



16 December 2011

Our ref: ICAEW Rep 120/11

Your ref:

Peter Cardinali
Finance – Fees Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Dear Mr Cardinali

CP11/21 Regulatory fees and levies: Policy Proposals for 2012/13

ICAEW is pleased to respond to your request for comments on CP 11/21 *Regulatory fees and levies: Policy Proposals for 2012/13*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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CP11/21 REGULATORY FEES AND LEVIES: POLICY PROPOSALS 2012/13

Memorandum of comment submitted in December 2011 by ICAEW, in response to the Financial Services Authority CP 11/21 published in October 2011.

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INTRODUCTION

1. ICAEW welcomes the opportunity to comment on CP 11/21 Regulatory fees and levies: Regulatory Proposals for 2012/13 published by the Financial Services Authority (FSA) in October 2011.

WHO WE ARE

2. ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, we provide leadership and practical support to over 136,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance, which has over 775,000 members worldwide.
3. Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. We ensure that these skills are constantly developed, recognised and valued.
4. The Financial Services Faculty was established in 2007 to become a world class centre for thought leadership on issues facing the financial services industry acting free from vested interest. It draws together professionals from across the financial services sector and from the 25,000 ICAEW members specialising in the sector and provides a range of services and provides a monthly newsletter FS Focus.

GENERAL COMMENTS

5. In general terms we support the proposals to move from a headcount to income based assessment for the payment of regulatory fees and levies. We recognise that this is a difficult area and that there is no straightforward measure which directly correlates with the supervisory work that is required by the FSA and the relative risks posed to consumers. However, as the FSA has now confirmed that a headcount basis is not necessarily more certain or easier to administer, on balance we believe a move to an income based measure probably represents the more sensible approach.
6. Considerable care will be required to ensure the definition of income is related to the underlying nature of the work undertaken so that the payment of regulatory fees and levies reflects levels of regulatory supervision and potential risks posed to consumers. Classification of income will be particularly important in circumstances where professional firms are engaged in non-mainstream investment business activities that are incidental to their professional work, such as accountancy, where the nature of the work involves minimal regulatory supervision or regulatory risk to consumers.

RESPONSES TO SPECIFIC QUESTIONS

Q1: Do you agree with our proposal to allow firms in fee-block A.10 to report their traders as fractions of full-time equivalent posts, not as a headcount of individuals?

7. Yes.

Q2: Do you have any views on the definitions and guidance we have prepared on the income measures we propose to introduce for fee-blocks A.12, A13 and A.14 from 2013/14?

8. The legislation recognises many professional firms carry on activities that fall within the definition of investment business but which are an intrinsic part of a professional practice and are regulated by its professional body. These activities are restricted to those set out in the

Non-Exempt Activities Order and must be carried out as incidental to a professional service. The FSA is not responsible for supervising these activities and most of the FSA Handbook does not apply.

9. The nature of the work referred to above relates to the provision of professional services as opposed to the provision of regulated activities and, as such, the regulatory cost and risk to consumers is minimal. It would be inappropriate if income that relating to non-mainstream business was included in income measures when calculating regulatory fees and levies. We therefore recommend the word 'mainstream' is inserted before the word 'regulated' in the Guidance. Careful consideration will also be required to ensure that income derived from the provision of generic financial advice is not captured in income measures for the calculation of fees and levies.

Q3: Do you agree that, after paying the enforcement costs of cases, we should distribute the balance received from financial penalties according to the aggregate levels of enforcement activity estimated for each fee-block which are not generating enforcement work?

10. In general terms, it seems reasonable to distribute in the way suggested.

Q4: Do you have any comments on the changes to fees for the UKLA that we have proposed in Chapter 4?

11. No comment

Q5: Do you agree with our proposed revised application fees for an issuer applying for registration of RCB's ?

12. No comment

Q6: Do you agree with our proposed revised methodology for calculating periodic fees for issuers of RCB's ?

13. No comment

Q7: Do you agree with our proposed basis for the RCB financial penalty scheme?

14. No comment

Q8: Do you agree with our proposed basis to introduce a material change fee of £6,500?

15. No comment

Q9: Do you agree that the calculation of outstanding e-money, as the basis for periodic fees for electronic money issues in fee-block G.10 and industry block 18, should be based on an average of the twelve months instead of six.

16. In general terms this seems to represent the more appropriate approach.

Q10: Do you have any comments on the proposed guidance in Appendix 1?

17. No comment

Q11: Do you have any comments on the proposed administrative fee for pursuing regulatory reporting?

18. The proposed fee seems reasonable.

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