Levy on Listed Companies for 2006/07

Further to our consultation paper issued in March 2006, we have finalised our levy on listed companies.

Only one response was received in response to the consultation paper, which supported the proposals.

The amount of the levy on listed companies for 2006/07 will be £0.2m lower than the amount shown in the consultation paper. This reflects two factors: the commencement of our new responsibilities for actuarial standards and regulation, for which there are separate funding arrangements, will reduce the proportion of support services and corporate costs borne by listed companies; and there were higher than expected collections from the levy on listed companies in 2005/06. The effect of these two factors is as follows:

	£m
Amount in consultation paper	3.3
Support services and corporate costs attributable to actuarial standards and regulation	(0.1)
Higher than expected collections in 2005/06	(0.1)
Amount of levy to be raised	3.1

However, the number of listed companies from which the levy will be collected is 10% lower than expected in our consultation paper. In order to raise the amount we require, we will, therefore, apply the rates per £m of market capitalisation proposed in the consultation paper, which are shown in the table below:

Band	Market capitalisation (£m)	Levy rate per £m of market capitalisation 2006/07 (£)*	Levy rate per £m of market capitalisation 2005/06 (£)*
1	Up to 100	Min levy £800	Min levy £800
2	100 - 250	5.00	5.50
3	250 - 1,000	3.80	4.25
4	1,000 - 5,000	2.70	3.00
5	5,000 - 25,000	0.045	0.05
6	> 25,000	0.009	0.01

** non-UK companies receive a discount of 50%*

The following example illustrates the way in which the 2006/07 levy will be calculated for a UK company with a value of £350m:

Market capitalisation band (£m)	Levy calculation	Levy payable (£)
Up to 100	Min levy	800
100 - 250	150 x 5.00	750
250 - 1,000	100 x 3.80	380
		Total 1,930

Only companies listed on the London Stock Exchange's Main Market contribute to our costs, although the majority of our activities are also relevant to other publicly traded companies, such as those on AIM and OFEX. We have previously commented on the unfairness of the present funding arrangements, which amount to a cross-subsidy from Main Market companies to other publicly traded companies. The previous trends of a decline in the number of companies on the Main Market coupled with an increase in the number of companies on the other markets has continued and is expected to continue in future. We will keep under review the issue of whether a wider range of those publicly traded companies who derive benefits from our work should contribute to our costs.

FRC
May 2006