

Policy Statement | PS5/18

Financial Services Compensation Scheme - Management Expenses Levy Limit 2018/19

March 2018



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1 Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) follows Consultation Paper (CP) 3/18 'Financial Services Compensation Scheme – Management Expenses Levy Limit 2018/19'¹ and sets out the final rules for the Financial Services Compensation Scheme (FSCS) Management Expenses Levy Limit (MELL) for 2018/2019. The PRA received no responses to the CP.

1.2 This PS is relevant to all PRA-authorised firms, but contains no material of direct relevance to retail financial services consumers or consumer groups upon which they might need to act.

1.3 The Financial Conduct Authority (FCA) Board has also made its respective rule for the 2018/19 MELL.²

1.4 The FSCS is the compensation fund of last resort for customers of failed authorised financial services firms across the PRA's and the FCA's regulatory remit. The MELL is the maximum amount which the FSCS may levy in a year without further consultation. It provides the FSCS with adequate resources to process compensation claims resulting from the failure of financial services firms. These functions are conferred on the FSCS by Part XV of the Financial Services and Markets Act 2000 (FSMA).

1.5 In CP3/18, the PRA and FCA consulted on a proposed MELL of £77.7 million for 2018/19. This included:

- FSCS management expenses of £72.7 million to cover the FSCS' ongoing operating costs including staff, facilities, claims handling, and legal and other professional services; and
- an unlevied contingency reserve of £5 million which allows the FSCS to levy additional funds at short notice in the event of a significant unexpected event, without the need for further consultation by the PRA and FCA.

1.6 The final rules (see Appendix) will apply for the financial year ending 31 March 2019.

1 January 2018: available on the second page at www.bankofengland.co.uk/prudential-regulation/publication/2018/financial-services-compensation-scheme-management-expenses-levy-limit-2018-19.

2 www.handbook.fca.org.uk/instrument/2018/FCA_2018_12.pdf.

Appendix

PRA RULEBOOK: NON AUTHORISED PERSONS: FSCS MANAGEMENT EXPENSES LEVY LIMIT AND BASE COSTS INSTRUMENT 2018, available at: www.bankofengland.co.uk/prudential-regulation/publication/2018/financial-services-compensation-scheme-management-expenses-levy-limit-2018-19.