



6 January 2014

David Cheesman
Finance Division – Fees Policy
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London, E14 5HS

By email: cp13-14@fca.org.uk

Dear Mr Cheesman,

Re: 'Regulatory fees and levies: policy proposals for 2014/15' (CP 13/14)

This response to the FCA's consultation paper entitled '*Regulatory fees and levies: policy proposals for 2014/15*' (CP 13/14) (the "**Consultation Paper**") is made by the Regulatory Committee of the British Private Equity and Venture Capital Association (the "**BVCA**").

The BVCA is the industry body for the UK private equity and venture capital ("**PE/VC**") industry. With a membership of over 500 firms, the BVCA represents the vast majority of all UK-based PE/VC firms and their advisers. Its members have invested £33 billion in over 4,500 UK companies over the last five years. Companies backed by UK-based PE/VC firms employ over half a million people and 90 per. cent of UK investments in 2012 were directed at small and medium-sized businesses.

This response sets out answers only to the specific questions posed by the Consultation Paper. We are aware of, and have been involved in, the ongoing FCA fees review and we will send a separate letter to the FCA setting out our initial views on the FCA's proposed alternative approaches to recovering regulatory fees and levies from the industry. We welcome the FCA's willingness to engage with firms and trade associations in this area and look forward to the forthcoming discussion paper.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Margaret Chamberlain', is positioned above the printed name.

Margaret Chamberlain
Chair - BVCA Regulatory Committee

**FCA CONSULTATION PAPER – 'REGULATORY FEES AND LEVIES: POLICY
PROPOSALS FOR 2014/15' (CP 13/14)**

Q8: Do you have any comments on our proposal to create a new fee-block for firms holding client money or assets or both?

1. Whilst we do not have any particular objections to the FCA creating a new fee-block for firms which hold client money and/or assets we do not agree that the fee paid by firms in this fee-block (A.21) should be based on the highest client money and/or safe custody asset balance a firm has reported in the year ending 31 December before the relevant fee year (the "**Relevant Year**").
2. On this basis, a firm which reports one unusually high balance for a short period of time during the Relevant Year but which generally reports very low balances will pay a higher fee than a firm which reports a slightly lower balance on an ongoing basis, even though the latter arguably poses greater risk to clients and requires greater regulatory supervision.
3. We consider that a fairer result for both firms and their clients could be achieved by either basing the fee on the average client money and/or safe custody asset balances a firm has reported during the Relevant Year or by requiring the highest balance to be selected from those balances which were maintained by the firm at a specific level for a minimum period of time (e.g. for two weeks or more). This would avoid firms being penalised for using a client money account to hold money in the very short-term until transfers can be allocated to the correct clients.
4. More generally, the proposal to create a new fee-block for firms holding client money and/or assets highlights our concerns about the current annual cycle of FCA fees consultations. The FCA recognises that the introduction of fee-block A.21 may lead to, "*... large increases for fees for some firms*". Without final fee rates being available at the time at which proposals are initially consulted upon it is very difficult for firms to determine with any degree of certainty how a proposal will impact the fees they are required to pay – it is not, for instance, at present obvious what impact the introduction of fee-block A.21 would have on our members.
5. We appreciate that the FCA traditionally consults on proposed policy changes to its fees and levies regimes in October and on fee rates for the forthcoming year during the following March. This does, however, create practical difficulties for firms and we would ask that the FCA, as part of its ongoing fees review, reconsiders its approach to the annual fees consultation cycle in order to address this issue.

Q9: Do you have any comments on our redrafted definitions of income for fee-blocks A.13, A.14, A.18 and A.19?

6. We generally welcome the redrafted definition of income and the associated guidance (at least as far as the definition and guidance apply to firms in fee-blocks A.13 and A.14). A number of our members had found it difficult to apply the definition in practice and so the redrafting and clarification is to be welcomed. We will set out our specific comments on the redrafted definition and guidance in the letter which we will send to the FCA setting out our initial views on the FCA's proposed alternative approaches to recovering regulatory fees and levies from the industry.

Q11: Do you agree with our proposal to require application fees to be paid by credit or debit card?

7. Whilst we understand the FCA's desire to improve the efficiency and effectiveness of its authorisation process we do not agree with its proposal to require application fees to be paid by credit or debit card only.
8. Many PE/VC firms, particularly smaller firms, either do not have a firm credit or debit card or those individuals within the firm who are responsible for submitting applications to the FCA do not have access to such a card.
9. It is therefore absolutely vital that the FCA retains the option for firms to pay application fees by cheque (even if the option to pay by other paper based methods (such as banker's draft) is removed). Removing the option to pay by cheque will make it impossible for some firms to pay application fees.
10. In order to provide firms with the broadest range of payment options possible, we would also suggest that the FCA facilitates payments by online banking.

Q12: Do you agree with our proposal to calculate the first year's periodic fee of a newly authorised firm on a monthly pro-rata basis?

11. We agree with the FCA's proposal to calculate the first year's periodic fee of a newly authorised firm on a monthly pro-rata basis. We agree that this is a fairer method of calculating periodic fees for newly authorised firms and may help to reduce the 'spike' in applications for authorisation which the FCA receives at the beginning of a quarter.