eligible gross technical liabilities. The levy is split into two in the ratio 75:25. The tariff base for the first portion (75%) is calculated by reference to <i>relevant net premium income</i>. The tariff base for the second portion (25%) is based on eligible gross technical liabilities.</p> <p>Eligible gross technical liabilities are calculated in accordance with the method for calculating gross technical liabilities in fee block A3 in part 2 of <i>FEES 4 Annex 1BR</i> with the following adjustments.</p> <p>(1) Eligible gross technical liabilities are calculated by reference to <i>protected contracts of insurance</i> with <i>eligible claimants</i>.</p> <p>(2) A <i>firm</i> may choose not to apply paragraph (1) and instead include all gross technical liabilities that it would be obliged to take into account for fee block A3 as long as the amount that it would include under (1) is lower.</p> <p>(3) If an <i>incoming EEA firm</i> does not report gross technical liabilities in the way contemplated by this table, the <i>firm's</i> gross technical liabilities are calculated in the same way as they would be for a <i>UK firm</i>.</p> <p>(4) None of the notes for the calculation of fees in fee block A3 in part 2 of <i>FEES 4 Annex 1BR</i> apply except for the purposes of (2).</p> <p>(5) A <i>directive friendly society</i> must also calculate eligible gross technical liabilities in accordance with this table.</p> <p>(6) A <i>non-directive friendly society</i> must calculate gross technical liabilities as the amount that it is required to show in FSC 2 - Form 9 line 11 in Appendix 10 of <i>IPRU(FSOC)</i> (assets allocated towards the general insurance business required minimum margin) in relation to the most recent financial year of the <i>firm</i> (as at the applicable reporting date under <i>FEES 6.5.13R</i>) for which the <i>firm</i> is required to have reported that information to the <i>PRA</i> under <i>IPRU(FSOC)</i>. A <i>non-directive friendly society</i> must disregard for this purpose such amounts as are not required to be included by reason of a <i>waiver</i> or a written concession carried forward as an amendment to the <i>rule</i> to which it relates under <i>SUP TP</i>.</p>
	<p>Class B2: <i>annual eligible income</i> where <i>annual eligible</i></p>

	<p><i>income</i> means annual income adjusted in accordance with this table. Annual income is calculated as the sum of (a) and (b):</p> <p>(a) the net amount retained by the <i>firm</i> of all brokerages, fees, commissions and other related income (for example, administration charges, overrides and profit shares) due to the <i>firm</i> in respect of or in relation to <i>class B2</i> activities, including any income received from an <i>insurer</i>; and</p> <p>(b) if the <i>firm</i> is an <i>insurer</i>, in relation to <i>class B2</i> activities, the amount of <i>premiums</i> receivable on its <i>contracts of insurance</i> multiplied by 0.07, excluding those <i>contracts of insurance</i> which result from <i>class B2</i> activities carried out by another <i>firm</i>, where a payment has been made by the <i>insurer</i> to that other <i>firm</i> and that payment is of a type that falls under (a).</p> <p>Notes relating to the calculation of the tariff base for <i>class B2</i>:</p> <p>(1) Exclude annual income for <i>pure protection contracts</i>. Only include <i>general insurance contracts</i>.</p> <p>(2) The calculation is adjusted in accordance with the definition of <i>annual eligible income</i>.</p> <p>(3) Net amount retained means all the commission, fees, etc. in respect of <i>class B2</i> activities that the <i>firm</i> has not rebated to customers or passed on to other <i>firms</i> (for example, where there is a commission chain). Items such as general business expenses (for example, employees' salaries and overheads) must not be deducted.</p> <p>(4) <i>Class B2</i> activities mean activities that fall within <i>class B2</i>. They also include activities that now fall within <i>class B2</i> but that were not <i>regulated activities</i> when they were carried out.</p> <p>(5) A reference to a <i>firm</i> also includes a reference to any <i>person</i> who carried out activities that would now fall into <i>class B2</i> but which were not at the time <i>regulated activities</i>.</p>
	Life and Pensions
Class C1	Life and Pensions Provision
Firms with permission for:	<i>effecting contracts of insurance</i> ; and/or
	<i>carrying out contracts of insurance</i> ;
	<i>that are long-term insurance contracts</i> (including <i>pure</i>

	<i>protection contracts</i>).
Class C2	Life and Pensions Intermediation
Firms with permission for:	Any of the following:
	<i>dealing in investments as agent;</i>
	<i>arranging (bringing about) deals in investments;</i>
	<i>making arrangements with a view to transactions in investments;</i>
	<i>assisting in the administration and performance of a contract of insurance;</i>
	<i>advising on investments;</i>
	<i>advising on pension transfers and pension opt-outs;</i>
	<i>providing basic advice on a stakeholder product;</i>
	<i>agreeing to carry on a regulated activity which is within any of the above;</i>
	in relation to any of the following:
	<i>long-term insurance contracts (including pure protection contracts);</i>
	<i>rights under a stakeholder pension scheme or a personal pension scheme.</i>
Tariff base	<p>Class C1: <i>Relevant net premium income</i> and eligible mathematical reserves. The levy is split into two in the ratio 75:25. The tariff base for the first portion (75%) is calculated by reference to <i>relevant net premium income</i>. The tariff base for the second portion (25%) is based on mathematical reserves.</p> <p>Eligible mathematical reserves are calculated in accordance with the method for calculating mathematical reserves in fee block A4 in part 2 of <i>FEES 4 Annex 1BR</i> with the following adjustments.</p> <p>(1) Eligible mathematical reserves are calculated by reference to <i>protected contracts of insurance</i> with <i>eligible claimants</i>.</p> <p>(2) A <i>firm</i> may choose not to apply paragraph (1) and instead include all mathematical reserves that it would be obliged to take into account for fee block A4 as long as the amount that it would include under (1) is lower.</p>

(3) If an *incoming EEA firm* does not report mathematical reserves in the way contemplated by this table, the *firm's* mathematical reserves are calculated in the same way as they would be for a *UK firm*.

(4) None of the notes for the calculation of fees in fee block A4 in part 2 of *FEES 4 Annex 1BR* apply except for the purposes of (2).

(5) A *directive friendly society* must also calculate eligible mathematical reserves in accordance with this table.

(6) A *non-directive friendly society* must calculate mathematical reserves as the amount that it is required to show in FSC 2 - Form 9 line 23 in Appendix 10 of *IPRU(FSOC)* (total mathematical reserves after distribution of surplus) in relation to the most recent financial year of the *firm* (as at the applicable reporting date under *FEES 6.5.13R*) for which the *firm* is required to have reported that information to the *PRA* under *IPRU(FSOC)*. A *non-directive friendly society* must disregard for this purpose such amounts as are not required to be included by reason of a *waiver* or a written concession carried forward as an amendment to the *rule* to which it relates under *SUP TP*.

(7) The provisions relating to pension fund management business in Part 2 of *FEES 4 Annex 1BR* do not apply. A *firm* undertaking such business that does not carry out any other activities within *class C1* (ignoring any activities that would have a wholly insignificant effect on the calculation of its tariff base for *class C1*) must use its Long-term insurance capital requirement instead of gross technical liabilities. The Long-term insurance capital requirement means the amount that it is required to show as its Long-term insurance capital requirement in Form 2 Line 31 (Statement of solvency - Long-term insurance business) in relation to the most recent financial year of the *firm* (as at the applicable reporting date under *FEES 6.5.13R*) for which the *firm* is required to have reported that information to the *PRA*.

(8) The split in the levy between *relevant net premium income* and eligible mathematical reserves does not apply to a partnership pension society (as defined in Chapter 7 of *IPRU(FSOC)* (Definitions)). Instead the levy is only calculated by reference to *relevant net premium income*.

Class C2: *annual eligible income* where *annual eligible income* means annual income adjusted in accordance with this table. Annual income is calculated as the sum of (a) and (b):

(a) the net amount retained by the *firm* of all brokerages, fees, commissions and other related income (for example, administration charges, overrides and profit shares) due to the *firm* in respect of or in relation to *class C2* activities including any income received from an *insurer*; and

(b) if the *firm* is a life and pensions *firm*, in relation to *class C2* activities, the amount of *premiums* or commission receivable on its life and pensions contracts multiplied by 0.07, excluding those life and pensions contracts which result from *class C2* activities carried out by another *firm*, where a payment has been made by the life and pensions *firm* to that other *firm* and that payment is of a type that falls under (a).

Notes relating to the calculation of the tariff base for *class C2*:

(1) Life and pensions contracts mean *long-term insurance contracts* (including *pure protection contracts*) and rights under a *stakeholder pension scheme* or a *personal pension scheme*.

(2) Life and pensions *firm* means an *insurer*. It also means a *firm* that provides *stakeholder pension schemes* or *personal pension schemes* if those activities fall into *class D1*.

(3) The calculation is adjusted in accordance with the definition of *annual eligible income*.

(4) Net amount retained means all the commission, fees, etc. in respect of *class C2* activities that the *firm* has not rebated to customers or passed on to other *firms* (for example, where there is a commission chain). Items such as general business expenses (for example, employees' salaries and overheads) must not be deducted.

(5) *Class C2* activities mean activities that fall within *class C2*. They also include activities that now fall within *class C2* but that were not *regulated activities* when they were carried out.

(6) A reference to a *firm* also includes a reference to any *person* who carried out activities that would now fall into *class C2* but which were not at the time *regulated activities*.

	Investment
Class D1	Investment provision
Firms with permission for:	Any of the following:
	<i>managing investments;</i>
	<i>establishing, operating or winding up a regulated collective investment scheme;</i>
	<i>establishing, operating or winding up an unregulated collective investment scheme;</i>
	<i>acting as trustee of an authorised unit trust scheme;</i>
	<i>acting as the depositary or sole director of an open-ended investment company;</i>
	<i>establishing, operating or winding up a stakeholder pension scheme;</i>
	<i>establishing, operating or winding up a personal pension scheme;</i>
	<i>agreeing to carry on a regulated activity which is within any of the above.</i>
Class D2	Investment Intermediation
Firms with permission for:	Any of the following activities in relation to <i>designated investment business</i> :
	<i>dealing in investments as principal;</i>
	<i>dealing in investments as agent;</i>
	<i>MiFID business bidding;</i>
	<i>arranging (bringing about) deals in investments;</i>
	<i>making arrangements with a view to transactions in investments;</i>
	<i>advising on investments;</i>
	<i>providing basic advice on a stakeholder product;</i>
	<i>safeguarding and administering investments;</i>
	<i>arranging safeguarding and administering of assets;</i>

	<i>operating a multilateral trading facility;</i>
	<i>agreeing to carry on a regulated activity which is within any of the above;</i>
BUT excluding activities that relate to <i>long-term insurance contracts</i> or rights under a <i>stakeholder pension scheme</i> or a <i>personal pension scheme</i> .	
Tariff base	Class D1: <i>annual eligible income</i> where <i>annual eligible income</i> means annual income adjusted in accordance with this table. Annual income is equal to the net amount retained by the <i>firm</i> of all income due to the <i>firm</i> in respect of or in relation to activities falling within <i>class D1</i> .
	Class D2: <i>annual eligible income</i> where <i>annual eligible income</i> means annual income adjusted in accordance with this table. Annual income is equal to the net amount retained by the <i>firm</i> of all income due to the <i>firm</i> in respect of or in relation to activities falling within <i>class D2</i> .
	Notes on <i>annual eligible income</i> for <i>classes D1</i> and <i>D2</i> :
	(1) For the purposes of calculating annual income, net amount retained means all the commission, fees, etc. in respect of activities falling within <i>class D1</i> or <i>D2</i> , as the case may be, that the <i>firm</i> has not rebated to customers or passed on to other <i>firms</i> (for example, where there is a commission chain). Items such as general business expenses (for example employees' salaries and overheads) must not be deducted.
	(2) The calculation is adjusted in accordance with the definition of <i>annual eligible income</i> .
	(3) Box management profits are excluded from the calculation of annual income.

	Home Finance
Class E2	Home Finance Intermediation
Firms with permission for:	Any of the following activities:
	<i>arranging (bringing about) a home finance transaction;</i>
	<i>making arrangements with a view to a home finance</i>

	<p><i>transaction;</i></p> <p><i>advising on home finance transactions;</i></p> <p>the activities of a <i>home finance provider</i> which would be arranging but for article 28A of the <i>Regulated Activities Order</i> (Arranging contracts or plans to which the arranger is party);</p> <p><i>agreeing to carry on a regulated activity</i> which is within any of the above.</p>
Tariff base	<p>Class: E2: <i>annual eligible income</i> where the annual income is calculated in accordance with fee-block A18 in part 2 of FEES 4 Annex 1AR.</p>
Class F	Deposit acceptor's contribution
Firms with permission for:	<i>accepting deposits</i> and/or <i>operating a dormant account fund</i> . BUT does not include any fee payer who either effects or carries out <i>contracts of insurance</i> .
Class G	Insurers – life contribution
Firms with permission for:	<p><i>effecting contracts of insurance;</i> and/or</p> <p><i>carrying out contracts of insurance;</i></p> <p>in respect of <i>specified investments</i> including <i>life policies;</i> <i>entering as provider into a funeral plan contract.</i></p> <p>-</p>
Class H	Insurers – general contribution
Firms with permission for:	<p><i>effecting contracts of insurance;</i> and/or</p> <p><i>carrying out contracts of insurance;</i></p> <p>in respect of <i>specified investments</i> that are:</p> <ul style="list-style-type: none"> - <i>general insurance contracts;</i> or - <i>long-term insurance contracts</i> other than <i>life policies.</i>
Class I	Home finance provision
Firms with permission for:	Any of the activities below:
	<i>entering into a home finance transaction;</i>

	<i>administering a home finance transaction;</i>
	<i>agreeing to carry on a regulated activity which is within any of the above.</i>

Notes
(1) Any reference in this annex to a <i>specified investment</i> includes a reference to <i>rights to or interests in investments</i> in that <i>specified investment</i> .
(2) In calculating <i>annual eligible income</i> a <i>firm</i> must apportion income between different <i>classes</i> and between income that falls within the definition of <i>annual eligible income</i> and income that does not in a reasonable and consistent way and on the basis of clear policies.
(3) The question of whether a <i>person</i> is an <i>eligible claimant</i> or not or whether a <i>contract of insurance</i> is a <i>protected contract</i> or not or whether business is compensatable business or not must be judged at whichever of the following dates the <i>firm</i> chooses: (a) (for a <i>person</i> who has become a new <i>client</i> during the period by reference to which the <i>firm's</i> tariff base is being calculated) the date on which the <i>person</i> becomes a <i>client</i> ; (b) (for a <i>person</i> who has ceased to be a <i>client</i> during that period) the date on which the <i>person</i> ceases to be a <i>client</i> ; or (c) (in any other case) the date to which the most recent information supplied by the <i>firm</i> under FEES 6.5.13R is prepared. However this does not apply for the purpose of calculating the tariff base for <i>class A</i> (Deposits) so far as it relates to <i>protected deposits</i> .
(4) For classes G to I (inclusive) the tariff base is not set out in this Annex: see FEES 6.4.7R(3), FEES 6.5.6R(3) and FEES 6.5A.6R

Insert the following new Annex after FEES 6 Annex 4G. The text is not underlined.

6 Annex 5R Classes participating in the retail pool and applicable limits
[FCA]

This table belongs to FEES 6.5A.1R.

Class	Attributable costs for this class in excess of levy limit allocated to the retail pool?	Retail pool levy limit (£ million)	Retail pool compensation costs levy or specific costs levy allocated to this class?
FCA provider contribution classes			

[Note: The <i>FCA provider contribution classes</i> contribute to a <i>compensation costs levy</i> or <i>specific costs levy</i> allocated to the <i>retail pool</i> , unless the <i>compensation costs</i> or <i>specific costs</i> are attributable to the investment provision class. <i>Compensation costs</i> or <i>specific costs</i> attributable to the corresponding <i>PRA funding classes</i> are never allocated to the <i>retail pool</i>]			
Deposit acceptors contribution	No	110	Yes (except for costs attributable to the investment provision class)
Insurance – life contribution		70	
Insurance – general contribution		35	
Home finance providers and administrators' contribution		45	
<p>Classes that both contribute to and are funded by the retail pool</p> <p>[Note: A <i>compensation costs levy</i> or <i>specific costs levy</i>, in respect of costs attributable to these <i>classes</i> in excess of their <i>levy limits</i>, must be allocated to the <i>retail pool</i>. A <i>compensation costs levy</i> or <i>specific costs levy</i> allocated to the <i>retail pool</i> is then allocated to all other <i>classes</i> contributing to the <i>retail pool</i> (up to each <i>class's retail pool</i> contribution limit), except as specified below for the investment provision class.]</p>			
Investment provision	Yes, under <i>FEES 6.5.2-AR(2)</i> (but costs attributable to the investment provision class cannot be allocated to the <i>FCA provider contribution classes</i>)	<i>Class levy limit</i>	Yes
Life and pensions intermediation			
Home finance intermediation			
Investment intermediation			
General insurance intermediation			

Transitional Provisions and Schedules

...

TP 7 Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2013/14

7.1 [FCA/PRA]	R	...
------------------	---	-----

<u>7.2</u> [FCA]	<u>R</u>	For the purpose of <i>FEES 6.5A.6R</i> , ' <i>FEES 4 Annex 1AR</i> ' must be read as ' <i>FEES 4 Annex 1R</i> ' (as it was in force immediately before 1 April 2013) until the <i>regulatory costs</i> arising from the activity group in <i>FEES 4 Annex 1AR</i> have been determined. The <i>FSCS</i> may recalculate the liabilities once the <i>regulatory costs</i> arising from the activity group in <i>FEES 4 Annex 1AR</i> have been determined and credit or debit <i>participant firms</i> as appropriate.
---------------------	----------	---