

**PRA RULEBOOK: NON AUTHORISED PERSONS: FSCS MANAGEMENT EXPENSES LEVY
LIMIT AND BASE COSTS INSTRUMENT 2015**

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 213 (The compensation scheme); and
 - (2) section 223 (Management expenses).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) 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 proposed rules and had regard to representations made.

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

Commencement

- E. This instrument comes into force on 3 July 2015.

Citation

- F. This instrument may be cited as the PRA Rulebook: Non Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2015.

By order of the Board of the Prudential Regulation Authority

30 March 2015

Annex

In this Annex, the text is all new and is not underlined.

Part

FSCS MANAGEMENT EXPENSES LEVY LIMIT AND BASE COSTS

Chapter content

1. APPLICATION AND DEFINITIONS
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3. BASE COSTS

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1 APPLICATION AND DEFINITIONS

1.1 This Part applies to the *FSCS*.

1.2 In this Part, the following definitions shall apply:

contracts of insurance

has the meaning given in Article 3(1) of the *Regulated Activities Order*.

FCA compensation scheme rules

means the rules of the *compensation scheme* that are *FCA* rules.

management expenses levy

means a levy imposed by the *FSCS* to meet *management expenses*.

operating a dormant account fund

means any of the *regulated activities* specified in:

- (1) article 63N(1)(a) of the *Regulated Activities Order* (meeting of repayment claims); or
- (2) article 63N(1)(b) of the *Regulated Activities Order* (managing dormant account funds (including the investment of such funds)).

participant firm

has the meaning given in the *PRA Handbook* for the purposes of the *PRA's* rules in FEES 1 and has the meaning given in the *FCA Handbook* for the purposes of the *FCA's* rules in FEES 1.

policyholder protection scheme

means the *compensation scheme* for claims under *contracts of insurance*.

PRA class

means a *class* to which the *FSCS* allocates levies in accordance with *PRA* rules.

regulatory costs

means the periodic fees payable to the *PRA* or *FCA* by a *participant firm* (and where applicable, the *Society*) in accordance with FEES 4 in the *PRA Handbook* and FEES 4 in the *FCA Handbook*.

1.3 Unless otherwise defined, an italicised expression used in this Part and in the Depositor Protection Part, has the same meaning as in the Depositor Protection Part.

1.4 Unless otherwise defined, an italicised expression used in this Part and in the Dormant Account Scheme Part, has the same meaning as in the Dormant Account Scheme Part.

2 LIMIT ON MANAGEMENT EXPENSES LEVIES

- 2.1 The total of all *management expenses levies* attributable to the period 1 April 2015 to 31 March 2016 of the *deposit guarantee scheme*, the *dormant account scheme* or the *policyholder protection scheme* may not exceed £74,429,000 less whatever *management expenses levies* the *FSCS* has imposed in accordance with *FCA compensation scheme rules* attributable to that period.

3 BASE COSTS

- 3.1 The *FSCS* must calculate a share of a *base costs levy* for a *firm*, a *dormant account fund operator* and, where applicable, the *Society* by:
- (1) identifying the *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme* but has not yet levied and allocating 50% of those *base costs* as the sum to be levied on participants in *PRA classes*;
 - (2) calculating the amount of the *regulatory costs* of the *firm* or *dormant fund operator* (or, where applicable, the *Society*) as a proportion of the total *regulatory costs* of all *participant firms* (and, where applicable, the *Society*) for the relevant financial year; and
 - (3) applying the proportion calculated in (2), if any to the sum in (1).