Consultation Paper | CP4/22

Regulated fees and levies: Rates proposals 2022/23

April 2022

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

Consultation Paper | CP4/22

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The response will be assessed to inform our work as a regulator and central bank, both in the public interest and in the exercise of our official authority. We may use your details to contact you to clarify any aspects of your response.

The consultation paper will explain if responses will be shared with other organisations (for example, the Financial Conduct Authority). If this is the case, the other organisation will also review the responses and may also contact you to clarify aspects of your response. We will retain all responses for the period that is relevant to supporting ongoing regulatory policy developments and reviews. However, all personal data will be redacted from the responses within five years of receipt. To find out more about how we deal with your personal data, your rights or to get in touch please visit bankofengland.co.uk/legal/privacy.

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Responses are requested by Friday 20 May 2022.

The PRA prefers all responses to be sent by email to: CP4_22@bankofengland.co.uk.

Alternatively, please address any comments or enquiries to:
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Contents

1 Overview

1.1 This Consultation Paper (CP) sets out proposals for the Prudential Regulation Authority's (PRA) fees for 2022/23. The proposals would make amendments to the Fees Part of the PRA Rulebook (Appendix). The proposals include:

- the fee rates to meet the PRA's 2022/23 Annual Funding Requirement (AFR);
- fees applicable to firms in the temporary regimes;
- changes to the internal model application fees and the model maintenance fee;
- changes to the special project fees for restructuring fees;
- setting out how the PRA intends to distribute a surplus from the 2021/22 AFR (Chapter 3); and the retained penalties for 2021/22 (Chapter 4).

1.2 This CP is relevant to all firms that currently pay PRA fees or are expecting to do so within the 2022/23 fee year.[1]

1.3 The PRA has considered the interaction between its primary and secondary objectives and applicable 'have regards', including FSMA regulatory principles, impact on mutuals, HMT recommendation letter and Equality and Diversity implications in developing the Fees proposals set out in this CP. Overall, the PRA considers that the Fees proposals set out in this CP are compatible with the PRA's objectives under FSMA. Further details of the PRA's consideration of applicable 'have regards' can be found in Chapter 5.

Summary of proposals

1.4 The PRA's AFR for 2022/23 is composed of the budgeted cost of Ongoing Regulatory Activities (ORA) and Strategic Priorities (SPs). Further information on this can be found in Chapter 2. The proposed ORA for 2022/23 is £297.5 million, an increase of £9.8 million (3%) on 2021/22. This figure is provisional and may need to be revised when final estimates for the PRA's pension costs are available (please see paragraph 2.5 for further detail).

1.5 The PRA's proposed Total Funding Requirement (TFR) for 2022/23 is £320.9 million, up £24.3 million (8%) from 2021/22 (£296.6 million). The TFR is composed of the AFR and other fees.

Implementation

1.6 The PRA proposes to publish the changes resulting from this CP on Monday 4 July 2022, and proposes that the implementation date for the changes resulting from this CP would be Wednesday 6 July 2022.

Responses and next steps

1.7 This consultation closes on Friday 20 May 2022. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to

1 The 2021/22 fee year began on Monday 1 March 2021 and will end on Monday 28 February 2022.

CP4_22@bankofengland.co.uk. Please indicate in your response if you believe any of the proposals in this consultation paper are likely to impact persons who share protected characteristics under the Equality Act 2010, and if so, please explain which groups and what the impact on such groups might be.

1.8 Unless otherwise stated, any remaining references to EU or EU-derived legislation refer to the version of that legislation which forms part of retained EU law.[2]

[2] For further information please see: https://www.bankofengland.co.uk/eu-withdrawal/transitioning-to-post-exit-rules-and-standards.

2 Proposals

2.1 This chapter sets out proposals on fee rates to meet the PRA's TFR for 2022/23. Detailed information on the PRA's strategy and workplan for the coming year, which will be funded by the TFR, is set out in the PRA Business Plan 2022/23, which is expected to be published on Wednesday 20 April 2022.

Total Funding Requirement (TFR)

2.2 The PRA's TFR covers the total fees it proposes to raise from firms and comprises the AFR and 'other fees' (see Table 2.A). The PRA's TFR for 2022/23 is £320.9 million, up £24.3 million from 2021/22 (£296.6 million).

Table 2.A: Estimated Total Funding Requirement for 2022/23 and movement from 2021/22

£ million	2022/23	2021/22	Change	Percentage change
Ongoing Regulatory Activities	297.5	287.7	9.8	3%
Strategic Priorities	15.1	-	15.1	-
Annual Funding Requirement	312.5	287.7	24.9	9%
Model Maintenance Fee	7.3	7.3	-	-
Other fees	1.1	1.6	(0.6)	(31%)
Other fees to industry	8.4	8.9	(0.6)	(6%)
Total Funding Requirement (TFR)	320.9	296.6	24.3	8.2%

Rows and columns may not sum due to rounding

2022/23 Annual Funding Requirement (AFR) and comparison with 2021/22

2.3 The AFR is the budget required by the PRA to advance its statutory objectives. The PRA's proposed AFR for 2022/23 is £312.5 million and is composed of the budget for the ORA and Strategic Priorities.

2.4 The proposed AFR for 2022/23 is £24.9 million higher than the AFR for 2021/22 of £287.7 million, an increase of 9%. The increase is driven primarily by the inclusion of the PRA's allocation of the Bank's Strategic Priorities, in particular the new policy responsibilities, including proactively preparing for emerging risks in the financial system and establishing a robust regulatory regime for a post-Brexit world, increased staff headcount by around 100 FTE, investment in data analytics and technology, and a share of the increase in Bank's central and other support services including technology and legal costs.

2.5 The impact of external market conditions, as at Monday 28 February 2022, on the PRA's pension costs for 2022/23 has yet to be fully assessed. The figure for the ORA is therefore provisional and may need to be revised when final estimates are available (due in April 2022). The anticipated variation is likely to be less than £7.0 million, an increase or decrease on the AFR of 2.2%. If the final variation of the pension costs exceeds £7.0 million, an updated CP will be issued. If any responses have been received prior to the issuance of an updated CP, these will be followed up individually to check whether any respondents wish to revise their response.

Fees for firms in Temporary Permission Regimes (TPR)

2.6 For the 2021/22 fee year, the PRA proposed to retain the 50% and 90% discount for those banks and insurers inward passporting from Gibraltar as the details of the Gibraltarian Authorisation Regime (GAR) had not yet been determined. The position with the GAR is unchanged and so the PRA proposes to retain these discounts for this fee year.

2.7 The PRA proposes that those firms previously operating in the UK prior to the end of the transition period as freedom of service providers would pay fees on the same basis as all the former EEA inward passporting firms for 2022/23. This reflects the fact the PRA now supervises these firms on the same basis as inward-branching firms from other countries.

2.8 The PRA also notes that insurance branches in TPR with approval to use Solvency II internal models will not be subject to the model maintenance fee in the 2022/23 fee year, as the changes to these models will not be reviewed in this fee year.

Allocation of 2022/23 ORA to fee blocks

2.9 The proposed allocation of the ORA across the seven PRA-regulated fee blocks, including the minimum fee block, is set out in Table 2.B. Firms are allocated to PRA fee blocks based on the regulated activities for which they hold permissions, and pay a periodic fee for each fee block into which they fall. The proposed allocation to fee blocks is based on the anticipated work to be performed within each area, and reflects the PRA's risk based approach.

2.10 Within each fee block, the costs to be recovered from individual firms are based on the size of their business. The aim is to ensure that those firms that could potentially cause the greatest harm to the stability of the UK financial system are the main contributors to the PRA's AFR. As for previous years, cost recovery within the A1 fee block is weighted further towards higher impact firms.

2.11 Any firm authorised to carry out any of the regulated activities covered by the 'A' fee blocks is also subject to the A0 minimum fee, with the exception of the A6 fee block, which consists of the Society of Lloyd's and its subsidiaries only and is invoiced on an individual basis.

Table 2.B: Proposed 2022/23 allocation of AFR and movement from 2021/22

		2022/23	2021/22	Change	
£ million		**Total AFR**	**Total AFR**	**£m**	**%**
A0	Minimum Fees	0.7	0.7	-	-
A1	Deposit takers	195.8	180.3	15.5	8.6%
A3	Insurers – general	44.7	41.2	3.6	8.6%
A4	Insurers – life	54.4	50.0	4.3	8.6%
A5	Managing agents at Lloyd's	1.8	1.7	0.1	8.6%
A6	The Society of Lloyd's	2.3	2.1	0.2	8.6%
A10	Firms dealing as principal	12.8	11.7	1.0	8.6%
Ongoing Regulatory Activities		**312.5**	**287.7**	**24.9**	**8.6%**

Rows and columns may not sum due to rounding

Online fees calculator

2.12 The Financial Conduct Authority (FCA) provides a facility on its website to enable firms to calculate their periodic fees for the forthcoming year based on the proposed PRA consultative rates

(Appendix 1). The fee calculator for 2022/23 fees is expected to be available to firms from Wednesday 20 April 2022.[3]

Changes to tariff data used in AFR allocations to fee blocks relative to 2021/22

2.13 Table 2.C sets out the analysis of tariff data used for allocating the PRA's proposed AFR to firms within fee blocks for 2022/23, and a comparison to 2021/22. The impact of the increase to the ORA is lessened where there is an increase in tariff data within the fee blocks, and magnified where there is a decrease in tariff data. For example, in the A5 fee block, there is an increase in the total reported Active Capacity, decreasing the rate charged to each firm per million GBP of capacity. Table 2.C shows 'gross' tariff data.

Table 2.C Analysis of tariff data for allocation of fees within fee blocks compared to 2021/22[4]

Fee block	Tariff basis	2022/23 draft number of firms	2021/22 number of firms	Mvt (%)	2022/23 draft tariff data (£ billion)	2021/22 tariff data (£ billion)	Mvt (%)	**Mvt in fee rates from 2021/22 (%)**
A0	Minimum Fees	1,355	1,376	(1.5%)	n/a	n/a	n/a	n/a
A1	Modified Eligible Liabilities	750	764	(1.8%)	3,706	3,583	3.4%	5.1%
A3	Gross Written Premiums	311	311	-	69	70	(1.0%)	9.7%
	Best Estimate Liabilities				140	142	(0.9%)	9.5%
A4	Gross Written Premiums	151	154	(1.9%)	104	104	0.0%	8.8%
	Best Estimate Liabilities				1,213	1,213	0.0%	8.7%
A5	Active Capacity	57	56	1.8%	40	37	7.0%	(1.3%)
A10	Total Assets	8	8	0.0%	2,294	2,491	(7.9%)	18.4%
	Total Operating Income				18	16	7.6%	1.3%

Rows and columns may not sum due to rounding

Other fees

2.14 Other fees include implementation fees, the model maintenance fees, special project fees for restructuring (SPF), and regulatory transaction fees. These fees vary from one year to another and can lead to greater volatility in periodic fees. Additional context on the PRA's approach to other fees can be found in Supervisory Statement (SS) 3/16 'Fees: PRA approach and application'.[5]

2.15 For 2022/23, the PRA proposes to raise £8.4 million in other fees, a decrease of £0.6 million on 2021/22.

3 https://www.fca.org.uk/firms/calculate-your-annual-fee/fee-calculator.

4 As annual Solvency II returns for the 2020 financial year are not submitted until after the publication of this CP, the indicative fee rates for both A3 and A4 fee block payers shown in this table and the draft rules (Appendix 1) use year-end data for 2019. Final fee rates will be based on 2020 data.

5 July 2020: www.bankofengland.co.uk/prudential-regulation/publication/2016/fees-pra-approach-and-application-ss.

Regulatory transaction fees for Variation of Permission (VoP) applications

2.16 Fees 4.7(4) erroneously references A3 friendly societies twice. The PRA is proposing to amend the reference in Fees 4.7(4)(a) to A4 friendly societies so it is clear what fee these entities should pay.

Special project fees for restructuring (SPF)

2.17 The PRA is proposing to widen the definition of to whom a SPF can be charged to cover those variation of permission applications from significantly complex FCA solo regulated entities. The PRA anticipates only charging an SPF to FCA solo regulated entities in exceptional circumstances, where the firms are of significant size and complexity. The standard variation of permission application fees would continue to be charged in the vast majority of cases.

2.18 The SPF hourly rates represent the approximate cost to the PRA of the resources and time spent on the SPF, and so are a combination of the cost of the resource used and the share of the overhead or corporate service costs (eg technology, premises) incurred.

2.19 The SPF hourly rates have remained unchanged for the past year but given the increase in overall PRA costs this year, the PRA proposes to increase the rates in line with the overall AFR for 2022/23, as shown in Table 3.A.

Table 3.A Proposed PRA SPF hourly rates for restructuring

£/hour	Current rate	Proposed rate	Change
Administrator	55	60	5
Associate	115	130	15
Technical Specialist	170	190	20
Manager	215	240	25
Any other persons employed by the PRA[a]	320	350	30

[a] The 'any other' category is predominantly used for senior management

Internal model application fees and the model maintenance fee

2.20 The fees payable by a firm applying for permission to operate an internal model under CRR have not been reviewed since the PRA's inception in 2013. The PRA is proposing to increase these fees in line with inflation since 2013.

2.21 For those firms wishing to obtain internal model permissions under Solvency II the application charges have not been increased since they were introduced in the 2018/19 fee year. The PRA is proposing to increase these fees in line with inflation since 2018.

2.22 The vast majority of the internal model applications received by the PRA come from entities paying fees in the highest application bands, so the PRA does not view increasing these charges as a barrier to entry by themselves.

2.23 The model maintenance fee has not been increased since it was introduced in the 2018/19 fee year. The PRA is proposing to increase this fee in line with inflation since 2018.

Periodic fees for holding companies

2.24 During the 2021/22 fee year, certain banking and designated investment firm financial holding companies, and mixed financial holding companies, had to apply to the PRA for approval or exemption as a holding company.[6] This brings them within scope of the PRA's regulatory responsibilities.

2.25 The PRA has considered whether the fees methodology should be adjusted to incorporate these entities, to reflect the ongoing costs of supervising them.[7] However, the PRA supervision strategy has not changed materially as a result of this new responsibility, meaning the costs of supervising the firms has also not changed. Consequently, the PRA has decided to leave holding companies outside of the scope of the PRA fees methodology, although the PRA will keep this position under review should the supervisory strategy change.

3 Surplus for 2021/22 TFR

3.1 In the PRA's 2021/22 fee year, there was a surplus of £7.2 million. This is a draft, unaudited figure and therefore will be subject to change, with the final figure to be confirmed when the final policy is published. This surplus consists of:

- £3.7 million of retained penalties and other fee income;
- £3.5 million surplus due to PRA costs being less than were budgeted for, mainly from lower investment expensed costs and BAU underspend

Surplus on TFR

3.2 Aside from the additional specific income, the surplus on the ORA principally reflects lower than assumed expensed investment costs, and is allocated to firms in two stages:

- Stage 1 – Allocation to fee blocks. The PRA proposes to allocate the AFR surplus across all fee blocks, with the exception of the A0 minimum fee block, in proportion to the AFR for the 2021/22 fee year; and
- Stage 2 – Allocation to individual firms. Within each fee block, the AFR surplus is allocated with reference to fee block population and tariff data for the 2021/22 fee year, excluding firms that are no longer PRA fee payers.

3.3 Table 3.B includes the proposed allocation of the AFR surplus for 2021/22 and presented by firm type.

Table 3.B Proposed allocation of the AFR surplus for 2021/22

£ million	ORA	Total
A1 Deposit takers	4.5	4.5
A3 Insurers – general	1.0	1.0

6 Part 12B FSMA.
7 March 2021: https://www.bankofengland.co.uk/prudential-regulation/publication/2020/pra-fees-levies-holding-company-transaction-fees.

A4 Insurers – life	1.3	1.3
A5 Managing agents at Lloyd's	0.0	0.0
A6 The Society of Lloyd's	0.1	0.1
A10 Firms dealing as principal	0.3	0.3
Total estimated surplus	**7.2**	**7.2**

Rows and columns may not sum due to rounding

4 Financial penalty scheme and application of retained penalties for 2021/22

4.1 The legislative framework for financial penalties is set out in the Financial Services and Markets Act 2000 (FSMA).[8] Under FSMA, the PRA must:

- pay any fines and other financial penalties received as a result of regulatory enforcement activity to HM Treasury after deducting certain enforcement costs (these costs are referred to as 'retained penalties');
- publish and operate a financial penalty scheme to ensure that retained penalties are applied for the benefit of PRA-authorised firms; and
- ensure that any firm that has had a penalty imposed does not share in the distribution of retained penalties for the relevant fee year.

4.2 The PRA's financial penalty scheme provides for retained penalties to be refunded as a rebate to the periodic fees payable by firms in the six fee blocks. There is no allocation to the A0 minimum fee block, as it does not bear any share of enforcement costs.

Application of retained penalties for 2021/22

4.3 In 2021/22, enforcement activity by the PRA resulted in fines and penalties of £48.3 million, of which £2.7 million is being retained by the PRA. Therefore, this amount (£2.7 million) will be refunded to firms across all the fee blocks, excluding those firms that incurred the fines. The remainder is remitted to HM Treasury.

8 Section 1ZB of FSMA.

5 The PRA's statutory obligations

5.1 In carrying out its policy making functions, the PRA is required to comply with several legal obligations. The PRA has a statutory duty to consult when changing rules (FSMA s138J). When not making rules, the PRA has a public law duty to consult widely where it would be fair to do so.

5.2 The PRA fulfils its statutory obligations and public law duties by providing the following in relation to the proposed policy:

- **a cost benefit analysis**;
- **compatibility with the PRA's objectives:** an explanation of the PRA's reasons for considering that making the proposed rules is compatible with the PRA's duty to act in a way that advances its general objective,[9] insurance objective[10] (if applicable), and secondary competition objective;[11]
- **FSMA regulatory principles:** an explanation of the ways in which having regard to the regulatory principles has affected the proposed rules;[12]
- **CRR rules:** in addition to the above, FSMA requires the PRA to 'have regard' to several further matters when making CRR rules.[13] It also requires the PRA to explain how the new 'have regards' have affected its proposed rules.[14] Furthermore, when making CRR rules, the PRA is required to 'consider, and consult the Treasury about, the likely effect of the rules on relevant equivalence decisions';[15]
- **impact on mutuals:** a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons;[16]
- **HM Treasury recommendation letter:** the Prudential Regulation Committee (PRC) should have regard to aspects of the Government's economic policy as recommended by HM Treasury; and [17]
- **equality and diversity:** the PRA is also required by the Equality Act 2010[18] to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services, and functions.

5.3 Appendix 2 lists the statutory obligations applicable to the PRA's policy development process. The analysis in this chapter explains how the proposals have had regard to the most relevant

9 Section 2B of FSMA.
10 Section 2C of FSMA.
11 Section 2H(1) of FSMA.
12 Sections 2H(2) and 3B of FSMA.
13 Section 144C(1) of FSMA. Part 9D FSMA (s144) defines CRR rules as PRA general rules related to either (i) provisions of the UK CRR revoked by HMT or (ii) 'CRR Basel standards' (as defined under s4 of the FS Act 2021). CRR rules also include rules made under section 192XA, which gives powers to the PRA to make rules in relation to specific matters and applying to financial holding companies and mixed financial holding companies that are approved or designated by the PRA ('Holdco rules').
14 Section 144D of FSMA.
15 Section 144C(3) of FSMA.
16 Section 138K of FSMA.
17 Section 30B of the Bank of England Act 1998.
18 Section 149 of the Equality Act 2010.

matters listed in paragraph 5.2, including an explanation of the ways in which having regard to these matters has affected the proposals.

Cost benefit analysis

5.4 The PRA is exempt from having to carry out a cost benefit analysis on its draft fee rates.[19]

PRA objectives

5.5 The PRA considers the proposals to be compatible with the PRA's statutory objectives under FSMA:

- to promote the safety and soundness of PRA-authorised firms;
- in the context of insurance, to contribute to policyholder protection; and
- as a secondary objective to facilitate effective competition in the markets for services provided by PRA-authorised persons in carrying out regulated activities.

5.6 The PRA considers that the proposed PRA Periodic Fees (2022/2023) and other fees Instrument 2021 set out in Appendix 1 will enable the PRA to fund the regulatory activities required to advance its statutory objectives during 2022/23.

5.7 The proposed fees levels are expected to advance the PRA's secondary competition objective because fees for ORA are allocated in a proportionate manner across all PRA-regulated firms, while fees for specific projects and transactions are targeted only to those predominantly larger firms which generate these specific regulatory activities or, in the case of fees for new authorisation applications, continue to be subsidised by incumbent firms. For these reasons, the PRA considers the proposals to be compatible with the requirement for the PRA to act in a way that advances its objectives.[20]

Have regards

FSMA regulatory principles

5.8 In developing these proposals, the PRA has had regard to the regulatory principles. The following three of the principles are of particular relevance:

- **The principle that a burden or restriction which is imposed on a person should be proportionate to the benefits which are expected to result from the imposition of that burden**: by allocating fees in a proportionate way through the use of fee blocks that take into account the size and nature of the PRA-regulated community the PRA has had regard to this principle.
- **The desirability of sustainable growth in the economy of the UK in the medium or long term**: The PRA has had regard to this principle by giving separate consideration to the interests of minimum fee payers and firms not affected by certain PRA activities.

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19 Section 138J(6)(d) FSMA.
20 Section 138J(2) FSMA.

- **The principle that the PRA should exercise its functions transparently**: has been given regard by clearly setting out the basis on which the proposed fees are calculated and providing advance notice of the proposed changes to its fees and charges.

    - The PRA has considered the remaining FSMA regulatory principles (see references in Appendix X), and considers that they are not relevant to this proposal.

Impact on mutuals

5.9 Within each fee block, the proposed costs to be recovered from individual firms are based on the size of their business. While the PRA proposes a small increase to the minimum fee, it also applies a discount of 11% to the periodic fees payable by non-Directive general insurance firms, many of which are mutuals. In addition, all life insurance non-Directive firms are excluded from periodic fees. The PRA does not consider the impact of the proposed fee rates on mutual societies to be significant. These continue to be lower than the minimum fee that applies to all other firms, and considerably lower than the cost to the PRA of supervising these firms.[21]

HM Treasury recommendation letter

5.10 HM Treasury has made recommendations to the Prudential Regulation Committee (PRC) about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles.

5.11 **Competition:** As stated above, the PRA allocates fees in a proportionate way through the use of fee blocks and thresholds that take into account the size and nature of its regulated community. Through the use of model application and maintenance/change fees, the PRA also seeks to ensure a balance, with its fees being appropriately targeted while not representing a barrier to the adoption and use of models by smaller firms.

5.12 **Growth:** The PRA acknowledges the importance of the financial services sector contributing to sustainable economic growth. By ensuring the proposals take into account the size and nature of firms, the PRA fees will not act as a barrier to the growth of the financial services sector.

5.13 **Competitiveness**: Given the international nature of some financial services, a transparent and proportionate fee regime helps to support the stability and competitiveness of the UK's financial markets.

5.14 **Innovation:** The proposals contained within this CP ensure that burdens are proportionate, they take into account the differences in the business models employed by firms, and support innovation by ensuring that they do not result in barriers to new entrants.

5.15 The PRA has considered the remaining aspects of government economic policy as laid out in the HM Treasury recommendation letter (see references in Appendix 2), and considers that they are not relevant to this proposal.

Equality and diversity

5.16 The PRA considers that the proposals do not give rise to equality and diversity implications.

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21 See s.138K FSMA.

Appendices

1 PRA RULEBOOK: PRA FEES AMENDMENT INSTRUMENT 2022

PRA RULEBOOK: PRA FEES AMENDMENT (NO.1) INSTRUMENT 2022

Powers exercised

A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 137G (The PRA's general rules);
(2) section 137T (General supplementary powers); and
(3) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.

B. The rule-making powers referred to above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of the proposed rules and had regard to representations made.

PRA Rulebook: PRA Fees Amendment Instrument 2022

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

Commencement

E. This instrument comes into force on [DATE].

Citation

F. This instrument may be cited as the PRA Rulebook: PRA Fees Amendment Instrument 2022.

By order of the Prudential Regulation Committee

[Date]

Annex

Amendments to the Fees Part

In this Annex new text is underlined and deleted text is struck through.

1 Application and Definitions

…

1.2 In this Part, the following definitions shall apply:

…

~~*former freedom of services provider*~~

~~means *firms* which, immediately prior to *IP completion day*, relied on an EEA or Treaty right to provide services in the *United Kingdom* without using a physical presence there to offer or provide those services, and which immediately after *IP completion day*, are authorised by the *PRA* as a result of the EEA Passport Rights (Amendment, etc and Transitional Provisions) (EU Exit) Regulations 2018 in relation to those services, and continue not to use a physical presence in the *United Kingdom* to offer or provide them.~~

…

3 Periodic Fees

…

3.6 …

(3A) for *third country branches*~~, *former freedom of service providers*~~ and *Gibraltar-based firms,* the information required for the *tariff base* is in relation to *PRA regulated activities* of the *firm* carried on from offices in the *United Kingdom.*

…

3.11 …

(3) ~~A *former freedom of service provider,* who does not carry on any *PRA-regulated activities* from an establishment in the *UK,* shall pay a flat rate *periodic fee* of £600.00.~~ <u>[Deleted.]</u>

…

Periodic Fees Schedule – Fee Rates and Modifications for the Period from 1 March ~~2021~~<u>2022</u> to 28 February ~~2022~~<u>2023</u>

…

TABLE IIIA – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM FEE BLOCK FOR THE FEE YEAR ~~2021-22~~ <u>2022-23</u>

Column 1 Fee block	**Column 2** Tariff base	**Column 3** Tariff bands	**Column 4** Tariff rates
A1 deposit acceptors fee block	modified eligible liabilities	**Band width (£million of MELs)**	**Fee payable per million or part million of MELs (£)**

		>10 – 140	~~33.242~~34.950
		>140 - 630	~~33.242~~34.950
		> 630 – 1,580	~~33.242~~34.950
		> 1,580 – 13,400	~~41.553~~43.668
		> 13,400	~~54.849~~57.668
A3 general insurers fee block gross written premium for fees purposes, best estimate liabilities for fees purposes	Gross written premium for fees purposes	**Band width (£million of gross written premium for fees purposes**	**Fee payable per million of gross written premium for fees purposes (£)**
		> 0.5	~~532.32~~ 583.89
	best estimate liabilities for fees purposes	**Band width (£million of best estimate liabilities for fees purposes)**	**Fee payable per million of best estimate liabilities for fees purposes (£)**
		>1	~~29.26~~32.05
		For UK ISPVs the tariff rates are not relevant and a flat fee of ~~£430.00~~£1,000.00 is payable in respect of each fee year.	
A4 Life insurers fee block gross written premium for fees purposes, best estimate liabilities for fees purposes	gross written premium for fees purposes	**Band width (£million of gross written premium for fees purposes)**	**Fee payable per million of gross written premium for fees purposes (£)**
		> 1	~~288.61~~313.90
	best estimate liabilities for fees purposes	**Band width (£million of best estimate liabilities for fees purposes)**	**Fee payable per million of best estimate liabilities for fees purposes (£)**
		> 1	~~16.50~~17.94
A5 Managing agent at Lloyd's	active capacity	**Band width (£million of active capacity)**	**Fee payable per million of active capacity (£)**
		> 50	~~49.02~~ 48.40
A6 Society of Lloyd's	**flat fee**	**N/A**	**General periodic fee (£)** ~~2,149,488.89~~ 2,300,201.83
A10 Firms dealing as principal fee block total assets for fees purposes, total	total assets for fees purposes	Band width (£million of total assets for fees purposes)	Fee payable per million or part million of total assets for fees purposes (£)
		N/A	~~2.36~~2.79

operating income for fees purposes	total operating income for fees purposes	**Band width (£million of total operating income for fees purposes)**	Fee payable per million or part million of total operating income for fees purposes (£)
		N/A	~~356.23~~361.00

…

Table VIII – MODEL MAINTENANCE FEES

	Annual fee for CRR firms per model type (£)				Annual fee for UK Solvency II firms per group or solo internal model (£)	
Basis of scale, (aggregated figures for all UK firms within the scope of each model or model type)	IMA	IMM	IRB	AMA	A3 fee block	A4 fee block
CRD credit institutions with modified eligible liabilities in excess of £40,000million, or designated investment firms with total assets for fees purposes in excess of £100,000million	~~55,000~~ 60,000	~~75,000~~ 80,000	~~100,000~~ 110,000	~~25,000~~ 30,000	-	-
CRD credit institutions with modified eligible liabilities greater than £5,000million and less than £40,000million, or designated investment firms with total assets for fees purposes greater than £12,500million and less than £100,000million	20,000	~~30,000~~ 35,000	~~40,000~~ 45,000	~~10,000~~ 12,000	-	-
CRD credit institutions with modified eligible liabilities of £5,000million or less, or designated investment firms with total assets for fees purposes of £12,500million or less	~~8,000~~ 10,000	~~12,000~~ 15,000	~~16,000~~ 20,000	~~4,000~~ 5,000	-	-
The sum of a firm's best estimate liabilities for fees purposes and gross written premiums for fees purposes is £1,000 million or more for firms in the general insurance fee block (A3), or for firms in the general insurance fee block (A3), or for firms in the life insurance fee block (A4), £15,000million or more	-	-	-	-	~~160,000~~ 175,000	~~210,000~~ 230,000
The sum of a firm's best estimate liabilities for fees purposes and gross written	-	-	-	-	~~65,000~~ 70,000	~~80,000~~ 90,000

premium for fees purposes is greater than £300million and less than £1,000million for firms in the general insurance fee block (A3) or greater than £5,000million and less than £15,000million, or for firms in the life insurance fee block (A4)						
The sum of a firm's best estimate liabilities for fees purposes and gross written premiums for fees purposes is less than £300million for firms in the general insurance fee block (A3) or less than £5,000million, for firms in the life insurance fee block (A4)	-	-	-	-	~~28,000~~ 30,000	~~35,000~~ 40,000

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4 Regulatory Transaction Fees

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4.5 …

Table B – New authorisations	
Application type	**£**
…	…
Moderately complex: A3 fee payer seeking permission as a UK insurance special purpose vehicle A5 fee payer seeking permission as a managing agent at Lloyd's	~~5,000.00~~ 10,000.00 5,000.00
…	…

...

4.7 …

(4) …

(a) *fee block* A1 in respect of a *credit union* or *fee block* ~~A3~~ A4 in respect of a *friendly society*, it shall be £1,500.00;

…

…

4.14A …

Table D – Model types under CRR

Applicant (groupings based on tariff data submitted by firms as at 31 December in the fee year prior to the fee year in which the fee is payable).	**Fee payable (£)**	
Where the application relates to CRD credit institutions or designated investment firms and includes five or more significant overseas entities within the same group.	**Model type**	**£**
	Advanced IRB, IMM or IMA	~~268,000.00~~ 315,000.00
	foundation IRB	~~232,000.00~~ 270,000.00
	AMA	~~181,000.00~~ 210,000.00
Where the applicant: (1) has modified eligible liabilities in excess of £40,000miliion; or (2) is a designated investment firm with total assets for fees purposes in excess of £100,000million.	**Model type**	**£**
	Advanced IRB, IMM or IMA	~~232,000.00~~ 270,000.00
	foundation IRB	~~198,000.00~~ 230,000.00
	AMA	~~146,000.00~~ 170,000.00
Where the applicant: (1) has modified eligible liabilities greater than £5,000million and less than £40,000million; or (2) is a designated investment firm with total assets for fees purposes greater than £15,000million and less than £1000,000million.	**Model type**	**£**
	Advanced IRB, IMM or IMA	~~94,000.00~~ 110,000.00
	foundation IRB	~~72,000.00~~ 85,000.00
	AMA	~~51,000.00~~ 60,000.00
Where the applicant: (1) has modified eligible liabilities of £5,000million or less; or (2) is a designated investment firm with total assets for fees purposes of £15,000million or less.	**Model type**	**£**
	Advanced IRB, IMM or IMA	~~42,000.00~~ 50,000.00
	foundation IRB	~~30,000.00~~ 35,000.00
	AMA	~~24,000.00~~ 30,000.00

4.14B …

Table E – Internal model application fees

Applicant **(groupings based on tariff data submitted by firms as at 31 December in the fee year prior to the fee year in which the fee is payable**	**Fee payable (£)**
Group Internal Model (Full and Partial)	
Sum of best estimate liabilities for fees purposes and gross written premium for fees purposes for groups in the general insurance fee block of £1,000million or more	~~268,000.00~~295,000.00
Sum of best estimate liabilities for fees purposes and gross written premium for fees purposes for groups in the general insurance fee block greater than £300million and less than £1,000million	~~100,000.00~~110,000.00
Sum of best estimate liabilities for fees purposes and gross written premium for fees purposes for groups in the general insurance fee block less than £300million	~~50,000.00~~55,000.00
Sum of best estimate liabilities for fees purposes and gross written premium for fees purposes for groups in the life insurance fee block of £15,000million or more	~~268,000.00~~295,000.00
Sum of best estimate liabilities for fees purposes and gross written premium for fees purposes for groups in the life insurance fee block greater than £5,000million and less than £15,000million	~~100,000.00~~110,000.00
Sum of best estimate liabilities for fees purposes and gross written premium for fees purposes for groups in the life insurance fee block less than £5,000million	~~50,000.00~~55,000.00
…	
…	…

…

5 Special Project Fee for Restructuring

Application

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5.1A In this Chapter "*firm*" includes and *FCA* authorised *firm* seeking to vary its Part 4A permission to include a *PRA* regulated activity.

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5.7 …

SPF hourly rates	
Pay grade of persons employed by the PRA	**Hourly rate**
Administrator	~~£55.00~~£60.00
Associate	~~£115.00~~£130.00
Technical specialist	~~£170.00~~£190.00
Manager	~~£215.00~~£250.00
Any other person employed by the PRA	~~£320.00~~£350.00

2 PRA statutory obligations

The statutory obligations applicable to the PRA's policy development process are set out below. This CP explains the policy assessment of relevant considerations.

- Purpose of the policy proposals (FSMA s138J(2)(b)).

- Cost benefit analysis (FSMA s138J(2)(a) and (7)(a)); and
  an estimate of those costs and benefits (if reasonable) (FSMA s138J(8)).

- Analysis of whether the impact on mutuals is significantly different to the impact on other authorised firms (FSMA s138J(2)(c) and 138K).

- Compatibility with the PRA's primary objectives (FSMA s138J(2)(d)(i), 2B and 2C).

- Compatibility with the PRA's secondary competition objective (FSMA s138J(2)(d)(ii) and 2H(1)).

- Compatibility with the regulatory principles (FSMA s138J(2)(d)(ii), 2H(2) and 3B).

- Have regard to the HMT recommendation letter (BoE Act s30B).

- Have due regard to the public sector equality duty (Equality Act s149).

- Have regard, subject to any other requirement affecting the exercise of the regulatory function, to the principles of good regulation and when determining general policy or principles to the Regulators Code (Legislative and Regulatory Reform Act 2006 s21 & 22)

- Have regard, so far as consistent with the proper exercise of those functions, to the purpose of conserving biodiversity. Conserving biodiversity includes, in relation to a living organism or type of habitat, restoring or enhancing a population or habitat (Natural Environment and Rural Communities Act 2006, s40).

- Consultation of the FCA (FSMA s138J(1)(a)).

- *Where the consultation proposals a PRA rule change or amendment to onshored BTS that affects the processing of personal data* - consultation with the Information Commissioner's Office (article 36(4) General Data Protection Regulation).

- *For UK Technical Standards Instruments only*: FSMA s138J(1)(a) is replaced with: consultation of the FCA and/or Bank, where that Regulator has an interest in the technical standards (FSMA s138P(4) and (5)).

- *For UK Technical Standards Instruments only*: notice given to HMT of the consultation on the UKTS ('best efforts' basis).

- *For CRR rules only:* subject to certain exceptions, have regard to:

  - relevant standards recommended by the Basel Committee on Banking Supervision from time to time

- the likely effect of the rules on the relative standing of the United Kingdom as a place for internationally active credit institutions and investment firms to be based or to carry on activities. For these purposes, the PRA must consider the United Kingdom's standing in relation to the other countries and territories in which, in its opinion, internationally active credit institutions and investment firms are most likely to choose to be based or carry on activities

- the likely effect of the rules on the ability of CRR firms to continue to provide finance to businesses and consumers in the United Kingdom on a sustainable basis in the medium and long term

- the target in section 1 of the Climate Change Act 2008 (carbon target for 2050)

(s144C (1) & (2) FSMA – exceptions in s144E FSMA).

- *For CRR rules only* – explanation of the ways in which having regard to the matters specified above has affected the proposed rules (s144D FSMA).
- *For CRR rules only* – publication of a summary of the proposed CRR rules.
- *For CRR rules only* – consideration and consultation with the Treasury about the likely effect of the rules on relevant equivalence decisions (s144C (3) & (4) FSMA).