

Consultation Document

# Fee Rate Proposal

2018



Guernsey Financial  
Services Commission

## Introduction

The aim of this consultation document is to detail the fee rate proposals for 2018 and to solicit comments and feedback from industry. The consultation period will be from the 28<sup>th</sup> of July until the 8<sup>th</sup> of September 2017. Once the consultation period is complete, any amendment to the fees will be agreed by both the Commission and the States of Guernsey. The new agreed fees will come into force on the first of January 2018.

The Commission issues this consultation document in accordance with section 8(2) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended, under which the Commission: *“may, in connection with the carrying out of its general functions ... consult and seek the advice of such persons or bodies as it considers appropriate.”*

The provisions in this document affect all licensees, collective investment schemes, registered businesses, registered individuals and applicants for licences or registration, in accordance with applicable laws and regulations.

## Approach to Fees

The Commission’s approach to setting fees is based upon the principle that they should be fair, proportionate and broadly aligned with the costs of regulation.

For the last five years (2013 - 2017) the Commission has kept the average fee increase around 2% overall per annum. To deliver this we have abided by our approach as outlined above and we have exercised tight organisational control to maintain operational effectiveness whilst fulfilling our regulatory responsibilities. We have also identified and implemented ways to streamline our structures and processes in order to make the best use of our limited resources and new information systems – such as PRISM<sup>1</sup> and Online Services.

Nevertheless, as we have noted in our previous Fee Rate Proposals, should we be asked to undertake new activities, or should we identify regulatory gaps that clearly require an increase in current activity levels, we may need to adjust fee levels further. This year we have both been required to undertake new responsibilities and have identified regulatory gaps. Firstly, we have responded to a new requirement for the Commission to deliver pensions regulation. This commenced in mid-2017, with planning and preparation beginning in 2016. Secondly, we have also identified regulatory activities which now have a considerable impact on our

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<sup>1</sup> Probability, Risk and Impact System (PRISM)

resources but where their cost is not properly reflected in our fees or that are funded through unfair cross subsidisation. For example Change of Controller applications – see below for further details.

We have also found that, in support of the States, we have been doing considerable technical work on Brexit this year in order to help the States position the Bailiwick's main export industry optimally in the slowly emerging new European order. This has increased costs for the Commission and is alongside the Commission's ongoing technical support to Guernsey Finance initiatives, which is not cost free. Further to this, Guernsey RPIX inflation is running at 2.8% at present<sup>2</sup> which is its highest rate for some years.

Faced with this backdrop, we feel it is necessary to raise average fees by 3% in 2018. This proposal should not be taken to indicate that the Commission believes that 3% will be the new standard increase going forwards. We remain committed to operating effectively, using our technology and people wisely to regulate in the interests of the Bailiwick.

## **Proposals**

An overall blended rate of increase of 3% across all sectors, not including anomalies, is proposed for 2018. The forecast for 2017 fee income is £12.86 million and based upon current assumptions for 2018 it will be £12.87 million. Anomalies are covered below. Full details of the proposed fees for all sectors are contained in the appendices.

## **Anomalies**

### **Change of Controller**

All regulated entities are required to either notify or seek Commission approval for a change in existing controller or where the existing controlling interest will increase above 15%. When this occurs the Authorisation Team carries out an assessment in association with the supervisory divisions to ensure we are satisfied that the new controller is appropriate.

The work involved is often equivalent to that of a new application, however currently there is no fee charged for a change of controller. This effectively means that the work required is being cross subsidised through the overall fees charged to all firms.

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<sup>2</sup> Guernsey Quarterly Inflation Bulletin, Quarter 2 2017 – 21 Jul 17

We do not see this as being fair to firms not engaged in merger and takeover activity and therefore we are proposing to charge a flat fee of £2,000 for change of controller applications.

This will be applied from 2018 onwards under the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law 2002, and the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and we look to charge a similar fee for all remaining sectors as soon as possible to minimise this cross sector subsidisation going forwards.

### **Retail banks**

The number of licensed Guernsey banks has continued to fall in recent years due to restructuring and merger activity. This produces a corresponding reduction in the annual fees collected from the banking sector. In order to maintain credible and effective supervision the Commission must maintain a critical mass of supervisors with the relevant skills and experience.

A key, and increasing, focus for supervisors internationally is conduct of business; particularly in relation to retail customers. The Commission's Conduct Unit was established a number of years ago and now plays a leading role in the supervision of banks with retail customers.

In order to address the fall in fees generated from banking licensees and the increasing focus on conduct issues it is proposed to increase the supplementary fees payable by retail banks to 50% (currently 25%) of their base annual fee.

### **Bank Trading Names**

As mentioned above, the Commission is proposing to address the fall in banking licence fees. In so doing it is also proposed to introduce an additional supplement for brand names that in practice mean that the Commission is supervising two businesses, such as private banking and retail banking, where separate organisational structures and procedures exist under one licence, as this requires additional supervisory resourcing by the Commission. This supplementary fee is proposed at 50% of the base fee, albeit the Commission will retain the discretion not to charge this fee where a brand is used in name only but results in little additional supervisory work. The Commission envisages that this supplemental fee will impact one licensee.

### **Pensions Regulation**

During 2016 the Commission was requested by the States to commence a project with the objective of introducing pensions regulation to the Bailiwick. The subsequent costs for the initiation of this project, including the associated technical developments to PRISM and our Online Submissions process, were absorbed by the Commission. However, going forward the

regulation of pensions will be supervised by the Fiduciary Supervision Policy and Innovations Division and will require modest additional resources, including the cost of membership of the International Organisation of Pension Supervisors, to discharge these supervisory responsibilities.

Our proposal therefore is that each licensee engaged in pension business will pay an annual fee based on two elements:

- i) a fixed fee of £400, plus
- ii) a £1 fee per scheme member.

Please be aware that the Commission may modify this proposal following receipt of the first pension scheme annual returns<sup>3</sup>, from pertinent licensees our objective being to adhere to our approach to setting fees by basing them on the principle that they should be fair, proportionate and broadly aligned with the costs of regulation.

## Comments

The Commission invites comments on this consultation document. Comments should reach the Commission by 8<sup>th</sup> of September 2017. Responses should either be emailed to the Chief Operating Officer at [feeconsultationresponses@gfsc.gg](mailto:feeconsultationresponses@gfsc.gg), or be marked for his attention and sent to:

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Glategny Court  
Glategny Esplanade  
St. Peter Port  
Guernsey  
GY1 3HQ  
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<sup>3</sup> Late returns will be subjected to our standard administrative or 'late filing' penalty fees

## Appendix A

### List of bodies who have been sent this consultation document:

- States of Guernsey Policy and Resources Committee
- States of Guernsey Committee for Economic Development
- States of Alderney Policy and Finance Committee
- Chief Pleas of Sark Policy and Performance Committee
- Guernsey International Business Association
- Association of Guernsey Banks
- Guernsey Investment Fund Association
- Guernsey Investment Managers and Stockbrokers Association
- Guernsey International Insurance Association
- Bailiwick Insurance Intermediary Association
- Guernsey Association of Trustees
- Guernsey Association of Pension Providers
- Institute of Directors
- NED forum
- Commercial Bar Association
- Guernsey Society of Chartered and Certified Accountants
- Guernsey Association of Compliance Officers
- Guernsey Bar Council
- Commercial Bar Association

## Appendix B – Regulatory Fee Proposed Changes

### Regulatory Fee – Banking Sector

|   | Current fee<br>2017 | Proposed fee<br>2018 |
|---|---------------------|----------------------|
| <b>Application fees:</b>  |                     |                      |
| Bank application  | £35,830             | £36,905              |
| Amalgamation and Migration fee  | £2,156              | £2,220               |
| <b>Annual licence fees:</b>   |                     |                      |
| Assets band:  |                     |                      |
| Total assets below £500 million   | £35,830             | £36,905              |
| Total assets of £500 million or more but below £1,000 million   |                     |                      |
| 2017 - in range between £35,830 and £54,365   | variable price      |                      |
| 2018 - in range between £36,905 and £55,995   |                     | variable price       |
| Total assets of £1,000 million and above  | £54,365             | £55,995              |
| <b>Premiums added to all annual licence fees, where applicable:</b>   |                     |                      |
| Premium on annual licence fee for a Guernsey subsidiary bank  | 25%                 | 25%                  |
| Subject to a maximum  | £13,590             | £13,995              |
| and (2017 - or)   |                     |                      |
| Premium for a retail subsidiary bank or retail branch bank (2017 retail branch bank only)                         | 25%                 | 50%                  |
| Subject to a maximum  | £13,590             | £27,995              |
| and (2017 - n/a)  |                     |                      |
| Premium for an additional trading name for a bank effectively operating two separate businesses under one licence | n/a                 | 50%                  |
| Subject to a maximum  | n/a                 | £27,995              |
| and   |                     |                      |
| Branches outside the Bailiwick  | £13,590             | £13,995              |

## Regulatory Fee – Insurance Sector

*Note: All references below to 'category' are as defined in the Insurance Business (Special Purpose Insurer) Rules 2016*

|   | Current fee 2017  | Proposed fee for 2018 |
|---|-------------------|-----------------------|
| <b>Application fees:</b>  |                   |                       |
| Insurance Manager   | £5,054            | £5,206                |
| Insurance Manager – Lloyd's   | £2,780            | £2,863                |
| Insurer / Reinsurer – category 1, 2, 5, 6   | £5,433            | £5,596                |
| Commercial Insurer/Reinsurer (including business in PCC core / ICC) – category 3, 4   | £8,149            | £8,394                |
| PCC/ICC – no business written (category 3,4) or category 1, 2, 5, 6                   | £5,433            | £5,596                |
| Cell of PCC/ICC – category 1, 2, 5, 6 (non SPI)                                       | £1,777            | £1,830                |
| Cell of PCC – commercial insurance/reinsurance – category 3, 4                        | £2,665            | £2,745                |
| Cell of ICC – commercial insurance/reinsurance – category 3, 4                        | £1,777            | £2,745                |
| Cell of PCC/ICC – category 6 SPI – new controller of SPI cell or SPI cell transaction | £817              | £841                  |
| Domestic Insurer; Mutual, Friendly or Provident Society                               | £3,060            | £3,152                |
| Intermediary  | £5,115            | £5,268                |
| (addition of licence categories)  | £182 to £1,744    | £187 to £1,796        |
| Change of Controller (Insurance Manager or Intermediary)                              | n/a               | £2,000                |
| Amalgamation and Migration fee  | £2,156            | £2,220                |
| <b>Annual fees:</b>   |                   |                       |
| Insurance Managers – pure   | £4,799            | £4,943                |
| Insurance Managers – commercial   | £8,033            | £8,274                |
| Insurance Manager – Lloyd's   | £2,780            | £2,863                |
| Life Insurer (including PCC / ICC) – category 1, 2                                    | £5,433 to £81,600 | £5,596 to £84,045     |
| Commercial Insurer/Reinsurer (including business in PCC core / ICC) – category 3, 4   | £8,149            | £8,394                |
| Insurer/Reinsurer – category 5, 6   | £5,433            | £5,596                |
| PCC/ICC – no business written (category 3, 4) or category 5, 6                        | £5,433            | £5,596                |
| Cell of PCC/ ICC – category 1, 2, 5, 6 (non SPI)                                      | £1,777            | £1,830                |
| Cell of PCC – commercial insurance/reinsurance – category 3, 4                        | £2,665            | £2,745                |
| Cell of ICC – commercial insurance/reinsurance – category 3, 4                        | £1,777            | £2,745                |
| Cell of PCC/ICC – category 6 (SPI) – cell transaction / continuation                  | £817              | £841                  |
| Life policy cell  | £107              | £110                  |
| Transformer cell  | £809              | £841                  |
| Dormant cell  | £142              | £146                  |
| Domestic Insurer (turnover < £12,000)   | £454              | £467                  |
| Domestic Insurer (turnover £12,000+)  | £3,060 to £15,605 | £3,152 to £16,073     |
| Intermediary (base fee)   | £2,469            | £2,543                |
| Intermediary (licence type)   | £182 to £1,744    | £187 to £1,796        |



|  |                  |                  |
|--|------------------|------------------|
| Intermediary (turnover level)  | £1,744 to £7,010 | £1,796 to £7,220 |
| Member of association for travel insurance   | £1,400           | £1,442           |
| <b>Other fees:</b>   |                  |                  |
| Conversion / transfer / subsumption of regulated entities under Part V of The Companies (Guernsey) Law, 2008 | £1,025           | £1,056           |
| Application for consent to a scheme for the transfer of long term business                                   | £5,100           | £5,253           |

## Regulatory Fee – Fiduciary Sector

|   | Current fee 2017 | Proposed fee for 2018 |
|---|------------------|-----------------------|
| <b>Application fees:</b>  |                  |                       |
| Personal Fiduciary licence  | £989             | £1,019                |
| Full licence - Joint applicant  | £548             | £564                  |
| Full licence – Lead applicant   | £2,254           | £2,322                |
| Personal discretionary exemption  | £464             | £478                  |
| Company/partnership discretionary exemption                                   | £1,040           | £1,071                |
| Consent to use a name   | £1,765           | £1,818                |
| Amalgamation and Migration fee  | £2,156           | £2,220                |
| <br>  |                  |                       |
| <b>Annual licence fees:</b>   |                  |                       |
| Personal Fiduciary licence  | £1,026           | £1,057                |
| <br>  |                  |                       |
| Full Fiduciary licence  | <b>2017</b>      | <b>2018</b>           |
| Turnover band (annual):   |                  |                       |
| 1. Under £250,000   | £5,000           | £5,150                |
| 2. £250,000 to £499,999   | £10,000          | £10,300               |
| 3. £500,000 to £999,999   | £12,500          | £15,450               |
| 4. £1,000,000 to £1,999,999   | £20,000          | £20,600               |
| 5. £2,000,000 to £3,999,999   | £25,000          | £25,750               |
| 6. £4,000,000 to £7,999,999   | £30,000          | £30,900               |
| 7. £8,000,000 to £15,999,999  | £40,000          | £41,200               |
| 8. £16,000,000 and above  | £50,000          | £51,500               |
| <br>  |                  |                       |
| <b>Pension regulation annual fees (licensees engaged in pension business)</b> |                  |                       |
| Fixed fee   | n/a              | £400                  |
| Fee per scheme member   | n/a              | £1                    |

## Regulatory Fee – Investment Sector

|   | Current fee 2017 | Proposed fee for 2018 |
|---|------------------|-----------------------|
| <b>Application fees:</b>  |                  |                       |
| Open-ended collective investment schemes:   |                  |                       |
| Schemes*  | £3,335           | £3,435                |
| New classes of existing schemes*  | £700             | £721                  |
| "De-QIFing" (QIF = Qualified Investor Fund)                                       | £2,500           | £2,575                |
| Non-Guernsey schemes  | £1,076           | £1,108                |
| Designated Territories scheme notification<br>(EX) (Jersey schemes remain at nil) | £1,076           | £1,108                |
| Closed-ended collective investment schemes*                                       | £3,335           | £3,435                |
| Licensees   | £2,254           | £2,322                |
| Amalgamation and migration fee  | £2,156           | £2,220                |
| Change of Controller fee  | n/a              | £2,000                |
| <b>Annual fees:</b>   |                  |                       |
| Open-ended collective investment schemes:   |                  |                       |
| Schemes*  | £3,335           | £3,435                |
| Additional classes*   | £215             | £221                  |
| Non-Guernsey schemes  | £537             | £553                  |
| Designated Territories scheme (EX)  | £537             | £553                  |
| Closed-ended collective investment schemes*                                       | £3,335           | £3,435                |
| Licensees   |                  |                       |
| Designated Persons of open-ended schemes  | £3,225           | £3,322                |
| Principal Managers of open-ended schemes  | £1,613           | £1,661                |
| Designated Managers of closed-ended<br>schemes                                    | £3,225           | £3,322                |
| Managers of closed-ended schemes  | £1,613           | £1,661                |
| Investment exchanges  | £63,240          | £65,140               |
| Other Licensees   | £3,225           | £3,322                |

\* Authorised and Registered

## Fee – Non-Regulated Financial Services Businesses

|                 | Current fee 2017 | Proposed fee for 2018 |
|-----------------|------------------|-----------------------|
| Application fee | £3,825           | £3,940                |
| Annual fee      | £1,250           | £1,288                |

## Fee – Prescribed Businesses

The annual fee for Prescribed Businesses is detailed below:

| Number of full time or full time equivalent staff | Current fee for 2017 | Proposed fee for 2018 |
|---|----------------------|-----------------------|
| 1-5   | £636                 | £655                  |
| 6   | £733                 | £755                  |
| 7   | £830                 | £855                  |
| 8   | £927                 | £955                  |
| 9   | £1,024               | £1,055                |
| 10  | £1,121               | £1,155                |
| 11  | £1,218               | £1,255                |
| 12  | £1,315               | £1,355                |
| 13  | £1,412               | £1,455                |
| 14  | £1,509               | £1,555                |
| 15  | £1,606               | £1,655                |
| 16  | £1,703               | £1,755                |
| 17  | £1,800               | £1,855                |
| 18  | £1,897               | £1,955                |
| 19  | £1,994               | £2,055                |
| 20  | £2,091               | £2,155                |
| 21  | £2,188               | £2,255                |
| 22  | £2,285               | £2,355                |
| 23  | £2,382               | £2,455                |
| 24  | £2,479               | £2,555                |
| 25 or more  | £2,576               | £2,655                |