FINANCIAL CONDUCT AUTHORITY

# Recovering the costs of regulating credit rating agencies, trade repositories and securitisation repositories after the UK leaves the European Union

**Policy Statement**
PS19/10

March 2019

# This relates to

Chapter 2 of Consultation Paper 18/34 (*Regulatory fees and levies: policy proposals for 2019/20*) and Consultation paper 19/01 (*Recovering the costs of regulating securitisation repositories after the UK leaves the European Union*).

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# Contents

# 1 Summary

## Introduction

**1.1** In this policy statement (PS), we set out our final requirements and guidance on recovering the costs of regulation from credit rating agencies (CRAs), trade repositories (TRs) and securitisation repositories (SRs) after the UK leaves the European Union (EU) and the FCA becomes their regulatory authority in the UK. The Treasury has introduced regulations which will allow us to use our powers under the Financial Services and Markets Act 2000 (FSMA) to recover fees from these firms. We are funded entirely by the fees and levies from the firms we regulate. We do not receive any funding from other sources.

**1.2** We provide feedback to the responses we received on Chapter 2 of consultation paper CP18/34, published in November 2018, in which we set our fees proposals for CRAs and TRs. We also provide feedback to the responses we received to CP19/01, published in January 2019, in which we set out our proposals for SRs.

**1.3** We have kept references to dates post Brexit to a minimum, citing instead periods of time which can be applied to circumstances as they develop. Where we do quote dates, we have maintained consistency with our original CPs by assuming Brexit on 29 March 2019.

## Who this applies to

**1.4** This document applies to all CRAs and TRs and to any firm which is considering setting up a CRA, TR or SR.

**1.5** It is not directly relevant to retail financial services consumers, although our fees are indirectly paid by users of financial services.

## Context

**1.6** The European Securities and Markets Authority (ESMA) currently supervises CRAs and TRs throughout the EU. SRs were created by the Securitisation Regulation that came into force on 1 January 2019. However, all the regulatory standards that will apply to them have yet not been finalised, delaying registration with ESMA.

## Summary of feedback and our response

**1.7** We received 10 responses to CP 18/34 and 4 to CP19/01. The feedback was broadly supportive, with a challenge on application fees and minimum fees for SRs and a

suggestion about minimum charges for CRAs. In Chapter 2 we discuss the comments made and our response to them.

**1.8** Having considered the consultation feedback, we have implemented all of our proposals as consulted on, with a small technical change that gives firms greater flexibility over their reporting years as detailed under paragraph 2.16. The rules are in Appendix 1. They will come into effect on the day the UK leaves the EU.

## Equality and diversity considerations

**1.9** We have considered the equality and diversity issues that may arise from our proposals.

**1.10** Overall, we do not consider that they adversely impact any of the groups with protected characteristics ie age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment. No issues were raised during the consultation.

## Next steps

**1.11** As firms convert to our regulatory regime or register with us, they will provide us with the turnover data we need to calculate their fee-rates. We will consult on the rates in June or July (ie 3-4 months after Brexit), with a view to finalising the rules and issuing invoices about six months later.

# 2 Feedback and final fees requirements

(Rules in Appendix 1)

**2.1** We are implementing our proposals as consulted on. In this chapter, we summarise the proposals in CP18/34 and CP19/01, review the feedback we received and set out our responses. The FEES rules in Appendix 1 will come into effect on the day the UK leaves the EU.

**2.2** FSMA allows us to raise fees to recover our costs and our FEES manual sets out the detailed framework for calculating and collecting fees. Regulations introduced by the Treasury will allow us to use our FSMA powers to collect fees from CRAs, TRs and SRs. ESMA's fee-raising powers are set out in delegated regulations of the European Commission. We do not need to replicate all of their requirements because we are applying the standard provisions of our FEES manual. However, to maintain continuity and minimise disruption for firms, which may also continue to operate in the EU and be regulated by ESMA, we have minimised divergence from ESMA's fees structure. Where we do diverge, we explained the reasons in our CPs.

**2.3** We presented the key features of our proposals under the following headings:

- application fees
- periodic fees
- third country CRAs and TRs
- cost recovery

**2.4** We received 10 responses to CP18/34 and 4 to CP19/01.

## Application fees

**2.5** When the UK leaves the EU, firms will need to keep or set up a legal entity in the UK to be eligible to register with us. CRAs and TRs registered with ESMA and currently established in the UK will be able to 'convert' their ESMA registration to registration with us without having to pay an application fee. When they tell us that they intend to convert their registration, they have to provide us with basic information, such as contact details and the data required for periodic fees. Since SRs have not yet been established, they will have to apply as new firms and pay the full application fee. Firms will have to pay periodic fees from the date on which the UK leaves the EU if converting. If they are SRs or applicants setting up new CRAs or TRs then they will have to pay periodic fees from the date of registration.

## Our proposals

**2.6** In our consultation, we said that we considered assessing the applications of CRAs, TRs and SRs would be equivalent to determining 'moderately complex' FSMA applications, for which we charge £5,000. As we explained in CP18/34, our charging

model for applications is significantly different from ESMA's. Our application fees do not fully cover the work we expect to undertake in deciding applications. This is because we have a longstanding policy of sharing the costs between new applicants and existing fee-payers. We reviewed the issues in detail in a discussion paper we published in 2014. ESMA's charges range from €2,000 - €125,000.

**2.7** In CP19/01, we explained that we usually apply a discount of 50% for a variation of permission (VoP) when a firm has already met the threshold conditions for regulation and applies to carry out new activities. We expect there to be an overlap between the threshold conditions for TRs and SRs, and so we proposed that a TR applying to become an SR will only have to pay a 50% VoP fee and vice versa. We did not offer any other VoP discounts. The threshold conditions for CRAs do not match those of TRs and SRs, while the threshold conditions for FSMA firms do not match those of CRAs, TRs or SRs .

**Q1:** ***Do you agree that we should charge a moderately complex application fee of £5,000 from applicants who wish to set up credit rating agencies, trade repositories or securitisation repositories? Please give reasons for your answer.***

***(CP18/34 & CP19/01)***

**Q2:** ***Do you agree that only securitisation repositories varying their permissions to become trade repositories (and vice versa) should receive a 50% discount on the application fee and all other firms should pay the full charge?***

***(CP19/01 only)***

## Feedback received

**2.8** One respondent considered that our work in determining applications from technically innovative SR firms like itself would be equivalent to processing 'straightforward' applications, chargeable at £1,500, not the 'moderately complex' charge of £5,000 we proposed. They felt the higher charge would act as a barrier to innovative firms entering the market. ESMA charges €65,000 or €100,000 for SR registration depending on the range of ancillary services provided.

**2.9** One respondent who supported our proposal that SRs should be given a 50% VoP discount if they apply to register as a TR (and vice versa), also suggested a change. SRs should receive a VoP discount if they apply to provide other regulated services. Another respondent argued that the VoP discount would be unfair to other market participants.

### Our response

Our assessment of the conditions for registration of SRs is still that our resource requirements will, on average, be in line with those for determining moderately complex applications. We do not believe a charge of £5,000 represents a barrier to entry.

We apply VoP discounts on the basis that agreeing a firm's original application has established that it meets the relevant threshold requirements. Since the FSMA threshold conditions do not match those of CRAs, TRs and SRs, we said in CP19/01 that we were not offering discounts for FSMA firms which apply to become CRAs, TRs or SRs. By the same token, a CRA, TR or SR which applies for a FSMA permission would have to pay the full fee.

Similarly, the threshold conditions for CRAs do not match those of TRs and SRs. However, the threshold conditions of SRs and TRs do overlap. As a result, we believe a VoP discount between TRs and SRs is reasonable and would not be unfair on other market participants.

## Periodic fees

**2.10** We target the recovery of our regulatory costs by grouping fee-payers with similar permissions into 'fee-blocks.' We allocate our relevant regulatory and supervisory costs to each fee-block and recover them through periodic fees (variable annual fees). Our fees are based on a measurement known as a tariff base, which is common to fee-payers in the fee-block. The most common tariff measure we use is a firm's income.

**2.11** The total amount we want to recover from a fee-block is called the annual funding requirement (AFR). The AFR is based on our operational costs, plus any project set-up costs. We calculate the fee rate by dividing the AFR by the total value of the tariff data that firms report. This means we collect a fixed amount and distribute costs in line with the size of each fee-payer.

### Our proposals

**2.12** Although ESMA does not use formal fee-blocks, their methodology achieves the same result because they allocate the appropriate costs to the different categories of firm. Similarly, we proposed to create separate fee-blocks for the 3 categories of firm:

- CRAs: fee-block J.1
- TRs: fee-block J.2
- SRs: fee-block J.3

**2.13** The measurement of 'applicable turnover' ESMA uses to calculate fees is compatible with our standard definition of income, especially since, as we discussed in CP18/34, they propose to simplify their definition for TRs. As a result, we have adopted ESMA's definition, incorporating the proposed amendments for TRs.

**2.14** We normally allow firms to report their tariff data on the basis of their own financial years. However, to maintain equivalence with ESMA, we proposed a January – December financial year for CRAs, TRs and SRs. We asked firms to send us their data within two months, by 28 February each year, the date we prescribe to many other firms so that we can calculate a fee-rate for consultation in March or April.

**2.15** We proposed to retain ESMA's thresholds and minimum fees. In CP19/01, we said we would convert them to sterling according to the Bank of England's spot rate at 31

December 2018, the last working day of the year before the UK's departure from the EU. This rate is £0.8969. We had previously suggested the last day before Brexit in CP18/34, but this would not have allowed us to give firms advance notice of the fee. The thresholds are:

- CRAs - firms whose turnover is less than €10m (£8.969m) pay no fee
- TRs and SRs pay a minimum of €30,000 (£26,907)

**Q3:** ***Do you have any comments on our proposals for calculating and charging periodic fees for credit rating agencies, trade repositories and securitisation repositories? Are there any significant aspects of the ESMA fees regime which we have overlooked or misinterpreted?***

***(CP19/01: Q3; CP18/34: Q2)***

## Feedback received

**2.16** The comments we received were:

- The minimum charge of £26,907 is a barrier to entry for innovative new market entrants.
- While understanding why we kept ESMA's policy of charging fees only to larger CRAs, it would be reasonable to charge a small flat fee for CRAs under the €10m (£8.969m) threshold.
- Since CRAs would only have unaudited turnover data by 28 February each year, we should align our reporting date with ESMA's deadline of 31 May for submitting statutory accounts.
- We should clarify our definition of turnover. We should specify that SRs should restrict their reporting of ancillary services to those that only SR's provide. These services are centrally collecting and maintaining records of securitisations under the Securitisation (Amendment) (EU Exit) Regulations 2019 - excluding those which other types of firms may provide. This will ensure that fees are based only on in-scope activities provided by SRs.
- The same issues arise for the respective regulations for CRAs and TRs.
- We should convert from euros to sterling on a six months average rather than using a spot rate.

### Our response

- We have considered the suggestions that the minimum charge for SRs might be a barrier to market entry and that we might consider introducing a charge for CRAs with turnover under ESMA's €10m threshold. As we explained in our original consultation, it is our objective to maintain continuity for firms by minimising divergence from ESMA's fees structure. So far, we have not been given evidence to justify divergence on the structure of minimum charges.
- The suggestion about reporting dates prompted us to reconsider our proposal to follow ESMA in prescribing a January to December financial year for CRAs, TRs and SRs. Instead, we will allow them to use

their own financial year, in line with standard practice for FSMA firms. We require FSMA firms to report within two months of the end of their financial year ending in the calendar year before the relevant fee year. This would not affect existing CRAs and TRs regulated by ESMA, who would continue to report by 28 February on a financial year ending 31 December. However, it would allow greater flexibility for new applicants going forward.

We need data by the end of February for fees modelling but we do not issue invoices until July–September. If a firm has to submit unaudited figures to meet the deadline, it should provide audited figures as soon as they are available.

- We confirm that firms should report only the turnover from their regulated activities, excluding other revenues. We believe our instrument does make this clear for all three categories of firm because it relies on our glossary definitions of CRAs, TRs and SRs, and their services. The glossary gives the relevant EU directives and regulations. Depending on the glossary ensures these references remain up to date. Our definition of applicable turnover requires firms to report the revenue generated from their activities as CRAs, TRs and SRs. In the case of SRs, it refers to the 'ancillary services that are directly related to centrally collecting and maintaining records of securitisations.' 'Securitisations' is a glossary-defined term.
- We consider a spot rate to be more transparent than an average, since it is a readily accessible published figure which stakeholders can verify without having to make further calculation. Going forward, we will use the rate as at 31 December of the calendar year preceding the relevant fee-year.

## Third country CRAs and SRs

**2.17** The certification and recognition regimes will be available to CRAs and TRs in third countries. There are no arrangements for third country SRs.

### Our proposals

**2.18** Our proposals were:

- Application fees: We proposed a flat fee of £1,500 for both CRAs and TRs from third countries, equivalent to a 'straightforward' FSMA fee. Like registered firms, third country CRAs or TRs which are already certified or registered by ESMA will not pay a fee to convert to our regime.
- Periodic fees: We proposed to maintain ESMA's structure, converted to sterling on the basis in paragraph 2.15 which is that:
  - certified CRAs pay no fee if their turnover is below €10m (£8.969m) and €6,000 (£5,381) if it is above that - since they will not have legal entities in the UK, this will be based on their total turnover not their UK turnover.
  - recognised TRs will pay a flat fee of €5,000 (ie £4,484).

**Q3:** ***Do you agree with our proposals for charging third country certified credit rating agencies and recognised trade repositories?***

***(CP18/34 only)***

## Feedback received

**2.19** All responses were supportive or neutral, with no substantive comments.

## Cost recovery

**2.20** We will be recovering both our annual running costs and our set-up costs. We were not able to quote indicative fee-rates in our CPs. This was because CRAs and TRs were still reviewing how to restructure their businesses after the UK leaves the EU, while SRs had not been set up, and so we had no UK turnover data from which to calculate fee-rates. We gave estimates of the costs we expected to recover in 2019/20. Since we will distribute cost recovery according to fee-payers' share of the market based on their relevant turnover, each firm would be able to estimate its likely charges based on its own understanding of the market.

**2.21** As they register with us or convert to our regulatory regime, we are asking CRAs, TRs and SRs to provide us with their turnover figures for the latest financial year – the year ending 31 December 2018. This will give us the data we need to calculate their periodic fee-rates. We will consult on the rates in June or July (or 3-4 months after Brexit), with a view to finalising them and issuing invoices about six months later. We will present the definitive costs for recovery in the CP and confirm the period over which we will spread recovery of the set-up costs.

# Annex 1
# Compatibility statement

## Compliance with legal requirements

**1.** This annex explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA). Under section 138I of FSMA, the FCA is exempt from the requirement to carry out and publish a cost benefit analysis for such proposals.

**2.** When consulting on new rules, section 138I(2)(d) of FSMA requires to include an explanation of why we believe making the rules is (a) compatible with our general duty, under s.1B(1) of FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, and (b) our general duty under s.1B(5)(a) of FSMA to have regard to the regulatory principles in s.3B of FSMA. We are also required by s.138K(2) of FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

**3.** This annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.

**4.** This annex also explains how we have considered the Treasury's recommendations under s.1JA of FSMA of aspects of Her Majesty's Government's economic policy which we should consider in connection with our general duties.

**5.** This annex includes our assessment of the equality and diversity implications of these proposals.

## The FCA's objectives and regulatory principles: Compatibility statement

**6.** Our proposals in this consultation are not intended in themselves to advance our operational objectives, but the fees we collect will fund our capacity to achieve them. Therefore, these proposals will indirectly advance our operational objectives of:

- delivering consumer protection - securing an appropriate degree of protection for consumers
- enhancing market integrity - protecting and enhancing the integrity of the UK financial system
- building competitive markets - promoting effective competition in the interests of consumers

**7.** We also think that these proposals are compatible with our strategic objective of ensuring that the relevant markets function well, albeit indirectly. This is because they will enable us to fund the activities to help us meet that objective. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F of FSMA, Reference to objectives means both our strategic objective and operational objectives.

**8.** In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s.3B of FSMA. Most of the relevant regulatory principles are considered below.

### The need to use our resources in the most efficient and economic way

**9.** Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We aim to carry out this work in the most efficient and economical way possible, concentrating on the areas of activity that pose the greatest risk to our objectives.

**10.** Our fees are necessary for us to meet our objectives. As outlined above, we aim to use our resources in the most efficient and economic way, while delivering benefits to UK consumers, through our regulatory activities.

**11.** We are seeking to keep our fees structure as close possible to the structure established by ESMA. This will help to minimise disruption when firms are regulated both in the UK and in the EU after the UK leaves the EU.

### The desirability of recognising differences in the nature and objectives of businesses carried on by different persons including mutual societies and other kinds of business organisation

**12.** We have framed our proposals specifically for credit rating agencies, trade repositories and securitisation repositories.

### The principle that we should exercise of our functions as transparently as possible

**13.** Our consultation processes are intended to ensure that we are transparent about the thinking behind our proposals and clearly explain what we expect to achieve. We believe that this CP meets these objectives.

## Expected effect on mutual societies

**14.** We do not expect these proposals to have any effect on mutual societies.

## Compatibility with the duty to promote effective competition in the interests of consumers

**15.** These proposals enable us to fund the activities we need to undertake in 2018/19. These activities include meeting our duty to promote effective competition in the interests of consumers. Fees are not intended in themselves to influence firms' behaviour.

## Equality and diversity

**16.** We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment to ensure that we consider the equality and diversity implications of any new policy proposals.

**17.** As explained in paragraphs 1.9–1.10, we do not think that the proposals negatively affects any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules.

## The Treasury's recommendations about economic policy

**18.** Each year, the Treasury makes recommendations to us under section 1JA of FSMA about aspects of economic policy which we should consider when undertaking our functions. Our fees proposals indirectly take account of the Treasury's recommendations by providing the resources that enable us to meet our objectives in taking responsibility for the claims management market.

# Annex 2
# Non-confidential respondents

## CP18/34

AM Best Europe – Rating Services Ltd (AMBERS)

Capital Credit Union

Economist Group

REGIS-TR Institutional Relations

UKCreditUnions Ltd

## CP19/01

Advanced Blockchain Solutions GmbH

Association of Professional Compliance Consultants

EuroABS Limited

European DataWarehouse

# Annex 3
# Abbreviations used in this paper

| | |
|---|---|
| **AFR** | Annual funding requirement |
| **CP** | Consultation paper |
| **CRA** | Credit rating agency |
| **ESMA** | European Securities and Markets Authority |
| **EU** | European Union |
| **FCA** | Financial Conduct Authority |
| **FSMA** | Financial Services and Markets Act 2000 |
| **PS** | Policy statement |
| **SR** | Securitisation repository |
| **TR** | Trade repository |
| **VoP** | Variation of permission |

We have developed the policy in this Policy Statement in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

# Appendix 1
# Made rules (legal instrument)

# FEES (CREDIT RATING AGENCIES, TRADE REPOSITORIES AND SECURITISATION REPOSITORIES) INSTRUMENT 2019

## Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of:

(1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137A (The FCA's general rules);
(b) section 137T (General supplementary powers);
(c) section 139A (Power of the FCA to give guidance);
(d) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority);

[Editor's note: the citation of the power in paragraph (2) is dependent on legislative provisions set out in regulations 206 and 208 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 which is presently before Parliament being made. This instrument will only be made once the amending legislation has been made.]

(2) [regulations 206 and 208 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019; and]

(3) paragraph 7(2)(b) of The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018.

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

## Commencement

C. This instrument comes into force on exit day as defined in the European Union (Withdrawal) Act 2018, immediately after the Exiting the European Union: High Level Standards (Amendments) Instrument 2019 [FCA 2019/20].

## Amendments to the Handbook

E. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

## Citation

F. This instrument may be cited as the Fees (Credit Rating Agencies, Trade Repositories and Securitisation Repositories) Instrument 2019.

By order of the Board
28 March 2019

## Annex

## Amendments to the Fees manual (FEES)

In this Annex underlining indicates new text and striking through indicates deleted text, unless indicated otherwise.

### 3 Application, Notification and Vetting Fees

…

### 3.2 Obligation to pay fees

…

| | | | | |
|---|---|---|---|---|
| 3.2.5 | G | (1) | (a) | The appropriate authorisation or registration fee is an integral part of an application for, or an application for a variation of, a *Part 4A permission*, authorisation, registration or variation under the *Payment Services Regulations* or the *Electronic Money Regulations*, registration under article 8(1) of the *MCD Order*, authorisation under regulation 7 of the *DRS Regulations* or verification under regulation 8 of the *DRS Regulations*, or notification or registration under the *AIFMD UK regulation*, registration or certification under the *Credit Rating Agencies Regulation*, registration or recognition under the *European Market Infrastructure Regulation*, or registration under the *Securitisation Regulation*. |
| | | | … | |
| | | … | | |

…

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

| **Part 1: Application, notification and vetting fees** | | |
|---|---|---|
| (1) Fee payer | (2) Fee payable (£) | Due date |
| … | … | … |

| | | |
|---|---|---|
| (zzf) *UK*-based applicants for registration as a *credit rating agency*; a *trade repository*; a *securitisation repository*, or a third country applicant seeking certification as a *credit rating agency* or recognition as a *trade repository*. | The fee set out in *FEES* 3 Annex 13R.<br>Applicants for registration as a *trade repository* who already hold registration as a *securitisation repository*, or vice versa, will receive a 50% discount on the relevant application fee. | On or before the date the application is made. |

…

Insert the following new annex after FEES 3 Annex 12R (UKLA transaction fees). The text is not underlined.

**3 Annex 13R** **Fees payable for registration as a credit rating agency, trade repository or securitisation repository**

| Application type | Amount payable (£) |
|---|---|
| *Credit rating agency* | 5,000 |
| *Trade repository* | 5,000 |
| Third country *firm* seeking certification as a *credit rating agency* | 1,500 |
| Third country *firm* seeking recognition of a *trade repository* | 1,500 |
| *Securitisation repository* | 5,000 |

Amend the following as shown.

**4 Periodic fees**

…

**4.2 Obligation to pay periodic fees**

…

4.2.11 R Table of periodic fees payable to the FCA

| 1 Fee payer | 2 Fee payable | 3 Due date | 4 Events occurring during the period leading to modified periodic fee |
|---|---|---|---|
| … | … | … | … |
| A *benchmark endorser* | … | … | … |
| Any *UK*-based *firm* registered as a *credit rating agency*; a *trade repository*; a *securitisation repository* or any third country *firm* certified as a *credit rating agency* or recognised as a *trade repository*. | The tariff specified in *FEES* 4 Annex 16R | Within 30 *days* of the date of the invoice | Not applicable |

…

Insert the following new annex after FEES 4 Annex 15 (Fees relating to the recognition of benchmark administrators and the endorsement of benchmarks for the period 1 April 2018 to 31 March 2019). The text is not underlined.

**4 Annex 16R** **Periodic fees for credit rating agencies, trade repositories and securitisation repositories in relation to the period from *exit day* to 31 March 2020**

This Annex sets out the periodic fees in respect of *credit rating agencies*, *trade repositories* and *securitisation repositories*.

| Part 1 – Method for calculating the fee for fee-paying payment service providers |
|---|

| The periodic fee is calculated by identifying the relevant activity group under Part 2 and multiplying the tariff base identified in Part 3 of *FEES* 4 Annex 16R by the appropriate rates in the table at Part 5. | |
|---|---|
| Part 2 – Activity groups | |
| **Activity group** | **Fee payer falls into this group if:** |
| J.1 | it is a *credit rating agency* or certified credit rating agency; or |
| J.2 | it is a *trade repository* or recognised trade repository; or |
| J.3 | it is a *securitisation repository*. |

| Part 3<br>This table indicates the tariff base for each fee-block. The tariff base is the means by which the *FCA* measures the amount of business conducted by a *firm*. | |
|---|---|
| J.1 *Credit rating agencies* | APPLICABLE TURNOVER<br>This is revenue generated from the *credit rating* agency's activities and ancillary services. |
| J.2 *Trade repositories* | APPLICABLE TURNOVER<br>This is the sum of revenues generated from:<br>(a) the core functions of centrally collecting and maintaining records of derivatives; and<br>(b) ancillary services that are directly related to centrally collecting and maintaining records of derivatives.<br>Ancillary services include:<br>(i) direct provision by the *trade repository*;<br>(ii) indirect provision by a company within the *trade repository*'s group; and<br>(iii) where an entity with which the *trade repository* has concluded an agreement in the context of the trading or post-trading chain or business line to cooperate in the provision of services provides the ancillary services.<br>Where a *trade repository*'s accounts do not distinguish revenue from ancillary services under different activities, it should determine |

| | |
|---|---|
| | the share each activity represents of the turnover from providing core services and apply that to the composite ancillary revenue figure. |
| J.3 *Securitisation repositories* | APPLICABLE TURNOVER<br>This is the sum of revenues generated from:<br>(a) the core functions of centrally collecting and maintaining records of *securitisations*; and<br>(b) ancillary services that are directly related to centrally collecting and maintaining records of *securitisations*.<br>Ancillary services include:<br>(i) direct provision by the *securitisation repository*;<br>(ii) indirect provision by a company within the *securitisation repository*'s group;<br>(iii) where an entity with which the *securitisation repository* has concluded an agreement in the context of the trading or post-trading chain or business line to cooperate in the provision of services provides the ancillary services. |

| Part 5 – Tariff rates | | |
|---|---|---|
| Fee block | Activity group | Fee payable in relation to the fee year 2019/2020 |
| J.1 | Registered *credit rating agencies* and third country certified credit rating agencies with applicable turnover of £8,969m or less | Exempt |
| | Registered *credit rating agencies* with turnover above £8,969m | £[tbc] per £1k or part-£1k (applies to all turnover) |
| | Certified *credit rating agencies* with turnover above £8,969m | £5,381 |
| J.2 | Registered *trade repositories* | £[tbc] per £1k or part-£1k, subject to a minimum payment of £26,907 |
| | Recognised *trade repositories* | £4,484 |

| | | |
|---|---|---|
| J.3 | Registered *securitisation repositories* | £[tbc] per £1k or part-£1k subject to a minimum payment of £26,907 |

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