



Financial Services Commission

Consultation Paper

Proposed fee amendments for financial services providers

Published: 16th February 2015

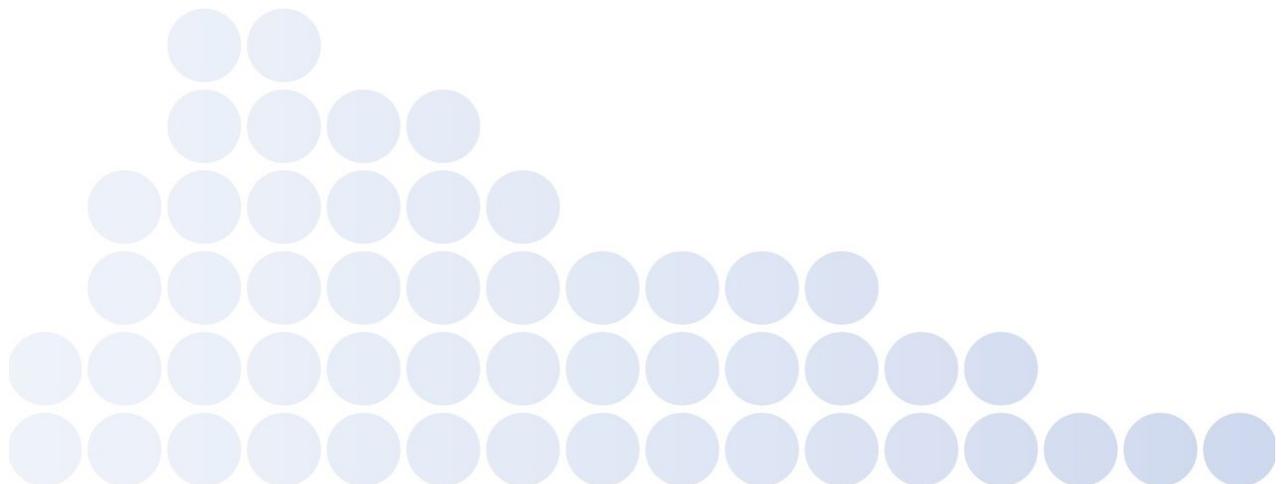


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1. Purpose

The purpose of this consultation paper is to set out proposals for revised fees payable for the period 2015/2016 by existing financial services firms under the various supervisory acts for which the Financial Services Commission “the FSC” has responsibility.

2. Basis of consultation

As an organisation, the FSC has a responsibility to cover its costs by charging fees and is committed to doing this in an open, transparent and accountable way.

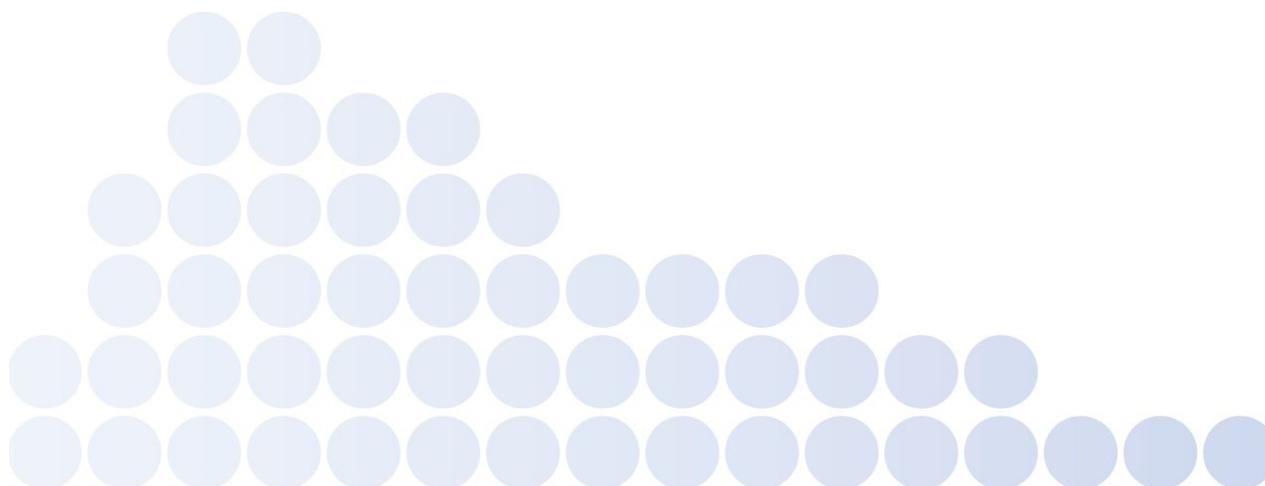
Providing details of the proposed changes supports the provision of greater transparency and understanding about the adopted process, including the opportunity for those affected to provide views and feedback.

We look forward to hearing your responses to the consultation by 5pm on Tuesday 17th March 2015. Once we have received these responses and considered the same in consultation with HM Government of Gibraltar (“the Government”), we would expect to be able to invoice firms by 1st April 2015 for the forthcoming period.

If you have any further questions or want to send comments directly please contact;

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We will publish a response paper, including responses received and our comments. The responses may be published, unless a respondent requests otherwise. A standard confidentiality statement in an email message will not be regarded as a request for non-disclosure.



3. Introduction

The FSC is proposing amendments to its licence fees. In doing so, the FSC has considered the changes within the sectors which are regulated, increased operational costs and EU requirements, all of which have led to greater demands on supervision and regulation. Fees must therefore be periodically reviewed to ensure financial demands continue to be met, as well as ensuring regulatory objectives are achieved:

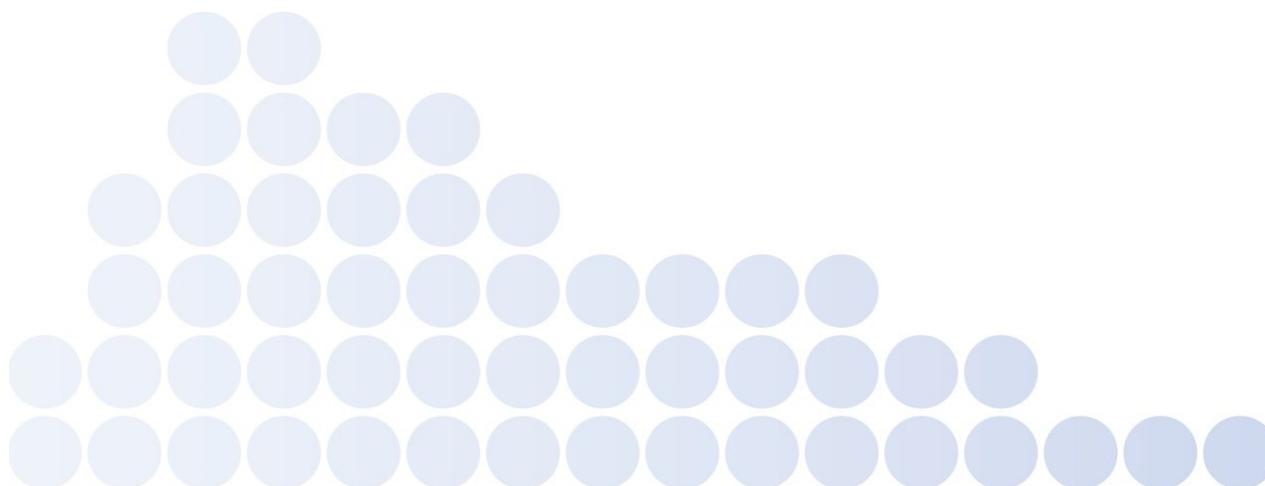
- The promotion of market confidence.
- The reduction of systemic risk.
- The promotion of public awareness.
- The protection of the good reputation of Gibraltar.
- The protection of consumers.
- The reduction of financial crime.

It is widely accepted internationally that regulators should be able to operate independently and that those who undertake regulated business should be required to meet the costs associated with that regulation. The FSC is in temporary receipt of financial support from the Government, to enable it to meet the costs of the implementation of its recently published strategic review and predictable ongoing supervision. The changes proposed in this paper are targeted towards using ordinary fee increases to reduce the FSC's dependence on Government funding over time. In addition, in situations when one-off costs/projects arise such as Solvency II or Capital Requirements Directive (CRD IV), the FSC will raise special levies in consultation with the related sectors. This will ensure that these sector specific costs are not being borne by the whole industry. The annual fees proposed within this paper will not be expected to cover exceptional costs, but rather to meet continued operational costs.

During the past years, albeit not every year, when FSC fees have risen, the percentage increases have been lower than the costs of supervision and significantly less than those of regulators in similar jurisdictions. Past fee increases have also not taken into account the changes in the make-up of licensees which form part of the regulated community. The FSC will therefore be undertaking a review of the fee setting policy in its entirety during the course of 2015/2016.

Whilst the FSC proposes changes to fees, it does not underestimate the impact on firms of paying increased fees. The FSC continues to support Gibraltar in order for it to remain competitive in relation to its peer jurisdictions whilst giving sufficient consideration of covering the necessary costs of regulation.

With the above points in mind, the FSC considers that the fee increases and changes proposed are necessary to ensure the continued strengthening of regulation in Gibraltar, as well as the necessity to meet current and future challenges.



4. Context

The FSC continues to develop in accordance with the published Strategic Plan for 2014 to 2017, which clearly highlighted the strategic priorities and business aims for the forthcoming years.

As highlighted in the plan, the FSC commenced an organisational re-structure to improve the effective and efficient operational delivery of regulation, supervision and deployment of capacity and capability. In recent months, the FSC has focused on strengthening existing sector specific expertise and experience through the appointment of a number of individuals. We believe that this strengthening will facilitate operational delivery that results in delivery of the FSC's regulatory objectives, and benefits for the industry and the jurisdiction more generally. One of the concerns raised in last year's consultation paper was that staffing at the FSC should match the specialised knowledge required in specific areas. The appointments made in 2014/2015 are evidence of this key strengthening.

One area that has recently been created within the FSC is that of a dedicated authorisations team. We are aiming to deliver a streamlined and un-bureaucratic authorisation process which is supported by a risk-based approach that will facilitate consistent, fair and more efficient decisions, with appropriate appeal mechanisms. We will ensure that new entrants do not pose an unacceptable degree of risk to the public or the reputation of Gibraltar whilst not stifling competition, choice or creating excessive or unnecessary regulatory barriers. The development of a dedicated team will also support speed to market for industry participants.

Similar to other regulators, the FSC faces continued pressure to enhance its regulatory regime to meet changing standards and requirements. For example, there are significant demands arising from the EU and other International arenas, with increasingly complex financial regulation. The FSC needs to continuously be aware of (as a minimum) the requirements set out in EU Directives e.g. Capital Requirements Directive (CRD IV), Markets in Financial Instruments Directive 2 (MiFID 2), Solvency II, and any EU Regulations published. Where there have been changes to financial services, the FSC continues to be under pressure to meet the demands and expectations of industry participants and potential applicants in providing relevant guidance/regulatory information, as well as supervising the entities that are captured by the changes to ensure compliance with the requirements. As expected, this requires additional resources within the FSC.

In addition to this, the FSC continues to assume a number of new responsibilities which involve, but are not limited to, its role as a listing authority, supervision of an investment stock exchange, regulation of personal pension schemes and pension trustees, administrator and intermediaries and Insolvency Practitioners. In all of these cases, any new regimes and standards require the FSC to invest in additional staff possessing technical skills and experience. It is only by investing in these areas that the FSC will be able to meet and serve the industry's expectations in developing these parts of the sector.

The depth of oversight on licensed firms has been on the increase in recent years and the level of scrutiny over regulatory returns has also increased. In addition, the FSC is developing a new Supervisory Approach to the assessment and risk rating of firms.

The introduction of additional bands for insurance licensees is proposed in an initial effort to ensure fees remain proportionate to risk and allow for a more equitable coverage of fees between licensees of different size.

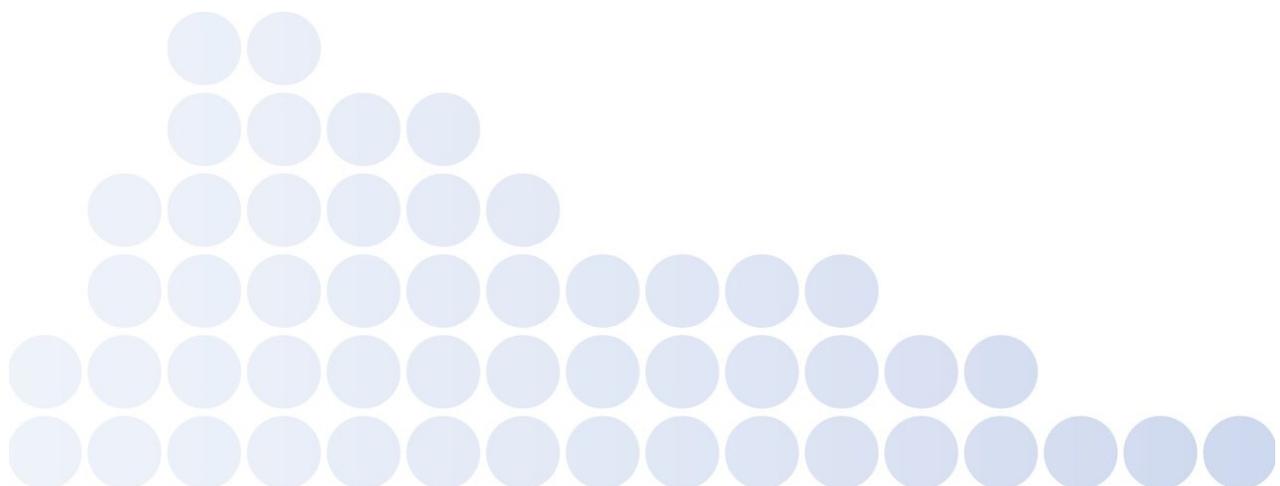
The FSC understands the desirability of striking a balance between the requirement for additional financial resources and the financial impact on licensees. The FSC is also aware the fee structure has experienced minimal changes since it was originally established despite changes to the local and international regulatory landscape and the profile of Gibraltar financial services sector. A full review of the fee setting policy will therefore be carried out during the financial year 2015/2016, against the principles of fairness, proportionality, transparency and predictability and with comparison, where necessary, to other relevant jurisdictions. The industry will be kept informed of this process and fully consulted on any proposals.

5. Procedures

The FSC intends to implement the proposals set out in this paper, following the necessary legislative amendments, to allow revised fees to be effective as from 1st April 2015.

Licensees will have 28 days from the date of the invoice within which to pay the annual fee. Annual fees under the Banking Act and the Insurance Companies Act will be due on the anniversary date of the commencement of the respective licence.

As in the past, the fees are non-refundable, with no option of pro-rata or offset. There will also be no option to pay annual fees throughout the year in instalments and, in many cases, penalty fees will be raised for late payment of fees.



6. Detailed fee proposals

6.1 Fiduciary Services

Under the Financial Services (Investment and Fiduciary Services) Act, proposed amendments to fees are as follows:

Application Fees

Professional Trustee	From £2,500 to £2,750
Company Manager	From £2,500 to £2,750
Nominee Shareholding	From £288 to £317

Annual Fees

Trust under Management – not more than 25 trusts	From £3,818 to £4,162
Trust under Management – 26-150 trusts	From £5,974 to £6,512
Trust under Management – 151-200 trusts	From £8,376 to £9,130
Trust under Management – 201-400 trusts	From £8,622 to £9,398
Trust under Management – 401-600 trusts	From £9,854 to £10,741
Trust under Management – 601 trusts and over	From £11,085 to £12,083
Companies under Management – not more than 150	From £1,971 to £2,148
Companies under Management – 151-500	From £3,079 to £3,356
Companies under Management – 501-1000	From £3,818 to £4,162
Companies under Management – 1001-1500	From £5,789 to £6,310
Companies under Management – 1501 to 3000	From £7,760 to £8,458
Companies under Management – 3001 to 4500	From £8,622 to £9,398
Companies under Management – 4501 and over	From £9,854 to £10,741
Individual Directorships	From £123 to £134
Company Secretarial Services	From £739 to £806
Company Directorship/Additional Company	From £1,910 to £2,082
Company Management - Additional Company	From £1,910 to £2,082
Professional Trustee – Additional Company	From £1,910 to £2,082
Nominee Shareholding	From £801 to £873

The annual fee in respect of a company whose licence is restricted to providing company secretarial services only will be £806 (from £739).

The annual fee in respect of a company whose services, as a nominee company, comprise solely of the provision of nominee shareholders will be £873 (from £801). This fee of £873 allows the provision of nominee shareholder services by up to two separate entities.

The annual fee in respect of a company whose licence is restricted to the provision of corporate directorships only will be £2,082 (from £1,910). This fee of £2,082 allows the provision of corporate directorships services by up to two separate entities. The annual fee in respect of second and subsequent companies with unrestricted licences will be £2,082 per company.

6.2 Occupational Pensions

Under the Financial Services (Occupational Pensions Institutions) Act, proposed amendments to fees are as follows:

Occupational Pensions Institutions Application Fee	From £2,000 to £2,200
Occupational Pensions Institutions Annual Fee	From £2,354 to £2,566

6.3 Asset Protection Trusts

Proposed amendments to fees are as follows:

APT Registration Application Fee	From £300 to £330
APT Registration Annual Fee	From £113 to £123
APT Reinstatement Fee	From £226 to £246

6.4 Investment Services

Under the Financial Services (Investment and Fiduciary Services) Act, proposed amendments to fees are as follows:

Application Fees

MiFID (Cat 1)	From £10,000 to £11,000
MiFID (Cat 2)	From £7,500 to £8,250
MiFID (Cat 3)	From £5,500 to £6,050
Investment Dealer	From £3,750 to £4,125
Investment Broker	From £3,750 to £4,125
CIS Intermediary	From £3,750 to £4,125
Investment Manager	From £3,750 to £4,125
Investment Adviser	From £3,750 to £4,125
Stock Exchange	From £75,000 to £82,500
Stock Exchange Extension of scope of business	From £10,000 to £11,000
Clearing House	From £75,000 to £82,500
EEA Institution - Investment Business	From £1,000 to £1,100
EEA Investment Firms (Branch)	From £1,000 to £1,100
EEA IMD Branch	From £1,000 to £1,100
Incoming Branch PSI Notification	From £1,000 to £1,100
Outgoing Branch PSI Notification	From £1,000 to £1,100
MiFID (Outgoing) Branch Notification	From £1,000 to £1,100
Notification of Payment Services Agent	From £224 to £246
Incoming PSI Agent Notification	From £1,000 to £1,100

Annual Fees

MiFID (Cat 1)	From £12,099 to £13,188
MiFID (Cat 2)	From £9,156 to £9,980
MiFID (Cat 3)	From £6,747 to £7,354

Investment Dealer	From £7,308 to £7,966
Investment Broker	From £7,281 to £7,936
CIS Intermediary	From £3,668 to £3,998
Investment Manager	From £7,281 to £7,936
Investment Adviser	From £6,159 to £6,713
Stock Exchange	From £65,400 to £71,286
Clearing House	From £65,400 to £71,286
Money Services Business (Combined)	From £2,725 to £2,970
EEA Institution - Investment Business	From £6,104 to £6,653
EEA Investment Firms (Branch)	From £6,104 to £6,653
IMD Branch and Insurance Intermediary	From £9,772 to £10,651
Incoming Branch PSI Notification	From £6,104 to £6,653
Outgoing Branch PSI Notification	From £2,834 to £3,089
MiFID (Outgoing) Branch Notification	From £3,270 to £3,564

There will be no cap per annum for transaction fees in respect of Category 1, but will remain at 3p per transaction (previously capped at £30,000 per annum).

6.5 Banks and E-money

Under the Financial Services (Banking) Act, proposed amendments to fees are as follows:

Application Fees

Bank	From £25,000 to £27,500
E-Money	From £25,000 to £27,500
EEA Branch (Outgoing)	From £5,000 to £5,500
E-Money Institution Agent (Notification)	From £224 to £246
E-Money Institution Distributor (Notification)	From £112 to £123

Annual Fees

Bank Initial Fee	From £24,752 to £27,722
Bank Continuation Fee	From £24,752 to £27,772
E-Money Initial Fee	From £31,360 to £35,123
E-Money Institution Continuation Fee	From £31,360 to £35,123
EEA Bank Branch (Incoming) Continuation Fee	From £6,272 to £7,025
EEA Bank Branch (Incoming) Initial Fee	From £6,272 to £7,025
EEA Branch (Outgoing) Initial Fee	From £6,328 to £7,087
EEA Branch (Outgoing) Annual Fee	From £6,328 to £7,087

6.6 Bureaux de Change and Money Transmitters

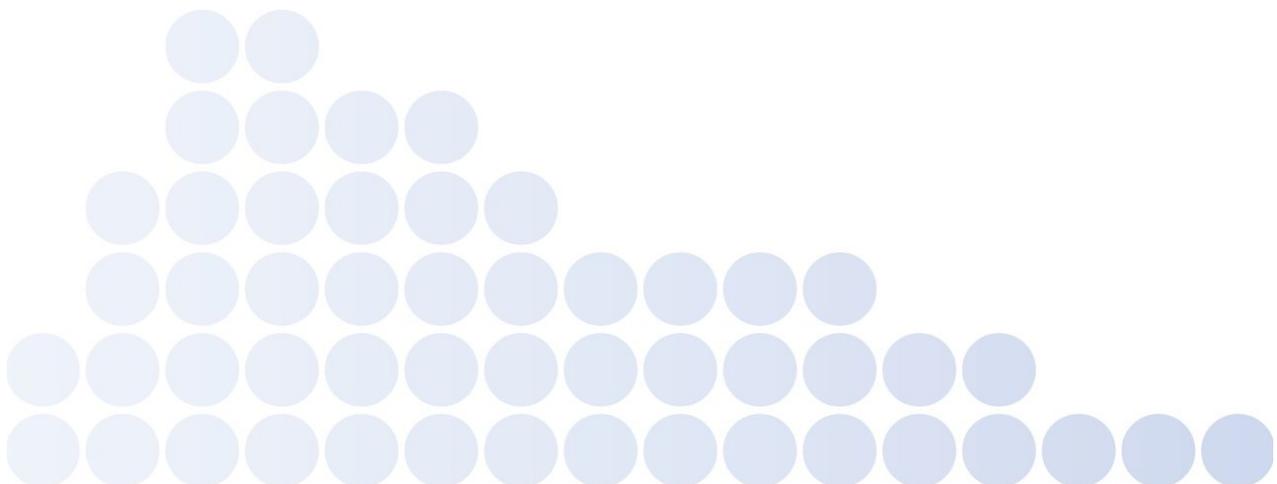
Under the Financial Services (Investment and Fiduciary Services) Act, proposed amendments to fees are as follows:

Application Fee

Bureaux de Change	From £2,500 to £2,750
Class A Authorised Payment Institution	From £3,750 to £4,125
Class B Authorised Payment Institution	From £5,500 to £6,050
Class C Authorised Payment Institution	From £7,500 to £8,250
Class A Registered Payment Institution	From £3,750 to £4,125
Class B Registered Payment Institution	From £3,750 to £4,125
Class C Registered Payment Institution	From £3,750 to £4,125

Annual Fee

Bureaux de Change	From £1,793 to £1,954
Money Transmitters	From £2,970 to £3,237
Class A Authorised Payment Institution	From £2,889 to £3,149
Class B Authorised Payment Institution	From £6,567 to £7,158
Class C Authorised Payment Institution	From £8,911 to £9,713
Class A Registered Payment Institution	From £2,889 to £3,149
Class B Registered Payment Institution	From £2,889 to £3,149
Class C Registered Payment Institution	From £2,889 to £3,149



6.7 Insurance

Under the Financial Services (Investment and Fiduciary Services) Act, proposed amendments to fees are as follows:

Application Fees

Insurance Manager	From £7,500 to £8,250
General Insurance Intermediary	From £3,750 to £4,125
Life Assurance Intermediary	From £3,750 to £4,125
EEA – Insurance Mediation [IMD] Branch	From £1,000 to £1,100

Annual Fees

Insurance Manager	From £7,281 to £8,155
General Insurance Intermediary	From £6,159 to £6,898
Life Assurance Intermediary	From £6,159 to £6,898
EEA – Insurance Mediation [IMD] Branch	From £6,104 to £6,836
Additional Class of Business	From £1,250 to £1,375

Under the Financial Services (Insurance Companies) Act, proposed amendments are as follows:

Application Fees

Insurance (General)	From £4,000 to £4,400
Insurance General (Captive & Reinsurers)	From £4,000 to £4,400
Insurance Long Term	From £10,000 to £11,000
Insurance Extension	From £3,000 to £3,300
Insurance Additional PCC	From £1,500 to £1,650
EEA Insurer (Incoming) Recognition Fee	From £1,000 to £1,100

Annual Fees

Insurance (General) GWP < £10m	From £24,024 to £26,500
Insurance (General) GWP ≥ £10m and < £25m	From £26,544 to £30,000
Insurance (General) GWP ≥ £25m and < £100m	From £26,544 to £32,000
Insurance (General) GWP ≥ £100m and < £250m	From £26,544 to £34,000
Insurance (General) GWP ≥ £250m	From £26,544 to £36,000
Insurance General (Captive & Reinsurers)	From £5,314 to £5,952
Insurance L/Term (Insurers, Reinsurers & PCC)	From £33,320 to £37,318
Insurance L/Term (Captive & Reinsurers)	From £13,216 to £14,802
PCC (General Insurance & Reinsurance)	From £5,314 to £5,952
PCC (General Insurance & Reinsurance per cell)	From £1,988 to £2,227
EEA Insurer (Incoming) Branch	From £6,272 to £7,025

The additional bands to be introduced above for insurance companies will be calculated with reference to the revenue from the most recent available information when fees become payable.

6.8 Solvency II

The proposed fee for the application for approval of an internal capital model will be assessed on a case by case basis. The amount will be on the basis of the nature, scale and complexity of the internal capital model being proposed. The fee charged will be a minimum of £25,000 up to a maximum of £75,000.

The annual fee for the monitoring of an approved internal capital model will be £5,000.

6.9 Funds

Under the Financial Services (Investment and Fiduciary Services) Act, proposed amendments to fees are as follows:

Application Fees

AIFM (In-Scope) External	From £7,500 to £8,250
AIFM (In-Scope) Self-Managed (EIF)	From £3,000 to £3,300
AIFM (In-Scope) Self-Managed (Non-EIF)	From £3,500 to £3,850
AIFM (Small) External (Financial)	From £545 to £600
AIFM (Small) External (Non-Financial)	From £1,090 to £1,199
AIFM (Small) Self-Managed (EIF)	From £109 to £120
AIFM (Small) Self-Managed (Non-EIF)	From £545 to £600
AIFM Depository	From £2,000 to £2,200
AIFM Branch (Outgoing)	From £1,000 to £1,100
AIFM (Additional AIFs) (Other Fees)	From £109 to £119
AIFM Branch Notification Fee	From £1,090 to £1,188

Annual Fees

AIFM (In-Scope) External	From £9,156 to £9,980
AIFM (In-Scope) Self-Managed (EIF)	From £916 to £998
AIFM (In-Scope) Self-Managed (Non-EIF)	From £1,090 to £1,188
AIFM (Small) External (Financial)	From £545 to £594
AIFM (Small) External (Non-Financial)	From £1,090 to £1,188
AIFM (Small) Self-Managed (EIF)	From £109 to £119
AIFM (Small) Self-Managed (Non-EIF)	From £545 to £594
AIFM (In-Scope) External (AIF Fee EIF)	From £327 to £356
AIFM (In-Scope) External (AIF Fee non-EIF)	From £545 to £594
AIFM (Small) External (Financial) (AIF Fee non-EIF)	From £545 to £594
AIFM (Small) External (Non-Financial)(AIF Fee non-EIF)	From £545 to £594
AIFM Depository	From £2,180 to £2,376

AIFM Branch (Outgoing)	From £6,104 to £6,653
AIFM Branch (Incoming) First Contact	From £1,090 to £1,199
AIFM Branch (Incoming)	From £6,104 to £6,653

Under the Financial Services (Collective Investment Schemes) Act, proposed amendments to fees are as follows:

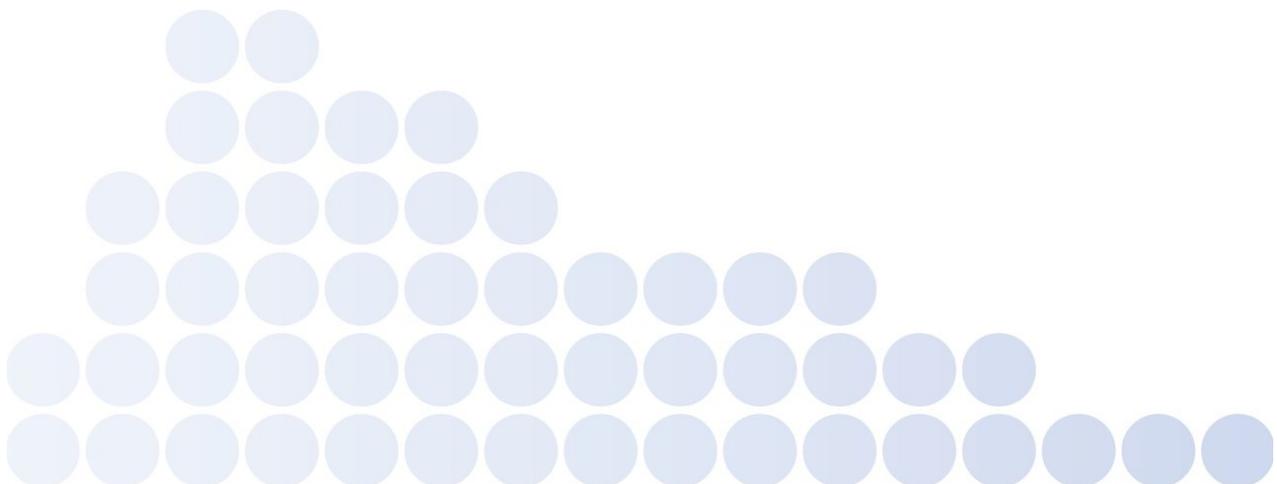
Application Fees

UCITS Scheme	From £4,000 to £4,400
Non UCITS Scheme	From £3,500 to £3,850
Recognition of CIS (S.35)	From £400 to £440
Recognition of CIS (S.40)	From £2,500 to £2,750
CIS Manager	From £10,000 to £11,000
CIS Depositary	From £7,500 to £8,250
CIS Administrator	From £6,000 to £6,600
EIF	From £2,500 to £2,750
EIF Directorship	From £250 to £275
EEA UCITs Management Company (Branch)	From £5,000 to £5,500

Annual Fees

UCITS Schemes	From £4,360 to £4,752
Non-UCITS Schemes	From £4,256 to £4,639
CIS Manager	From £9,745 to £10,622
CIS Depositary	From £9,102 to £9,921
CIS Administrator	From £7,281 to £7,936
EIF	From £916 to £998
EIF Directorship	From £273 to £298

Under the Financial Services (Consumer Credit) Act, it is proposed that annual fees be amended from £1,635 to £1,782.



6.10 Auditors and Insolvency Practitioners

Under the Financial Services (Auditors) Act, it is proposed that fees be amended as follows:

Application Fees

Audit Firm	From £3,750 to £4,125
Statutory Auditor	From £250 to £275

Annual Fees

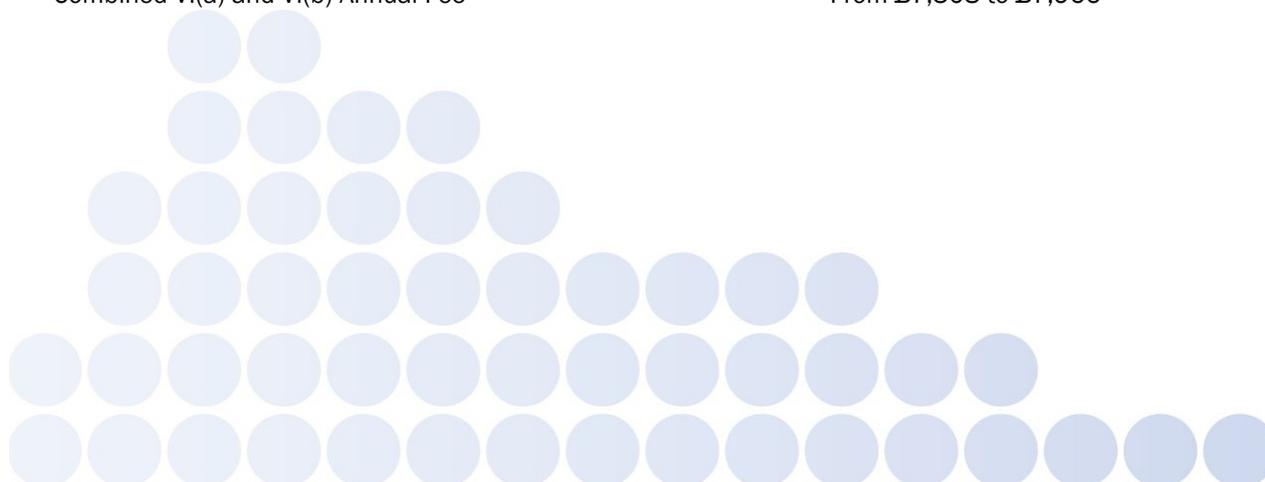
Audit Firm (Base)	From £1,635 to £1,782
Statutory Auditor	From £654 to £713
Audit Firm (PIE Surcharge)	From £1,090 to £1,188
Total to be obtained from annual fees, and therefore a balancing charge applied	From £73,000 to £79,570

Currently there are no Fee Regulations in place for Insolvency Practitioners. These will be finalised shortly, with planned implementation for 1st May 2015.

6.11 General

The proposed fees for firms which have more than one class of licence are as follows:

Multiple FSA 89 Annual Fees	From £7,308 to £7,966
Class XII and Class XIII(a) Combined (Application Fee)	From £3,750 to £4,125
Class XII and Class XIII(a) Combined (Annual Fee)	From £2,970 to £3,237
Combined II(b), IV, VI(b) and VII Annual Fee	From £17,162 to £18,707
Combined II(b), VI(b) and VII Annual Fee	From £9,218 to £10,048
Combined II(b), VI(b), VII and VIII Annual Fee	From £9,218 to £10,048
Combined II(b), VI(b) and VII Annual Fee	From £11,216 to £12,225
Combined II(b), VI(b) and VIII Annual Fee	From £9,218 to £10,048
Combined IV, VI(a), VI(b) and IX Annual Fee	From £14,589 to £15,902
Combined VI(a), VIII and IX Annual Fee	From £15,411 to £16,798
Combined VI(a) and VI(b) Annual Fee	From £7,308 to £7,966



Published by:
Financial Services Commission
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