8 January 2014

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

Dear David,

CP13/14: Regulatory fees and levies: policy proposals for 2014/15

The IMA represents the asset management industry operating in the UK. Our members include independent asset managers, the investment arms of retail banks, life insurers and investment banks, and the managers of occupational pension schemes. They are responsible for the management of around £4.5 trillion of assets, which are invested on behalf of clients globally.

These include authorised investment funds, institutional funds (e.g. pensions and life funds), private client accounts and a wide range of pooled investment vehicles. In particular, our members represent 99% of funds under management in UK authorised investment funds (i.e. unit trusts and open-ended investment companies).

We welcome the opportunity to comment on the proposals covered by this paper, but have chosen to respond only to some of the questions.

We look forward to hearing from you if there is any clarification that you would find useful on the points we have raised.

Yours sincerely

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Questions on CP13/14: Regulatory fees and levies: policy proposals for 2014/15

The following responses are submitted on behalf of the IMA.

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

We agree with the FCA's requirement to make any calculation of fees and levies paid by authorised firms more balanced across the industry. However to calculate such fees based solely on the highest balance of client money or assets held by a firm may cause some imbalance between firms – particularly where a firm has chosen to protect overnight some money as client money and then moved it the following day once it has been established as being non-client money.

Using the model, cautious firms will pay higher regulatory fees for protecting money that was found not to require protecting. Perhaps the FCA could consider an average balance based on the firm's last 12 CMAR reports.

For those firms currently falling into the fee-blocks A12 and A13, the FCA is proposing to amalgamate into a new A21 fee-block based solely on income. It is possible this may give rise to anomalies for such firms as follows:

- Authorised fund managers (AFMs): such firms will be caught by the rules and if they currently use the DvP exemption any fees are likely to be minimal depending on the levels of client money. However, if the FCA removes the DvP exemption (proposed in CP13/5) the levels of client money for these firms will increase and ultimately higher regulatory fees will be charged.

- There are currently some asset management firms within fee-block A12 simply due to the permissions they hold. In such cases, these firms receive little or no income as this activity is covered by other fee-blocks. These firms may also hold a small amount of client money which could increase as per the example shown above.

The compatibility statement in this CP claims fair distribution by proportionate recovery across all firms. We would argue that it is fairer to consider the average figure rather than the highest one, which may have happened only once within the past 12 months.