Jersey Financial Services Commission

› CONSULTATION PAPER

› NO. 10 2015

› FUNDING REVIEW

A consultation on proposed changes to the way fees paid by regulated businesses are calculated and levied

ISSUED OCTOBER 2015

› CONSULTATION PAPER

Please note that terms in *italics* are defined in the Glossary of Terms.

The *Commission* invites comments on this consultation paper. **William Byrne** at *Jersey Finance* is co-ordinating an Industry response that will incorporate any matters raised by local businesses. Comments should reach *Jersey Finance* by **18 December 2015**.

Responses should be sent to:

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Alternatively, responses may be sent directly to **Mike Jones** or **Stephen de Gruchy** at the *Commission* by **18 December 2015**. If you require any assistance, clarification or wish to discuss any aspect of the proposal prior to formulating a response, it is of course appropriate to contact the *Commission*. The *Commission* contacts are:

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It is the policy of the *Commission* to make the content of all responses available for public inspection unless specifically requested otherwise.

› GLOSSARY OF TERMS

AIF	means alternative investment fund.
AIFMD	means the European Union's Alternative Investment Fund Managers Directive (2011/61/EU).
AML/CFT	means anti-money laundering and countering the financing of terrorism.
BBJL	means the Banking Business (Jersey) Law 1991.
CIFJL	means the Collective Investment Funds (Jersey) Law 1988.
COBO	means the Control of Borrowing (Jersey) Order 1958.
Commission	means the Jersey Financial Services Commission.
Commission Law	means the Financial Services Commission (Jersey) Law 1998.
DNFBPs	means designated non-financial businesses and professions (being, principally, accountants, estate agents, lawyers and lenders) registered under the *SBJL*.
FSJL	means the Financial Services (Jersey) Law 1998.
GIMB	means general insurance mediation business
GFSC	means the Guernsey Financial Services Commission.
IBJL	means the Insurance Business (Jersey) Law 1996.
Jersey Finance	means Jersey Finance Limited.
licence	means, as the context requires, a: • registration granted under the *BBJL*; • permit or certificate granted under the *CIFJL*; • registration granted under the *FSJL*; • permit granted under the *IBJL*; • registration granted under the *SBJL*.
QSMA Order	means the Financial Services (Investment Business (Qualifying Segregated Managed Accounts – Exemption)) (Jersey) Order 2014.
MONEYVAL	means the monitoring body of the Council of Europe of that name and whose purpose is to ensure that its members have in place effective systems to counter money laundering and terrorist financing and comply with the relevant international standards in those fields.
regulated business	means a person who is registered, or holds a permit, certificate or consent, as applicable, under one or more of the *regulatory laws*.
regulatory laws	means the *AIF Regulations*, the *BBJL*, the *CIFJL*, the *COBO*, the *FSJL*, the *IBJL* and the *SBJL*.
SBJL	means the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008.
UK	means the United Kingdom.

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1 EXECUTIVE SUMMARY

1.1 Overview

1.1.1 In its 2015 Business Plan the *Commission* indicated that one of its major priorities for the year was a "Funding Review".

1.1.2 The Funding Review responds to the fact that, whilst the fees for each regulated sector have been reviewed on a 'rota' basis over the years and changes to the range of fees levied by the *Commission* have been made from time to time, the *Commission* has never undertaken a comprehensive review of how it is funded by Industry since it was established in 1998.

1.1.3 The purpose of the Funding Review is fourfold:

1.1.3.1 to ensure that the fees raised are adequate to enable the *Commission* to meet its statutory obligations as the Island's financial services regulator (including the maintenance of reserves of an appropriate amount);

1.1.3.2 to ensure that the fees raised are sufficient to enable investment in the *Commission*'s infrastructure both as part of the current Change Programme[1] and on an ongoing basis. This should reduce the administrative burden on *regulated businesses* when interacting with the *Commission*;

1.1.3.3 to ensure that the *Commission*'s funding requirement is met effectively and collected efficiently;

1.1.3.4 to ensure that the fee-setting process is transparent and that fees are fair and equitable across *regulated businesses*.

1.2 What is proposed and why?

1.2.1 This consultation paper seeks views on a number of proposals related to how the *Commission* is funded by *regulated businesses*. The most significant of these are:

1.2.1.1 the publication of a set of principles that the *Commission* would follow when determining how fees would be set;

1.2.1.2 a move to annual fee reviews at the same time for all Industry sectors;

1.2.1.3 changing the structure of annual fee tariffs so that (in most cases) the fee payable would be linked to the level of a *regulated business*'s "relevant income" (broadly speaking, the turnover from a business's regulated activities);

1.2.1.4 the removal of all fee caps;

1.2.1.5 the adoption of mildly progressive annual fee tariffs (with regressive bands at the higher end of the income scale) to gently increase the proportion of the cost of regulation that is borne by larger businesses;

1.2.1.6 significantly extending the range of "discrete fees" (fees that are levied for significant discrete tasks that the *Commission* has to carry out following a request from a *regulated business*).

1.3 Who would be affected?

1.3.1 The proposals in this consultation paper would affect all *regulated businesses*.

1.3.2 This paper does not set out what the *Commission*'s fee levels might be under the proposals it describes (indeed, the *Commission* does not have the "relevant income" data at present to be able to do that). The purpose of this consultation is to get 'in-principle' views on the proposed revised fee arrangements.

1.3.3 That said, whilst the *Commission* is committed to delivering high quality regulation in a cost-conscious manner, there will be a need for the *Commission* to increase the amount it raises through regulatory fees to ensure that it has the necessary resources to regulate and supervise in line with rising international standards, and to meet the substantial additional domestic and international policy demands with which it is faced.

1.3.4 Provided that there are no significant objections to the proposals in this paper a consultation on proposed fee levels under the revised arrangements will follow in 2016.

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[1] A *Commission*-wide review of effectiveness and efficiency ensuring that the *Commission* becomes more proactive, agile and delivers value for money for its stakeholders. This will include a *Commission* e-Enablement strategy.

2 CONSULTATION

2.1 Basis for consultation

2.1.1 The *Commission* has issued this consultation paper in accordance with Article 8(3) of the *Commission Law*, under which the *Commission* "*may, in connection with the carrying out of its functions - ….consult and seek the advice of such persons or bodies whether inside or outside Jersey as it considers appropriate*".

2.2 Responding to the consultation

2.2.1 The *Commission* invites comments in writing from interested parties on the proposals included in this consultation paper. Where comments are made by an industry body or association, that body or association should also provide a summary of the type of individuals and/or institutions that it represents.

2.2.2 To assist in analysing responses to the consultation paper, respondents are asked to:

2.2.2.1 prioritise comments and to indicate their relative importance; and

2.2.2.2 respond as specifically as possible and, where they refer to costs, to quantify those costs.

2.3 Next steps

2.3.1 Provided that there are no significant objections to the proposals in this paper the *Commission* will, during 2016, progress the technological changes needed to:

2.3.1.1 enable the electronic submission of "relevant income" data by *regulated businesses* (where applicable); and

2.3.1.2 facilitate the quarterly invoicing of *regulated businesses* for the total discrete fees they accrue during each quarter,

so that the proposed revised fee arrangements set out in this consultation paper would apply from 1 January 2017 onwards.

2.3.2 A number of minor legislative changes would be needed to implement some of the proposals in this consultation paper and these would be progressed in conjunction with the Chief Minister's Department.

3 THE COMMISSION

3.1 Overview

3.1.1 The *Commission* is a statutory body corporate established under the *Commission Law*. It is responsible for the supervision and development of financial services provided in or from within Jersey.

3.2 Commission's functions

3.2.1 The *Commission Law* prescribes that the *Commission* shall be responsible for:

3.2.1.1 the supervision and development of financial services provided in or from within Jersey;

3.2.1.2 providing the States of Jersey, any Minister or any other public body with reports, advice, assistance and information in relation to any matter connected with financial services;

3.2.1.3 preparing and submitting to Ministers recommendations for the introduction, amendment or replacement of legislation appertaining to financial services, companies and other forms of business structure;

3.2.1.4 such functions in relation to financial services or such incidental or ancillary matters:

- as are required or authorised by or under any enactment, or
- as the States of Jersey may, by Regulations, transfer; and

3.2.1.5 such other functions as are conferred on the *Commission* by any other Law or enactment.

3.3 Guiding principles

3.3.1 The *Commission's* guiding principles require it to have particular regard to:

3.3.1.1 the reduction of risk to the public of financial loss due to dishonesty, incompetence, malpractice, or the financial unsoundness of persons carrying on the business of financial services in or from within Jersey;

3.3.1.2 the protection and enhancement of the reputation and integrity of Jersey in commercial and financial matters;

3.3.1.3 the best economic interests of Jersey; and

3.3.1.4 the need to counter financial crime in both Jersey and elsewhere.

4 THE FUNDING REVIEW

4.1 Objectives of the Funding Review

4.1.1 In its 2015 Business Plan the *Commission* indicated that one of its major priorities for 2015 was a "Funding Review".

4.1.2 The Funding Review responds to the fact that, whilst the fees for each regulated sector have been reviewed on a 'rota' basis over the years and changes to the range of fees levied by the *Commission* have been made from time to time, the *Commission* has never undertaken a comprehensive review of how it is funded by Industry since it was established in 1998.

4.1.3 The purpose of the Funding Review is fourfold:

4.1.3.1 to ensure that the fees raised are adequate to enable the *Commission* to meet its statutory obligations as the Island's financial services regulator (including the maintenance of reserves of an appropriate amount);

4.1.3.2 to ensure that the fees raised are sufficient to enable investment in the *Commission*'s infrastructure both as part of the current Change Programme[2] and on an ongoing basis. This should reduce the administrative burden on *regulated businesses* when interacting with the *Commission*;

4.1.3.3 to ensure that the *Commission*'s funding requirement is met effectively and collected efficiently;

4.1.3.4 to ensure that the fee-setting process is transparent and that fees are fair and equitable across *regulated businesses*.

4.2 Background

4.2.1 This consultation paper seeks views on a number of proposals that would see changes to the way fees to be paid by *regulated businesses* are calculated and levied, and the introduction of additional discrete fees. The purpose of this consultation is to get 'in-principle' views on the proposed revised fee arrangements.

4.2.2 This paper does not set out what the *Commission*'s fee levels might be under the proposals it describes (indeed, the *Commission* does not have the "relevant income" data (see section 7.1) at present to be able to do that). However, provided that there are no significant objections to the proposals in this paper a consultation on proposed fee levels will follow in 2016. That consultation would be carried out in accordance with the statutory process set out in Article 15 of the *Commission Law*. In summary, that legislation requires a detailed consultation exercise with those who would be

[2] A *Commission*-wide review of effectiveness and efficiency ensuring that the *Commission* becomes more proactive, agile and delivers value for money for its stakeholders. This will include a *Commission* e-Enablement strategy.

affected by the fees and also provides an arbitration mechanism should agreement not be reached through discussion with the relevant representative bodies.

4.2.3 To assist *regulated businesses* to understand the context in which the Funding Review is being carried out it may be helpful to provide some background information on the local and international regulatory environment and how it impacts on the funding requirements of the *Commission* and other regulators.

4.2.4 During the financial crisis, the *Commission* was acutely aware of the economic pressures on *regulated businesses* and deliberately limited fee increases, despite itself having to meet increased costs. This has resulted in the *Commission* being underfunded. In 2014, had it not been for an exceptional recovery of enforcement costs, the Commission would have had a £813,000 deficit and would have had to draw down on its reserves. Currently, the *Commission* anticipates deficits in 2015 and 2016. Naturally, such underfunding is not sustainable in the long term.

4.2.5 Given the significance of the finance industry in Jersey, the work of the *Commission* is critically important to the Island, particularly in terms of protecting consumers of financial services, protecting the Island's reputation in financial matters, and reducing the risk of the Island being utilised for money laundering or terrorist financing. Whilst the *Commission* is committed to delivering high quality regulation in a cost-conscious manner, there will be a need for the *Commission* to increase the amount it raises through regulatory fees to ensure that it has the necessary resources to regulate and supervise in line with rising international standards (to which the Island is committed to adhering), and to meet the substantial additional domestic and international policy demands with which it is faced. The importance of being able to meet these can be highlighted by two recent examples – the *MONEYVAL* evaluation of the Island's *AML/CFT* standards and the *AIFMD* initiative.

4.2.6 Taking the latter first, it was critically important that the *Commission* had the resources it needed to be able to put in place the necessary regulatory regime to ensure that Jersey fund managers continued to have access to European Union markets. Similarly, it is essential that the *Commission* has the resources to meet the standards required of *AML/CFT* supervisors so that the Island can obtain positive ratings under *MONEYVAL* evaluations. Without such ratings, financial service businesses may well find that their access to overseas markets is restricted where the local legislation only permits access to foreign firms where their domestic *AML/CFT* standards meet international standards.

4.2.7 The key resource of the *Commission* is its staff and in order to ensure that the *Commission* can fully meet its responsibilities it is critically important that the *Commission* is in a financial position to attract and retain staff of the appropriate calibre. This is proving increasingly challenging in the current buoyant market for compliance professionals.

4.2.8 It is also important that the *Commission* has the necessary financial resources to be able to continuously invest in its infrastructure to reduce the administrative burden on *regulated businesses,* and the associated costs for them, when interacting with the *Commission*. Investment, for example, in its information technology infrastructure, such as to facilitate e-Enablement, will make it easier and less costly for *regulated businesses* to provide routine data to the *Commission* and also allow the *Commission* to use more of its limited resources to analyse and supervise, rather than to carry out administrative tasks.

4.2.9 From looking at recent announcements by regulators in other jurisdictions, it is clear that they face similar financial pressures to those of the *Commission*.

4.2.10 In the *UK*, the Financial Conduct Authority has recently announced that its 2015/16 funding requirement will increase by 7.9% over 2014/15, with the increase mainly driven by a 6% increase to meet its ongoing regulatory activities.

4.2.11 In the Isle of Man, the Financial Supervision Commission has recently increased each sector's annual fees by 10% in most cases (following several years of increases broadly in line with the change in the Retail Prices Index), in order to better reflect the actual costs of supervision.

4.2.12 In Gibraltar, the 2015 fees of the Financial Services Commission were increased over the 2014 levels by 12% for banks, between 10% and 35% (depending on turnover) for insurance businesses and by 9% for other sectors.

4.2.13 The *GFSC*'s fee rate proposal for 2016 indicates a gross increase in fees of 2% over the 2015 levels. However, that modest fee increase by the *GFSC* has to be seen in context. In 2014, the *GFSC*'s income from regulatory fees was £12.75 million compared to £10.72 million for the *Commission*, despite Guernsey having a significantly smaller finance industry.[3]

4.3 Registry funding

4.3.1 This consultation paper only concerns funding for the activities of the *Commission*. Funding of the Registry is outside the scope of the funding review: fees for Registry activities will, as previously, be consulted on separately as and when it becomes necessary.

4.3.2 However, readers are requested to note that, to be consistent with the proposed approach in chapter 8 (Discrete Charges), the Registry proposes to introduce a fee for the issuing of *COBO* consents and for processing the notifications relating to the establishment of unregulated funds.

[3] Using the finance sector's contribution to each Island's GDP as a fair comparator of size (given that the make-up of the finance sector in each island is different) the finance sector in Guernsey contributed approximately £0.82 billion to that island's 2013 GDP, whilst Jersey's finance sector contributed around £1.5 billion.

5 PRINCIPLES FOR DETERMINING HOW FEES SHOULD BE SET

5.1 The principles

5.1.1 As part of the Funding Review the *Commission* has given careful consideration to the principles it should apply when determining how fees should be set. For the purposes of developing the proposals in this consultation paper, and for use as a yardstick by which to judge any future proposals for changes to fees or how they are calculated, the *Commission* intends to apply the following seven principles.

Principle 1: **Fairness and equity**	The fees structure should raise the *Commission*'s required funding across regulated sectors and businesses in a manner that is fair and equitable. To the extent practicable, businesses that make requests that require the *Commission* to carry out substantive discrete actions only relating to that business should bear the cost of those themselves.
Principle 2: **Simplicity**	Fee tariffs should be simple and clear as possible for *regulated businesses* and, wherever practicable, the data used as the basis for calculating the fee payable should be data that the business would reasonably be expected to have available.
Principle 3: **Relevant and verifiable**	The metric used to determine the fee payable should, relate to the economic size of the *regulated business* and be easily verifiable.
Principle 4: **Reliability**	The method used to calculate fees should be consistent from year-to-year so that *regulated businesses* can reliably estimate what their fees will be.
Principle 5: **Cost-reflective**	The fee income from each regulated sector should broadly meet the costs of regulating and supervising that sector (i.e. minimal cross-subsidisation) and make a proportionate contribution to the general support costs of the *Commission*.
Principle 6: **Harmonisation**	The structure of tariffs and the fee-collecting process should be harmonised across regulated sectors, to the extent practicable, to facilitate consistency and simplicity, especially where a *regulated business* operates in multiple sectors.
Principle 7: **Proportionality**	Fee levels should have regard to the scale of a *regulated business*, particularly in the case of new or small businesses. Application fees should be set at a level that does not discourage the establishment of new businesses.

5.1.2 **Question: Do you agree with the proposed principles? If you do not, please give your reasons in detail.**

5.2 Designated non-financial businesses and professions and Principle 5

5.2.1 Principle 5 requires that the fee income from each regulated sector should broadly meet the costs of regulating and supervising that sector (i.e. minimal cross-subsidisation). With one exception, this principle is adhered to currently.

5.2.2 The exception is the funding of the *Commission*'s costs in supervising *DNFBP*s for compliance with the Island's *AML/CFT* legislative and regulatory framework. Whilst a variety of businesses fall into the definition of a *DNFBP* the sector broadly consists of four types of business: accountants, estate agents, lawyers and lenders.

5.2.3 Currently, the Government contributes approximately £250,000 a year towards the *Commission*'s costs of supervising *DNFNP*s (and for registering non-profit organizations[4]) through the work of the *Commission*'s AML Unit.

5.2.4 The £250,000 Government contribution was designed to cover 42.5% of the AML Unit's costs (based on 2010 forecasts) with *DNFBP*s covering 42.5% directly and the remaining 15% being raised from other *regulated businesses* (who benefit generally from the work of the AML Unit). The view taken at the time when the Government funding was put in place was that recovery of the full amount of the AML Unit's costs from *DNFBPs* would require their fees to be set at a level that would likely be disproportionate to the size and nature of the business being conducted. Whether that is still the case is probably open to debate: the fees were set in 2010 when the economic climate was particularly challenging, the situation having since improved.

5.2.5 This Government contribution does mean that the proposed "cost-reflective" principle would not be fully complied with for *DNFBP*s. The *Commission* considers that it may be difficult to argue for the *DNFBP* sector to be an exception to the general rule. Consequently, there could be a case for *DNFBP*s to fully fund the costs of the *Commission* in supervising the sector.[5]

5.2.6 **Question: Do you consider that the Government should continue contributing to the *Commission*'s costs of supervising *DNFBP*s or should *DNFBP*s bear the full cost? Please give reasons for your answer.**

5.3 Annual fee reviews

5.3.1 Currently, fee levels for each Industry sector (banks, trust companies, funds, etc.) are reviewed in rotation, with each sector subject to a review approximately every three years (although there have been exceptions to this from time to time).

5.3.2 This often results in the *Commission*'s income failing to keep up with its costs and can result in a sector's fees requiring to be raised significantly after being held at the same level for several years.

5.3.3 To be consistent with the proposed funding principles set out in section 5.1 above (in particular Principles 1 and 4) the *Commission* proposes that all fee levels would be reviewed annually.

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4 Under the Non-Profit Organizations (Jersey) Law 2008.

5.3.4 Historically, market conditions have resulted in the *Commission*'s cost base generally rising each year and, as a consequence, modest annual increases in fees could be expected to be the norm (except where the *Commission*'s costs are already adequately covered by fee income or the amount of fee income that would ordinarily be required from a class of *regulated business* can be reduced as a consequence of income received from civil financial penalties previously imposed by the *Commission*[6].)

5.3.5 **Question: Do you agree that annual fee reviews should become the norm? If you do not, please give reasons for your answer.**

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5 The *Commission* does not consider it unreasonable, however, for a Government contribution to the modest costs it incurs in registering non-profit organizations, given the non-commercial nature of such organizations.

6 Legislation requires the *Commission* to treat penalty money received as if it were part of the fees due from the class of *regulated business* on whom the penalties were imposed, so as to reduce the level of fees that would otherwise be charged to that class of *regulated business*.

6 APPLICATION FEES

6.1 Introduction

6.1.1 Currently, application fees levied by the *Commission* are 'flat', i.e. fixed amounts. The *Commission* does not propose to change this (save in respect of "complex applications" – see paragraph 6.4).

6.1.2 However, the *Commission* is proposing to make two changes to the application fee arrangements. These are in relation to money service businesses and *DNFBP*s.

6.2 Money service businesses

6.2.1 Currently, a person who applies to carry on money service business pays the same application fee regardless of how many types of such business it carries on.

6.2.2 Given that the time taken to evaluate an application increases with the more types of money service business to be carried on, the *Commission* plans to introduce a flat fee for each type of money services business namely:

6.2.2.1 bureau de change (Article 2(9)(a) of the *FSJL*);

6.2.2.2 cheque cashing (Article 2(9)(b) of the *FSJL*);

6.2.2.3 wire transfers and money transmission (Article 2(9)(c)&(d) of the *FSJL*).

6.2.3 **Question: Do you agree with the proposed revised application fee arrangement for money service businesses? If you do not, please give reasons for your answer.**

6.3 Designated non-financial businesses and professions

6.3.1 Currently, no fee is paid by *DNFBP*s that apply to be registered under the *SBJL*. This means that other *regulated businesses* are effectively subsidising the cost of the work of evaluating and processing such applications.

6.3.2 To address this, the *Commission* plans to introduce a flat application fee for *DNFBP*s.

6.3.3 **Question: Do you agree that an application fee should be paid by *DNFBP*s? If you do not, please give reasons for your answer.**

6.4 Complex applications

6.4.1 All of the *Commission*'s application fees are set at a level to cover the minimum cost of evaluating and processing an application. This does result in the cost of considering complex applications not being fully covered by the application fee.

6.4.2 To address this, the *Commission* proposes to charge a higher application fee in the case of a "complex application".

6.4.3 A “complex application” would be defined as one in which the administrative and other costs, fees and expenses which, in the reasonable opinion of the *Commission*, would be incurred in processing the application, would exceed the standard application fee, and ought fairly and reasonably to be recovered from the applicant.

6.4.4 It is proposed that the *Commission* would be able to charge up to three times the standard application fee for dealing with a “complex application”.

6.4.5 **Question: Do you agree with the proposal to charge a higher application fee for “complex applications”? If you do not, please give reasons for your answer.**

6.5 Other matters

6.5.1 There are occasions when applications are refused, or withdrawn (in most cases where the applicant has concluded that refusal is likely), often after analysis of the application has been undertaken by the *Commission*. The *Commission* does not intend to refund an application fee in the event of an application being refused or withdrawn.

6.5.2 **Question: Do you agree that an application fee should not be refunded in the event of an application being refused or withdrawn? If you do not, please give reasons for your answer.**

6.5.3 As at present, a pro-rated annual fee would become immediately payable upon approval of an application. For example, if an application were to be approved in January and businesses in that sector pay their annual fee in July, 50% of the annual fee would become immediately payable upon registration of the applicant.

6.5.4 **Question: Do you agree that a pro-rated annual fee should continue to be immediately payable upon approval of an application? If you do not, please give reasons for your answer.**

7 ANNUAL FEES

7.1 New methodology for calculating fees

7.1.1 Currently, annual fees for *regulated businesses* are calculated using a variety of methods. Some sectors use the level of a *regulated business*'s income to base the fee on, others use the number of employees who are directly involved in regulated activities as the metric. Other sectors have a flat fee.

7.1.2 To be consistent with the proposed funding principles set out in section 5.1 the *Commission* is proposing that, save in a few cases where it would be impracticable (most notably collective investment funds and *DNFBP*s), every *regulated business*'s fee would be calculated by reference to a tariff where the amount of the fee will depend on the business's level of "relevant income".

7.1.3 The definition of "relevant income" for each sector would be that used for the purposes of the civil financial penalties tariff (broadly speaking, "relevant income" will equate to the annual turnover from a business's regulated activities)[7].

7.1.4 The only exception would be banks where the measurement of income that is currently used for annual fee calculations would be retained. That income measurement is slightly wider than that used for the civil financial penalties tariff. It includes all income for a bank, rather than just that relating directly to deposit-taking, but it is appropriate for fee-setting purposes given that prudential supervision for a bank goes wider than just for its deposit-taking activities.

Definition of "relevant income"	
Banks	Consolidated Income (or, in occasional instances, "Deemed Income"), as per the *Commission*'s existing fees notice.
Investment business	Fees or commission retained (net of any refunds) in respect of the registered person's investment business covered by its registration.
Trust company business	Fees or commission received (net of any refunds) in respect of the registered person's/affiliation's trust company business covered by its registration.
General insurance mediation business	Fees or commission retained (net of any refunds) in respect of the registered person's general insurance mediation business covered by its registration.
Insurance business	Gross premium income earned in respect of insurance business covered by its permit, reduced by– (i) any rebates, refunds and reinsurance commission payable by the permit holder, and (ii) the gross amount of any premiums for reinsurance ceded by the insurer.
Money service business	Fees or commission received (net of any refunds) in respect of the registered person's money service business covered by its registration.
Fund services business	Fees or commission retained (net of any refunds) in respect of the registered person's fund services business covered by its registration.

[7] See the definition of "relevant income" in Article 2 of the Financial Services Commission (Financial Penalties) (Jersey) Order 2015.

7.1.5 For the purposes of the fee tariffs, the "relevant income" figure against which a *regulated business*'s fee is calculated would be that for the most recent financial period of the *regulated business*. It is considered impracticable, and unnecessary, to require every *regulated business* to supply their "relevant income" figure for the same "income period" e.g. calendar year. To do so, could involve a *regulated businesses* in additional administrative work if its financial period is different to the chosen "income period".

7.1.6 A move to base fees on the amount of a *regulated business*'s income responds to the fact that firms with a larger income are generally likely to take up more supervisory effort than a firm with a smaller income. Having said that, the *Commission* does accept that the correlation is not perfect: some smaller firms can often take up considerable supervisory effort, perhaps disproportionate to their economic size. But, in most cases, it is true that the larger the economic size of the business the greater the impact on the *Commission*'s statutory functions.

7.1.7 The *Commission* proposes that fees would be calculated on a cumulative basis within tariff bands, to avoid the large jump in fees that can occur when a *regulated business* tips into the next band up in a fee scale. (See the demonstration tariffs in section 7.3.)

7.1.8 Whilst the proposed fee tariffs would (in most cases) be calculated by reference to a *regulated business*'s level of "relevant income", each tariff would set a minimum fee that would be payable. This would reflect the fact that, whatever the size of a business, there are certain fundamental supervisory activities that the *Commission* has to undertake, regardless of the economic size of a business. (The amount of the minimum fee would not be the same for all types of *regulated business*. There would be differences in amount to reflect the fact that the fundamental supervisory activities carried out in relation to some types of *regulated businesses* (e.g. banks) are more extensive than for other types of businesses (e.g. general insurance mediation businesses). The imposition of a minimum fee would mean that a proportion of a *regulated business*'s "relevant income" would not attract a fee (the charging of a fee on "relevant income" might start, for example, at £20,000 of "relevant income" rather than from £1 upwards).

7.1.9 **Question: Do you agree with the proposal to use "relevant income" as the basis for calculating the amount of the annual fee that would be payable by a *regulated business*? If you do not, please give reasons for your answer and suggest an alternative metric (and give the rationale for it).**

7.1.10 Where a firm carries on more than one category of regulated business within the same legal entity (e.g. a firm that carries on both fund services business and trust company business) and the *regulated business* does not record "relevant income" for each separate category of regulated business, the *Commission* would allow the split of income between categories to be reasonably estimated by the *regulated business*. (Separate fee tariffs would apply for each category of regulated business carried on.)

7.1.11 As with all other information supplied to the *Commission*, if any doubt as to the accuracy of a "relevant income" figure were to arise, the *Commission* would have the statutory power to require a *regulated business*, at the business's expense, to have its declared "relevant income" (or the basis for its estimate of "relevant income", where the circumstances in paragraph 7.1.10 apply) independently verified.

7.1.12 The proposed use of "relevant income" raises the question as to how to deal with new businesses that may not have completed a financial period at the time when their "relevant income" figure is to be electronically submitted to the *Commission* for the purposes of calculating their fee (see section 7.5). In the *UK*, the approach is to require a business to submit a projected income figure. However, the *Commission* is proposing to adopt a simpler approach by giving the firm a holiday from the annual fee in the first year of trading and instead charge a higher application fee.

7.1.13 **Question: Do you agree with the *Commission*'s fee proposal for new businesses? If you do not, please give reasons for your answer.**

7.2 Regressive, progressive or linear fee scales?

7.2.1 A move to a methodology that uses income as the base for calculating the amount of the annual fee requires consideration as to whether the fee scales should be regressive, progressive or linear (or some combination thereof).

7.2.2 Where the *Commission* currently has banded fee tariffs, they are broadly regressive (albeit the tariff metrics are, in most cases, not presently linked to income but some other metric such as the number of employees or the number of pools of assets). A regressive methodology responds to the fact that, whilst the costs of supervising larger businesses are generally greater than for small businesses, the correlation between the economic size of a *regulated business* and the cost of supervising it diminishes as a business gets bigger. For example, a business that is ten times the economic size of another business may not necessarily cost ten times as much to supervise. Having said that, it has to be recognised that for start-ups the supervisory effort required from the *Commission* in the first few years can be high, compared to that required for a more mature business.

7.2.3 Under a progressive methodology, the rates at which *licence* fees are charged increase the higher up the banding scale in which relevant income falls. The result of this would be that a greater proportion of regulatory cost would be charged to those businesses with relevant income in the higher bands.

7.2.4 A progressive scale minimises the risk of *licence* fees acting as a barrier/disincentive to market entry, by reducing the financial impact on smaller businesses compared to the impact on larger, more established, businesses.

7.2.5 Under a progressive scale, because the rate of increase in a business's *licence* fee would be greater than the rate of increase in relevant income, smaller businesses benefit.

7.2.6 With a regressive scale, the rate of increase in a business's *licence* fee would be less than the rate of increase in relevant income, so larger businesses benefit.

7.2.7 Even if the *Commission* were to adopt a progressive or linear scale, in recognition that above a certain point the increase in a *regulated business*'s economic size would not require a directly correlated increase in supervisory effort, there would be a gradual reduction in the fee charged per £1 of "relevant income" at the higher end of the scale i.e. the tariff would have a 'regressive tail' (see demonstration tariffs in section 7.3).

7.2.8 The *Commission*'s view is that to be consistent with funding principles 1 and 7 (see section 5.1) mildly progressive fee scales should be used (with a regressive 'tail' as discussed above), to gently increase the proportion of the cost of regulation borne by larger businesses, which would normally be expected to have a greater ability to pay.

7.3 Demonstrating the effect of regressive, progressive and linear fee scales

7.3.1 The sole purpose of this section is to illustrate the kind of effects regressive, progressive and linear fee scales in tariffs constructed on the basis described in section 7.1 above would be likely to have.

The tariffs each use two example businesses:

- Business A has "relevant income" of £5,000,000.
- Business B has "relevant income" of £4,000,000.

To aid comparison, each tariff raises approximately £30,000, in aggregate, from the two businesses.

Under a **REGRESSIVE** tariff:

		Business A		Business B	
Income	**Fee**	**Relevant income in band**	**Fee per band**	**Relevant income in band**	**Fee per band**
£1 - £100,000	0.60%	£100,000	£600	£100,000	£600
£100,001 - £250,000	0.48%	£150,000	£720	£150,000	£720
£250,001 - £500,000	0.42%	£250,000	£1,050	£250,000	£1,050
£500,001 - £1,000,000	0.39%	£500,000	£1,950	£500,000	£1,950
£1,000,001 - £5,000,000	0.30%	£4,000,000	£12,000	£3,000,000	£9,000
£5,000,001 - £7,000,000	0.030%	£0	£0	£0	£0
£7,000,001 +	0.005%	£0	£0	£0	£0
Total		**£5,000,000**	**£16,320**	**£4,000,000**	**£13,320**

Under this regressive tariff, despite Business A's income being 25% higher than that of Business B, its fee would be 22.5% higher.

Under a **PROGRESSIVE** tariff (with a regressive 'tail'):

		Business A		Business B	
Income	**Fee**	**Relevant income in band**	**Fee per band**	**Relevant income in band**	**Fee per band**
£1 - £100,000	0.15%	£100,000	£150	£100,000	£150
£100,001 - £250,000	0.20%	£150,000	£300	£150,000	£300
£250,001 - £500,000	0.25%	£250,000	£625	£250,000	£625
£500,001 - £1,000,000	0.30%	£500,000	£1,500	£500,000	£1,500
£1,000,001 - £5,000,000	0.35%	£4,000,000	£14,000	£3,000,000	£10,500
£5,000,001 - £7,000,000	0.030%	£0	£0	£0	£0
£7,000,001 +	0.005%	£0	£0	£0	£0
Total		**£5,000,000**	**£16,575**	**£4,000,000**	**£13,075**

Under this progressive tariff, despite Business A's income being 25% higher than that of Business B, its fee would be 26.8% higher.

Under a **LINEAR** tariff (with a regressive 'tail'):

		Business A		Business B	
Income	**Fee**	**Relevant income in band**	**Fee per band**	**Relevant income in band**	**Fee per band**
£1 - £100,000	0.33%	£100,000	£330	£100,000	£330
£100,001 - £250,000	0.33%	£150,000	£495	£150,000	£495
£250,001 - £500,000	0.33%	£250,000	£825	£250,000	£825
£500,001 - £1,000,000	0.33%	£500,000	£1,650	£500,000	£1,650
£1,000,001 - £5,000,000	0.33%	£4,000,000	£13,200	£3,000,000	£9,900
£5,000,001 - £7,000,000	0.030%	£0	£0	£0	£0
£7,000,001 +	0.005%	£0	£0	£0	£0
Total		**£5,000,000**	**£16,500**	**£4,000,000**	**£13,200**

Under this linear tariff, Business A's income is 25% higher than that of Business B, and its fee is 25% higher, so the difference in fee is directly in line with the percentage differences in their income levels.

7.3.2 **Question: Do you agree with the proposal to adopt mildly progressive fee tariffs (with a regressive 'tail')? If you do not agree, please give reasons for your answer.**

7.3.1 Unlike at present, the *Commission* is proposing that none of the tariffs would have fixed monetary fee caps. Instead, an increasingly regressive rate would be applied as "relevant income" increases. The *Commission*'s view is that fixed caps result in the burden of the costs of regulation not being borne fairly, with larger businesses benefiting to the disadvantage of smaller businesses. Fee tariffs that have no fixed cap but, instead, have a regressive tail (as described in paragraph 7.2.7) are considered to be fairer.

7.3.2 **Question: Do you agree with the proposal to use increasingly regressive fee rates as "relevant income" increases, rather than implement fixed monetary fee caps? If you do not agree, please give reasons for your answer.**

7.3.3 Note that it is also proposed that the fee tariffs for collective investment funds, which are calculated on the basis of the number of pools of assets, will no longer be capped (at £70,000 per certificate holder). As with the fee tariffs based on income, an increasingly regressive tariff (but still based on the number of pools of assets) would be applied. A similar approach would be taken in relation to the fee tariff for those who utilise the *QSMA Order*.

7.3.4 **Question: Do you agree with the proposal to abolish the current fee caps for fees relating to collective investment funds and users of the *QSMA Order*, and instead use an increasingly regressive tariff? If you do not agree, please give reasons for your answer.**

7.4 An annual fee consisting of two components

7.4.1 As at present, the *Commission*'s intention is that the funding required from *regulated businesses* would be the aggregate needed to cover two cost components. The first is a "direct costs" component and the second, a "support costs" component.

7.4.2 Each *Regulated businesses* would contribute to the raising of the necessary funds for these two components through an annual fee calculated using the methodologies shown in Appendix B.

The first component - the "DIRECT COSTS requirement".

7.4.3 This component would raise (in aggregate) from *regulated businesses* the *Commission*'s funding requirement in respect of the direct costs of supervising *regulated businesses* (i.e. primarily supervisory staff costs) and to cover any topping up of the *Commission*'s reserves that may be necessary (in line with the *Commission*'s reserves policy – see section 9.2).

7.4.4 However, the *Commission* proposes that there would be flat fee supplements per *regulated business* in some cases, where the structure of a business results in significant additional supervisory costs e.g. where the *Commission* is home supervisor in relation to an off-Island branch. Please see Appendix B for details.

7.4.5 **Question: Do you agree with the proposed flat fee supplements where the structure of a business results in significant additional supervisory costs? If you do not agree, please give reasons for your answer.**

7.4.6 Currently, the *Commission* has separate supervisory divisions for each type of *licence*-holder. So there is one division that supervises banks, another that supervises trust companies, another that supervises investment businesses, and so on.

7.4.7 During 2016 the *Commission* intends to change the structure of its supervisory divisions to improve the effectiveness of its supervisory activities. The *Commission* will be moving from supervisory divisions that are based on the type of *licence*-holder, to entity-based supervisory units. However, it would still be the intention of the *Commission* to allocate direct costs by Industry sector (banks, trust company business, etc.).

The second component – the "SUPPORT COSTS requirement"

7.4.8 This component would raise (in aggregate) from *regulated businesses* the *Commission*'s funding requirement in respect of its general support costs (i.e. the *Commission*'s Facilities team, Communications team, ICT team, ICT infrastructure, premises costs, Board of Commissioners, Director General's office, Human Resources team, Enforcement team and Policy team) including the amortization of intangible assets and depreciation of tangible assets.

7.4.9 In calculating current fees, support costs are allocated to Industry sectors using a number of different criteria. There are numerous ways that support costs can be allocated and each has its pros and cons. It is difficult to conceive a system that would allocate costs perfectly across Industry sectors given that the balance of work changes over time. While the *Commission* wishes to see support costs allocated fairly it wishes to avoid having a system that is unduly complex and, thus, counter-productive by requiring significant internal administrative effort (and hence expense) to maintain.

7.4.10 In a bid to strike the right balance going forward, the *Commission* proposes to simply allocate support costs to *regulated businesses* based on the percentage of the *Commission*'s "direct costs requirement" (the first component described above) that comes from those *regulated businesses*.

7.4.11 The fee income required in aggregate from *regulated businesses* in an Industry sector for the "support costs requirement" would be proportionate to that sector's contribution to the total fee income raised. So, for example, of the £10.7 million regulatory fee income that the *Commission* received in 2014, £1.2 million came from banks. So, under this proposal, banks would, in aggregate, bear 11.2% of the *Commission*'s support costs[8].

7.4.12 It is accepted that, in some years, this allocation method would not correlate perfectly with how support costs were actually incurred. For example, in one year more of the *Commission*'s Communications team's time may be given over to dealing with matters relating to one particular Industry sector (e.g. banking) than in a previous year.

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8 i.e. 100 x (£1,200,000/£10,700,000).

However, over a cycle of several years, it is expected that there will be a reasonable correlation.

7.4.13 **Question: Do you agree with how the *Commission* proposes to allocate support costs across *regulated businesses*? If you do not agree, please give reasons for your answer.**

7.5 A new process for setting annual fees

7.5.1 In tandem with the proposed move to fee tariffs calculated (in most cases) on the basis of "relevant income" (see section 7.1) and annual fee reviews (see section 5.3) the *Commission* proposes to adopt the following process, which would commence in the third quarter ("**Q3**") of each year:

Q3	*Commission* determines its funding requirement for the following calendar year, based on anticipated expenditure and any topping up of reserves that may be necessary (in line with the *Commission*'s reserves policy – see section 9.2).
Q3	*Regulated businesses* submit "relevant income" data to the *Commission* for each type of regulated activity they carry on (banking, investment business, trust company business, etc) for their most recent financial period. Submission would be via an electronic portal, to enable fee tariffs for the following year to be constructed by the *Commission*. A 28 day deadline for submission would be set.
Q4	*Commission* consults on proposed fee tariffs for the following year (indicating, when appropriate, the extent to which the amount of fee income that would ordinarily be required from a class of *regulated business* by the *Commission* has been reduced as a consequence of income received from civil financial penalties previously imposed by the *Commission*[9]).
Q1	*Commission* publishes fee tariffs and issues invoices to *regulated businesses* for the annual fee payable.

7.5.2 Initially, "relevant income" would, as indicated above, be submitted to the *Commission* by each *regulated business* through a dedicated electronic portal that would be developed. In the longer term, the *Commission*'s intention is to facilitate the electronic submission of a *regulated business*'s financial statements in XBRL[10], which would enable the *Commission* to extract the "relevant income" figures automatically.

[9] Legislation requires the *Commission* to treat penalty money received as if it were part of the fees due from the class of *regulated business* on whom the penalties were imposed, so as to reduce the level of fees that would otherwise be charged to that class of *regulated business*.

[10] "XBRL" stands for eXtensible Business Reporting Language an eXtensible Markup Language (XML) based standard to describe financial data.

7.5.3 Note that the fee-setting process for *DNFBPs*, collective investment funds and those who utilise the *QSMA Order* would not change (although the fee due dates may).

7.5.4 **Question: Do you have any comments on the proposed fee-setting process?**

7.6 Collecting annual fees

7.6.1 To reduce the administrative burden on the *Commission*'s Finance team, the *Commission* may stagger the issuing of invoices.

7.6.2 There are a number of ways in which this could be done. Perhaps the simplest ("**Model 1**"), from the *Commission*'s perspective, would be to issue invoices by sector e.g. banks in January, trust companies businesses in February, investment businesses in March, etc. This would, however, result in *regulated businesses* with multiple *licences* receiving a number of invoices each at different time in a year.

7.6.3 An alternative approach ("**Model 2**") to stagger invoicing, loosely based on the *UK* model, would be to invoice the largest 20-25% of fee-payers first (so the *Commission* would get a significant proportion of the funding it needs for cash flow purposes at the beginning of the financial year) and the many smaller fee-payers invoiced later in the year.

7.6.4 **Question: Do you have a preference for either of Model 1 or Model 2 for the issuing of invoices on a staggered basis?**

7.6.5 The *Commission* would be interested in receiving other suggestions for how invoicing could be handled, especially from *regulated businesses* that hold multiple *licences.*

7.6.6 **Question: Are there other models for the staggered issuing of invoices that you think the *Commission* should consider?**

7.6.7 Finally, whilst the vast majority of *regulated businesses* must pay their annual fee in one sum, currently *DNFBPs* can pay their annual fee by quarterly instalment. This creates a lot of administration for the *Commission* and, accordingly, adds additional expense. As a consequence, the *Commission* intends to remove this facility.

7.6.8 **Question: Do you agree with the proposed removal of the quarterly instalment option for *DNFBPs*? If you do not agree, please give reasons for your answer.**

7.7 Timing of the move to the new process

7.7.1 Subject to the outcome of this consultation, the *Commission*'s intention is that the new process described in section 7.5 would be effective from 2016 i.e. "relevant income" data would be submitted by *regulated businesses* in Q3 2016 for the first time, with the new tariffs applying for annual fees due in Q1 2017 and thereafter.

7.7.2 **Question: Do you agree with the proposed timetable for the new fee process? If you do not agree, please give reasons for your answer.**

7.7.3 The *Commission* expects that there will be full co-operation from *regulated businesses* in submitting the necessary "relevant income" data. However, should a *regulated business* fail to submit its "relevant income" figure on time, the *Commission* would charge a fee based on an estimated "relevant income" figure. Should the actual income figure subsequently turn out to be higher than the *Commission*'s estimate, the *regulated business* will be required to pay the difference in fee. However, if the actual income figure were to be lower than the estimate on which the fee was based, no refund of any part of the fee previously paid would be made.

7.7.4 **Question: Do you agree with how the *Commission* proposes to deal with *regulated businesses* that fail to submit their "relevant income" data on time? If you do not agree, please give reasons for your answer and suggest an alternative approach (with reasons for it).**

7.8 Relinquishment of a licence

7.8.1 For the avoidance of any doubt, the *Commission* would request *regulated businesses* to note that, as is normally the case now, in the event of a *licence* being relinquished mid-year, no portion of the annual fee would be refunded, given that relinquishing of a *licence* will often involve the *Commission* in additional work to agree a cessation of business plan and monitoring the implementation of the same.

8 DISCRETE FEES

8.1 Extending the range of discrete fees

8.1.1 One of the funding principles described in section 5.1 is that of “fairness and equity”. In the *Commission*’s view this requires that, to the extent practicable, *regulated businesses* that make requests that require the *Commission* to carry out substantive discrete actions only relating to their business should bear the costs of those themselves.

8.1.2 Consistent with that principle, the *Commission* is proposing to extend the range of fees that are levied for significant discrete tasks that the *Commission* has to carry out following a request from a *regulated business*.

8.1.3 This would mean that the general population of *regulated businesses* in a sector would not be (effectively) subsidising the costs of significant tasks carried out at the request of individual *regulated businesses*.

8.1.4 Appendix C sets out the details of the discrete fees proposed.

8.1.5 **Question: Do you have any comments on the proposed discrete fees?**

8.1.6 The *Commission*’s intention is that fees for discrete tasks would be invoiced quarterly in arrears to the *regulated business* concerned (except for a few where it would be more efficient for both the *Commission* and the *regulated business* concerned for payment to be made contemporaneously - see Appendix C for details).

8.1.7 **Question: Do you agree with the proposed quarterly invoicing of discrete fees? If you do not, please explain why.**

8.1.8 In tandem with the introduction of fees for discrete tasks the *Commission* would introduce a system to enable: (i) monitoring the speed at which it deals with the discrete tasks for which a separate fee is payable and; (ii) publishing periodic reports on the same.

9 RESERVES POLICY AND BUDGETARY CONTROL

9.1 Introduction

9.1.1 The current reserves policy is to hold a target reserves balance equal to six months' operating expenditure plus the average of the last five years' investigation and litigation costs.

9.1.2 The target reserve based on the current policy is £7.9 million compared to actual reserves at 30 June 2015 of £6.8 million (unaudited figure).

9.2 Proposed revised reserves policy

9.2.1 The *Commission* maintains reserves in order to meet its funding demands over time, including in times of uncertainty such as in economic downturns and to cover unanticipated but necessary expenditure such as enforcement cases. Whilst most of the *Commission*'s expenditure can be forecast from year to year with reasonable certainty, some elements by their nature are unpredictable, in particular enforcement cases. In order not to burden *regulated businesses* with significant fluctuations in fee requirements from year to year, reserves need to be maintained at appropriate levels.

9.2.2 The *Commission* proposes to implement a revised reserves policy, as set out below.

9.2.3 A fixed asset replacement reserve would be maintained to ensure that the *Commission* is able to replace operational assets at the end of their useful lives. At a minimum this reserve should increase by an amount equal to the total cost of fixed assets in use multiplied by the long-term average rate of inflation.

9.2.4 A reserve would also be maintained to ensure that the *Commission* has sufficient available funds to cover enforcement cases. This is essential so that the *Commission*'s statutory duties as the Island's financial services regulator are not compromised by being unable to tackle serious cases of misconduct due to a lack of funds. This reserve would be based on the average of the *Commission*'s last five years' investigation and litigation costs, adjusted upwards, if necessary, to cover known forthcoming large cases.

9.2.5 A general reserve would be maintained, based on the *Commission*'s working capital requirements during the year and to cover possible reductions in fee income due to a temporary economic downturn. The *Commission*'s assessment is that a reserve of between £4 and £5 million would be required for this.

9.2.6 Altogether, this revised reserves policy would imply a total current reserve requirement of between £7 and £8 million.

9.2.7 Where an annual decrease in reserves occurs, replenishment of reserves would be achieved through equal adjustments to the annual budget, normally over a period of three years.

9.2.8 **Question: Do you agree with the proposed revised reserves policy? If you do not, please explain why.**

9.3 The Commission's budgetary control

9.3.1 The *Commission* maintains strong controls over operational expenditure and continually reviews short term and longer term costs by comparing current suppliers to offerings from alternate suppliers. The *Commission* has reviewed supply arrangements and cost reductions have been achieved in a number of areas. The *Commission* continues to look at other possibilities for cost reductions. Actual costs incurred are compared to budget monthly to identify and mitigate any unexpected deviation from budget.

9.3.2 The *Commission*'s staffing costs amount to approximately 70% of the *Commission*'s overall expenditure. Being able to pay competitive salaries in the current buoyant market, to ensure that it has sufficient staff with the knowledge and expertise required to properly carry out its statutory functions, remains a challenge for the *Commission.* That said, the *Commission* constantly monitors the staffing levels required to supervise Industry sectors and where the composition of a sector changes the *Commission* will adjust staff levels if necessary.

9.3.3 Cost control is a core objective for the *Commission*'s Finance team. Reporting, departmental budget monitoring and procurement control are central to this objective and form key focus areas for both the Finance team and Executive management.

9.3.4 The *Commission* continues to manage total costs to ensure that services are provided to Industry in the most efficient manner without compromising quality control, while responding to additional demands placed on the *Commission* by changing international standards.

10 ANCILLARY MATTERS

10.1 Deposit-taking permits

10.1.1 Under Article 9(2) of the *BBJL* every deposit-taker's registration expires on 31 January each year. This causes a lot of administrative work for the *Commission* (and for banks) in having to renew registrations, for no practical benefit.

10.1.2 The *Commission* is proposing to seek the deletion of Article 9(2) of the *BBJL* and replace it with a provision equivalent to Article 7(12) of the *CIFJL* which states that, "The *Commission* may in accordance with Article 15 of the *Commission Law* publish fees that shall be payable by [banks] at such intervals and upon the occurrence of such events as the *Commission* may determine."

10.1.3 **Question: Do you agree with the proposed amendment to the *BBJL*? If you do not, please explain why.**

10.2 Insurance business permits

10.2.1 In the *IBJL*, Article 6(2) provides that, "Permits shall be renewed annually on such date as the Minister may prescribe, by payment by the permit holder to the *Commission* of such fee as may be published by the *Commission* in accordance with Article 15(5) of the Financial Services Commission (Jersey) Law 1998."

10.2.2 Whilst the *Commission* does not physically renew permits (open-ended permits are instead issued), the Chief Minister has prescribed 1 October as the renewal date. This effectively ties in the annual fee to being payable on that date. To give the *Commission* more flexibility at to the payment date it is proposing to seek the replacement of Article 6(2) of the *IBJL* with a provision that is equivalent to Article 7(12) of the *CIFJL* (see paragraph 10.1.2 above).

10.2.3 **Question: Do you agree with the proposed amendment to the *IBJL*? If you do not, please explain why.**

11 COST BENEFIT ANALYSIS

11.1 Costs to Industry

11.1.1 It is not expected that the proposals in this paper would, per se, result in *regulated businesses* incurring significant additional costs. (Although, as mentioned elsewhere in this paper, there will be a need for the *Commission* to increase the amount it raises through regulatory fees to ensure that it has the necessary resources to regulate and supervise in line with rising international standards, and to meet the substantial additional domestic and international policy demands with which it is faced.) Whilst *regulated businesses* would be required to submit "relevant income" data to the *Commission*, it is expected that businesses will already collate that data or should be able to do so relatively easily.

11.1.2 Whilst the fee levels under the proposed revised fee arrangements cannot be stated at this stage, the proposed removal of fee caps, and a move to progressive fee rates (albeit with regressive rates in the higher fee bands), would see larger businesses bearing a greater proportion of the *Commission*'s costs than at present.

11.2 Costs to the Commission

11.2.1 The *Commission* would incur some one-off costs in developing systems to enable the electronic submission of "relevant income" data by *regulated businesses* and the quarterly invoicing of discrete fees. However, these changes would be swept up into wider system changes that the *Commission* is undertaking to improve the efficiency of the *Commission*'s operations and its interaction with *regulated businesses*. So, on their own, the system changes needed to facilitate the proposals in this paper are not expected to be significant.

11.3 Benefits

11.3.1 The proposals in this paper should result in fees that are raised more fairly across *regulated businesses*.

11.3.2 In particular, the proposed extension of the range of discrete fees would ensure that those *regulated businesses* that engage *Commission* resources as a result of requests they make, will bear more of the cost associated with those: this would be to the benefit of those *regulated businesses* that do not require the *Commission* to undertake a significant number of discrete tasks and who, as a consequence of the current annual fee structure, are effectively subsidising those *regulated businesses* that do.

11.3.3 The move to annual fee reviews would avoid the present situation whereby *regulated businesses* often see their fees rise considerably in one jump, as a result of fees not being reviewed for several years under the current 'rota' system of reviews.

12 SUMMARY OF QUESTIONS

REFERENCE	QUESTION
5.1.2	Question: Do you agree with the proposed principles? If you do not, please give your reasons in detail.
5.2.6	Question: Do you consider that the Government should continue contributing to the *Commission's* costs of supervising *DNFBPs* or should *DNFBPs* bear the full cost? Please give reasons for your answer.
5.3.5	Question: Do you agree that annual fee reviews should become the norm? If you do not, please give reasons for your answer.
6.2.3	Question: Do you agree with the proposed revised application fee arrangement for money service businesses? If you do not, please give reasons for your answer.
6.3.3	Question: Do you agree that an application fee should be paid by *DNFBPs*? If you do not, please give reasons for your answer.
6.4.5	Question: Do you agree with the proposal to charge a higher application fee for "complex applications"? If you do not, please give reasons for your answer.
6.5.2	Question: Do you agree that an application fee should not be refunded in the event of an application being refused or withdrawn? If you do not, please give reasons for your answer.
6.5.4	Question: Do you agree that a pro-rated annual fee should continue to be immediately payable upon approval of an application? If you do not, please give reasons for your answer.
7.1.9	Question: Do you agree with the proposal to use "relevant income" as the basis for calculating the amount of the annual fee that would be payable by a *regulated business*? If you do not, please give reasons for your answer and suggest an alternative metric (and give the rationale for it).
7.1.13	Question: Do you agree with the *Commission's* fee proposal for new businesses? If you do not, please give reasons for your answer.
7.3.2	Question: Do you agree with the proposal to adopt mildly progressive fee tariffs (with a regressive 'tail')? If you do not agree, please give reasons for your answer.
7.3.2	Question: Do you agree with the proposal to use increasingly regressive fee rates as "relevant income" increases, rather than implement fixed monetary fee caps? If you do not agree, please give reasons for your answer.

7.3.4	Question: Do you agree with the proposal to abolish the current fee caps for fees relating to collective investment funds and users of the *QSMA Order*, and instead use an increasingly regressive tariff? If you do not agree, please give reasons for your answer.
7.4.5	Question: Do you agree with the proposed flat fee supplements where the structure of a business results in significant additional supervisory costs? If you do not agree, please give reasons for your answer.
7.4.13	Question: Do you agree with how the *Commission* proposes to allocate support costs across *regulated businesses*? If you do not agree, please give reasons for your answer.
7.5.4	Question: Do you have any comments on the proposed fee-setting process?
7.6.3	Question: Do you have a preference for either of Model 1 or Model 2 for the issuing of invoices on a staggered basis?
7.6.6	Question: Are there other models for the staggered issuing of invoices that you think the *Commission* should consider?
7.6.8	Question: Do you agree with the proposed removal of the quarterly instalment option for *DNFBPs*? If you do not agree, please give reasons for your answer.
7.7.2	Question: Do you agree with the proposed timetable for the new fee process? If you do not agree, please give reasons for your answer.
7.7.4	Question: Do you agree with how the *Commission* proposes to deal with *regulated businesses* that fail to submit their "relevant income" data on time? If you do not agree, please give reasons for your answer and suggest an alternative approach (with reasons for it).
8.1.5	Question: Do you have any comments on the proposed discrete fees?
8.1.7	Question: Do you agree with the proposed quarterly invoicing of discrete fees? If you do not, please explain why.
9.2.8	Question: Do you agree with the proposed revised reserves policy? If you do not, please explain why.
10.1.3	Question: Do you agree with the proposed amendment to the *BBJL*? If you do not, please explain why.
10.2.3	Question: Do you agree with the proposed amendment to the *IBJL*? If you do not, please explain why.

› APPENDIX A

List of representative bodies and other persons who have been sent this consultation paper.

- Association of English Solicitors Practising in Jersey
- Chartered Institute for Securities & Investment – Jersey branch
- Institute of Directors – Jersey branch
- Jersey Association of Directors and Officers
- Jersey Association of Trust Companies
- Jersey Bankers' Association
- Jersey Chamber of Commerce and Industry Incorporated
- Jersey Compliance Officers Association
- Jersey Estate Agents Association
- Jersey Finance Limited
- Jersey Funds Association
- Jersey International Insurance Association
- Jersey Motor Traders Federation
- Jersey Society of Chartered and Certified Accountants
- Law Society of Jersey
- Personal Finance Society - Jersey branch
- Society of Trust and Estates Practitioners (STEP), Jersey branch

› APPENDIX B

Proposed new methodology for calculating annual fees

Regulated sector	Sub-category	Current method of calculating annual fee	Proposed method of calculating annual fee	Notes
Banks	N/A	A fee based on level of Consolidated Income (or, in occasional instances, "Deemed Income") **(subject to a cap of £47,700)** plus additional flat fee components for each country in which the bank has an overseas branch or subsidiary where the *Commission* is the home supervisor. (The annual fee is reduced by 50% where the registration is for business continuity purposes.)	A tiered fee tariff based on the "relevant income" of the registered person. (Fixed monetary cap would be removed.) plus additional flat fee components for each country in which the bank has an overseas branch or subsidiary where the *Commission* is the home supervisor. (The annual fee would continue to be reduced by 50% where the registration is for business continuity purposes.)	**"Relevant income"** would be defined as Consolidated Income (or, in occasional instances, "Deemed Income"), as per the *Commission*'s existing fees notice. Component fee for a subsidiary would be 50% higher than for a branch, due to the former requiring *Commission* oversight for prudential requirements.
Investment business	Class A (Dealing in investments) Class B (Managing investments) Class C (Giving investment advice: allowed to hold client assets)	A flat fee plus an additional fee based on the number of "investment employees". **Subject to a cap of £37,660 for persons registered for Class A, B or C, or any combination of those classes.**	A tiered fee tariff based on the "relevant income" of the registered person (or, where a branch operation, the relevant income of its Jersey branch). The tariff would apply to a person registered for Class A, B or C, or any combination of those classes (i.e. the fee would not be affected by the number of those classes a person is registered for). (Fixed monetary cap would be removed.)	**"Relevant income"** would be defined as fees or commission retained (net of any refunds) in respect of the registered person's investment business covered by its registration.
	Class D	A flat fee plus an additional fee based on the number of "investment employees".	A tiered fee tariff based on the "relevant income" of the registered person (or, where a	

Regulated sector	Sub-category	Current method of calculating annual fee	Proposed method of calculating annual fee	Notes
	(Giving investment advice: not allowed to hold client assets)	**Subject to a cap of £19,880.**	branch operation, the relevant income of its Jersey branch). (Fixed monetary cap would be removed.)	
	Class E (Investment business carried on only with respect to *COBO*-only funds)	A fee based on the number of *COBO*-only funds in respect of which the Class E registration relates.	No change in method proposed.	There is only 1 Class E registration and no new registrations are likely.
Trust company business	All classes (except Class O and natural persons carrying on a single class of trust company business)	A base fee plus A fee multiplied by how many classes of business the person (and affiliates, where applicable) is registered for plus A fee based on the number of "trust company business" employees **Subject to a fee cap of the greater of £50,000 and 2/3rds of the fee that would be payable absent a cap being in place.**	A tiered fee tariff based on the aggregated "relevant income" of the registered person. (Where there is an affiliation, "relevant income" for the purposes of the tariff will be the aggregate of all members of the affiliation.) (Fixed monetary cap would be removed.)	**"Relevant income"** would be defined as fees or commission received (net of any refunds) in respect of the registered person's/affiliation's trust company business covered by its registration.
	Natural persons carrying on a single class of trust company business.	Flat fee	A tiered fee tariff based on the "relevant income" of the registered person.	**"Relevant income"** would be defined as fees or commission received (net of any refunds) in respect of the registered person's trust company business covered by its registration. (In the main, this category covers person who are registered to carry on in business as an independent director.)

Regulated sector	Sub-category	Current method of calculating annual fee	Proposed method of calculating annual fee	Notes
	Class O (Limited services to local residents, where no trust company business assets are handled or controlled)	Flat fee	(No change in method proposed.)	Very small number of Class O registrations (9).
General Insurance Mediation Business (regulated under the *FSJL*)	Class P (Carrying on *GIMB*, other than incidentally, and not carrying on any other class of financial service business)	A fee based on level of "brokerage income" **Subject to a cap of £6,750.**	A tiered fee tariff based on the "relevant income" of the registered person. In relation to a registered person who carries on *GIMB* from within Jersey, relevant income will be that related to such activities whether the income arises within or outside Jersey. In relation to a registered person who carries on *GIMB* in Jersey from outside Jersey, relevant income will be that arising from such activities in Jersey. Where the registered person is exempted from the application of the Accounts, Audit & Solvency Order, a 10% discount would be applied. (Fixed monetary cap would be removed.)	**"Relevant income"** would be defined as fees or commission retained (net of any refunds) in respect of the registered person's general insurance mediation business covered by its registration. The 10% discount would reflect the fact that the *Commission* does not undertake prudential regulation.
	Class Q (Carrying on *GIMB*, including incidentally, in addition to carrying on some other form of prudentially *regulated business*)	A fee based on level of "brokerage income" **Subject to a cap of £3,375.**	A tiered fee tariff based on the "relevant income" of the registered person. In relation to a registered person who carries on *GIMB* from within Jersey, relevant income will be that related to such activities whether the income arises within or outside Jersey. In relation to a registered person who carries on *GIMB* in Jersey from outside Jersey, relevant income will be that arising from such activities in Jersey. Where the registered person is exempted from the application of the Accounts, Audit &	**"Relevant income"** would be defined as fees or commission retained (net of any refunds) in respect of the registered person's general insurance mediation business covered by its registration.

Regulated sector	Sub-category	Current method of calculating annual fee	Proposed method of calculating annual fee	Notes
			Solvency Order, a 10% discount would be applied. (Fixed monetary cap would be removed.)	The 10% discount would reflect the fact that the *Commission* does not undertake prudential regulation.
	Class R (Carrying on incidental *GIMB* if: (a) the *GIMB* business includes giving advice on the terms, conditions or suitability of a policy, and; the business to which the *GIMB* is incidental is not a form of prudentially *regulated business*)	A fee based on level of "brokerage income" **Subject to a cap of £1,700.**	A tiered fee tariff based on the "relevant income" of the registered person. In relation to a registered person who carries on *GIMB* from within Jersey, relevant income will be that related to such activities whether the income arises within or outside Jersey. In relation to a registered person who carries on *GIMB* in Jersey from outside Jersey, relevant income will be that arising from such activities in Jersey. (Fixed monetary cap would be removed.)	**"Relevant income"** would be defined as fees or commission retained (net of any refunds) in respect of the registered person's general insurance mediation business covered by its registration. [The Accounts, Audit & Solvency Order does not apply to Class R in view of Article 3A of the *FSJL*.]
	Class S (Carrying on incidental *GIMB* if: (a) the *GIMB* business does not include giving advice on the terms, conditions or suitability of a policy, and; the business to which the *GIMB* is incidental is not a form of prudentially *regulated business*)	Flat fee (£40)	(No change in method proposed)	
	A person registered for Class P, Q, R or S *GIMB* but exempted from the Accounts, Audit & Solvency Order by the *Commission* ("Table 2 persons").	Flat fee (£40)	This fee category (known as "Table 2") will be removed because the present flat fee structure does not adequately reflect the level of supervisory effort required. Table 2 persons will instead pay the fee relevant to their class of registration as shown above.	

Regulated sector	Sub-category	Current method of calculating annual fee	Proposed method of calculating annual fee	Notes
Insurance business (regulated under the *IBJL*)	Category A	Flat fee	A tiered fee tariff based on the "relevant income" of the permit holder.	**"Relevant income"** would be defined as the gross premium income earned in respect of insurance business covered by its permit, reduced by – (i) any rebates, refunds and reinsurance commission payable by the permit holder, and (ii) the gross amount of any premiums for reinsurance ceded by the insurer.
	Category B	Flat fee	A tiered fee tariff based on the "relevant income" of the permit holder.	**"Relevant income"** would be defined as the gross premium income earned in respect of insurance business covered by its permit, reduced by – (i) any rebates, refunds and reinsurance commission payable by the permit holder, and (ii) the gross amount of any premiums for reinsurance ceded by the insurer.
Money service business		Flat fee	A tiered fee tariff based on the "relevant income" of the registered person (or, where a branch operation, the relevant income of its Jersey branch).	**Relevant income** would be defined as fees or commission received (net of any refunds) in respect of the registered person's money service business covered by its registration.
COBO	*COBO*-only fund	Flat fee	(No change in method proposed.)	
	Private placement fund	Flat fee	(No change in method proposed.)	
	Very private fund	Flat fee	(No change in method proposed.)	
Collective Investment Funds	Recognized funds	A fee based on the total number of pools of assets in relation to which the person holds one or more permits.	A tiered fee tariff based on the total number of pools of assets in relation to which the person holds one or more permits.	The *Commission* considers that an income based measurement would not be appropriate for funds given

Regulated sector	Sub-category	Current method of calculating annual fee	Proposed method of calculating annual fee	Notes
		Subject to a cap of £9,400.	(Fixed monetary cap would be removed.)	the lack of conventional turnover. Keeping a tariff based on the number of pools of assets is considered to be the best option for meeting the principles set out in section 5.1 of this consultation paper.
	Certified funds	A fee based on the total number of pools of assets in relation to which the person holds one or more certificates. **Subject to a cap of £70,000.**	A tiered fee tariff based on the total number of pools of assets in relation to which the person holds one or more certificates. (Fixed monetary cap would be removed.)	The *Commission* considers that an income based measurement would not be appropriate for funds given the lack of conventional turnover. Keeping a tariff based on the number of pools of assets is considered to be the best option for meeting the principles set out in section 5.1 of this consultation paper.
Fund services business		A fee based on the total number of pools of assets in relation to which the person is registered to carry on fund services business. **Subject to a cap of £33,100.**	A tiered fee tariff based on the "relevant income" of the registered person. (Fixed monetary cap would be removed.)	**"Relevant income"** would be defined as fees or commission retained (net of any refunds) in respect of the registered person's fund services business covered by its registration.
AIF and *AIF* services businesses	*AIF*	Flat fee	(No change in method proposed.)	A flat fee would be maintained for simplicity.
	AIF service business (Class ZL)	Flat fee	(No change in method proposed.)	A flat fee would be maintained for simplicity.
QSMA Order, utilisation of		A fee based on the number of relevant QSMAs acted in relation to. **Subject to a cap of £32,000.**	(No change in method proposed.) (Fixed monetary cap would be removed.)	
Recognized Auditors		Flat fee	(No change in method proposed.)	
Non-profit organizations		No fee	(No fee is proposed.)	NPOs do not currently involve the *Commission* in materially significant levels of work (although this could

Regulated sector	Sub-category	Current method of calculating annual fee	Proposed method of calculating annual fee	Notes
				change as international *AML/CFT* standards evolve).
DNFBPS Accountants, Estate agents Lawyers, Lenders and other Specified Schedule 2 businesses, as defined in the *SBJL*. (only overseen for compliance with *AML/CFT* requirements)		A fee based on the number of "relevant employees".	(No change in method proposed).	Currently, *DNFBPs* can pay the annual fee by quarterly instalment. The *Commission* is intending to remove this facility. See section 7.6.7 of this consultation paper.

› APPENDIX C

Proposed discrete fees

<u>General note:</u>

Where a *regulated business* holds multiple regulatory *licences* and could thus be liable to a discrete fee under two or more sector's fees for the same activity, it would be charged the fee only once.

For example, where a bank that is registered under the *BBJL* for deposit-taking and also registered under the *FSJL* for investment business submits a personal questionnaire (PQ) in respect of a Board appointment that requires a "no-objection" confirmation from the *Commission* under both the *BBJL* and the *FSJL*, the discrete PQ fee would be charged once.

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
Banks	N/A	None	• A flat fee for considering Article 48D *BBJL* transfer schemes. (Intra-group transfer schemes would attract a lower fee.) • A flat fee for considering changes in controller (Article 14 *BBJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	This discrete fee would be one of the few payable at time of application; others would be invoiced for quarterly in arrears. The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
Investment business	Class A (Dealing in investments)	None.	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g.	

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
			mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
	Class B (Managing investments)	None.	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
	Class C (Giving investment advice: allowed to hold client assets)	None.	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
				invoiced quarterly in arrears to a *regulated business*.
	Class D (Giving investment advice: not allowed to hold client assets)	None.	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
	Class E (Investment business carried on only with respect to *COBO*-only funds)	None.	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	There is only 1 Class E registration and the *Commission* considers that no new registrations are likely. The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
Trust company business	All classes (except Class O and natural persons carrying on a single class of trust company business)	None.	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate.	

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
			• Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
	Natural persons carrying on a single class of trust company business.	None.	None.	
	Class O (Limited services to local residents, where no trust company business assets are handled or controlled)	None.	None.	There are only 9 Class O registrations.
General Insurance Mediation Business (regulated under the *FSJL*)	Class P (Carrying on *GIMB*, other than incidentally, and not carrying on any other class of financial service business)	None.	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
	Class Q (Carrying on *GIMB*, including incidentally, in addition to carrying on some other form of prudentially *regulated business*)	None.	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
				should be payable on application or invoiced quarterly in arrears to a *regulated business*.
	Class R (Carrying on incidental *GIMB* if: (a) the *GIMB* business includes giving advice on the terms, conditions or suitability of a policy, and; the business to which the *GIMB* is incidental is not a form of prudentially *regulated business*)	None.	None	Change in controller & PQ regime does not apply to Class R
	Class S (Carrying on incidental *GIMB* if: (a) the *GIMB* business does not include giving advice on the terms, conditions or suitability of a policy, and; the business to which the *GIMB* is incidental is not a form of prudentially *regulated business*)	None.	None	Change in controller & PQ regime does not apply to Class S
	A person carrying on *GIMB* under an exemption.	None.	None.	
Insurance business (regulated under the *IBJL*)	Category A	None.	• A flat fee for considering Article 27 *IBJL* transfer schemes. (Intra-group transfer schemes would attract a lower fee.)	This discrete fee would be one of the few payable at time of application; others would be invoiced for quarterly in arrears.
	Category B	None.	• A flat fee for considering Article 27 *IBJL* transfer schemes. (Intra-group transfer schemes would attract a lower fee.)	This discrete fee would be one of the few payable at time of application; others would be invoiced for quarterly in arrears.

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
			• A flat fee for considering changes in controller (Article 23 *IBJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	PQ regime only applicable to Category B permit holders. The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
Money service business		None	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
COBO	*COBO*-only fund	None	• Change of name of fund/pool: flat fee • Change to conditions on certificate (at holder's request): flat fee • Change in functionary (e.g. administrator). There would be 3 pricing points, depending on the work involved: the *Commission*	

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
			would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Other material change to the fund that requires the consent of the *Commission*. There would be 3 pricing points, depending on the work involved: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate.	
	Private placement fund	None	• Adding a new pool of assets: flat fee (per pool). • Conversion into a CIF: flat fee • Change of name of fund/pool: flat fee • Change to conditions on certificate (at holder's request): flat fee • Change in functionary (e.g. administrator). There would be 3 pricing points, depending on the work involved: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Other material change to the fund that requires the consent of the *Commission*. There would be 3 pricing points, depending on the work involved: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate.	
	Very private fund	None	None	
Collective Investment Funds	Recognized funds	• Adding a new pool of assets: flat fee (per pool).	• Adding a new pool of assets: flat fee (per pool).	

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
		• Conversion of permit holder into a cell company: flat fee.	• Conversion of permit holder into a cell company: flat fee.	
	Certified funds	• Adding/removing a pool of assets: flat fee (per pool) • Conversion of CIF into a cell company: flat fee • Change of name of fund/pool: flat fee • Change of name of certificate holder: flat fee • Change to conditions on certificate (at holder's request): flat fee • Add another fund service provider: flat fee	• Adding/removing a pool of assets: flat fee (per pool) • Conversion of CIF into a cell company: flat fee • Change of name of fund/pool: flat fee • Change of name of certificate holder: flat fee • Change to conditions on certificate (at holder's request): flat fee • Add another fund service provider: flat fee • Material change to a constitutional document (e.g. trust deed). There would be 3 pricing points, depending on the work involved: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Change in functionary (e.g. investment adviser). There would be 3 pricing points, depending on the work involved: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
			• Conversion into a *COBO*-only fund: flat fee.	invoiced quarterly in arrears to a *regulated business*.
Fund services business		None	• A flat fee for considering changes in controller (Article 14 *FSJL*) e.g. mergers/acquisitions. There would be 3 pricing points, depending on the complexity of the change: the *Commission* would invoice post-event based on its reasonable determination as to which pricing point was most appropriate. • Personal Questionnaire (PQ) regime. A flat fee for each PQ processed.	The *Commission* would welcome views as to whether this PQ fee should be payable on application or invoiced quarterly in arrears to a *regulated business*.
AIF and *AIF* services businesses	*AIF*	None	None (given that *AIF* and *AIF* services businesses would be covered by the proposed discrete fees under the Collective Investment Funds and Fund Services Business regimes)	
	AIF service business (Class ZL)	None	None (given that *AIF* and *AIF* services businesses would be covered by the proposed discrete fees under the Collective Investment Funds and Fund Services Business regimes)	
QSMA Order, utilisation of		None	None	
Recognized Auditors		None	A flat fee for adding an additional "designated responsible individual" to an audit firm's entry on the Register of Recognized Auditors.	
Non-profit organizations		None	None	
DNFPBs Accountants, Estate agents		None	None	

Regulated sector	Sub-category	Current discrete fees	Proposed discrete fees	Notes
Lawyers, Lenders and other Specified Schedule 2 businesses, as defined in the *SBJL*. (only overseen for compliance with *AML/CFT* requirements)				