



Jersey Financial  
Services Commission

# Feedback on Consultation Paper

**No. 2 2021**

Investment Business Fees – Feedback to a consultation on proposals to change fee rates

Issued: May 2021

## Consultation Feedback

This paper reports on responses received by the JFSC to its Consultation Paper No.2 2021 (Investment Business Fees – A consultation on proposals to change fee rates).

## Glossary of Terms

Commission Law	Financial Services Commission (Jersey) Law 1998, as amended
IB	Investment Business
JFL	Jersey Finance Limited
JFSC	Jersey Financial Services Commission
Registered Person	means a person registered under the Law to carry on investment business

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# 1 Executive Summary

## 1.1 Overview

- 1.1.1 We issued Consultation Paper No.2 2021 in March 2021, proposing:
  - 1.1.1.1 The introduction of a transaction fee where a legal entity applies to acquire a Registered Person. Such fees would be at the same level as for an application to carry on investment business and would include a £1,000 premium for Registered Persons in heightened supervision or enforcement; and
  - 1.1.1.2 The introduction of a £400 alteration fee for adding amending, or removing licence conditions, or licence classes.
- 1.1.2 The Consultation also provided two options for increasing existing investment business fee rates:
  - 1.1.2.1 Option 1 proposed an increase of 9% while maintaining the existing basis for employee numbers;
  - 1.1.2.2 Option 2 proposed an increase of 2% in addition to moving to a rolling average basis for employee numbers and removing the current fee cap within these regulatory fees.
- 1.1.3 The Consultation also invited responses on alternative approaches to those proposed.
- 1.1.4 The Consultation explained that the increase in investment business fee rates is necessary as a result of a 2% increase in the JFSC's funding target to £1.513m.
- 1.1.5 In light of the feedback received, we are proceeding to introduce the new transaction fees for change of control and alterations, and implement Option 2 for increasing the existing investment business fee rates.
- 1.1.6 The final fees notice can be found in Appendix B and on our website.

## 1.2 Feedback received

- 1.2.1 Six responses to the Consultation were received by the JFSC directly and one through JFL. All respondents were supportive of the proposed introduction of fees for change of control and alteration, and five indicated a preference for Option 2 for the proposed increases to existing Investment Business fee rates.
- 1.2.2 Section 2 of this paper presents a summary of the substantive comments received and the JFSC's response, where appropriate.
- 1.2.3 The JFSC is grateful to all respondents for taking the time to consider and comment on the proposals. Each respondent has been sent a copy of this paper.

## 1.3 Next steps

- 1.3.1 The revised fees are effective from 1 May 2021.
- 1.3.2 Relevant firms will shortly receive notification via the myJFSC portal that an invoice is ready for payment, or that investment employee data needs to be supplied for an invoice to be generated. Any data should be provided by 15 June and the due date for the payment of fees is 30 days from the date of the invoice.
- 1.3.3 Late fees may be incurred as detailed in the fees notice and any firms experiencing difficulty in arranging payment should contact their supervisor in advance of the due date.

## 1.4 Conclusion

- 1.4.1 Having carefully considered all of the responses received, the JFSC has concluded that the following changes will be made to the Investment Business Fees Notice, effective from 1 May 2021.
- › The introduction of a transaction fee where a legal entity applies to acquire a Registered Person;
  - › The introduction of a £400 alteration fee for adding amending, or removing licence conditions, or licence classes;
  - › An increase of 2% to the annual fees;
  - › A change in basis to use rolling average employee numbers; and
  - › Removal of the current fee cap within the annual fees.

## 2 Consultation feedback

### 2.1 Do you agree with the proposed fee in respect of a change of control?

- 2.1.1 Six respondents expressed explicit support and the remaining respondent considers the fee *“to be reasonable”*.
- 2.1.2 One respondent commented that *“the JFSC should, like all businesses, review how it can become more efficient and look to reduce its cost base for effective regulation, rather than just increase costs year on year”*.
- 2.1.2.1 Ensuring our finances are stable and sustainable is a priority for the JFSC. We will continue to manage costs associated with increased regulatory demand by focusing on streamlining our ways of working and realising the benefits of our recent investments in core systems.
- 2.1.3 One respondent, whilst agreeing that the fee is appropriate given the additional work required by the JFSC’s supervision team, commented that *“the additional fee where a legal entity acquires a Registered Person who is the subject of heightened supervision or enforcement would appear to be unfair if the legal entity isn’t aware of this fact.”*
- 2.1.3.1 All registered persons subject to heightened supervision or enforcement are made aware of this and we would expect this to be identified by the due diligence process during an acquisition.
- 2.1.4 One respondent commented that the fee is a *“a much fairer allocation of the fee burden”*.

### 2.2 Do you agree with the proposed fee in respect of alterations?

- 2.2.1 Six respondents expressed explicit support and the remaining respondent considers the fee *“to be reasonable”*.
- 2.2.2 One respondent commented that the fee is a *“a much fairer allocation of the fee burden”*.

### 2.3 Which of the two options do you agree would achieve the best outcome for the IB industry while enabling the JFSC to achieve its budgeted 2021 IB fee income?

- 2.3.1 Five respondents expressed a preference for Option 2, of which three commented on the fairer nature of this basis. One respondent also commented that this option will provide a more consistent approach, aligning with other sectors.

2.3.2 Two respondents expressed a preference for Option 1, with one stating a desire for “simplicity” in the calculation.

2.3.2.1 The objective of avoiding complexity is an important consideration in our ongoing review of our fee bases. We aim to balance this against the need for a proportionate and sustainable approach to fee calculations, which we believe would be achieved through Option 2.

## 2.4 Do you consider that there are alternative approaches to those summarised in this consultation?

2.4.1 Two respondents provided specific suggestions on how the proposed fee bases could be further developed. Another respondent reiterated their previous comment that “simplicity” would be a desirable feature of any fee calculations.

2.4.2 The first specific suggestion was that there could be a two-stage calculation of the fee whereby the the initial amount is *“linked by size (whichever method is chosen) with discounts applied for strong adherence to regulations / good practice”*.

2.4.2.1 The JFSC recognises the merit in such an approach as the risk level of an entity implies a level of supervision and associated cost. This will be considered for future fee consultation processes.

2.4.3 The second specific suggestion was that *“a flat fee is introduced in respect of the number of investment employees as opposed to the two tier system currently used as those with a fewer number are still ‘subsidising’ those with over 15 employees”*.

2.4.3.1 The JFSC recognises and appreciates the point raised. While the proposals in the consultation paper align with our general approach of removing caps from the fee calculations, this feedback will be considered for future fee consultation processes.

## Appendix A – List of respondents to the consultation paper

Name of respondent	Type of business
APW Investors Limited	Investment Business
Barclays Bank plc (Jersey Branch)	Investment Business*
Oakbridge Limited	Investment Business*
Investment Manager (via JFL)	Investment Business
Quilter Cheviot Limited	Investment Business*
Quilter Cheviot International Limited	Investment Business
SG Kleinwort Hambros Bank (CI) Ltd	Investment Business*
Standard Bank Jersey Ltd	Investment Business*

\*Note: Other regulatory licences also held.



## Appendix B - Draft Investment Business Fees Notice

### Notice of Fees

Published in accordance with:	<b>Article 15 of the Financial Services Commission (Jersey) Law 1998, as amended</b>
Payable by or in relation to:	<b>Investment Business</b>
Pursuant to:	<b>Articles 8(3) and 9(6) of the Financial Services (Jersey) Law 1998, as amended; and Article 15(6) of the Financial Services Commission (Jersey) Law 1998, as amended</b>
Commencement date:	The fees set out in this notice and the attached schedule are effective for the period from 1 May 2021 – 30 April 2022

#### 1 Interpretation

1.1 In this notice, unless the context otherwise requires –

average	in respect of the calculation of the average number of investment employees on the relevant date(s), means the arithmetic mean of each number rounded to the nearest whole number;
investment employee	<p>in respect of a registered person, means:</p> <p>(a) a person employed on the relevant date either under a contract of service or a contract for services by the registered person as:</p> <p>(i) a dealer,</p> <p>(ii) a discretionary investment manager,</p> <p>(iii) an adviser, or</p> <p>(iv) a supervisor; and</p> <p>(b) a person employed on the relevant date either under a contract for service or a contract for services in any of the categories of work specified in paragraph (a) of this definition by a person who is himself or herself employed on the relevant date either under a contract of service or a contract for services by the registered person<sup>1</sup>, and if, on the relevant date, there exists a post in the service of the registered person that is vacant but would normally be occupied by a person to which paragraph (a) of this definition applies, includes that person</p>
JFSC	means the Jersey Financial Services Commission;
Law	means the Financial Services (Jersey) Law 1998, as amended;

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<sup>1</sup> In practice this captures 'indirect' investment employees who are employed by third parties to conduct these roles on behalf of the registered person.

Registered Person	means a person registered under the Law to carry on investment business;
relevant date(s)	in respect of a year of registration of a registered person, means 1 May in that year and each of the preceding four years of registration except for the year the person applied to be registered when it means the date of the application for registration; where there are fewer than five relevant dates for the purpose of a calculation within the Schedule, the averages calculated will be of each relevant date that that is available for the calculation until there are sufficient relevant dates to perform the calculation as specified.
supervisor	means a person who is responsible, either alone or jointly with one or more other persons, for the management, supervision and control of an investment employee who is not a supervisor

## 2 Application fee

- 2.1 The fee to accompany an application for registration to carry on investment business shall be the amount specified in the table set out in the Schedule.

## 3 Annual fee

- 3.1 A person registered to carry on investment business at any point during the period 1 May 2021 to 30 April 2022 shall pay a fee calculated in accordance with the table set out in the Schedule.
- 3.2 If a person is registered after 31 December 2021 the annual fee payable on registration shall be half the fee otherwise payable.
- 3.3 The JFSC may remit an annual fee, in whole or in part, if:
- (a) in its opinion the person liable to pay the fee is a member of an associated group of registered persons; and
  - (b) another member of that group has paid a like fee.

## 4 Change of control fee

- 4.1 Where a Registered Person applies to become, to cease being, or to merge with another Registered Person they shall pay a fee calculated in accordance with the Application fee column set out in the Schedule.
- 4.2 Where a shareholder controller acquires an interest in a Registered Person, either through a one-off, or series of transactions, so that the proportion of the share capital or voting rights held by the person in the Registered Person reaches or exceeds 20%, 33% or 50%, or so that the Registered Person becomes the subsidiary of such a shareholder controller, they shall pay a fee calculated in accordance with the Application fee column set out in the Schedule.
- 4.3 The fee referred to in paragraph 4.2 shall be pro-rated according to the proportion of the share capital or voting rights acquired by the shareholder controller.
- 4.4 For Registered Persons subject to heightened supervision or enforcement, an additional fee of £1,000 shall be payable under paragraph 4.

## 5 Alteration fee

- 5.1 A fee of £400 shall be paid by a Registered Person who applies for an alteration so as to reflect all or any of the following:
- 5.1.1 a change of the name of the Registered Person;
  - 5.1.2 the addition, alteration or removal of each licence condition pursuant to an application from the Registered Person; or

5.1.3 the removal of each class of licence pursuant to an application from the Registered Person.

5.2 A fee payable in accordance with paragraph 5.1 shall not be payable where a fee payable in accordance with paragraph 4 is also payable.

## **6 Late payment of fees and/or late submission of fees information**

6.1 The due date for the provision of investment employee data is 15 June 2021.

6.2 The due date for payment of the annual fee is:

6.2.1 30 days from the invoice date, if the firm is already registered on 1 May 2021; and otherwise

6.2.2 the date an application is granted.

6.3 If the annual fee is not received by the JFSC by the due date, an additional late payment fee of 5% of the unpaid principal amount will be applied on the day after the due date, and on the first day of each calendar month after that.

6.4 If the firm does not supply the required information to calculate its annual fee by the due date, an administration fee of £200 will be charged the day after the due date, and on the fifteenth day of each calendar month after that while the information is still outstanding. This is in addition to the late payment fee set out in paragraph 6.3 which will be calculated once the information has been submitted.

## **7 Late filing fees**

7.1 If a Registered Person fails to file or deliver any document to the JFSC under the provisions of the Law or under any provisions of any Order issued in accordance with the Law on or before the date that the document becomes due, the Registered Person shall be liable to pay a fee of £100 for each complete month or part thereof that the document remains un-filed or undelivered unless the Registered Person has given the JFSC prior written notice of the reasons for the late filing or delivery of a document and the JFSC has agreed in writing that the filing may be late. Any such later agreed date shall become the due date for the purposes of the calculation and the payment of late filing fees.

**Schedule**

<i>Classes of investment business</i>	<i>Application fee</i>	<i>Annual fee</i>
Class A, B or C or any combination of these classes	£2,140	(i) £3,470; (ii) £2,430 for each of the first 15 investment employees; and (iii) £1,260 for each additional investment employee. <i>Note:</i> investment employees are calculated on the basis of the average number of investment employees employed on the relevant dates in the investment business.
Class D only	£1,070	(i) £3,210; (ii) £1,260 for each of the first 15 investment employees; and (iii) £630 for each additional investment employee. <i>Note:</i> investment employees are calculated on the basis of the average number of investment employees employed on the relevant dates in the investment business.
Class E only	£1,070	£1,260 for each fund in respect of which the applicant or registered person carries on investment business on the relevant date.