ICAEW REPRESENTATION 45/24

FCA REGULATED FEES AND LEVIES: RATES PROPOSALS 2024/25 (PROFESSIONAL BODY SUPERVISORS)

Issued 13 May 2024

ICAEW welcomes the opportunity to comment on the consultation document CP24/6 FCA regulated fees and levies: Rates proposals for 2024/25 published by the Financial Conduct Authority in April 2024, a copy of which is available from this link.

Our response is solely in respect of our role as a Supervisory Authority under The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, supervising approximately 11,000 firms.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 169,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

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OPENING REMARKS

1. As we set out in our responses to CP17/35, CP135/18, CP43/19, CP97/19, CP20/6, CP22/7 and CP23/7, we find the method of calculating the professional body supervisor fees unfair as it penalises those smaller firms and sole practitioners supervised by ICAEW, simply because they share an AML supervisor with the largest accountancy firms.
2. We feel that the disparity between the levy applied to ICAEW and the smaller PBSs that only pay the fixed fee is becoming extreme – a consequence of maintaining the fixed fee at a low rate and any increases in OPBAS budgets being picked up by the largest PBSs. We are concerned that, with a policy decision on supervisory reform due soon, this disparity will become entrenched and will impact on PBSs ability to recoup costs from their supervised population in future.

RESPONSES TO SPECIFIC QUESTIONS:

Q1: Do you have any comments on the proposed FCA periodic fee-rates for 2024/25?

3. We note that FCA has budgeted £1.9m of annual funding requirement (AFR) for 2024/25, representing an 9.4% increase compared with the previous year. We do not object to this as it is broadly in line with inflation and consistent with other fee increases in the consultation document.
4. We note that the minimum fee has increased from £5,310 to £5,775, representing an increase of 8.8%, reflecting a more proportionate allocation of the AFR across all professional body supervisors. However, the proposed fee-rates for 2024/25 result in ICAEW's levy payment increasing by 11.4% from 2023/24 and 54.4% since 2021/22.

	2024/25 forecast	2023/24 invoice	2022/23 invoice	2021/2022 invoice
OPBAS levy	£964,915	£867,553	£790,414	£624,896

5. The forecast figure for 2024/25 in the table, when set against the AFR for OPBAS operations for 2024/2025, means that ICAEW will pay 51% of the total OPBAS budget despite only supervising 25% of the supervised entities[1] across the accountancy and legal sectors.
6. We have complained consistently at the unfairness which is caused to ICAEW BOOMs by the original funding mechanism which provided that smaller PBSs should only have to bear a minimum fee. While we could understand that such a minimum fee was considered to be appropriate when looked at from the perspective of the much smaller resources and turnover of the smaller PBSs, we believe that all PBSs pass the OPBAS levy through to their BOOMs either specifically or as part of their members' practising certificate, member subscriptions or regulatory fees – the financial performance of these smaller PBSs is not impacted by the OPBAS levy and any increases to the levy are passed through to BOOMs. Given this pass-through, the setting of minimum fees and the loading of more and more levy onto the larger PBSs results in an increasingly unfair position for BOOMs whose firms are supervised by the larger bodies.
7. ICAEW, like other larger PBSs, supervises a broad range of firms ranging from very large firms down to very small sole practitioner firms. Nearly half of our 11,000 firms are in the

[1] Taken from data in the most recent HMT AML annual report as there is no publicly available BOOMs data.

latter category. The grossly unfair consequence of the original funding mechanism, now exacerbated by the significantly higher increases in the variable fee compared to the minimum fee means that a High Street small accountancy practice supervised by ICAEW containing one BOOM will be invoiced by ICAEW to pay an OPBAS levy of £59 whereas the High Street accountancy practice next door supervised by one of the small PBSs, containing one BOOM, will be reimbursing that smaller PBS for a much smaller amount based on a division of the minimum fee by the number of BOOMs supervised by that small PBS. We do not understand how this is a fair way of sharing out the costs of OPBAS's operations.

8. To avoid this ingrained unfairness being exacerbated with the current increase proposals, we ask that the FCA/OPBAS urgently review the OPBAS levy calculation. The increasing OPBAS budget, but static fixed fee, means that the difference between the fees charged to the smallest PBSs and the largest are greater than ever and will only get further apart over time. This is causing the OPBAS levy calculation to look irrational and is causing OPBAS to become over-reliant on its funding from one or two PBSs.