

Consultation Document

Fee Rate Proposal

2017



Guernsey Financial
Services Commission

Introduction

The aim of this consultation document is to detail the fee rate proposals for 2017 and to solicit comments and feedback from industry. The consultation period will be from 20 July until 31 August 2016. 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 1 January 2017.

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 and individuals, and applicants for licences or registration, in accordance with applicable laws and regulations.

Fee Strategy

For the last four years (2013 - 2016) the Commission has kept fee increases below 2% overall per annum. To achieve this we have tightly controlled expenditure, salary and headcount and we continually look to methodically streamline our internal structures and processes in order to make the best use of PRISM and Online Services.

Our forecasts for 2017 are such that we believe that through continued careful financial management, we can keep fee rate rises to an overall blended rate of increase of 2%, without adversely impacting our operational capacity.

Proposals

An overall blended rate of increase of 2%, including anomalies, is proposed for 2017. The forecast for 2016 fee income is £12.67 million and based upon current assumptions for 2017 it will be £12.93 million.

In 2015 the Commission identified areas within the Fiduciary sector where material anomalies in the fee structures existed. Phase II of the changes consulted on and agreed to in 2015 are to be implemented in 2017, as detailed below in the Fiduciary section.

As a result of feedback from the 2015 fee consultation, the Commission agreed to work with the Guernsey International Insurance Association to address concerns over the fees related to Insurance Linked Securities. Following this approach, a reduction in such fees is proposed; full details are included below in the Insurance section.

Other changes proposed comprise of addressing the following anomalies:

- £2,500 to “de-QIF” a fund – Investment sector only.
- Fee for late payment of annual fees – sliding scale in line with late filing penalty fees - all sectors.
- 25% increase on administrative penalty fees - all sectors.

Anomalies are covered below. Full details of the proposed fees for all sectors are contained in the appendices.

Fiduciary

For 2016 we proposed a phased approach to re-band annual Full Fiduciary Licence fees. The revised model was introduced to reduce barriers to entry in order to encourage new business into the market, be more proportionate to the growth of licensees’ businesses, reflect the higher level of supervisory engagement with larger licensees, and to correct the historic bunching effect on annual fee turnover bands.

In the 2015 Consultation Paper we proposed fees of £5,000, £10,000, £15,000, £20,000, £25,000, £30,000, £40,000 and £50,000. This included an 8th fee band for licensees with fiduciary turnover of £16m or more. We were mindful of the impact these changes would have on licensees and planned accordingly to adopt a phased approach for three annual turnover bands:

- Band 3: Licensees in band 3 to have an annual fee of £12,500 rising to £15,000 for 2017.

- Band 7 and band 8: For our largest licensees we propose to have annual fees of £35,000 rising to £40,000 in 2017 (band 7) and £40,000 rising to £50,000 in 2017 (band 8).

For 2017, no other increase will be applied to the Full Fiduciary Licence fees. However, it is proposed that Personal Fiduciary Licences and Non-Regulated Financial Services Business (NRFSB) fees will increase by 2%.

Insurance

As previously agreed, the Commission has worked with the Guernsey International Insurance Association (GIIA) who have proposed, with the support of the membership, a restructuring of fees such that international commercial general insurers and reinsurers (categories 3 and 4 for solvency purposes) bear a greater proportion of the fees relative to other types of insurer who may take up less regulatory resources.

This will enable Insurance Linked Securities (ILS) business (category 6), which is fully collateralised and therefore presents a lower regulatory risk, to bear a lower proportion of the fees to reflect that reduced risk. A competitive regulatory fee is seen as important for the development of this area of the market.

If this proposal is implemented then application and annual fees for category 3 and 4 insurers would be increased by approximately 50% with a corresponding reduction of approximately 50% for category 6 ILS cells. Based on 2016 fees (before any agreed inflationary increment) this would increase the fee for a category 3 or 4 insurer from £5,326 to £7,989 and reduce the fee for a category 6 ILS cell from £1,742 to £801.

The effect of these changes would be revenue neutral for the Commission and other than the overall 2% it is not proposed to restructure any other insurance fees at this time.

Application Fees

It is proposed that application fees across all sectors will rise by 2% in 2017; income from application fees overall is about 5% of total fee income and such fees have been included in the overall fee income estimate.

Anomalies

During the course of an internal review we identified several activities carried out by the Commission which have a considerable impact on our resources. We believe their value should be properly reflected. As a result, we are proposing that a fee is charged for certain activities which are reflective of the administrative impact of certain processes. We are proposing to implement nominal fees for the following activities:

- **“De-QIFing” - Investment sector**

The Commission currently operates a fast track regime in respect of Guernsey regulated collective investment schemes offering a three day turnaround, provided certain conditions are met. A Qualifying Investor Fund (“QIF”) is able to use this regime, provided only Qualified Investors are permitted to invest into the fund. However, over the course of a fund’s life this restriction may no longer be relevant, and the Promoter of the fund may wish to extend the type of investor that is permitted to invest. A QIF may apply to the Commission to have this restriction removed. This is commonly referred to as “de-QIFing” a fund.

In order for the Commission to consider the lifting of the restriction, a review of the calibre of the Promoter of the fund must be undertaken by the Commission, as the authorisation of the fund has been granted based on warranties provided by the Administrator of the fund. Currently the Commission does not charge for this review but in the interests of fairness, given the nature of the work undertaken, it is proposed that a fee of £2,500 is charged.

- **Late Payment of Annual Fees - all sectors**

Annual invoices dated 1 January are distributed to licensees and registrants in mid-December, in an attempt to ensure that there is plenty of time for payments to be made ahead of the deadline of 31 January. The deadline date is actually enshrined in law, within each fee regulation, but c.200 invoices are not settled on time. Approximately 95% of the fee income due is paid in accordance with this deadline but a considerable amount of administrative work is undertaken in the subsequent months to ensure all fees are settled.

We believe this is not equitable to those complying with the deadline and propose to introduce a sliding scale of fees to mirror the amount and timing of charges accruing for

late filing penalties. The fees proposed are £125 for the first month, £250 for the second month and £375 for the third and any subsequent month.

- **Administrative Penalty Fees - all sectors**

Although an increase in administrative penalty fees was proposed in the fee consultation paper for 2016, the Commission did not proceed with the increase, pending a further review into the procedures. This review of administrative or 'late filing' penalty fees was undertaken to ensure fairness to those licensees who comply with the Commission's requirements. The scope of this internal review was to ensure consistency across sectors whilst considering the actual timing and value of the fees charged.

The fees have not been increased since they were introduced in 2010. The current fees are £100 for the first month, £200 for the second month and £300 for the third and any subsequent month.

It is proposed that, due to the continued administrative burden in dealing with late submissions, the following fee increases are implemented: the first month fee of £100 increased to £125, the second month fee of £200 increased to £250 and the third and subsequent month fee of £300 increased to £375.

Hitherto, these penalties have been crystallised, and an invoice issued, at the date when the returns have ultimately been filed. We believe this is no longer appropriate and the Commission intends to be more proactive by charging fees periodically to all licensees with outstanding late submissions. When returns are ultimately filed, a final invoice will be issued for the balance owed by the licensee.

Comments

The Commission invites comments on this consultation document. Comments should reach the Commission by 31 August 2016. Responses should either be emailed to the Chief Operating Officer at feeconsultationresponses@gfsc.gg, or be marked for his attention and sent to:

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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
- Institute of Directors
- NED forum
- 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 2016	Proposed fee 2017
Application fees:		
Bank application	£35,130	£35,830
Amalgamation and Migration fee	£2,114	£2,156
Annual licence fees:		
Assets band:		
Total assets below £500 million	£35,130	£35,830
Total assets below £500 million plus 25% as a retail branch or subsidiary bank	£43,915	£44,790
Total assets of £500 million or more but below £1,000 million		
2016 - in range between £35,130 and £53,300	variable price	
2016 - in range between £35,830 and £54,365		variable price
Total assets of £1,000 million and above	£53,300	£54,365
<u>Premiums added to all annual licence fees:</u>		
plus 25% premium for a Guernsey subsidiary bank	£13,325	£13,590
Or		
plus 25% premium for a retail branch bank (if both characteristics apply, only one applies)	£13,325	£13,590
Branches outside the Bailiwick	£13,325	£13,590

Regulatory Fee – Insurance Sector

	Current fee 2016	Proposed fee for 2017
Application fees:		
Insurance Manager	£4,955	£5,054
Insurance Manager – Lloyd’s	£2,725	£2,780
Insurer/Reinsurer – category 3 and 4	£5,326	£8,149
Captive	£5,326	£5,433
Protected/Incorporated Cell Company	£5,326	£5,433
Cell of a PCC or ICC – other than ILS	£1,742	£1,777
ILS cell – category 6	£1,742	£817
Domestic Insurer	£3,000	£3,060
Intermediary	£5,015	£5,115
(addition of licence categories)	£179 to £1,721	£182 to £1,755
Amalgamation and Migration fee	£2,114	£2,156
Annual fees:		
Insurance Managers – pure	£4,705	£4,799
Insurance Managers – commercial	£7,875	£8,033
Insurance Manager – Lloyd’s	£2,725	£2,780
Insurer/Reinsurer – category 3 and 4	£5,326	£8,149
Captive – category 5	£5,326	£5,433
Protected or Incorporated Cell Company	£5,326	£5,433
Cell of a PCC or ICC – other than ILS	£1,742	£1,777
ILS cell – category 6	£1,742	£817
Transformer cell	£793	£809
Dormant cell	£140	£142
Life Insurer – category 1 and 2	£5,326 to £80,000	£5,433 to £81,600
Domestic Insurer (turnover < £12,000)	£445	£454
Domestic Insurer (turnover £12,000+)	£3,000 to £15,300	£3,060 to £15,605
Intermediary (base fee)	£2,420	£2,469
Intermediary (licence type)	£179 to £1,710	£182 to £1,744
Intermediary (turnover level)	£1,710 to £6,871	£1,744 to £7,010
Member of association for travel insurance	£1,372	£1,400
Other fees:		
Conversion of a company to a regulated PCC or ICC	£1,005	£1,025
Conversion of a regulated PCC to a regulated ICC	£1,005	£1,025
Conversion of a PCC or ICC to a regulated non-cellular company	£1,005	£1,025
Application for consent to a scheme for the transfer of long term business	£5,000	£5,100

Regulatory Fee – Fiduciary Sector

	Current fee 2016	Proposed fee for 2017
Application fees:		
Personal Fiduciary licence	£970	£989
Full licence - Joint applicant	£537	£548
Full licence – Lead applicant	£2,210	£2,254
Personal discretionary exemption	£455	£464
Company/partnership discretionary exemption	£1,020	£1,040
Consent to use a name	£1,730	£1,765
Amalgamation and Migration fee	£2,114	£2,156
Annual licence fees:		
Personal Fiduciary licence	£1,006	£1,026
Full Fiduciary licence	2016	2017
Turnover band (annual):		
1. Under £250,000	£5,000	£5,000
2. £250,000 to £499,999	£10,000	£10,000
3. £500,000 to £999,999	£12,500	£15,000
4. £1,000,000 to £1,999,999	£20,000	£20,000
5. £2,000,000 to £3,999,999	£25,000	£25,000
6. £4,000,000 to £7,999,999	£30,000	£30,000
7. £8,000,000 to £15,999,999	£35,000	£40,000
8. £16,000,000 and above	£40,000	£50,000

Regulatory Fee – Investment Sector

	Current fee for 2016	Proposed fee for 2017
Application fees:		
Open-ended collective investment schemes:		
Schemes*	£3,269	£3,335
New classes of existing schemes*	£687	£700
Non-Guernsey schemes	£1,055	£1,076
Designated Territories scheme notification (EX) (Jersey schemes remain at nil)	£1,055	£1,076
Closed-ended collective investment schemes*	£3,269	£3,335
Licensees	£2,210	£2,254
Amalgamation and migration fee	£2,114	£2,156
Annual fees:		
Open-ended collective investment schemes:		
Schemes*	£3,269	£3,335
Additional classes*	£211	£215
Non-Guernsey schemes	£527	£537
Designated Territories scheme (EX)	£527	£537
Closed-ended collective investment schemes*	£3,269	£3,335
Licensees		
Designated Persons of open-ended schemes	£3,162	£3,225
Principal Managers of open-ended schemes	£1,581	£1,613
Designated Managers of closed-ended schemes	£3,162	£3,225
Managers of closed-ended schemes	£1,581	£1,613
Investment exchanges	£62,000	£63,240
Other Licensees	£3,162	£3,225

* Authorised and Registered

Fee – Non-Regulated Financial Services Businesses

	Current fee 2016	Proposed fee for 2017
Application fee	£3,750	£3,825
Annual fee	£1,225	£1,250

Fee – Prescribed Businesses

The annual fee for Prescribed Businesses is detailed below:

Number of full time or full time equivalent staff	Current fee for 2016	Proposed fee for 2017
1-5	£624	£636
6	£719	£733
7	£814	£830
8	£909	£927
9	£1,004	£1,024
10	£1,099	£1,121
11	£1,194	£1,218
12	£1,289	£1,315
13	£1,384	£1,412
14	£1,479	£1,509
15	£1,574	£1,606
16	£1,669	£1,703
17	£1,764	£1,800
18	£1,859	£1,897
19	£1,954	£1,994
20	£2,049	£2,091
21	£2,144	£2,188
22	£2,239	£2,285
23	£2,334	£2,382
24	£2,429	£2,479
25 or more	£2,524	£2,576