

**FINANCIAL SERVICES COMPENSATION SCHEME (FUNDING AND SCOPE)  
INSTRUMENT 2017**

**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the powers and related provisions in:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137A (The FCA’s general rules);
    - (b) section 137T (General supplementary powers);
    - (c) section 139A (Power of the FCA to give guidance);
    - (d) section 213 (The compensation scheme);
    - (e) section 214 (General); and
    - (f) section 215 (Rights of the scheme in insolvency);
    - (g) section 316 (Direction by a regulator); and
  - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

**Commencement**

- C. Part 1 of Annex B comes into force on 30 October 2017.
- D. Part 1 of Annex A and Part 2 of Annex B come into force on 3 January 2018.
- E. The remainder of this instrument comes into force on 1 April 2018.

**Amendments to the Handbook**

- F. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below:

(1)	(2)
Glossary	Annex A
Fees manual (FEES)	Annex B
Supervision manual (SUP)	Annex C
Compensation sourcebook (COMP)	Annex D
Consumer Credit sourcebook (CONC)	Annex E

**Notes**

- G. In the Annexes to this instrument the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

**Citation**

- H. This instrument may be cited as the Financial Services Compensation Scheme (Funding and Scope) Instrument 2017.

By order of the Board  
19 October 2017

## Annex A

## Amendments to the Glossary of definitions

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

## Part 1: Comes into force on 3 January 2018

Amend the following definition as shown.

- participant firm*     ~~(1)~~ ~~(except in FEES 1 and FEES 6)~~ a firm ~~or a member~~ other than:
- ~~(a)~~     ~~(in accordance with an incoming EEA firm to the extent~~
  - (1)     prescribed for the purposes of section 213(10) of the Act (The compensation scheme) ~~and under~~ regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons) ~~an incoming EEA firm which is:~~
  - ~~(i)~~     ~~a credit institution;~~
  - ~~(ii)~~     ~~a MiFID investment firm; or~~
  - ~~(iii)~~     ~~[deleted]~~
  - ~~(iv)~~     ~~both (i) and (ii); or~~
  - ~~(v)~~     ~~an IMD insurance intermediary or an IMD reinsurance intermediary which is neither (i) or (ii); or~~
  - ~~(vi)~~     ~~an AIFM managing an unauthorised AIF or providing the services in article 6(4) of AIFMD; or~~
  - ~~(vii)~~     ~~an MCD mortgage credit intermediary;~~

~~in relation to its passported activities, unless it has top-up cover;~~

[Note: This covers certain incoming EEA firms: see COMP 14.1 and 14.2.]

- ~~(aa)~~     ~~(in accordance with section 213(10) of the Act (The compensation scheme) and regulation 2 of the~~ *Electing Participants Regulations* (Persons not to be regarded as relevant persons) ~~an incoming EEA firm which is a management company other than to the extent that it carries on the following activities from a branch in the United Kingdom or under the freedom to provide cross border services:~~

- (i) ~~collective portfolio management for a UCITS scheme; or~~
- (ii) ~~managing investments (other than of a collective investment scheme), advising on investments or safeguarding and administering investments (the services referred to in article 6(3) of the UCITS Directive), but only if it has top-up cover;~~
- ~~(b)~~ a service company;
- (2)
- ~~(c)~~ [deleted]
- ~~(d)~~ [deleted]
- ~~(e)~~ an underwriting agent, or members' adviser, in respect of (3) ~~advising on syndicate participation at Lloyd's or managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;~~
- ~~(f)~~ an authorised professional firm that is subject to the rules of (4) the Law Society (England and Wales) or the Law Society of Scotland and with respect to its *regulated activities* participates in the relevant society's compensation scheme;
- ~~(g)~~ an ICVC;
- (5)
- ~~(h)~~ a UCITS qualifier;
- (6)
- ~~(i)~~ [deleted]
- ~~(j)~~ (7) in respect of the carrying on of *bidding in emissions auctions*, a firm that is exempt from MiFID under article 2(1)(i);
- ~~(k)~~ an AIFM qualifier;
- (8)
- ~~(l)~~ (9) an operator of an electronic system in relation to lending in respect of operating the system.
- (2) ~~(in FEES 1 and FEES 6) a firm specified in paragraph (1) above that is not a member.~~

## Part 2: Comes into force on 1 April 2018

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

<i>direct sales of structured deposits</i>	the sale by a <i>firm</i> with <i>permission</i> for <i>accepting deposits</i> of its own <i>structured deposits</i> .
<i>enhanced reporting investment</i>	any <i>investment</i> subject to a restriction on retail distribution under the <i>FCA's rules</i> , as summarised in <i>COBS 9.3.5G(1)</i> .
<i>intermediation of structured deposits</i>	(in <i>COMP</i> and <i>FEES 6</i> ) any of the following: <ul style="list-style-type: none"> <li>(1) <i>direct sales of structured deposits</i>;</li> <li>(2) in relation to <i>structured deposits</i>: <ul style="list-style-type: none"> <li>(a) <i>advising on investments</i>; or</li> <li>(b) <i>dealing in investments as agent</i>; or</li> <li>(c) <i>arranging (bringing about) deals in investments</i>; or</li> <li>(d) <i>making arrangements with a view to transactions in investments</i>; or</li> <li>(e) <i>managing investments</i>.</li> </ul> </li> </ul>
<i>protected debt management business</i>	<i>debt management activities</i> which are covered by the <i>compensation scheme</i> , as set out in <i>COMP 5.8.1R</i> .

Amend the following definitions as shown.

<i>annual eligible income</i>	(in <i>FEES</i> ) (in relation to a <i>firm</i> and a <i>class</i> ) the annual income (as described in <i>FEES 6 Annex 3R 3AR</i> ) for the <i>firm's</i> last financial year ended in the year to 31 December preceding the date for submission of the information under <i>FEES 6.5.13R</i> attributable to that <i>class</i> . A <i>firm</i> must calculate <i>annual eligible income</i> from such annual income in one of the following ways: <ul style="list-style-type: none"> <li>(a) only include such annual income if it is attributable to business <del>conducted with or for the benefit of <i>eligible claimants</i> and is otherwise attributable to compensatable business</del> <u>in respect of which the <i>FSCS</i> may pay compensation</u>; or</li> <li>(b) include all such annual income.</li> </ul>
<i>class</i>	...

- (5) (in *FEES*) one of the ~~broad classes to which FSCS allocates levies as described set out in *FEES 6.4.7AR*, *FEES 6.5.6AR* and *FEES 6 Annex 3AR*~~, to which the *FSCS* allocates levies.
- client money* ...
- (2B) (in *CASS 11* ~~and~~, *CONC 3.9*, *CONC 8.3*, *CONC 10*, *COMP 5* and *COMP 12*) money which a *CASS debt management firm* receives or holds on behalf of a *client* in the course of or in connection with *debt management activity*.
- ...
- (4) (in *COMP* other than *COMP 5* and *COMP 12*) *client money* for the purposes of the relevant *client money rules*.
- compensation scheme* the Financial Services Compensation Scheme established under section 213 of the *Act* (The compensation scheme) for compensating *persons* in cases where *authorised persons* and *appointed representatives*, or, where applicable, a *successor* or a *tied agent* of a firm, are unable, or are likely to be unable, to satisfy *claims* against them (and, unless the context otherwise requires, references to the compensation scheme in the *FCA's Handbook* are to those aspects of the scheme established under the *FCA's rules*).
- financial year* (1) (in *DISP* ~~and~~, *FEES 5* and *FEES 6*) the 12 months ending with 31 March.
- ...
- MiFID investment firm* (1) (in summary) (except in *SUP 13*, *SUP 13A* and *SUP 14* in relation to notification of *passport activity*) a *firm* to which *MiFID* applies including, for some purposes only, a *credit institution* and *collective portfolio management investment firm*.
- (2) (in full) a *firm* (except in *SUP 13*, *SUP 13A* and *SUP 14* in relation to notification of *passport activity*) a *firm* which is:
- (a) an *investment firm* with its head office in the *EEA* (or, if it has a registered office, that office);
- (b) a *CRD credit institution* (only when providing an *investment service or activity* or when selling, or advising *clients* in relation to, *structured deposits* for the purposes of:
- (i) the *rules* implementing the articles referred to in article 1(3) of *MiFID* and article 1(4) of *MiFID*;
- (ii) the requirements imposed upon it by and under *MiFIR*; and

- (iii) the requirements imposed upon it by *EU regulations* made under *MiFID*); or
- (ba) a CRD credit institution (only when providing an investment service or activity) in relation to COMP or FEES 6);
- (c) ...
- (3) ...
- regulatory costs* the periodic fees payable to the ~~appropriate regulator~~ FCA by a *participant firm* in accordance with *FEES 4* (Periodic fees).
- top-up cover* cover provided by the *compensation scheme* for *claims* against an *incoming EEA firm* (which is a ~~credit institution, an IMD insurance intermediary, an IMD reinsurance intermediary, a MiFID investment firm, a UCITS management company, an MCD mortgage credit intermediary or an AIFM~~) in relation to the *firm's passported activities* and in addition to, or due to the absence of, the cover provided by the *firm's Home State compensation scheme* (see has elected to participate in accordance with section 214(5) of the Act, regulation 3 of the *Electing Participants Regulations* (Persons who may elect to participate) and COMP 14 (Participation by EEA firms)).

Delete the following definitions. The text is not shown struck through.

- DGD claim* a *claim*, in relation to a *protected deposit*, against a *CRD credit institution*, whether established in the *United Kingdom* or in another *EEA State*.
- professional indemnity insurance contract* a *contract of insurance* against the risk of the person insured incurring liability to a third party arising out of the insured's business activities.
- protected contract of insurance* a *contract of insurance* which is covered by the *compensation scheme*, as defined in *COMP 5.4.1R*.
- protected deposit* a *deposit* which is covered by the *compensation scheme*, as defined in *COMP 5.3.1R*.
- relevant net premium income*
- (1) (in relation to business which is not *occupational pension fund management business*) the premium income in respect of *protected contracts of insurance* of a *firm*; or
  - (2) (in relation to *occupational pension fund management business*) the *remuneration* retained by a *firm* in relation to its carrying on

*occupational pension fund management business*

in the year preceding that in which the date for submission of the information under *FEES* 6.5.13R falls, net of any relevant rebates or refunds.



## Annex B

## Amendments to the Fees manual (FEES)

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

## Part 1: Comes into force on 30 October 2017

**6 Annex 3AR Financial Services Compensation Scheme – classes**

This table belongs to *FEES* 6.4.7AR and *FEES* 6.5.6AR

...	
	<b>Life and Pensions</b>
...	
<b>Class C2</b>	Life and Pensions Intermediation
<b>Firms with permission for:</b>	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>
	<del><i>providing basic advice on a stakeholder product;</i></del> <u><i>basic advice;</i></u>
...	
...	
	<b>Investment</b>
...	
<b>Class D2</b>	Investment intermediation
<b>Firms with permission for:</b>	Any of the following in relation to <i>designated investment business</i> : <i>dealing in investments as principal;</i>

	<p><i>dealing in investments as agent;</i></p> <p><i>MiFID business bidding;</i></p> <p><i>arranging (bringing about) deals in investments;</i></p> <p><i>making arrangements with a view to transactions in investments;</i></p> <p><i>advising on investments;</i></p> <p><del><i>providing basic advice on a stakeholder product;</i></del> <u><i>basic advice;</i></u></p> <p>...</p>
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Insert the new TP 18 after FEES TP 17 (Transitional provisions relating to fees payable for authorisation as an authorised payment institution or registration as a small payment institution under the Payment Services Regulations 2017).

**TP 18**      **Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2018/19**

<u>(1)</u>	<u>(2)</u> <b><u>Material to which the transitional provision applies</u></b>	<u>(3)</u>	<u>(4)</u> <b><u>Transitional provision</u></b>	<u>(5)</u> <b><u>Transitional provision: dates in force</u></b>	<u>(6)</u> <b><u>Handbook provisions coming into force</u></b>
<u>18.1</u>	<u>FEES 6.5.13R</u>	<u>R</u>	<p><u>For the purposes of statements provided by <i>participant firms</i> under <i>FEES 6.5.13R</i> before 1 April 2018 and with respect to the <i>financial year of the compensation scheme</i> beginning on 1 April 2018, references in <i>FEES 6.5.13R</i> to <i>classes</i> must be read as references to <i>classes</i> to which <i>firms</i> will belong after 31 March 2018; and references to <i>tariffs</i> must be read as references to <i>tariffs</i> as in force after 31 March 2018.</u></p>	<p><u>From 30 October 2017 to 31 March 2018</u></p>	<u>1 April 2018</u>

**Part 2: Comes into force on 3 January 2018**

Insert the new TP 18.2 after FEES TP 18.1 in FEES TP 18 (Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2018/19).

**TP 18 Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2018/19**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provisions coming into force
...	...	...	...	...	...
<u>18.2</u>	<u>FEES 6 Annex 3AR</u>	<u>R</u>	<u>Any reference to <i>managing investments</i> in <i>FEES 6 Annex 3AR</i> shall not include <i>managing investments</i> in relation to <i>structured deposits</i> before <u>1 April 2018</u>.</u>	<u>From 3 January 2018 to 31 March 2018</u>	<u>1 April 2018</u>

**Part 3: Comes into force on 1 April 2018**

**6 Financial Services Compensation Scheme Funding**

**6.1 Application**

...

6.1.2 G (1) ...

- (2) ~~Although a *member* is a *participant firm* for the purposes of most provisions of *COMP*, a *member* is excluded from the definition of *participant firm* for the purposes of *FEES 6* (see definition of *participant firm* in *Glossary*). This is because the~~ The fees levied in relation to the carrying on of *insurance market activities* by *members* will be imposed on the *Society* rather than individually on each *member* (see *FEES 6.3.24R*).

Purpose

6.1.3 G The purpose of this chapter is to set out the requirements on *participant firms* to pay levies imposed by the *FSCS* to provide funding for its functions under

COMP. The *PRA Rulebook* deals with funding for the *FSCS*'s functions for depositor protection and policyholder protection.

...

- 6.1.6 G In calculating a *compensation costs levy*, the *FSCS*:
- (1) ~~for claims for protected deposits, may include compensation costs expected in the 12-month period following the date of the levy; and~~
  - (2) ~~for other protected claims, may include up to the greater of one third of the compensation costs expected in the 36-month period following the date of the levy~~ 1 April of the *financial year* of the *compensation scheme* in relation to which the levy is imposed, or the *compensation costs* expected in the 12 months following that date.
- 6.1.6A G The total amount of all *management expenses levies* attributable to a ~~financial year~~ *financial year* and levied by the *FSCS* under this chapter or under the *PRA Rulebook* will be restricted to the amount set out on an annual basis in *FEES* 6 Annex 1R.
- 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~~ ten *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~~ and the debt management claims class. The *permissions* held by a *participant firm* determine into which *class*, or *classes*, it falls.
- 6.1.8 G The provisions on the allocation of levies to *classes* ~~up to their levy limits~~ meet a requirement of section 213(5) of the *Act* that the ~~appropriate regulator~~ *FCA*, in making rules to enable the *FSCS* to impose levies, must take account of the desirability of ensuring that the amount of the levies imposed on a particular class of *authorised person* reflects, so far as practicable, the amount of claims made, or likely to be made, in respect of that class of person.

#### The management expenses levy

- 6.1.9 G Section 223 of the *Act* (Management expenses) prevents the *FSCS* from recovering, through a levy, any *management expenses* attributable to a particular period in excess of the limit set in *COMP* as applicable to that period. 'Management expenses' are defined in section 223(3) to mean expenses incurred or expected to be incurred by the *FSCS* in connection with its functions under the *Act*, except:
- (1) expenses incurred in paying compensation;

- (2) expenses incurred as a result of the *FSCS* making the arrangements to secure continuity of insurance ~~set out in *COMP 3.3.1R* and *COMP 3.3.2R* or taking the measures set out in *COMP 3.3.3R* and *COMP 3.3.4R* when a *relevant person* is an *insurer* in financial difficulties to make payments to or in respect of policyholders or to safeguard policyholders, under *PRA* rules made under sections 216(3) or (4), 217(1) or 217(6) of the *Act*;~~

...

- 6.1.10 G A *management expenses levy* may consist of two elements. The first is a *base costs levy*, for 50% of the base costs of running the *compensation scheme* in a ~~financial year~~ *financial year*, that is, costs which are not dependent upon the level of activity of the *compensation scheme* and which therefore are not attributable to any specific *class*. The *PRA* allocates the other 50% of the base costs under its rules. Included in ~~this category~~ *base costs* are items such as the salary of the members of the board of the *FSCS*, the costs of the premises which the *FSCS* occupies, and its audit fees. It would also likely include the cost of any insurance cover secured by *FSCS* against the risk of it paying claims out in circumstances where the *levy limit* of the particular *class* to which the claim would otherwise be attributable has exceeded its *levy limit* for the year, as the insurance cover is likely to benefit all *classes* which may have costs allocated to them if the *levy limit* of another *class* is breached. The amount that each *participant firm* pays towards a *base costs levy* is calculated by reference to the *regulatory costs* paid by the *firm*. All *participant firms* are liable to contribute towards a *base costs levy*.
- 6.1.11A 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~~ *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~~ gives rise to 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~~ *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*.

...

- 6.1.13 G The limit on the *management expenses* attributable to the forthcoming ~~financial year~~ *financial year* of the *FSCS: compensation scheme* will be consulted on in January each year.

The compensation costs levy

- 6.1.14 G In imposing a *compensation costs levy* in each ~~financial year~~ *financial year* of the *compensation scheme* the *FSCS* will take into account the *compensation costs* which the *FSCS compensation scheme* has incurred and has not yet raised through levies, any recoveries it has had made using the rights that have been assigned to it or to which it is subrogated and a further amount calculated taking into account:

- (1) ~~for claims for protected deposits, those compensation costs it expects to incur (including in respect of defaults yet to be declared) in the 12 months following the date of the levy; and [deleted]~~
- (2) ~~for other protected claims: [deleted]~~
- (a) the *compensation costs* it expects to incur in the ~~12 months following the date of the levy~~ *financial year* of the *compensation scheme* in relation to (3) which the levy is imposed; or, if greater
- (b) one third of the *compensation costs* it expects to incur in the ~~36 months following the date of the levy~~ (4) 1 April of the financial year of the compensation scheme in relation to which the levy is imposed (see *FEES* 6.3.1R (Imposing management expenses and compensation costs levies)).

- 6.1.15 G *Compensation costs* are principally the costs incurred in paying compensation. Costs incurred:

- (1) ~~in securing continuity of long-term insurance; or [deleted]~~
- (2) ~~in safeguarding eligible claimants when insurers are in financial difficulties; or [deleted]~~
- (3) ~~in making payments or giving indemnities under COMP 11.2.3R; or [deleted]~~

...

are also treated as *compensation costs*. *Compensation costs* are attributed to the *class* which ~~is responsible for~~ gives rise to the costs. ~~When the FSCS imposes a compensation costs levy the levy is allocated to the class which is responsible for the costs up to relevant levy limits.~~ Certain *classes* may be funded, for *compensation costs levies* beyond the *class levy limit*, by the *retail pool*.

Participant firms that are members of more than one class

- 6.1.16 G If a *participant firm* is a member of more than one *class*, the total *compensation costs levy* and *specific costs levy* for that *firm* in a particular year will be the

aggregate of the individual levies calculated for the *firm* in respect of each of the *classes* for that year. Each *class* has a *levy limit* which is the maximum amount of *compensation costs* and *specific costs* which may be allocated to a particular *class* in a ~~financial year~~ financial year for the purposes of a levy.

The retail pool

- 6.1.16A G The *FCA* has made *rules* providing that *compensation costs* and *specific costs* attributable to the intermediation *classes*, ~~and~~ the investment provision *class* and the debt management claims *class*, and 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*) (see *FEES 6 Annex 5R*). 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 either on regulatory costs or the *PRA Rulebook* (see *FEES 6.5A.6R 6 Annex 3AR*).

...

## 6.2 Exemption

- 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~~ in respect of which the *FSCS* may pay compensation and has no reasonable likelihood of doing so is exempt from a *specific costs levy*, or a *compensation costs levy*, or both, provided that:

...

...

- 6.2.2 R ~~*FEES 6.2.1R*~~ 6.2.1AR does not apply to a *participant firm* that may be subject to a claim under *COMP 3.2.4R*.
- 6.2.3 G A *participant firm* to which ~~*FEES 6.2.2R*~~ *COMP 3.2.4R* applies must report *annual eligible income* in accordance with *FEES 6.5.13R*. Such a *participant firm* may take advantage of the option to report its annual income attributable to business ~~conducted with or on behalf of eligible claimants~~ in respect of which the *FSCS* may pay compensation.
- 6.2.4 R A *participant firm* which is exempt under ~~*FEES 6.2.1R*~~ 6.2.1AR must notify the *FSCS* in writing as soon as reasonably practicable if the conditions in ~~*FEES 6.2.1R*~~ 6.2.1AR no longer apply.
- 6.2.5 G A *participant firm* to which the conditions in ~~*FEES 6.2.1R*~~ 6.2.1AR no longer apply will then become subject to *FEES 6.3*.
- 6.2.6 R If a *participant firm* ceases to conduct business that could give rise to a *protected claim* by an *eligible claimant* and notifies the *FSCS* of this under ~~*FEES 6.2.1R(1)*~~ 6.2.1AR, it will be treated as a *participant firm* to which *FEES*

6.7.6R applies until the end of the ~~financial year~~ financial year of the *compensation scheme* in which the notice was given.

- 6.2.7 G The financial year of the *compensation scheme* is the twelve months ending on 31 March. The effect of *FEES* 6.2.6R and *FEES* ~~6.2.1R(2)~~ 6.2.1AR is that if a *firm* fails to notify *FSCS* of an exemption under *FEES* ~~6.2.1R~~ 6.2.1AR by 31 March it will be treated as non-exempt for the whole of the next ~~financial year~~ financial year.
- 6.2.8 R For the purposes of *FEES* ~~6.2.1R~~ 6.2.1AR a *participant firm* will only be exempt from a *specific costs levy* or *compensation costs levy* for any given ~~financial year~~ financial year if it met the conditions in *FEES* ~~6.2.1R~~ 6.2.1AR on 31 March of the immediately preceding ~~financial year~~ financial year.

### 6.3 The FSCS's power to impose levies

Imposing management expenses and compensation costs levies

- 6.3.1 R The *FSCS* may at any time impose a *management expenses levy* or a *compensation costs levy*, provided that the *FSCS* has reasonable grounds for believing that the funds available to it to meet relevant expenses are, or will be, insufficient, taking into account expenditure already incurred, actual and expected recoveries and:
- (1) in the case of a *management expenses levy*, the level of the *FSCS*'s expected expenditure in respect of those expenses in the ~~financial year~~ financial year of the *compensation scheme* in relation to which the levy is imposed; and
  - (2) ~~in the case of a *compensation costs levy* relating to *claims for protected deposits*, the level of the *FSCS*'s expected expenditure in respect of *compensation costs* in the 12 months immediately following the levy; and~~ [deleted]
  - (3) in the case of a *compensation costs levy* ~~relating to other *protected claims*; ;~~
    - (a) the *FSCS*'s expenditure in respect of *compensation costs* expected in the 12 months ~~following the levy~~ of the *financial year* of the *compensation scheme* in relation to which the levy is imposed; or, if greater
    - (b) one third of the *FSCS*'s expenditure in respect of *compensation costs* expected in the 36 months following the ~~levy~~ 1 April in the *financial year* of the *compensation scheme* in relation to which the levy is imposed.

...



- 6.3.2A G The *FSCS* will usually levy once in each ~~financial year~~ *financial year* ~~(and in respect of *compensation costs*, for expenditure expected in the 12 months or, if greater, one third of the expenditure expected in the period of 36 months following 1 July in that year)~~. However, if the *compensation costs* or *specific costs* incurred, or expected to be incurred, exceed the amounts held, or reasonably expected to be held, to meet those costs, the *FSCS* may, at any time during the ~~financial year~~ *financial year*, do one or more of the following:

...

- 6.3.3 G The *FSCS* has committed itself in a Memorandum of Understanding with each of the *FCA* and the *PRA* to publish its policy in respect of levying.

...

#### Imposing a MERS levy

- 6.3.4A R The *FSCS* may at any time impose a *MERS levy* provided that the *FSCS* has reasonable grounds for believing that the funds available to it to meet relevant expenses are or will be sufficient, taking into account relevant expenses incurred or expected to be incurred in the ~~12 months following the date of the levy~~ *financial year of the compensation scheme in relation to which the levy is imposed*.

#### Limits on compensation costs and specific costs levies on classes

- 6.3.5 R The maximum aggregate amount of *compensation costs* and *specific costs* for which the *FSCS* can levy each *class* ~~(not including the *FCA provider contribution classes*)~~ in any one ~~financial year~~ *financial year* of the *compensation scheme* is limited to the amounts set out in the table in *FEES 6 Annex 2R*.

[Note: the *levy limits* for the *FCA provider contribution classes* are set out in *FEES 6 Annex 5R*]

...

#### Management of funds

- 6.3.11 R The *FSCS* must hold any amount collected from a *specific costs levy* or *compensation costs levy* to the credit of the *classes* in accordance with the allocation established under *FEES 6.4.6R* ~~6.4.6AR~~ and *FEES 6.5.2R* ~~6.5.2-AR~~.

...

#### Firms acquiring businesses from other firms

- 6.3.22C R (1) This *rule* applies to the calculation of the levies of a *firm* (A) if:
- (a) either:

...

- (ii) A became authorised as a result of B's simple change of legal status (as defined in *FEES* 3 Annex 4 1R Part 6);

...

...

- (3) This *rule* only applies in respect of those ~~financial years~~ *financial years* of the *FSCS compensation scheme* for which A's levies are calculated on the basis of a statement of business under *FEES* 6.5.13R drawn up to a date, or as of a date, before the acquisition or change in legal status took place.

...

#### Levies on the Society of Lloyd's

6.3.24 R The *FSCS* may impose a levy on the *Society* to be calculated as the aggregate of the levies that would be imposed on each *member* if this chapter applied to *members*, as follows:

- (1) a share of the *base costs levy* for each *financial year*; and
- (2) a share of a *specific costs levy* or a *compensation costs levy* allocated to the *insurers – life contribution class* or *insurers – general contribution class* in the *retail pool* in accordance with this chapter.

6.3.25 D The following *core provisions* of the *Act* apply to the carrying on of *insurance market activities* by *members*:

- (1) Part 9A (Rules and guidance) for the purpose of applying the *rules* in *FEES* 6 and relevant interpretative provisions;
- (2) Part XV (Financial Services Compensation Scheme).

[Note: section 316 of the *Act*]

6.3.26 G The *insurance market direction* in *FEES* 6.3.25D is intended to advance the *FCA's* consumer protection objective in section 1C of the *Act* by assisting the *FSCS* to impose a levy on the *Society*, calculated as the aggregate of the levies that would be imposed on *members*, in accordance with *FEES* 6.3.24R. As a result of section 317(2) of the *Act*, references to an *authorised person* in Part XV of the *Act* include a *member*.

## 6.4 Management expenses

...

## Limit on management expenses

- 6.4.2 R The total of all *management expenses levies* (taken together with the management expenses levies under the PRA Rulebook) attributable to a particular period of the *compensation scheme* may not exceed the limit applicable to that period set out in *FEES 6 Annex 1R*.

...

## Base costs levy

- 6.4.5 R Subject to *FEES 6.3.22R*, the *FSCS* must calculate a *participant firm's* share of a *base costs levy* by:

- (1) identifying the *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant ~~financial year~~ *financial year* of the *compensation scheme*, but has not yet levied, and:
  - (a) ~~allocating 50% of those base costs as the sum to be levied on participants in activity groups A.1, A.3, A.4, A.5 and A.6 (as listed in FEES 4 Annex 1BR); and~~
  - (b) allocating 50% of those ~~base costs~~ *base costs* as the sum to be levied on participants in all the activity groups listed in *FEES 4 Annex 1AR*;
- (2) calculating the amount of the *participant firm's* ~~regulatory costs~~ *regulatory costs* as a proportion of the total *regulatory costs* relating to all *participant firms* for the relevant ~~financial year~~ *financial year*; and
  - (a) ~~if the participant firm belongs to any of the activity groups in (1)(a), imposed by the PRA in respect of those groups; and~~
  - (b) ~~if the participant firm belongs to any of the activity groups in (1)(b), imposed by the FCA in respect of those groups; and~~
- (3) applying the proportion calculated in (2)(a), ~~if any to the sum in (1)(a), and the proportion calculated in (2)(b) (if any) to the sum in (1)(b).~~

- 6.4.5A G ~~The effect of FEES 6.4.5R is that if a participant firm belongs to activity groups in both (1)(a) and (1)(b) of that rule, it will be required to pay a share of the base costs levy in respect of both sets of activity groups. [deleted]~~

- 6.4.5B G The FCA and the PRA each allocate 50% of the base costs in a given financial year of the compensation scheme in accordance with their respective rules.

## Specific costs levy

- 6.4.6A R The *FSCS* must allocate any *specific costs levy*:

...

- (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 5 5R), to the *retail pool*, in accordance with and subject to *FEES* 6.5A.

6.4.7A R The *FSCS* must calculate a *participant firm's* share of a *specific costs levy* (subject to *FEES* 6.3.22R (Adjustment to calculation of levy shares)) by:

...

- (2) identifying the *management expenses* other than *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant ~~financial year~~ *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 3A 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);~~

...

New participant firms

6.4.8 R A *firm* which becomes a *participant firm* part way through a ~~financial year~~ *financial year* of the *compensation scheme* will not be liable to pay a share of a *specific costs levy* made in that year.

...

6.4.10 G Since a *firm* that becomes a *participant firm* in the course of a ~~financial year~~ *financial year* of the *compensation scheme* will already be obtaining a discount in relation to the *base costs levy* through the modified fee provisions of *FEES* 4.2.6R, no *rule* is necessary in *FEES* 6 for discounts on the *base costs levy*.

...

Specific costs levy for newly authorised firms

- 6.4.10A R (1) This *rule* deals with the calculation of:
- (a) a *participant firm's specific costs levy* in the ~~financial year~~ *financial year* of the ~~*FSCS compensation scheme*~~ following the ~~*FSCS financial year financial year of the compensation scheme*~~ in which it became a *participant firm*; or
- (b) a *participant firm's specific costs levy* in the ~~financial year~~ *financial year* of the ~~*FSCS compensation scheme*~~ in which it had its *permission* extended, and the following ~~*FSCS financial year*~~

financial year of the compensation scheme; and

- (c) the tariff base for the *classes* that relate to the relevant *permissions* or extensions, as the case may be.

...

- (3) The rest of this *rule* only applies to a *firm* that becomes a *participant firm*, or extends its *permission*, on or after 1 April 2009.

...

- (b) If a *participant firm* satisfies the following conditions it must calculate its tariff base under (c) for the ~~FSCS financial year~~ financial year following the FSCS financial year financial year of the compensation scheme in which it became a participant firm:

(i) ...

- (ii) its tariff base, but for this *rule*, is calculated by reference to the financial year ended in the calendar year ending 31 December or the twelve *months* ending 31 December before the ~~FSCS financial year~~ financial year of the compensation scheme.

- (c) If a *participant firm* satisfies the conditions in (b) it must calculate its tariff base as follows:

(i) ...

- (ii) the tariff is calculated by reference to the period beginning on the date it became a *participant firm* or had its *permission* extended, and ending on the 31 December before the start of the ~~FSCS financial year~~ financial year of the compensation scheme; and

...

...

- (e) Where a *participant firm* is required to use actual data under this *rule*, FEES 6 Annex 3R 3AR is disapplied, to the extent it is incompatible, in relation to the calculation of that *participant firm's* valuation date in its second financial year.

#### Application of FEES 6.4.10AR

- 6.4.10B G The table below sets out the period within which a *participant firm's* tariff base is calculated (“the data period”) for second year levies calculated under FEES ~~6.4.10B~~ 6.4.10AR. The example is based on a *participant firm* that extends its *permission* on 1 November 2009 and has a financial year ending 31 March.

References in this table to dates or months are references to the latest one occurring before the start of the *FSCS financial year* *financial year* of the *compensation scheme* unless otherwise stated.

Type of permission acquired on 1 November	Tariff base	Valuation date but for FEES <del>6.5.13BR</del> <u>6.4.10AR</u>	Data period under FEES <del>6.5.13bR</del> <u>6.4.10AR</u>
<i>Accepting deposits</i>	Protected deposits	As at 31 December 2009	As at 31 December 2009
<i>Effecting contracts of insurance</i> (Insurers – general)	<i>Relevant net premium income</i>	The <i>firm's</i> tariff base calculated in the year 2009 – so projected valuation will be used.	1 November to 31 December 2009
<i>Dealing in investments as agent in relation to General Insurance Intermediation</i>	<i>Annual eligible income</i>	Financial year ended 31 March 2009 - so projected valuations will be used.	1 November to 31 December 2009

...

## 6.5 Compensation costs

...

Allocation: ~~all classes except A, B and C~~

6.5.2-A R The *FSCS* must allocate any *compensation costs* levy:

...

- (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.

...

6.5.6A 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:

...

- (2) identifying the *compensation costs* falling within *FEES* ~~6.5.1R~~ 6.3.1R

allocated, in accordance with ~~FEES 6.5.2R~~ 6.5.2-AR, to the *classes* identified in (1);

- (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see ~~FEES 6 Annex 3A~~ 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);~~

...

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

- 6.5.8 G *Guidance* on parts of ~~FEES 6 Annex 3R~~ 3AR can be found in ~~FEES 6 Annex 4G~~.

New participant firms

- 6.5.9 R A *firm* which becomes a *participant firm* part way through a ~~financial year~~ financial year of the *compensation scheme* will not be liable to pay a share of the *compensation costs levy* made in that year.

...

Reporting requirements

- 6.5.13 R (1) Unless exempt under ~~FEES 6.2.1R~~ or ~~FEES 6.2.1AR~~, a *participant firm* must provide the *FSCS* by the end of February each year (or, if it has become a *participant firm* part way through the ~~financial year~~ financial year, by the date requested by the ~~appropriate regulator~~ FCA) with a statement of:
- (a) *classes* to which it belongs; and
  - (b) the total amount of business (measured in accordance with the appropriate tariff base or tariff bases) which it conducted, in respect of the most recent valuation period (as specified by ~~FEES 6 Annex 3R~~ 3AR (Financial Services Compensation Scheme - classes)) ending before the relevant year in relation to each of those *classes* except the FCA provider contribution classes.
- (2) ...
- (3) ...
- (4) The Society must provide the statement in (1) in relation to the insurers – general contribution class and the insurers – life contribution class.

- 6.5.13A G For example, when the tariff base for a particular *class* is based on a *firm's* *annual eligible income* the valuation period for that *class* is the *firm's* last financial year ending in the year to 31 December preceding the ~~financial year~~

*financial year* of the *FSCS compensation scheme* for which the calculation is being made. ~~In the case of a firm in class A1 (Deposits) its valuation period will be 31 December.~~

- 6.5.14 R If the information in *FEES* 6.5.13R has been provided to the ~~appropriate regulator~~ *FCA* under other *rule* obligations, a *participant firm* will be deemed to have complied with *FEES* 6.5.13R.

...

- 6.5.16 R If a *participant firm* does not submit a complete statement by the date on which it is due in accordance with *FEES* 6.5.13R and any prescribed submission procedures:

- (1) the *firm* must pay an administrative fee of £250 (but not if it is already subject to an administrative fee under *FEES* 4 Annex 2AR, Part 1 or *FEES* 5.4.1R for the same ~~financial year~~ *financial year*); and
- (2) the *compensation costs levy* and any *specific costs levy* will be calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10 (or, if it has become a *participant firm* part way through a ~~financial year~~ *financial year*, on the basis of information provided to the ~~appropriate regulator~~ *FCA* for the purposes of *FEES* 4.4.2R) or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known.

...

## 6.5A The retail pool

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

- 6.5A.1 R 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) or *FEES* 6.4.6AR(2)):

- (1) ...
- (2) in proportion to the relative sizes of the *retail pool* levy limits of the *classes* in (1) and up to those levy limits; and
- (3) in accordance with the table in *FEES* 6 Annex 5 5R.

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

Effect of levies under the PRA's rules on insurers and deposit-takers in the retail pool

- 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 levies:

- (a) that correspond to the FCA's compensation costs levies or specific costs levies; and
- (b) which have previously in the same financial year been imposed on the PRA funding ~~class~~ class which corresponds to that FCA provider contribution class (as set out in FEES 6.5A.7R)<sub>2</sub>

the combined figure would be greater than ~~the levy limit~~ any levy limit of the corresponding PRA funding ~~class~~ class.

(2) Where:

- (a) an FCA provider contribution class has already contributed to *specific costs* or *compensation costs* (through the retail pool) in a financial year; and
- (b) if the amount of that previous contribution by the class in (a) were added to a levy that corresponds to the FCA's compensation costs levy or specific costs levy and which is being imposed on the PRA funding ~~class~~ class which corresponds to the class in (a) (and any previous such levies in the same financial year), the combined figure would be greater than ~~the levy limit~~ any levy limit of the corresponding PRA funding ~~class~~ 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~~ any levy limit of the corresponding PRA funding ~~class~~ class, and credit the repayment to the class in (a).

(3) ...

[**Note 1:** the home finance providers and administrators' contribution class does not have a corresponding PRA funding class.]

[**Note 2:** the levy limits for the corresponding PRA funding classes are contained in the PRA Rulebook.]

- 6.5A.3 G In considering which of the options in FEES 6.5A.2R(2)(3) to adopt, the FSCS will generally impose a levy, rather than borrow or utilise funds as described in ~~FEES 6.5A.2R(2)(e)~~ FEES 6.5A.2R(3)(c), unless the latter options appear to be preferable in the specific circumstances prevailing at the relevant time.

How levy limits affect allocation to classes in the retail pool

- 6.5A.4 R ...

...

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

- 6.5A.6 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;”. ~~[deleted]~~
- 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: ~~[deleted]~~

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

## 6.6 Incoming EEA firms

- 6.6.1 R If an ~~incoming EEA firm,~~ which is a ~~CRD credit institution,~~ an ~~IMD insurance intermediary,~~ an ~~MCD mortgage credit intermediary~~ or a ~~MiFID investment firm,~~ is a ~~participant firm,~~ the ~~FSCS~~ must give the ~~firm~~ such discount (if any) as is appropriate on the share of any levy it would otherwise be required to pay, taking account of the nature of the levy and the extent of the compensation coverage provided by the firm's ~~Home State~~ scheme.

## 6.7 Payment of levies

### Payments on account by certain firms

- 6.7.-1 R Where a *participant firm* must pay its periodic fees for a *fee year* in accordance with FEES 4.3.6R(1C) to (1E), it must pay its share of any levy made by FSCS for the *financial year* of the *compensation scheme* which is the same as that *fee year* as follows:
- (1) by 1 April an amount equal to 50%, or such lower percentage as the FSCS may determine, of the *participant firm's* share of the levy payable for the previous *financial year* of the *compensation scheme*; and
  - (2) by 1 September the balance of the levy due from the *participant firm* for the current *financial year* of the *compensation scheme*.

#### Payments of levy by other firms

- 6.7.1 R A *participant firm* that is not within FEES 6.7.-1R, must pay its share of any levy made by the FSCS:
- (1) in one payment;
  - (2) where the FSCS agrees, quarterly, at the beginning of each quarter, by direct debit agreement.
- 6.7.2 G ~~The amount paid under a direct debit agreement arrangement will be adjusted on a continuous basis to take account of interim levies and other adjustments made during the course of the financial year. [deleted]~~
- 6.7.3 R A *participant firm's* share of a levy to which FEES 6.7.1R(1) 6.7.1R applies is due on, and payable within 30 days of, the date when the invoice is issued.

#### Payments of interim levies

- 6.7.3A R A *participant firm's* share of any interim levy is due on, and payable within 30 days of, the date when the invoice is issued.
- 6.7.4 R ~~If a *participant firm* does not pay its share of a levy subject to a direct debit arrangement as required by FEES 6.7.1R(2), the entire amount of the levy becomes due and payable to the FSCS, and additional administrative fees are payable at the rate set out in FEES 2.2.1R. [deleted]~~

#### Method of payment

- 6.7.5 R A *participant firm* liable to pay its share of the levy under FEES 6.7.-1R, 6.7.1R and 6.7.3R must do so using one of the methods set out in FEES 4.2.4R save that no additional amount or discount is applicable.

#### Firms ceasing to be a *participant firm*

- 6.7.6 R If a *firm* ceases to be a *participant firm* or carry out activities within one or more *classes* part way through a ~~financial year~~ *financial year* of the *compensation scheme*:

- (1) ...
- (2) the *FSCS* may make one or more levies upon it (which may be before or after the *firm* has ceased to be a *participant firm* or carry out activities within one or more *classes*, but must be before it ceases to be an *authorised person*) for the costs which it would have been liable to pay had the *FSCS* made a levy on all *participant firms* or *firms* carrying out activities within that *class* in the ~~financial year~~ *financial year* it ceased to be a *participant firm* or carry out activities within that *class*.

...

...

### 6 Annex 2R Financial Services Compensation Scheme – annual levy limits

This table belongs to *FEES* 6.3.5R and ~~*FEES* TP 2.5.2R~~

Class	Levy Limit (£ million)
A: Deposits	1,500
<del>B1: General insurance provision</del>	<del>600</del>
B2: General insurance intermediation	300
<del>C1: Life and pensions provision</del>	<del>690</del>
C2: Life and pensions intermediation	100
D1: Investment provision	200
D2: Investment intermediation	150
E2: Home finance intermediation	40
<u>K: Debt management claims</u>	<u>20</u>

...

### 6 Annex 3AR Financial Services Compensation Scheme – classes

This table belongs to *FEES* 6.4.7AR and *FEES* 6.5.6AR

Class A	Deposits [deleted]
<b>Firms with permission for:</b>	<del>accepting deposits and/or operating a dormant account fund. BUT does not include any fee payer who either effects or carries out contracts of insurance.</del>
<b>Tariff base</b>	<del>(1) Protected deposits and/or</del>

	<del>(2) Protected dormant accounts multiplied by 0.2 as at 31 December. Except where paragraph (4) says otherwise, protected deposits must be adjusted as follows.</del>
	<del>(1) Only include a protected deposit to the extent that an eligible claimant would have a claim in respect of it.</del>
	<del>(2) Exclude any amount in respect of which the FSCS would not pay compensation due to the maximum payment limits in COMP 10.2.</del>
	<del>(3) The tariff base calculation is made on the basis of the information that the firm would have to include in the single customer views it has to be able to produce under COMP 17 (Systems requirements for firms that accept deposits). The information must be of the extent and standard required if the firm was preparing the single customer views as at the valuation date for the tariff base (31 December).</del>
	<del>(4) (a) If this paragraph applies, the adjustments in (1) to (3) do not apply and the calculation is based on protected deposits.</del>
	<del>(b) This paragraph applies with respect to a protected deposit to the extent that, under COMP 17, the firm does not have to identify an eligible claimant with respect to that protected deposit because the account is held by the account holder on behalf of others.</del>
	<del>(c) This paragraph applies with respect to a protected deposit that has been excluded from the single customer view because it is an account that is not active, as defined in COMP 17.2.3R(2).</del>

	General Insurance
<b>Class B1</b>	General Insurance Provision [deleted]
<b>Firms with permission for:</b>	<del>effecting contracts of insurance; and/or</del>
	<del>carrying out contracts of insurance;</del>
	<del>that are general insurance contracts.</del>
<b>Class B2</b>	General Insurance Intermediation
<b>Firms with permission for:</b>	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>

	<p><i>making arrangements with a view to transactions in 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>
<b>Tariff base</b>	<p><del>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.</del></p> <p><del>Eligible gross technical liabilities are calculated in accordance with the method for calculating gross technical liabilities in fee block A3 in part 3 of <i>FEES 4 Annex 1BR</i> with the following adjustments:</del></p> <p><del>(1) Eligible gross technical liabilities are calculated by reference to <i>protected contracts of insurance with eligible claimants</i>.</del></p> <p><del>(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.</del></p> <p><del>(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>.</del></p> <p><del>(4) None of the notes for the calculation of fees in fee block A3 in part 3 of <i>FEES 4 Annex 1BR</i> apply except for the purposes of (2).</del></p> <p><del>(5) A <i>directive friendly society</i> must also calculate eligible gross technical liabilities in accordance with this table.</del></p> <p><del>(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 SUP TP.</del></p>
	<p>Class B2: <i>annual eligible income</i> where <i>annual eligible income</i> means annual income adjusted in accordance with this <u>table box</u>. 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>
	<b>Life and Pensions</b>
<b>Class C1</b>	<del>Life and Pensions Provision</del> [deleted]
<b>Firms with permission for:</b>	<del>effecting contracts of insurance; and/or</del>
	<del>carrying out contracts of insurance;</del>
	<del>that are long term insurance contracts (including pure protection contracts).</del>
<b>Class C2</b>	Life and Pensions Intermediation
<b>Firms with permission for:</b>	Any of the following:
	<i>dealing in investments as agent;</i>
	<i>arranging (bringing about) deals in investments;</i>

	<p><i>making arrangements with a view to transactions in 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>advising on pension transfers and pension opt-outs;</i></p> <p><i>basic advice;</i></p> <p><i>agreeing to carry on a regulated activity which is within any of the above;</i></p> <p><i>in relation to any of the following:</i></p> <p><i>long-term insurance contracts (including pure protection contracts);</i></p> <p><i>rights under a stakeholder pension scheme or a personal pension scheme.</i></p>
<b>Tariff base</b>	<p><del>Class C1: Relevant net premium income 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 relevant net premium income. The tariff base for the second portion (25%) is based on mathematical reserves.</del></p> <p><del>Eligible mathematical reserves are calculated in accordance with the method for calculating mathematical reserves in fee block A4 in part 3 of FEES 4 Annex 1BR with the following adjustments:</del></p> <p><del>(1) Eligible mathematical reserves are calculated by reference to protected contracts of insurance with eligible claimants.</del></p> <p><del>(2) A firm 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.</del></p> <p><del>(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.</del></p> <p><del>(4) None of the notes for the calculation of fees in fee block A4 in part 3 of apply except for the purposes of (2).</del></p> <p><del>(5) A directive friendly society must also calculate eligible mathematical reserves in accordance with this table.</del></p> <p><del>(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</del></p>



	<p>reserves after distribution of surplus) in relation to the most recent financial year of the <i>firm</i> (as at the applicable reporting date under <i>FEES</i> 6.5.13R) 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 SUP TP.</p> <p>(7) The provisions relating to pension fund management business in Part 2 of <i>FEES</i> 4 Annex 1BR do not apply. A <i>firm</i> undertaking such business that does not carry out any other activities within <i>class C1</i> (ignoring any activities that would have a wholly insignificant effect on the calculation of its tariff base for <i>class C1</i>) 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 <i>firm</i> (as at the applicable reporting date under <i>FEES</i> 6.5.13R) for which the <i>firm</i> is required to have reported that information to the <i>PRA</i>.</p> <p>(8) The split in the levy between <i>relevant net premium income</i> and eligible mathematical reserves does not apply to a partnership pension society (as defined in Chapter 7 of <i>IPRU(FSOC)</i> (Definitions)). Instead the levy is only calculated by reference to <i>relevant net premium income</i>.</p>
	<p>Class C2: <i>annual eligible income</i> where <i>annual eligible income</i> means annual income adjusted in accordance with this <u>table box</u>. 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 C2</i> activities including any income received from an <i>insurer</i>; and</p> <p>(b) if the <i>firm</i> is a life and pensions <i>firm</i>, in relation to <i>class C2</i> activities, the amount of <i>premiums</i> or commission receivable on its life and pensions contracts multiplied by 0.07, excluding those life and pensions contracts which result from <i>class C2</i> activities carried out by another <i>firm</i>, where a payment has been made by the life and pensions <i>firm</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 C2</i>:</p> <p>(1) Life and pensions contracts mean <i>long-term insurance contracts</i> (including <i>pure protection contracts</i>) and rights under a <i>stakeholder pension scheme</i> or a <i>personal pension scheme</i>.</p> <p>(2) Life and pensions <i>firm</i> means an <i>insurer</i>. It also means a <i>firm</i></p>

	<p>that provides <i>stakeholder pension schemes</i> or <i>personal pension schemes</i> if those activities fall into <i>class D1</i>.</p> <p>(3) The calculation is adjusted in accordance with the definition of <i>annual eligible income</i>.</p> <p>(4) Net amount retained means all the commission, fees, etc. in respect of <i>class C2</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>(5) <i>Class C2</i> activities mean activities that fall within <i>class C2</i>. They also include activities that now fall within <i>class C2</i> but that were not <i>regulated activities</i> when they were carried out.</p> <p>(6) 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 C2</i> but which were not at the time <i>regulated activities</i>.</p>
	<b>Investment</b>
...	
<b>Class D2</b>	Investment intermediation
<b>Firms with permission for:</b>	<u><i>intermediation of structured deposits (except for managing investments in relation to structured deposits); and/or</i></u>
	Any of the following 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>basic advice;</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> .
<b>Tariff base</b>	<p>Class D1: <i>annual eligible income</i> where <i>annual eligible income</i> means annual income adjusted in accordance with this <u>table box</u>. 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>.</p> <p>Class D2 <u>except in respect of direct sales of structured deposits</u>: <i>annual eligible income</i> where <i>annual eligible income</i> means annual income adjusted in accordance with this <u>table box</u>. 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>.</p> <p>Notes on <i>annual eligible income</i> for <i>classes D1 and D2 (except in respect of direct sales of structured deposits)</i>:</p> <p>(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.</p> <p>(2) The calculation is adjusted in accordance with the definition of <i>annual eligible income</i>.</p> <p>(3) Box management profits are excluded from the calculation of annual income.</p> <p><u>Class D2 in respect of direct sales of structured deposits: the tariff base for Class A (DGS members) set out in the Depositor Protection part of the PRA Rulebook, but only to the extent that it:</u></p> <p><u>(a) relates to structured deposits accepted in the firm's last financial year ended in the year to 31 December preceding the date for submission of the information under FEES 6.5.13R attributable to that class; and</u></p> <p><u>(b) multiplied by 0.07.</u></p>

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

<b>for:</b>	<i>making arrangements with a view to a home finance transaction;</i>
	<i>advising on home finance transaction;</i>
	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 a party);
	<i>agreeing to carry on a regulated activity</i> which is within any of the above.
<b>Tariff base</b>	Class: E2: annual <i>eligible income</i> where the annual income is calculated in accordance with the fee-block A18 in part 2 of <i>FEES 4 Annex 1AR</i> .
<b>Class F</b>	<b>Deposit acceptor's contribution</b>
<b>Firms with permission for:</b>	<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> .
<b><u>Tariff base</u></b>	<u>The tariff base for Class A (DGS members) in the Depositor Protection part of the <i>PRA Rulebook</i>.</u>
<b>Class G</b>	<b>Insurers – life contribution</b>
<b>Firms with permission for:</b>	<i>effecting contracts of insurance;</i> and/or
	<i>carrying out contracts of insurance;</i>
	<u>in respect of specified investments including <i>life policies</i> that are <i>long term insurance contracts (including pure protection contracts)</i>;</u>
	<i>entering as provider into a funeral plan contract.</i>
<b><u>Also includes:</u></b>	<u>the <i>Society</i></u>
<b><u>Tariff base</u></b>	<p><u>For the <i>Society</i>, the aggregate of the tariff base for Insurance Class C1 in the Policyholder Protection part of the <i>PRA Rulebook</i> that would apply to each <i>member</i> if:</u></p> <p><u>(a) that tariff base applied to each <i>member</i> in respect of their <i>insurance business</i> in relation to <i>long-term insurance contracts (including pure protection contracts)</i>; and</u></p> <p><u>(b) all references to “firm” or “participant firm” in the Policyholder Protection part of the <i>PRA Rulebook</i> were read as referring to the <i>member</i>.</u></p> <p><u>For all other <i>participant firms</i>, the tariff base for Insurance Class C1 in the Policyholder Protection part of the <i>PRA Rulebook</i>.</u></p>

<b>Class H</b>	<b>Insurers – general contribution</b>
<b>Firms with permission for:</b>	<i>effecting contracts of insurance; and/or</i>
	<i>carrying out contracts of insurance;</i>
	<i>in respect of <del>specified investments</del> that are: =<del>general insurance contracts</del>; <del>or</del> =<del>long term insurance contracts other than life policies</del>.</i>
<b>Also includes:</b>	<i>the Society</i>
<b><u>Tariff base</u></b>	<p>For the <i>Society</i>, the aggregate of the tariff base for Insurance Class B1 in the Policyholder Protection part of the <i>PRA Rulebook</i> that would apply to each <i>member</i> if:</p> <p>(a) that tariff base applied to each <i>member</i> in respect of their <i>insurance business</i> in relation to <i>general insurance contracts</i>; and</p> <p>(b) all references to “firm” or “participant firm” in the Policyholder Protection part of the <i>PRA Rulebook</i> were read as referring to the <i>member</i>.</p> <p>For all other <i>participant firms</i>, the tariff base for Insurance Class B1 in the Policyholder Protection part of the <i>PRA Rulebook</i>.</p>
<b>Class I</b>	<b>Home finance provision</b>
<b>Firms with permission for:</b>	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>
<b><u>Tariff base</u></b>	The number of <i>home finance transactions</i> , calculated in accordance with the tariff base for fee-block A2 in part 2 of <i>FEES 4 Annex 1AR</i> .
<b><u>Class K</u></b>	<b><u>Debt management claims</u></b>
<b><u>Firms with permission for:</u></b>	<i>Any of the following except if held under a <u>limited permission</u>:</i>
	<i><u>debt adjusting</u> and/or <u>debt counselling</u>, in each case in relation to <u>protected debt management business</u> except where these activities are carried on by a <u>not-for-profit debt advice body</u>;</i>
	<i><u>entering into a regulated credit agreement as lender</u>;</i>

	<u>exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement.</u>
<b><u>Tariff base</u></b>	<p><u>For debt adjusting and debt counselling: annual debts under management being the annual total value of the participant firm's relevant debts under management.</u></p> <p><u>For all other participant firms in this class: annual lending being the annual total amount provided under all regulated credit agreements in respect of which the participant firm is the lender or exercises, or has the right to exercise, the lender's rights and duties under such agreements.</u></p>

<b><u>Notes for all classes</u></b>
...
<p>(3) The question of whether a person is an <i>eligible claimant</i> or not <del>or whether a contract of insurance is a protected contract or not</del> or whether business is compensatable business or not must be judged at whichever of the following dates the firm chooses:</p> <p>...</p> <p><del>However this does not apply for the purpose of calculating the tariff base for class A (Deposits) so far as it relates to protected deposits.</del></p>
<p>(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</p>

## 6 Annex 4G Guidance on the calculation of tariff bases

This table belongs to FEES 6.5.8G

<b>Calculation of annual eligible income for firms in class D1 who carry out discretionary fund management and are in FCA fee block A7</b>		
-1.1 <del>[FCA]</del>	G	<p>The tariff base for class D1 is calculated by taking gross income falling into class D1 and then deducting commission, fees and similar amounts 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) should not be deducted. The calculation <del>should</del> <u>may</u> be further adjusted so as to <del>exclude</del> <u>include only</u> income that is <del>not</del> <u>not</u> attributable to business <del>conducted with or for the benefit of eligible claimants in respect of which the FSCS may pay compensation,</del> unless the firm chooses to <del>include such</del> <u>all its annual</u> income.</p>

1.1 {FCA}	G	Gross income for the activity of <i>managing investments</i> is the sum of the following:
		(1) the amount of the annual charge on all assets in portfolios which the <i>firm</i> manages on a discretionary basis received or receivable in the latest accounting period (this is calculated as a percentage of funds invested, typically 1% p.a.); plus
		(2) the front-end or exit charge levied on sales or redemptions of assets in portfolios which the <i>firm</i> manages on a discretionary basis (typically 4-5% of sales/redemptions) in that same accounting period; plus
		(3) the amount of performance management fees from the management of assets in portfolios which the <i>firm</i> manages on a discretionary basis received or receivable in that same accounting period; plus
		(4) any other income directly attributable to the management of assets in portfolios which the <i>firm</i> manages on a discretionary basis in that same accounting period, including commission and interest received.
1.2 {FCA}	G	<i>Annual eligible income</i> should exclude
		income received or receivable from assets managed on a non-discretionary basis, being assets that the <i>firm</i> has a contractual duty to keep under continuous review but in respect of which prior specific consent of the client must be obtained for proposed transactions, as this activity is covered in <i>class D2</i> (the investment intermediation <i>class</i> ).
1.3 {FCA}	G	A <i>firm</i> should make appropriate arrangements to ensure that income is not double counted in relation to the activities it undertakes (for example, where it operates and manages a <i>personal pension scheme</i> or <i>collective investment scheme</i> ).
<b>Calculation of annual eligible income for firms in sub-class D1 and who carry out activities within FCA FCA fee block A9</b>		
2.1 {FCA}	G	The calculation of income in respect of activities falling into <i>class D1</i> and <i>FCA</i> fee block A9 should be based on the tariff base provisions for that fee block (in Part 3 of <i>FEES 4 Annex 1AR</i> ). It <del>should</del> <u>may</u> be adjusted so as to <del>exclude</del> <u>include only</u> income that is <del>not</del> attributable to business <del>conducted with or for the benefit of</del> <u>eligible claimants in respect of which the FSCS may pay compensation</u> , unless the <i>firm</i> chooses to include <del>such</del> <u>all its annual</u> income.
2.2 {FCA}	G	Although the calculation should be based on the one for fee block A9, the calculation is not the same. <i>FCA</i> fee block A9 is based on gross income. <i>Class D1</i> is based on net income retained.

Calculation of annual eligible income for a firm in class B2 or class C2		
3.1 {FCA}	G	The amount of <i>annual eligible income</i> should include the amount of any trail or renewable commission due to the <i>firm</i> . Trail commission is received as a small percentage of the value of a policy on an ongoing basis. Renewable commission is received from a very small percentage of the value of a policy from ongoing premiums often received once the initial commission period is over.
Difficulties in calculating annual eligible income		
4.1 {FCA}	G	The purpose of Note 2 in the section of notes at the end of <del>FEES</del> <i>FEES</i> 6 Annex <del>3R</del> <i>3AR</i> (Financial Services Compensation Scheme - classes) is to deal with the practical difficulties of allocating income correctly between different <i>classes</i> and in deciding whether income falls outside <del>FEES</del> <i>FEES</i> 6 Annex <del>3R</del> <i>3AR</i> altogether. Note 2 requires a <i>firm</i> to carry out the necessary apportionment on a reasonable and consistent basis.
4.2 {FCA}	G	The following provides some <i>guidance</i> as to how <i>firms</i> may approach the allocation of <i>annual eligible income</i> .
4.3 {FCA}	G	Where a <i>firm</i> cannot separate its income on the basis of activities, such as a fund manager which acts on a discretionary and non-discretionary basis for the same <i>client</i> and who only sends out a single invoice, the <i>firm</i> may apportion the income in another way. For instance, a <i>firm</i> may calculate that the business it undertook for a <i>client</i> was split 90% on a discretionary basis and 10% on a non-discretionary basis calculated by reference to funds under management. The <i>firm</i> may split the income accordingly.
4.4 {FCA}	G	A <i>firm</i> may allocate trail or renewable commission on the basis of the type of <i>firm</i> it receives it from. For instance, if it comes from a life provider the <i>firm</i> may consider it as life and pensions mediation income. If it comes from a fund manager the <i>firm</i> may treat it as investment mediation income.
4.5 {FCA}	G	If a <i>firm</i> receives <i>annual eligible income</i> from a platform based business it may report <i>annual eligible income</i> in line with the proportionate split of business that the <i>firm</i> otherwise undertakes. For instance, if a <i>firm</i> receives 70% of its other commission from life and pensions mediation business and 30% from investment mediation business, then it may divide what it receives in relation to the platform business on the same basis.
4.5A	G	<i>Firms</i> should have regard to the ability of the <i>FSCS</i> to pay <u>compensation to members of pension schemes and to participants in collective investment schemes</u> (see <i>COMP</i> 12A (Special cases)) when calculating their <i>annual eligible income</i> .



4.6 {FCA}	G	Unless a <i>firm</i> chooses to include all relevant annual income, <i>annual eligible income</i> excludes business that is not compensatable under the <i>compensation scheme</i> . This can create difficulties because, for example, a <i>person</i> may move between being and not being an <i>eligible claimant</i> over time. The purpose of Note 3 in the section of notes at the end of <i>FEES 6 Annex 3R 3AR</i> is to deal with that difficulty by fixing a date for deciding this.
<b>Gross technical liabilities and mathematical reserves for non-directive friendly societies</b>		
5.1 {PRA}	G	The tariff base for a <i>non-directive friendly society</i> carrying out general insurance business is based in part on gross technical liabilities and the tariff base for a <i>non-directive friendly society</i> carrying out life insurance business is based in part on mathematical reserves. These concepts do not directly apply to <i>non-directive friendly societies</i> and so the tariff base calculation uses a corresponding concept.
5.2 {PRA}	G	The figures for gross technical liabilities and mathematical reserves of a <i>non-directive friendly society</i> for the purpose of calculating its tariff base in <i>class B1 (General Insurance Provision)</i> and <i>C1 (Life and Pensions Provision)</i> are based on a valuation. This valuation only has to be made every three years. <i>FEES 6</i> does not require a <i>non-directive friendly society</i> to update that information every year. Instead the figures from a <i>non-directive friendly society's</i> valuation will be used on a rolling three year basis for the purposes of the levy calculations in <i>FEES 6</i> . The effect of this calculation is therefore to modify the normal basis on which information is supplied under <i>FEES 6.5.13R</i> .

## 6 Annex 5R Classes participating in the retail pool and applicable limits

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?
<b>FCA provider contribution classes</b>			
[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> ]			
...			

<b>Classes that both contribute to and are funded by the retail pool</b>			
[ <del>Note</del> Note: ...]			
...	Yes, under <i>FEES 6.5.2AR(2)</i> <del>6.5.2-AR(2)</del> (but costs attributable to the investment provision <i>class</i> cannot be allocated to the <i>FCA provider contribution classes</i> )	...	...
...			
...			
...			
...			
<u>Debt management claims</u>			

...

**TP 2 Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2007/8 and in 2008/9**

...		
<b>2.4</b>	<b>Allocation of recoveries</b>	
2.4.1 [ <del>FCA</del> ] [ <del>PRA</del> ]	R	Any recoveries made by the <i>FSCS</i> after 31 March 2008 in relation to <i>protected claims</i> compensated prior to 1 April 2008, the costs of which were allocated to the relevant contribution group in place at the time, must be credited to the <i>sub-class</i> in place after 31 March 2008 to which the costs of the <i>protected claim</i> would have been allocated had it been compensated after that date, or if relevant, in accordance with <i>FEES 6.3.20R</i> .
2.4.2 [ <del>FCA</del> ] [ <del>PRA</del> ]	R	<i>FEES TP 2.4.1R</i> does not apply to the extent that it is inconsistent with the <i>compensation transitionals order</i> .
<b>2.5</b>	<b>Interpretation</b>	
2.5.1 [ <del>FCA</del> ] [ <del>PRA</del> ]	R	In <i>FEES TP 2</i> ‘contribution group’ means one of the groups of participant firms within a sub-scheme in existence prior to 1 April 2008 set out in <i>FEES 6.5.7R</i> at the time, being groups that carried on business of a similar nature, to which <i>compensation costs</i> and <i>specific costs</i> were allocated in accordance with <i>FEES 6.4</i> and <i>FEES 6.5</i> in force at the time. Sub-scheme means one of the sub-schemes to which <i>FSCS</i> allocated liabilities for <i>compensation costs</i> prior to 1 April 2008, as described in <i>FEES 6.5.7R</i> at the time.

2.5.2 [FCA] [PRA]	R	<p>For the purpose of <i>FEES</i> 6.5.13R as it applies with respect to the <del><i>FSCS's financial year</i></del> <i>financial year of the compensation scheme</i> beginning on 1 April 2008:</p> <p>(1) references in <i>FEES</i> 6.5.13R to <i>sub-classes</i> must be read as references to <i>sub-classes</i> to which <i>firms</i> will belong after 31 March 2008; and</p> <p>(2) (where <i>FEES</i> TP provides for the tariff base for a <i>sub-class</i> to be calculated by reference to a contribution group prior to that date) <i>FEES</i> 6.5.13R(1) must be read as also including a requirement for the supply of the necessary information in relation to that contribution group.</p>
2.5.3 [FCA] [PRA]	R	<p>The amendments made to <i>FEES</i> 6.5.16R by the Fees Manual (FSCS Funding) Instrument 2007 only have effect before 1 April 2008 for the purpose of <del><i>FSCS's financial year</i></del> <i>the financial year of the compensation scheme</i> beginning on 1 April 2008.</p>
2.5.4 [FCA] [PRA]	G	<p><i>FEES</i> 6 Annex 2R and <i>FEES</i> 6 Annex 3R (<i>classes, sub-classes</i> and tariff bases) are brought into force for the purpose of <i>FEES</i> TP and <i>FEES</i> 6.5.13R in November 2007. However they do not have any other effect until 1 April 2008.</p>
<b>2.6</b>	<b>Past defaults</b>	
2.6.1 [FCA] [PRA]	G	<p>The changes made to the <i>levy rules</i> made by the Fees Manual (FSCS Funding) Instrument 2007 apply to any levy made after 31 March 2008. This is so even if:</p> <p>(1) the claim against the <i>firm in default</i> arose or relates to circumstances arising before that date; <u>or</u></p> <p>(2) the <i>firm</i> was <i>in default</i> before that date; <del>or</del> .</p> <p>(3) <del>the levy relates to arrangements or measures under <i>COMP</i> 3.3 made or taken before that date.</del> <u>[deleted]</u></p>
...		

...

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

7.1 <del>[FCA]</del> <del>[PRA]</del>	R	As at 31 March 2013, the <i>FSCS</i> must:	
		(1)	allocate any surplus or deficit in the balance of an <i>FSA</i> activity group in respect of <i>base costs</i> , to the account of the corresponding <i>FCA</i> activity group as listed in <i>FEES</i> 4 Annex 1AR as at 1 April 2013; and
		(2)	take that surplus or deficit (so allocated) into account when calculating the amount to be levied under <i>FEES</i> 6.4.5R in respect of the <del>financial year</del> <i>financial year of the compensation scheme</i> commencing on 1 April 2013.
7.2 <del>[FCA]</del>	R	For the purpose of <i>FEES</i> 6.5A.6R, ‘ <i>FEES</i> 4 Annex 1AR’ must be read as ‘ <i>FEES</i> 4 Annex 1R’ (as it was in force immediately before 1 April 2013) until the <i>regulatory costs</i> arising from the activity group in <i>FEES</i> 4 Annex 1AR 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</i> 4 Annex 1AR have been determined and credit or debit <i>participant firms</i> as appropriate.	

Insert the new TP 18.3 after FEES TP 18.2 in FEES TP 18 (Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2018/19).

**TP 18 Transitional provisions relating to changes to the FSCS levy arrangements taking effect in 2018/19**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provisions coming into force
...	...	...	...	...	...
<u>18.3</u>	<u>The changes made to <i>FEES</i> 6 by the Financial Services Compensation Scheme (Funding and Scope) Instrument 2017</u>	<u>R</u>	<u>The changes in column (2) apply to any levy made after 31 March 2018. This is so even if:</u>  <u>(1) the claim against the <i>relevant person</i> or <i>successor in default</i> arose or relates to circumstances arising before that date; or</u>  <u>(2) the <i>relevant person</i> or <i>successor</i> was in default before that date.</u>	<u>From 1 April 2018 indefinitely</u>	<u>1 April 2018</u>

## Annex C

## Amendments to the Supervision manual (SUP)

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

## 13A Qualifying for authorisation under the Act

...

13A Application of the Handbook to Incoming EEA Firms  
Annex 1G

...

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
...		
COMP	Applies, except in relation to the <i>passported activities</i> of a <i>MiFID investment firm</i> , a <del>CRD credit institution</del> (other than an electronic money institution within the meaning of article 1(3)(a) of the <i>E-Money Directive</i> that has the right to benefit from the mutual recognition arrangements under the <del>CRD</del> ), an <i>IMD insurance intermediary</i> , a <i>UCITS management company</i> carrying on non-core services under article 6.3 of the <i>UCITS Directive</i> , an <i>MCD mortgage credit intermediary</i> and an incoming <i>AIFM branch</i> carrying on either <i>AIFM management functions</i> for an <i>unauthorised AIF</i> or non-core services under article 6.4 of <i>AIFMD</i> (see the definition of “ <i>participant firm</i> ”). However, a <i>firm</i> specified above may be able to apply for <i>top-up</i>	Does not apply in relation to the <del>passported activities</del> <u>passported activities</u> of an a <i>MiFID investment firm</i> , a <del>CRD credit institution</del> , an <i>IMD insurance intermediary</i> , an <i>MCD mortgage credit intermediary</i> or a <i>UCITS management company</i> carrying on non-core services under article 6.3 of the <i>UCITS Directive</i> or an incoming <i>EEA AIFM</i> regarding <i>AIFM management functions</i> carried on for an <i>unauthorised AIF</i> or non-core services under article 6.4. <u>Applies in relation to the <i>passported activities</i> of</u>

	cover in relation to its <i>passported activities</i> (see <i>COMP</i> 14 (Participation by EEA Firms)).	a <u><i>UCITS management company</i></u> in relation to the <u>management of a <i>UCITS scheme</i></u> and of an <u><i>AIFM</i></u> in relation to the <u>management of an <i>authorised AIF</i></u> . Otherwise, <i>COMP</i> may apply, but the coverage of the <i>compensation scheme</i> is limited for non-UK activities (see <i>COMP</i> 5).
...		

SUP 16 Annex 18AR (Section J: data required for calculation of fees) is deleted and replaced with the text shown on the following pages. The deleted text is not shown and the new text is not shown underlined.

## Section J: Data required for the calculation of fees

## Part 1

		A	B	C
		FCA	FOS	FSCS
		Annual Income	Relevant Annual Income	Annual Eligible Income
		(£s)	(£s)	(£s)
1	Home Finance Intermediation	FEES 4 Annex 1AR Part 3, fee block A.18	FEES 5 Annex 1R, industry block 16	FEES 6 Annex 3AR Class E2
2	General Insurance Distribution	FEES 4 Annex 1AR Part 3, fee block A.19	FEES 5 Annex 1R, industry block 17	FEES 6 Annex 3AR Class B2
3	Life Distribution and Pensions Intermediation	FEES 4 Annex 1AR Part 3, fee block A.13	Annual income as applied in relation to the equivalent activity groups set out in Part 1 of FEES 4 Annex 1R in respect of industry blocks 8 and 9	FEES 6 Annex 3AR Class C2
4	Investment Intermediation	FEES 4 Annex 1AR, Part 3, fee block A.13	Annual income as applied in relation to the equivalent activity groups set out in Part 1 of FEES 4 Annex 1R in respect of industry blocks 8 and 9	FEES 6 Annex 3AR Class D2

## Part 2

5. Do you carry on a *regulated activity* relating to the offer or sale to or purchase by or on behalf of *clients* of one or more *enhanced reporting investments*?

[Yes / No]

6. If the answer to question 5 is yes, please state below

- how much of your annual income reported in 3A (life and pensions intermediation) or 4A (investment intermediation) in Part 1 of this section derives from business you have carried out in respect of each category of *enhanced reporting investments* (as applicable), and
- in respect of each category of *enhanced reporting investment* (as applicable), the number of *clients* with, for, or in respect of whom you have carried out the business which has generated the annual income:

<i>Enhanced reporting investment</i>	<i>Annual income (per single unit of currency)</i>	<i>No. of clients</i>

Amend the following as shown.

**16**            **Notes for Completion of the Retail Mediation Activities Return ('RMAR')**  
**Annex**  
**18BG**

...

**Section J: Data required for calculation of fees**

Part 1

...

This information is required so that we can calculate the fees payable by *firms* in respect of the *FCA*, *FOS* and the *FSCS*.

<b>Data for fees calculations</b>	<i>Firms</i> will need to report data for the purpose of calculating <i>FCA</i> , <i>FOS</i> and <i>FSCS</i> levies
...	...
FSCS	The relevant information required is the tariff data set out in classes B2, C2, D2 and E2, <i>FEES 6 Annex <del>3R</del> 3AR</i> . Note that <i>firms</i> are required to report tariff data information relating to all business falling within classes B2, C2, D2 and E2, <i>FEES 6 Annex <del>3R</del> 3AR</i> .

*Personal investment firms* and *firms* whose regulated activities are limited to one or more of: *insurance mediation activity*, *home finance mediation activity*, or *retail investment activity*, are required to complete Part 1, section J of the *RMAR*.

Part 2

*Firms* submitting section J are required to identify in Part 2 how much of the annual income reported in 3A (life distribution and pensions intermediation) or 4A (investment intermediation) in Part 1 is earned from carrying on *regulated activities* relating to the offer or sale to or purchase by or on behalf of *clients of enhanced reporting investments*, broken down by category of *enhanced reporting investments* and by number of *clients*. A category of *enhanced reporting investment* is a type of *investment* listed in *COBS 9.3.5G(1)*.

For example, say a *firm* has earned £5,000 from *arranging deals in units in qualified investor schemes* on behalf of 26 investors. It has also earned £400 from *advising two clients to purchase unlisted shares*. *Units in qualified investor schemes* are a type of *non-mainstream pooled investment*, while the *unlisted shares* in this example are *non-readily realisable securities*. Accordingly, the *firm* would report:



<b><u>Enhanced reporting investment</u></b>	<b><u>Annual income (per single unit of currency)</u></b>	<b><u>No. of clients</u></b>
<u>Non-mainstream pooled investment</u>	<u>£5000</u>	<u>26</u>
<u>Non-readily realisable securities</u>	<u>£400</u>	<u>2</u>

**Both Parts 1 and 2**

*Firms* which do not yet have data for a full 12 ~~months~~ *months* ending on their *accounting reference date* (for example if they have not traded for a complete ~~financial year~~ *financial year* by the time of the *accounting reference date*) should complete Section J with an ‘annualised’ figure based on the actual income up to their *accounting reference date*. That is, such *firms* should pro-rate the actual figure as if the *firm* had been trading for 12 ~~months~~ *months* up to the *accounting reference date*. So for a *firm* with 2 ~~months~~ *months* of actual income of £5000 as at its *accounting reference date*, the ‘annualised’ figure that the *firm* should report is £30,000.

...

	<b>FCA</b> Annual <del>Regulated</del> Income (£s)	<b>FOS</b> Relevant Annual Income (£s)	<b><u>FSCS</u></b> <u>Annual Eligible</u> Income (£s)
Home finance <del>Mediation</del> <u>intermediation</u>	<i>FEES 4 Annex 11AR, 13G</i>	<i>FEES 5 Annex 1R industry block 16</i>	<i><u>FEES 6 Annex 3AR class E2</u></i>
<del>Non-investment insurance</del> <u>General insurance mediation</u>	<i>FEES 4 Annex 11AR, 13G</i>	<i>FEES 5 Annex 1R industry block 17</i>	<i><u>FEES 6 Annex 3AR class B2</u></i>
Life and pensions <del>mediation</del> <u>intermediation</u>	<i>FEES 4 Annex 11AR, 13G</i>	<i>FEES 5 Annex 1R industry block 8, 9</i>	<i><u>FEES 6 Annex 3AR class C2</u></i>
Investment <del>mediation</del> <u>intermediation</u>	<i>FEES 4 Annex 11AR, 13G</i>	<i>FEES 5 Annex 1R industry block 8, 9</i>	<i><u>FEES 6 Annex 3AR class D2</u></i>

...

## Annex D

### Amendments to the Compensation sourcebook (COMP)

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

#### INTRO 1A Foreword

**(This Foreword to the Compensation sourcebook does not form part of COMP.)**

The *Act* requires the *FCA* and the *PRA* to make rules establishing a scheme for compensating consumers in cases where: (i) ~~authorised firms~~ relevant persons are unable, or likely to be unable, to satisfy claims against them; or (ii) persons who have assumed responsibility for liabilities arising from acts or omissions of authorised *firms* (“successors”) are unable, or likely to be unable, to satisfy claims against the successors that are based on those acts or omissions. The body established to operate and administer the compensation scheme is the *Financial Services Compensation Scheme Limited (FSCS)*. The *PRA*’s compensation rules deal with claims for deposits and under contracts of insurance and the *FCA*’s compensation rules deal with other types of claim.

By making rules that allow the *FSCS* to pay compensation to retail consumers and small businesses, and focusing protection on those who need it most, the compensation scheme rules form an important part of the toolkit the *FCA* will use to meet its statutory objectives. ...

*COMP* INTRO 1B (Foreword) is deleted in its entirety. The deleted text is not shown.

#### 1.1 Application, Introduction, and Purpose

...

Introduction

...

- 1.1.6 G The ~~appropriate regulator is~~ *FCA* and *PRA* are also required, under section 213 of the *Act* (The compensation scheme), to make *rules* establishing a compensation scheme. ~~These~~ The *FCA*’s rules are set out in the remaining chapters of this sourcebook, and are directed to the *FSCS*, claimants and potential claimants, and *firms*. The *PRA*’s rules dealing with claims for deposits and under contracts of insurance are set out in the *PRA Rulebook*.

...

1.1.8 G *COMP* 1 consists of *guidance* which is aimed at giving an overview of how this sourcebook works. The provisions of *COMP* 2 to *COMP* 47 ~~14~~ cover who is eligible, the amount of compensation and how it might be paid, ~~disclosure requirements for firms that accept deposits and systems and information requirements for firms that accept deposits.~~

...

**1.3 Claimants**

1.3.1 G The *FSCS* ~~also~~ provides information to claimants and potential claimants  
...

...

1.3.3 G Areas of particular interest to claimants (see *COMP* 1.1.3G)

This Table belongs to *COMP* 1.1.3G.

<b>Q1</b>	<b>What do I need to do in order to receive compensation?</b>		
<b>A1</b>	In order to receive compensation:		
	<u>(-1)</u>	<u>If your claim is for a deposit or under a contract of insurance, see the <i>PRA</i>'s Depositor Protection or Policyholder Protection rules;</u>	
	(1)		
	...		
...			

...

*COMP* 1.4 (EEA Firms) is deleted in its entirety. The deleted text is not shown.

**1.4 EEA Firms** [deleted]

**2 The FSCS**

...

## 2.2 Duties of the FSCS

...

### Informing the FSCS

- 2.2.9 G The ~~appropriate regulator FCA~~ will inform the *FSCS* if it detects problems in a *firm* that is likely to give rise to the intervention of the *FSCS*.

~~[Note: article 10(1), part of last sub-paragraph of the *Deposit Guarantee Directive*]~~

### Systems

- 2.2.10 R ~~[Note: article 10(1), part of last sub-paragraph of the *Deposit Guarantee Directive*]~~ [deleted]

...

## 3 The qualifying conditions for compensation

...

### 3.1 Application and Purpose

...

#### Purpose

- 3.1.3 G The purpose of this chapter is to set out in general terms the conditions that must be satisfied before the *FSCS* can make an offer of compensation, ~~or secure continuity of insurance cover, or provide assistance to an *insurance undertaking* to enable it to continue *insurance business*.~~

...

### 3.2 The qualifying conditions for paying compensation

- 3.2.1 R The *FSCS* may pay compensation to an *eligible claimant*, subject to *COMP* 11 (Payment of compensation) if it is satisfied that:

- (1) an *eligible claimant* has made an application for *compensation* (~~but see *COMP* 3.2.1AR~~ or the *FSCS* is treating the *person* as having done so);

...

...

- 3.2.3 G Examples of the circumstances covered by *COMP* 3.2.2R are:

- (1) ...

- (2) when trustees make a *claim* on behalf of beneficiaries (for further provisions relating to *claims* by trustees, see ~~COMP 4.2.6.1R to COMP 4.2.6.7R~~ 12A.1.1R to 12A.1.7R);

...

...

Special cases

- 3.2.5 G See COMP 12A (Special cases) for how the *FSCS* may pay compensation in certain cases.

COMP 3.3 (Insurance) is deleted in its entirety. The deleted text is not shown.

**4 Eligible claimants**

...

**4.2 Who is eligible to benefit from the protection provided by the FSCS?**

- 4.2.1 R ~~Unless COMP 4.2.3R applies, an~~ An *eligible claimant* is any *person* who at any material time:

...

Persons not eligible to claim unless COMP 4.3 applies (see COMP 4.2.1R)

- 4.2.2 R This table belongs to COMP 4.2.1R

...	
(9)	<i>Bodies corporate</i> in the same <i>group</i> as the <i>relevant person in default</i> or, in respect of a <i>claim</i> against a <i>successor in default</i> , <i>bodies corporate</i> in the same <del>group</del> <u>group</u> as a <i>successor</i> or the <i>relevant person</i> , as applicable, unless that <i>body corporate</i> is:
	...
(aa)	<del>(if the claim is with respect to a long-term insurance contract)</del> a trustee of: <del>an occupational pension scheme; or</del>
(ab)	<del>(if the claim is not with respect to a long-term insurance contract),</del> a trustee of:
	(i) an <i>occupational pension scheme</i> in relation to members' benefits which are <i>money-purchase benefits</i> ; or

		(ii)	(unless (i) applies) an <i>occupational pension scheme</i> of an employer which is not a <i>large company</i> , <i>large partnership</i> or <i>large mutual association</i> ; or
	(b)	...	
...			
(16)	<del>Persons whose claim arises under the Third Parties (Rights against Insurers) Act 1930 [deleted]</del>		
(17)	Where the <i>claim</i> is in relation to <del>a <i>protected contract of insurance</i></del> <del>or <i>protected non-investment insurance mediation</i></del> , <del>body corporate</del> <i>bodies corporate</i> , <i>partnerships</i> , <i>mutual associations</i> and unincorporated associations which are not <i>small businesses</i> .		
...			
(20)	Where the <i>claim</i> is in relation to <i>protected debt management business</i> , any <i>person</i> other than a natural person.		

- 4.2.3 R ~~A person who is a small business is an eligible claimant in respect of a relevant general insurance contract entered into before commencement only if the person is a partnership. [deleted]~~

...

#### 4.3 Exceptions: Circumstances where a person coming within COMP 4.2.2R may receive compensation

~~Deposits (and balances in dormant accounts)~~

...

Liability subject to compulsory insurance

- 4.3.6 R A person who comes within COMP 4.2.2R is eligible to claim compensation in respect of a *liability subject to compulsory insurance* if the *claim* is:

- (1) ~~a claim under a *protected contract of insurance*; or~~
- (2) ~~a claim~~ in connection with *protected non-investment insurance mediation*.

...

Eligibility to claim in specified circumstances

- 4.3.8 R The FSCS may treat a *person* who comes within category (7) or (12) of COMP 4.2.2R as eligible to claim compensation where:

- (1) this is desirable to achieve the efficient performance of any of its functions, including without limitation, ~~to facilitate a transfer of business or any part thereof, to secure the issue of policies by another firm to eligible claimants in substitution for their existing policies, to achieve the efficient payment of compensation, to secure under COMP 3.3.2CR the payment of benefits under a long term insurance contract;~~ and
- (2) treating these *persons* as eligible to claim compensation would, in the opinion of the *FSCS*, be beneficial to the generality of *eligible claimants* who will be affected by the action in (1).

...

## 5 Protected claims

...

### 5.2 What is a protected claim?

5.2.1 R A *protected claim* is:

- (1) ~~a claim for a protected deposit or a protected dormant account (see COMP 5.3); or [deleted]~~
- (2) ~~a claim under a protected contract of insurance (see COMP 5.4); or [deleted]~~
- (3) ...
- ...
- (5) a claim in connection with *protected non-investment insurance mediation* (see COMP 5.7); or
- (6) a claim in connection with protected debt management business (see COMP 5.8).

...

#### Claims in respect of Law Society members

5.2.3 R Notwithstanding COMP 5.2.1R and paragraph (4) of the definition of participant firm, where the *relevant person* is *in default*:

...

...

COMP 5.3 (Protected deposits and protected dormant accounts) and 5.4 (Protected contracts



of insurance) are deleted in their entirety. The deleted text is not shown.

## 5.5 Protected investment business

5.5.1 R *Protected investment business* is:

...

(6) the intermediation of structured deposits,

provided that the territorial scope condition in *COMP* 5.5.2R is satisfied and, for a *firm* acting as the manager or *depository* of a *fund*, one of the conditions in *COMP* 5.5.3R is satisfied.

...

### Managers and depositaries of funds

5.5.3 R The conditions referred to in *COMP* 5.5.1R for a manager or *depository* of a *fund* are:

- (1) for the activities of *managing an AIF, managing a UCITS* or *establishing, operating or winding up a collective investment scheme*, the *claim* is in respect of an investment in:
  - (a) an *authorised fund*; or
  - (b) any other *fund* which has its registered office or head office in the *UK* or is otherwise domiciled in the *UK* unless it is an *AIF* that is a *body corporate* and not a *collective investment scheme*.
- (2) where a *firm* is acting as *depository* of ~~an *AIF* and in doing so is carrying on the activity of acting as trustee or depository of an *AIF* or safeguarding and administering assets~~ a *fund*, the *claim* is in respect of their activities for:
  - (a) an *authorised AIF fund*; or
  - (b) a *charity AIF* unless it is a *body corporate* that is not a *collective investment scheme*.

...

Insert the following new section *COMP* 5.8 after *COMP* 5.7 (Protected non-investment insurance mediation). The text is not underlined.

## 5.8 Protected debt management business

- 5.8.1 R *Protected debt management business is debt management activity carried out by a CASS debt management firm from an establishment maintained by it in the United Kingdom, but only in so far as the claim relates to a shortfall in client money.*

Amend the following as shown.

## 6 Relevant persons and successors in default

...

### 6.2 Who is a relevant person?

...

- 6.2.2 G (1) ~~An incoming EEA firm, which is a credit institution, an IMD insurance intermediary, a MiFID investment firm or an MCD mortgage credit intermediary and its appointed representatives are not relevant persons in relation to the firm's passported activities, unless it has top-up cover. (See definition of "participant firm").~~
- (2) ~~An EEA UCITS management company providing collective portfolio management services for a UCITS scheme from a branch in the United Kingdom or under the freedom to provide cross border services, is a relevant person to the extent that it carries on those services.~~
- (3) ~~An EEA UCITS management company carrying on the activities of managing investments (other than collective portfolio management), advising on investments or safeguarding and administering investments, is not a relevant person in relation to those services, unless it has top-up cover.~~
- (4) ~~An incoming EEA AIFM managing an authorised AIF from a branch in the UK or under the freedom to provide cross border services, is a relevant person in respect of that activity.~~
- (5) ~~An incoming EEA AIFM managing an unauthorised AIF is not is a relevant person in respect of that activity unless it has top-up cover.~~
- (6) ~~An incoming EEA AIFM providing the services in article 6(4) of AIFMD is not is a relevant person in relation to those activities, unless it has top-up cover. [deleted]~~

### 6.3 When is a relevant person in default?

- 6.3.1 R A relevant person is in default if:
- (1) (except in relation to an *ICD claim* ~~or *DGD claim*~~) the *FSCS* has determined it to be *in default* under *COMP 6.3.2R*, *COMP 6.3.3R*, *COMP 6.3.4R* ~~or *COMP 6.3.5R*~~; or
  - (2) (in relation to an *ICD claim* ~~or *DGD claim*~~):
    - (a) the ~~*appropriate regulator*~~ *FCA* has determined it to be *in default* under *COMP 6.3.2R*; or
    - (b) a judicial authority has made a ruling that had the effect of suspending the ability of *eligible claimants* to bring *claims* against the *participant firm*, if that is earlier than (a); and

if a relevant person is *in default* in relation to an *ICD claim* ~~or a *DGD claim*~~ it shall be deemed to be *in default* in relation to any other type of *protected claim*.
- 6.3.1A G [Note: article ~~1(3)(i)~~ 2(2) of the *Deposit Guarantee Investor Compensation Directive*]
- 6.3.2 R ~~Subject to *COMP 3.3.3R* to *COMP 3.3.6R* and *COMP 6.3.6R*, the~~ The *FSCS* (or, where *COMP 6.3.1R(2)(a)* applies, the ~~*appropriate regulator*~~ *FCA*) may determine a *relevant person* to be *in default* when it is, in the opinion of the *FSCS* or the ~~*appropriate regulator*~~ *FCA*:
- (1) unable to satisfy *protected claims* against it; or
  - (2) likely to be unable to satisfy *protected claims* against it.
- 6.3.3 R ~~Subject to *COMP 6.3.6R* the~~ The *FSCS* may determine a *relevant person* to be *in default* if it is satisfied that a *protected claim* exists (other than an *ICD claim* ~~or *DGD claim*~~), and the *relevant person* is the subject of one or more of the following proceedings in the *United Kingdom* (or of equivalent or similar proceedings in another jurisdiction):
- ...
- 6.3.4 R ~~For *claims* arising in connection with *protected investment business*, *protected home finance mediation* or *protected non-investment insurance mediation*, the~~ The *FSCS* ~~has the additional power to~~ may determine that a *relevant person* ~~is to be~~ is *in default* if it is satisfied that a *protected claim* exists (other than an *ICD claim*), and:
- ...

~~Members in default and the Central Fund of the Society~~

...

**6.3A When is a successor in default?**

...

- 6.3A.4 R ~~For claims arising in connection with protected investment business, protected home finance mediation or protected non-investment insurance mediation, the~~ The FSCS has the additional power to ~~may~~ determine that a successor is to be in default if it is satisfied that a *protected claim* exists (other than an *ICD claim* against a successor that is an *MiFID investment firm*), and:

...

**7 Assignment or subrogation of rights**

...

**7.2 How does the assignment of rights work?**

...

~~Provisions relating to other classes of protected claim~~

...

Claims arising under COMP 3.2.4R

- 7.2.7 R ...

**7.3 Automatic subrogation**

- 7.3.1 R ~~The FSCS's powers in this section apply to all claims except those under protected contracts of insurance.~~ [deleted]

...

- 7.3.10 R (1) The FSCS may determine that:

...

- (c) if it is otherwise necessary or desirable in conjunction with the exercise of the FSCS's powers under *COMP 7.3.8R* or *COMP 7.3.9R* ~~or COMP 15.1.9R~~;

...

...

COMP 7.5 (Recoveries: protected deposits) is deleted in its entirety. The deleted text is not shown.

## **7.6 ~~Recoveries: claims other than for protected deposits~~ Treatment of recoveries**

7.6.1 R If the *FSCS* makes recoveries in relation to a *claim* ~~that is not for a *protected deposit*~~, it may deduct from any recoveries paid over to the claimant under COMP 7.6.2R part or all of its reasonable costs of recovery and distribution (if any).

7.6.2 R Unless compensation was paid under COMP 9.2.3R ~~or the claim was for a *protected deposit*~~, if a claimant assigns or transfers his rights to the *FSCS* or a claimant's rights and claims are otherwise subrogated to the *FSCS* and the *FSCS* subsequently makes recoveries through those rights or claims, those recoveries must be paid to the claimant:

...

7.6.3 R For the purpose of COMP 7.6.2R compensation received by *eligible claimants* in relation to *Lloyd's policies contracts of insurance* written at Lloyd's may include payments made from the *Central Fund*.

7.6.4 R ~~Except for a claim for a *protected deposit*, the~~ The *FSCS* must endeavour to ensure that a claimant will not suffer disadvantage arising solely from his prompt acceptance of the *FSCS's* offer of compensation or from the subrogation of his rights and claims to the *FSCS* compared with what might have been the position had he delayed his acceptance or had his claims not been subrogated.

...

## **10 Limits on the amount of compensation payable**

...

### **10.2 Limits on compensation payable**

...

10.2.3 R Table Limits

This table belongs to COMP 10.2.1R

Type of claim	Level of cover	Maximum payment
...		
<i>Protected non-investment insurance mediation</i>	(1) where the <i>claim</i> is in respect of a <i>liability subject to compulsory insurance</i> : 100% of <i>claim</i>	Unlimited
	(2) where the <i>claim</i> is in respect of: (a) a <i>relevant omission</i> ; and (b) a <i>professional indemnity insurance contract</i> <u>professional indemnity insurance contract</u> , or would be in respect of a <i>professional indemnity insurance contract</i> <u>professional indemnity insurance contract</u> , if the insurance contract had been effected: 100% of <i>claim</i>	Unlimited
	...	...
<i>Protected debt management business</i>	<u>100% of claim</u>	<u>£50,000</u>

...

~~Continuity of insurance cover~~

...

~~Claims in respect of protected dormant accounts~~

...

**11 Payment of compensation**

...

**11.2 Payment**

...

- 11.2.1A R If the *FSCS* determines that compensation is payable (or any recovery or other amount is payable by the *FSCS* to the claimant), it must pay it to the claimant, or if the *FSCS* so decides, as directed by the claimant, unless *COMP* 11.2.2R ~~applies~~ or *COMP* 11.2.2AR apply.

...

- 11.2.2A R Where a claimant has a *claim* that falls within *COMP* 12A.3.1R, the *FSCS* may pay any compensation to:

- (1) the *participants* and not to the claimant; or
- (2) the *collective investment scheme* and (where different) not to the claimant; or
- (3) any combination of the above.

- 11.2.2B G As a result of *COMP* 12A.3.1R, the *FSCS* must try to ensure that the amount paid is no more than the amount of the loss suffered by the *participant*.

...

#### Form and method of paying compensation

- 11.2.3A R The *FSCS* may pay compensation in any form and by any method (or any combination of them) that it determines is appropriate including, without limitation:

...

- (2) by paying compensation directly into an existing deposit account (or for the benefit of) the claimant, or as otherwise identified by (or on behalf of) the claimant, with an *authorised person* (but before doing so the *FSCS* must take such steps as it considers appropriate to verify the existence of such an account and to give notice to the claimant of its intention to exercise this power); and/or
- (3) ~~(where two or more *persons* have a joint beneficial *claim*) by accepting communications from and/or paying compensation to any one of those *persons* where this is in accordance with the terms and conditions for communications and withdrawals of the *protected deposit*; and/or [deleted]~~

...

...

- 11.2.6 R The *FSCS* may not pay a lesser sum in final settlement under *COMP* 11.2.4R and *COMP* 11.2.5R where the *claim* is a ~~*DGD claim*~~ or an *ICD*

*claim.*

...

## 12 Calculating compensation

...

### 12.2 Quantification: general

...

12.2.2 R ~~COMP 42.2.1R~~ 12.2.1AR is, however, subject to the other provisions of *COMP*, in particular those *rules* that set limits on the amount of compensation payable for various types of *protected claim*. The limits are set out in *COMP* 10.

12.2.3 G Where a liability of a *relevant person* (or, where applicable, a *successor*) to an *eligible claimant* could fall within more than one type of ~~*protected-claim claim protected by the compensation scheme whether under the rules of the FCA*~~ (see *COMP* 5.2.1R) or of the *PRA*, for example a *claim* in connection with *money held by an a MiFID investment firm* that is also a *credit institution*, the *FSCS* should seek to ensure that the claimant does not receive any further compensation payment from the *FSCS* in cases where the claimant has already received compensation from the *FSCS* in respect of that *claim*.

...

#### Payments to the claimant

12.2.7A R The *FSCS* must take into account any payments to the claimant (including amounts recovered by the *FSCS* on behalf of the claimant) made by the *relevant person* (or, where applicable, a *successor*) or the *FSCS* or any other *person*, including any payment made by the *FSCS* under the *PRA*'s *rules*, if that payment is connected with the *relevant person*'s liability to the claimant in calculating the claimant's overall *claim*.

...

#### Settlement of claims

12.2.10 R (1) ...

(2) This *rule* does not apply with respect to *claims* that are excluded by ~~Article 2 of the *Deposit Guarantee Directive* or by Article~~ article 3 of the *Investor Compensation Directive*.

## 12.3 Quantification date



...

Protected debt management business

- 12.3.9 R For a *claim* made in connection with *protected debt management business*, the *FSCS* must determine a specific date as the *quantification date*, and this date may be either on, before or after the date of determination of default.

**12.4 The compensation calculation**

...

- 12.4.4 R If the claimant has an *ICD claim* against an *incoming EEA firm* which is a *MiFID investment firm* (~~including a *credit institution* which is a *MiFID investment firm*~~) or, where applicable, a *successor* of such a *firm*, the *FSCS* must take account of the liability of the *Home State* compensation scheme in calculating the compensation payable by the *FSCS*.

...

- 12.4.16 R ~~For *claims* arising in connection with *protected contracts of insurance*, the *FSCS* must treat any term in an *insurance undertaking's* constitution or in its *contracts of insurance*, limiting the *undertaking's* liabilities under a *long term insurance contract* to the amount of its assets, as limiting the *undertaking's* liabilities to any claimant to an amount which is not less than the gross assets of the *undertaking*. [deleted]~~

...

Protected debt management business

- 12.4.21  
A R The *FSCS* may pay compensation for any *claim* made in connection with *protected debt management business* only to the extent that the *FSCS* considers that the payment of compensation is essential to provide the claimant with fair compensation.

...

**12.6 Quantification: trustees, operators of pension schemes, persons winding up pension schemes, personal representatives, agents and joint claims**

The provisions of COMP 12.6 are deleted in their entirety. The deleted text is not shown. Insert the following new notes as shown.

[Note: COMP 12.6.1R now appears at COMP 12A.1.1R]

[Note: COMP 12.6.2R now appears at COMP 12A.1.2R]

[Note: COMP 12.6.2AR now appears at COMP 12A.1.3R]

[Note: COMP 12.6.3R now appears at COMP 12A.1.4R]

[Note: COMP 12.6.4R now appears at COMP 12A.1.5R]

[Note: COMP 12.6.5R now appears at COMP 12A.1.6R]

[Note: COMP 12.6.6R now appears at COMP 12A.1.7R]

[Note: COMP 12.6.8R now appears at COMP 12A.2.1R]

[Note: COMP 12.6.9R now appears at COMP 12A.2.2R]

[Note: COMP 12.6.10R now appears at COMP 12A.2.3R]

[Note: COMP 12.6.11R now appears at COMP 12A.4.1R]

[Note: COMP 12.6.12R now appears at COMP 12A.5.1R]

Insert the new chapter COMP 12A after COMP 12 (Calculating compensation). The text is not underlined.

## **12A Special cases**

### **12A.1 Trustees and pension schemes**

12A.1.1 R If a claimant's *claim* includes a *claim* as:

- (1) trustee; or
- (2) the *operator* of, or the *person* carrying on the *regulated activity* of winding up, a stakeholder pension scheme (which is not an *occupational pension scheme*) or *personal pension scheme*,

the *FSCS* must treat him in respect of that *claim* as if his *claim* was the *claim* of a different *person*.

[Note: this and other rules in this section derive from provisions previously in *COMP 12.6*]

12A.1.2 R If a claimant has a *claim* as a bare trustee or *nominee company* for one or more beneficiaries, the *FSCS* must treat the beneficiary or beneficiaries as having the *claim*, and not the claimant.

12A.1.3 R If a claimant has a *claim*:

- (1) as the trustee of an *occupational pension scheme* or the trustee or *operator* of, or the *person* carrying on the *regulated activity* of

winding up, a stakeholder pension scheme (which is not an *occupational pension scheme*) or *personal pension scheme*; and

- (2) for one or more members of a pension scheme (or, where relevant, the beneficiary of any member) whose benefits are, or include, *money-purchase benefits*;

the *FSCS* must treat the member or member scheme (or, where relevant, the beneficiary of any member) as having the *claim*, and not the claimant (insofar as members' benefits are *money-purchase benefits*).

12A.1.4 R If any group of *persons* has a *claim* as:

- (1) trustees; or
- (2) *operators* of, or as *persons* carrying on the *regulated activity* of winding up, a stakeholder pension scheme (which is not an *occupational pension scheme*) or *personal pension scheme*,

(or any combination thereof), the *FSCS* must treat them as a single and continuing *person* distinct from the *persons* who may from time to time be the trustees, *operators* or *persons* winding up the relevant pension scheme.

12A.1.5 R Where the same *person* has a *claim* as:

- (1) trustee for different trusts or for different *stakeholder pension schemes* (which are not *occupational pension schemes*) or *personal pension schemes*; or
- (2) the *operator* of, or the *person* carrying on the *regulated activity* of winding up, different *stakeholder pension schemes* (which are not *occupational pension schemes*) or *personal pension schemes*,

*COMP* applies as if the *claims* relating to each of these trusts or schemes were claims of different *persons*.

12A.1.6 R Where the claimant is a trustee, and some of the beneficiaries of the trust are *persons* who would not be *eligible claimants* if they had a claim themselves, the *FSCS* must adjust the amount of the overall *claim* to eliminate the part of the claim which, in the *FSCS*'s view, is a claim for those beneficiaries.

12A.1.7 R Where any of the provisions of *COMP* 12A.1.1R to *COMP* 12A.1.6R apply, the *FSCS* must try to ensure that any amount paid to:

- (1) the trustee; or
- (2) the *operator* of, or the *person* carrying on the *regulated activity* of winding up, a stakeholder pension scheme (which is not an *occupational pension scheme*) or *personal pension scheme*,

is, in each case:

- (3) for the benefit of members or beneficiaries who would be *eligible claimants* if they had a *claim* themselves; and
- (4) no more than the amount of the loss suffered by those members or beneficiaries.

## 12A.2 Personal representatives, agents and joint claims

- 12A.2.1 R Where a *person* numbers among his *claims* a *claim* as the personal representative of another, the *FSCS* must treat him in respect of that *claim* as if he were standing in the shoes of that other person.

[**Note:** this and other rules in this section derive from provisions previously in *COMP* 12.6]

- 12A.2.2 R If a claimant has a *claim* as agent for one or more *principals*, the *FSCS* must treat the *principal* or *principals* as having the *claim*, not the claimant.
- 12A.2.3 R If two or more *persons* have a joint beneficial *claim*, the *claim* is to be treated as a *claim* of the partnership if they are carrying on business together in partnership. Otherwise each of those *persons* is taken to have a *claim* for his share, and in the absence of satisfactory evidence as to their respective shares, the *FSCS* must regard each *person* as entitled to an equal share.

## 12A.3 Collective investment schemes

- 12A.3.1 R (1) If a claimant has a *claim* in its capacity as a *collective investment scheme*, or anyone who is an operator, depositary, manager or trustee of such a scheme, and the conditions in (2) are met:
- (a) the *FSCS* must treat the *participant* or *participants* as having the *claim*, and not the claimant;
  - (b) *COMP* 12A.1.6R and *COMP* 12A.1.7R apply, reading “trustee” as “*collective investment scheme*, or anyone who is an operator, depositary, manager or trustee of such a scheme”, “trust” as “*collective investment scheme*” and “beneficiary” as “participant”.
- (2) The conditions referred to in (1) are:
- (a) the *claim* is against a *relevant person*:
    - (i) acting in the capacity of *manager* or *depositary* of the *collective investment scheme*; or
    - (ii) in connection with that person’s *managing investments*

or *safeguarding and administering investments*; and

- (b) as a result of the matters in (a), a participant in the *collective investment scheme* has suffered loss but the participant has no *claim* for that loss against that *relevant person*.

## 12A.4 Foreign law

12A.4.1 R In applying *COMP* to *claims* arising out of business done with a *branch* or *establishment* of the *relevant person* outside the *United Kingdom*, the *FSCS* must interpret references to:

- (1) *persons* entitled as personal representatives, trustees, bare trustees or agents, *operators* of *pension schemes* or *persons* carrying on the *regulated activity* of winding up *pension schemes*; or
- (2) *persons* having a joint beneficial *claim* or carrying on business in partnership;

as references to *persons* entitled, under the law of the relevant country or territory, in a capacity appearing to the *FSCS* to correspond as nearly as may be to that capacity.

[**Note:** this rule derives from a provision previously in *COMP* 12.6]

## 12A.5 Claims arising under COMP 3.2.4R

12A.5.1 R If a *firm* has a *claim* under *COMP* 3.2.4R, the *FSCS* must treat each *customer* of the *firm* as having the *claim* for the purposes of calculating compensation within *COMP* 12.

[**Note:** this rule derives from a provision previously in *COMP* 12.6]

Amend the following as shown.

## 14 Participation by EEA Firms

### 14.1 Application and Purpose

Application

...

14.1.2 R This chapter also applies to an *incoming EEA firm* which is a ~~*credit institution, or an MiFID investment firm (or both)*~~, an *IMD insurance intermediary*, a *UCITS management company*, an *MCD mortgage credit*

*intermediary or an AIFM.*

Purpose

- 14.1.3 G This chapter provides supplementary *rules and guidance*, and contains a broad summary, in guidance, of *FSCS* cover, for an *incoming EEA firm* which is ~~a credit institution~~, an *IMD insurance intermediary*, ~~an~~ a *MiFID investment firm*, a *UCITS management company*, an *MCD mortgage credit intermediary* or an *AIFM*. It reflects in part the implementation of the ~~Deposit Guarantee Directive~~, *Investors Investor Compensation Directive*, and *UCITS Directive*. This sourcebook applies in the usual way to an *incoming EEA firm* which is exercising *EEA rights* under the *Insurance Directives*. Such a firm is not affected by the ~~Deposit Guarantee Directive~~, the ~~Investors Compensation Directive~~ or the ~~UCITS Directive~~.
- 14.1.4 G (1) An *incoming EEA firm* which is ~~a credit institution~~, an *IMD insurance intermediary*, an *MCD mortgage credit intermediary* or ~~an~~ a *MiFID investment firm* is not a *participant firm* in relation to its *passport activities* unless it “tops-up” into the *compensation scheme*. This reflects section 213(10) of the *Act* (The *compensation scheme*) and regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons). If an *incoming EEA firm* also carries on *non-passported activities* for which the *compensation scheme* provides cover, it will be a *participant firm* in relation to those activities and will be covered by the *compensation scheme* for those activities in the usual way.
- (2) Whether an *incoming EEA firm* which is an *EEA UCITS management company* is a *participant firm* in relation to its *passport activities* depends on the nature of its activities. In so far as it carries on the activities of *managing investments* (other than *collective portfolio management*), *advising on investments* or *safeguarding and administering investments*, it is not a *participant firm* unless it “tops-up” into the *compensation scheme* and it may only obtain top-up cover if it carries on those activities from a branch in the United Kingdom. To the extent that such a firm provides *collective portfolio management services* for a *UCITS scheme* from a branch in the *United Kingdom* or under the freedom to provide *cross border services*, it is a *participant firm* in respect of those services.
- ...
- 14.1.5 G In relation to an *incoming EEA firm’s passport activities*, its *Home State compensation scheme* must provide *compensation cover* in respect of business within the scope of the ~~Deposit Guarantee Directive~~, *Investors Investor Compensation Directive*, article 6(3) of the *UCITS Directive* and article 6(4) of *AIFMD*, whether that business is carried on from a *UK branch* or on a *cross border services* basis. *Insurance mediation activity relating to non-investment insurance contracts* is not within the scope of the ~~Deposit Guarantee Directive~~ and the *Investor Compensation Directive*.

...

## 14.2 Obtaining top-up cover

...

14.2.3 G A notice under *COMP* 14.2.1R should include details confirming that the *incoming EEA firm* falls within a prescribed category. In summary:

(1) the *firm* must be:

(a) ~~a credit institution;~~ or [deleted]

...

...

...

## 14.3 Co-operation between the FSCS and Home State compensation schemes

14.3.1 R Where an *incoming EEA firm* obtains *top-up cover* under *COMP* 14.2, the *FSCS* must co-operate with that *firm's Home State* compensation scheme. In particular, the *FSCS* must seek to establish with that *firm's Home State* compensation scheme appropriate procedures for the payment of compensation to claimants, following the principles set out in ~~Annex II of the Deposit Guarantee Directive~~ or Annex II of the *Investor Compensation Directive*, as appropriate.

~~[Note: article 4(5) of the Deposit Guarantee Directive]~~

## 14.4 Ending top-up cover

FSCS terminating top-up cover

...

14.4.2 R If an *incoming EEA firm* which has *top-up cover* fails to observe any of the *rules* in this sourcebook which apply to *participant firms*, the *FSCS* must notify the ~~appropriate regulator~~ FCA and the *incoming EEA firm's Home State regulator*.

...

*COMP* 15 (Protected deposits: Payments from other schemes) and *COMP* 16 (Disclosure requirements for firms that accept deposits) are deleted in their entirety. The deleted text is not shown.

Amend the following as shown.

## TP 1 Transitional Provisions

### TP 1.1 Transitional Provisions Table

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook Provisions coming into force
...					
40	<u>Amendments introduced by the Financial Services Compensation Scheme (Funding and Scope) Instrument 2017</u>	R	<u>The changes referred to in column (2) do not apply in relation to a claim against a relevant person, or against a successor, that was in default before 1 April 2018.</u>	<u>From 1 April 2018 indefinitely</u>	<u>1 April 2018</u>

...

## Sch 2 Notification requirements

### Sch 2.1G

1.	The aim of the guidance in the following table is to give the reader a quick overall view of the relevant requirements for notification and reporting. In all cases, other than those concerning <del>Chapters 13, Chapter 14 and 17</del> and the Transitional Provisions, the notification rules in <i>COMP</i> apply only to the <del>FSCS</del> <i>FSCS</i> (the scheme manager).
...	

### Sch 2.2G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
<i>COMP</i> 2.2.5G	Annual Report	Not specified in <del>COMP</del> <i>COMP</i> – see Memorandum of Understanding	End of Financial Year	Not specified in <del>COMP</del> <i>COMP</i> (see MoU)



		(MoU) between each regulator <del>the FCA and FSCS</del> <u>the FSCS</u>		
...				
<i>FEES</i> <del>6.2.1R</del> <u>6.2.1AR</u>	Right to exemption for specific costs and compensation costs levy	Notice that firm does not conduct business that could give rise to a claim on the <del>FSCS</del> <u>FSCS</u> and has no reasonable likelihood of doing so	If it does not, or if it ceases to, conduct business with persons eligible to claim on <del>FSCS</del> <u>the FSCS</u> , unless it has already given such notice.	None specified although exemption generally only takes effect from the date of receipt of notice by <del>FSCS</del> <u>the FSCS</u>
...				
<i>FEES</i> 6.5.13R	Levy base for participant firm	The contribution groups to which the participant firm belongs. The total amount of business (measured in accordance with the appropriate tariff bases, which it conducted as at 31 December of the previous year)	The end of the calendar year (the occasion of 31 December every year beginning with 31 December 2001)	By end February <u>or the date requested by the FCA where the firm becomes a participant firm part way through the financial year</u>
...				
<i>COMP</i> TP 29R(2) and <i>COMP</i> 17.2.7R	Election or revocation of election that the <i>electronic SCV rules</i> do not apply.	See Matter to be notified	See Matter to be notified	Immediately
<i>COMP</i> 17.2.7R(1)	Election that the <i>electronic SCV rules</i> do	See Matter to be notified	See Matter to be notified	Immediately

	not apply.			
<i>COMP</i> 17.2.7R(1A)	Revocation of election that the <i>electronic SCV rules</i> do not apply.	See Matter to be notified	See Matter to be notified	Immediately
<i>COMP</i> 17.2.7R(2)	The <i>firm</i> has operated 5,000 or more accounts held by <i>eligible claimants</i> for two consecutive years, having previously operated less than 5,000	See Matter to be notified	See Matter to be notified	Immediately
<i>COMP</i> 17.3.1R	A <i>firm</i> must provide the <i>PRA</i> with an <i>SCV implementation report</i> and <i>SCV report</i>	See <i>COMP</i> 17.3.6R(1) or <i>COMP</i> 17.3.6R(2) as applicable and <i>COMP</i> 17.3.9R(1) or <i>COMP</i> 17.3.9R(2) as applicable.	Receipt of <i>permission to accept deposits</i> or <i>obtaining top-up cover</i> as applicable	Three months
<i>COMP</i> 17.3.2R	A <i>firm</i> must provide the <i>PRA</i> with an <i>SCV implementation report</i> and <i>SCV report</i>	See <i>COMP</i> 17.3.6R(1) or <i>COMP</i> 17.3.6R(2) as applicable and <i>COMP</i> 17.3.9R(1) or <i>COMP</i> 17.3.9R(2) as applicable.	A material change in the <i>firm's SCV system</i>	Three months
<i>COMP</i> 17.3.4R	A <i>firm</i> must provide the <i>PRA</i> with an <i>SCV report</i>	<i>COMP</i> 17.3.9R(1) or <i>COMP</i> 17.3.9R(2) as applicable.	Every four years (starting on 31 December 2010 or the date of receiving <i>permission to accept deposits</i> or in the case of an <i>incoming EEA</i>	See Trigger event

			<i>firm</i> the date of obtaining <i>top-up cover</i> , whichever is later)	
<i>COMP</i> TP 30R(2) and <i>COMP</i> 17.2.7R	Election or revocation of election that the <i>electronic SCV rules</i> do not apply	See Matter to be notified	See Matter to be notified	Immediately

...

**Sch 5 Rights of action for damages**

...

Sch 5.2G

...

<b>Chapter/ Appendix</b>	<b>Section/Annex</b>	<b>Paragraph</b>	<b>For private person?</b>	<b>Removed</b>	<b>For other person ?</b>
<i>COMP</i> 1	5	8	No	Yes – <i>COMP</i> 1.5.11G <u>1.5.12R</u>	No
...					

## Annex E

### Amendments to the Consumer Credit sourcebook (CONC)

In this Annex, underlining indicates new text.

## 3 Financial promotions and communications with customers

...

### 3.9 Financial promotions and communications: debt counsellors and debt adjusters

...

Contents of financial promotions and communications

3.9.3 R A *firm* must ensure that a *financial promotion* or a communication with a *customer* (to the extent a previous communication to the same *customer* has not included the following information) includes:

...

(16) an explanation that compensation might be available from the compensation scheme if there is a shortfall in client money held by the firm for that customer.

...

## 8 Debt advice

...

### 8.1 Application

...

8.1.3A R CONC 8.3.1R(14) does not apply to a firm with respect to providing credit information services.

...

### 8.3 Pre contract information and advice requirements

8.3.1 R A *firm* must (except where the contract is a *credit agreement* to which the *disclosure regulations* apply) provide sufficient information, in a *durable medium*, when the *customer* first enquires about the *firm's* services, about the following matters to enable the *customer* to make a reasonable decision:

...

- (14) an explanation that compensation might be available from the *compensation scheme* if there is a *shortfall in client money* held by the *firm* for that *customer*.

...

...