

Bank of England PRA

Appendices to Regulated fees and levies: Rates proposals 2023/24

Consultation Paper | CP7/23

April 2023

Draft for consultation



Contents

Contents	1
1: Draft PRA Rulebook: PRA Fees Amendment Instrument 2023	2
2: Draft amendments to SS3/16 – ‘Fees: PRA approach and application’	12
3: PRA statutory obligations	14

Draft for consultation

1: Draft PRA Rulebook: PRA Fees Amendment Instrument 2023

PRA RULEBOOK: PRA FEES AMENDMENT (NO 1) INSTRUMENT 2023

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 (No 1) Instrument 2023

- 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 (No 1) Instrument 2023.

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.

...

2 OBLIGATION TO PAY FEES

...

2.9 ~~If it appears to a *firm* in relation to any fee that in the exceptional circumstances of a particular case requiring payment or retaining a sum previously paid would be unduly burdensome or would not achieve the purpose for which the fee rule was made, a *firm* may apply to the *PRA* under section 138A *FSMA* for the *PRA* to:~~

~~(1) waive the payment;~~

~~(2) reduce the amount payable; or~~

~~(3) make a whole or partial refund of sums already paid.~~

[Deleted.]

2.10 ~~A claim by a *fee payer* under section 138A *FSMA*, in accordance with 2.9 and based on the *fee payer's* error must be made within two years of the beginning of the period to which the fee relates.~~

[Deleted.]

3 PERIODIC FEES

...

Periodic Fees Schedule – Fee Rates and Modification for the Period from 1 March 2022~~3~~ to 28~~9~~ February 2023~~4~~

...

TABLE IIIA – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM FEE BLOCK FOR THE FEE YEAR 2022~~3~~-23~~4~~

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

		>10 - 140	34.951 <u>32.160</u>
		>140 – 630	34.951 <u>32.160</u>
		>630 - 1,580	34.951 <u>32.160</u>
		>1,580 - 13,400	43.689 <u>40.200</u>
		> 13,400	57.669 <u>53.064</u>
A3 general insurers fee block <i>gross written premium for fees purposes, best estimate liabilities for fees purposes</i>	<i>gross written premium for fees purposes</i>	Band width (£million of gross written premium for fees purposes)	Fee payable per million of gross written premium for fees purposes (£)
		>0.5	558.665 <u>534.68</u>
	<i>best estimate liabilities for fees purposes</i>	Band Width (£ million of best estimate liabilities for fees purposes)	Fee payable per million of best estimate liabilities for fees purposes (£)
		>1	32.203 <u>31.17</u>
For UK ISPVs the <i>tariff rates</i> are not relevant and a flat fee of £430.00 is payable in respect of each <i>fee year</i> .			
A4 Life insurers fee block <i>gross written premium for fees purposes, best estimate liabilities for fees purposes</i>	<i>gross written premium for fees purposes</i>	Band width (£million of gross written premium for fees purposes)	Fee payable per million of gross written premium for fees purposes (£)
		>1	308.62 <u>298.20</u>
	<i>best estimate liabilities for fees purposes</i>	Band Width (£ million of best estimate liabilities for fees purposes)	Fee payable per million of best estimate liabilities for fees purposes (£)

		>1	17.3516.82
A5 managing agents at Lloyd's	<i>active capacity</i>	Band width (£million of active capacity)	Fee payable per million of active capacity (£)
		>50	48.4138.82
A6 Society of Lloyd's	flat fee	N/A	General periodic fee (£) 2,300,201.832-2,263,699.50
A10 Firms dealing as principal fee block <i>total assets for fees purposes, total operating income for fees purposes</i>	<i>total assets for fees purposes</i>	Band width (£million of total assets for fees purposes)	Fee payable per million or part million of <i>total assets for fees purposes</i> (£)
		N/A	2.791.114
	<i>total operating income for fees purposes</i>	Band width (£million of total operating income for fees purposes)	Fee payable per million or part million of <i>total operating income for fees purposes</i> (£)
		N/A	361.11148.18

...

Table VIII – MODEL MAINTENANCE FEES

	Annual fee for <i>CRR firms</i> per model type (£)				Annual fee for <i>UK Solvency II firms</i> per group or solo internal model (£)	
Basis of scale, (aggregated figures for all <i>UK firms</i> within the scope of each model or model type)	IMA	IMM	IRB	AMA	A3 fee block	A4 fee block

<p><i>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</i></p>	<p>60,000 <u>65,000</u></p>	<p>80,000 <u>85,000</u></p>	<p>110,000 <u>120,000</u></p>	<p>30,000 <u>35,000</u></p>	-	-
<p><i>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</i></p>	<p>20,000 <u>25,000</u></p>	<p>35,000 <u>40,000</u></p>	<p>45,000 <u>50,000</u></p>	<p>12,000 <u>15,000</u></p>	-	-
<p><i>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</i></p>	10,000	15,000	20,000	5,000	-	-
<p>The sum of a firm's best estimate liabilities for fees purposes and gross written premium for fees purposes is £1,000 million or more for firms in the general insurance fee block (A3), or for firms in the life insurance fee block (A4), £15,000million or more</p>	-	-	-	-	175,000 <u>190,000</u>	230,000 <u>250,000</u>
<p>The sum of a firm's best estimate liabilities for fees purposes and gross written 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)</p>	-	-	-	-	70,000 <u>75,000</u>	90,000 <u>100,000</u>

The sum of a firm's best estimate liabilities for fees purposes and gross written premium 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)	-	-	-	-	30,000	40,000
					<u>35,000</u>	<u>45,000</u>

...

3.14 If, after the start of the *fee year*, a firm applies to cancel its *Part 4A permission* or if a new business activity or event which has given rise to a fee no longer applies to the firm, the firm is still liable to pay and will not be refunded *periodic* and other fees for that *fee year*, other than in cases where the PRA exercises its discretion under section 138A FSMA, in accordance with 2.9.

4 REGULATORY TRANSACTION FEES

...

4.5 Regulatory transaction fees for *applications* for *new authorisations* are payable in accordance with Table B:

Table B – New authorisations	
Application Type	£
Straightforward Type 1: A3 or A4 <i>fee payer</i> which is a <i>friendly society</i> or a <i>fee payer</i> which is an A1 <i>credit union</i>	1,500.00
Moderately complex Type 2: A3 <i>fee payer</i> seeking permission as a UK UK <i>insurance special purpose vehicle</i> A5 <i>fee payer</i> seeking permission as a <i>managing agent</i> at Lloyd's	5,000.00
Complex Type 3:	25,000.00

A1 *fee payer* (other than a *credit union*) seeking permission to accept deposits

A3 *fee payer* (other than a *friendly society* or *UK insurance special purpose vehicle*)

A4 *fee payer* other than a *friendly society*

...

- (3) Where an *application* is categorised as either straightforward or moderately complex and for a *new authorisation* involves a simple change of legal status as defined in 4.5 (4), the fee payable for a *new authorisation* for that *new authorisation* is discounted by 50%.

...

4.14A

...

Table D - Model types under CRR

Applicant (groupings based on <i>tariff data</i> submitted by <i>firms</i> as at 31 December in the <i>fee year</i> prior to the <i>fee year</i> in which the fee is payable).	Fee payable (£)	
Where the application relates to <i>CRD credit institutions</i> or <i>designated investment firms</i> and includes five or more significant overseas entities within the same group.	Model type	£
	<i>advanced IRB, IMM or IMA</i>	315,000.00 <u>345,000.00</u>
	<i>foundation IRB</i>	270,000.00 <u>300,000.00</u>
	<i>AMA</i>	

		210,000.00 <u>230,000.00</u>
Where the applicant:	Model type	£
(1) has <i>modified eligible liabilities</i> in excess of £40,000million; or (2) is a <i>designated investment firm</i> with <i>total assets for fees purposes</i> in excess of £100,000million.	<i>advanced IRB, IMM or IMA</i>	270,000.00 <u>295,000.00</u>
	<i>foundation IRB</i>	230,000.00 <u>250,000.00</u>
	AMA	170,000.00 <u>185,000.00</u>
Where the applicant:	Model type	£
(1) has <i>modified eligible liabilities</i> greater than £5,000million and less than £40,000million; or (2) is a <i>designated investment firm</i> with <i>total assets for fees purposes</i> greater than £15,000million and less than £1000,000million.	<i>advanced IRB, IMM or IMA</i>	110,000.00 <u>120,000.00</u>
	<i>foundation IRB</i>	85,000.00 <u>90,000.00</u>
	AMA	60,000.00 <u>65,000.00</u>
Where the applicant:	Model type	£
(1) has <i>modified eligible liabilities</i> of	<i>advanced IRB, IMM or IMA</i>	50,000.00

5,000million or less; or (2) is a <i>designated investment firm</i> with <i>total assets for fees purposes</i> of £15,000million or less.		<u>55,000.00</u>
	<i>foundation IRB</i>	35,000.00 <u>40,000.00</u>
	<i>AMA</i>	30,000.00 <u>35,000.00</u>

4.14B

...

Table E – Internal model application fees

Applicant (groupings based on <i>tariff data</i> submitted by <i>firms</i> as at 31 December in the <i>fee year</i> prior to the <i>fee year</i> in which the fee is payable)	Fee payable (£)
Group Internal Model (Full and Partial)	
Sum of <i>best estimate liabilities</i> for fees purposes and <i>gross written premium</i> for fees purposes for groups in the <i>general insurance fee block</i> of £1,000million or more	295,000.00 <u>320,000.00</u>
Sum of <i>best estimate liabilities</i> for fees purposes and <i>gross written premium</i> for fees purposes for groups in the <i>general insurance fee block</i> greater than £300million and less than £1,000million	410,000.00 <u>120,000.00</u>
Sum of <i>best estimate liabilities</i> for fees purposes and <i>gross written premium</i> for fees purposes for groups in the <i>general insurance fee block</i> less than £300million	55,000.00 <u>60,000.00</u>
Sum of <i>best estimate liabilities</i> for fees purposes and <i>gross written premium</i> for fees	295,000.00

<i>purposes for groups in the life insurance fee block of £15,000million or more</i>	<u>320,000.00</u>
Sum of <i>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</i>	410,000.00 <u>120,000.00</u>
Sum of <i>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</i>	55,000.00 <u>60,000.00</u>
Solo Internal Model (Full and Partial)	
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the general insurance fee block of £1,000million or more</i>	232,000.00 <u>280,000.00</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the general insurance fee block greater than £300million and less than £1,000million</i>	80,000.00 <u>100,000.00</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the general insurance fee block less than £300million</i>	42,000.00 <u>50,000.00</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the life insurance fee block of £15,000million or more</i>	232,000.00 <u>280,000.00</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the life insurance fee block greater than £5,000million and less than £15,000million</i>	80,000.00 <u>100,000.00</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the life insurance fee block less than £5,000million</i>	42,000.00 <u>50,000.00</u>

2: Draft amendments to SS3/16 – ‘Fees: PRA approach and application’

In this appendix, new text is underlined and deleted text is struck through.

3 Periodic fees (Fees 3)

...

3.6 Together, the AFR, the model maintenance fee, and ~~implementation~~ cost allocation fees are known as ‘periodic fees’ and are the main source of fee income for the PRA.

...

Factors the PRA will consider before levying a new SPF

...

5.9 The PRA may use an SPF to recover some or all of the costs it incurs in undertaking regulatory activity:

- which results from a request from or decision by a fee payer (or group of fee payers) leading to ~~the~~ PRA undertaking specific regulatory activity on its (or their) behalf; or

...

7 Waivers or modifications to fees rules

7.1 Where it would be unduly burdensome to require (or retain) payment, or where this would not achieve the purpose for which the relevant rule was made, the PRA may waive, ~~or reduce a fee~~ or make a whole or partial refund of sums already paid. Any decision to waive a fee by the PRA will be undertaken under the powers set out by Section 138A of FSMA.⁴

7.2 Submissions will be assessed on a case-by-case basis. Relief will be granted only for transactions for which the firm can demonstrate that the criteria in- s138A FSMA are clearly met, taking account of the impact of both the unmodified rules on the firm’s fee, and of any waiver or modification on the fees of other firms.

⁴Fees 2.9

Large 'one-off' reinsurance transactions

7.3 A claim by a fee payer where the waiver application is based on that fee payer's error should be made within two years of the beginning of the period to which the fee relates.

~~7.3~~7.4 The PRA notes there is a risk that firms conducting a large 'one-off' reinsurance transaction could be subject to a very high, and potentially inequitable, periodic fee. Where an insurer believes this may be the case, it can apply for a waiver or modification under s138A FSMA. Such waivers or modifications should be submitted by the end of February before the start of the fee year to which the application relates.

~~7.4~~7.5 ...

~~7.5~~7.6 ...

~~7.6~~7.7 ...

Draft for consultation

3: 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.

- **For rules instruments and UK Technical Standards Instruments:** Purpose of the policy proposals (FSMA s138J(2)(b)).
- **For rules instruments and UK Technical Standards Instruments:** Cost benefit analysis (FSMA s138J(2)(a) and (7)(a)); and an estimate of those costs and benefits (if reasonable) (FSMA s138J(8)).
- **For rules instruments and UK Technical Standards Instruments:** 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 letters (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).
- **For rules instruments and UK Technical Standards Instruments:** Consultation of the FCA (FSMA s138J(1)(a)).
- **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).

Draft for consultation