

Delivering better regulation: HM Treasury's simplification plan

December 2006



HM TREASURY



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DELIVERING BETTER REGULATION

1.1 In March 2005, the Better Regulation Task Force published *Less is more*,¹ recommending that:

“by September 2006, all departments, in consultation with stakeholders, should develop a rolling programme of simplification to identify regulations that can be simplified, repealed, reformed, and/or consolidated.”

SUMMARY

1.2 This draft simplification plan outlines a series of proposals to deregulate, consolidate, and rationalise the existing stock of regulations enforced by HM Treasury and the Office of Government Commerce (OGC). HM Treasury sets the scope of financial services legislation, has lead responsibility for negotiating financial services legislation in the EU, and sets the context and framework in which the Financial Services Authority (FSA) sets its rules and principles. As a result this simplification plan contains measures that relate to financial services legislation, some of which is enforced by the FSA. The FSA has published its own simplification plan which contains measures to reduce the administrative burden of regulations in the FSA Handbook. A copy of this document can be found at www.fsa.gov.uk. The two documents should be read together for a holistic understanding of the simplification of financial services regulation.

1.3 The simplification plan also outlines how we will achieve a 25 per cent net target to reduce the administrative cost of regulations enforced by HM Treasury and OGC. However, HM Treasury works together with the FSA to reduce the burden of enforcement particularly where it stems from EU regulations and tackles the policy costs of bad EU legislation where evidence suggests this is necessary.

1.4 HM Treasury also has responsibility for tax policy and therefore plays a central role in developing and supporting the HMRC agenda to simplify the administration of the tax system. However, this simplification plan does not include details about tax simplification measures as these proposals are contained in a report published alongside Budget 2006.² At that time HMRC committed to reduce the impact of the most costly burdens by:

- reducing the administrative burdens on business of dealing with HMRC forms and returns by at least 10 per cent over five years; and
- reducing the administrative burden on business of dealing with HMRC's audits and inspections, by 10 per cent over three years and at least 15 per cent over five years.

1.5 HMRC have recently published *Delivering a new relationship with business: HMRC's plans to deliver a better service for businesses by 2010-11*. This sets out progress made since the creation of a single tax department in 2005 and milestones for future improvement.

1.6 The plan will become a living document updated annually on HM Treasury's website www.hm-treasury.gov.uk. We are extremely grateful to all those who provided

¹ *Regulation - Less is more: reducing burdens, improving outcomes*, Better Regulation Task Force, March 2005.

² *Progress towards a new relationship: How HMRC is working to make life easier for business*, HM Revenue & Customs, March 2006.

input in the plan's development (listed below and at Annex C) and welcome continued input from stakeholders.

Financial services priorities **1.7** This simplification plan has 22 measures outlined in full in Annex A. Five of the most significant initiatives for industry relate to HM Treasury's plan for further modernising the regulation of financial services over the next year or two, issued in the 2005 Pre-Budget Report. These all reflect priorities which industry has drawn to our attention:

- reform the financial promotion regime;
- simplify the Regulated Activities Order;
- cut back reporting requirements from the FSMA controllers regime;
- widen employer freedoms to make financial promotions to employees; and
- introduce a Regulatory Reform Order to improve FSA efficiency.

Financial crime **1.8** This simplification plan includes four initiatives that relate to improving anti-money laundering, counter-terrorist financing, and asset freezing requirements placed on firms. In particular, it considers ways to simplify customer identification measures, through changes in legislation, and improved guidance and information to firms. More details are set out in Annex A.

Implementing Hampton **1.9** The Hampton report, *Reducing administrative burdens*, was published in March 2005. It set out the intellectual framework for risk based regulation. The report identified that the cumulative administrative burden of inspections and form filling was significant for the business community, particularly for smaller businesses. The recommendations, which the Government accepted in full, set out that regulators and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources on areas that need them the most. In addition, the report recommended that all regulations should be written so that they are easily understood, easily implemented and easily enforced; no inspection should take place without a reason; businesses should not have to give unnecessary information, or give the same piece of information twice; and that 35 regulators should be consolidated into nine thematic regulators.

1.10 This simplification plan outlines what HM Treasury is doing to implement the Hampton recommendations. For example:

- reducing the burden of form filling by improving the way in which businesses provide information to the Financial Ombudsman Service; and
- meeting the Hampton principle that "regulators should provide authoritative, accessible advice easily and cheaply" by improving money laundering guidance.

1.11 Improving joint working between regulators was also raised by Philip Hampton and is reflected in a new package of information exchange gateways affecting five different regulators as well as the Assets Recovery Agency. The main benefits for those firms affected by these authorities is that improved joint working should lead to businesses not having to disclose the same piece of information to a number of different regulatory bodies. The savings resulting from setting up the information exchange gateways are likely to be nominal and as a result are not reflected in further detail in the simplification measures table (Annex A).

1.12 Although not covered in this simplification plan, improved joint working is also reflected in the FSA and Office of Fair Trading's Action Plan, *Delivering better regulation outcomes*, which was published in April 2006³ and updated in November 2006.⁴ The Action Plan sets out the ways in which the two regulators intend to reduce administrative burdens on firms, improve the information available to consumers, and deliver risk-based regulation. Specifically, the actions in this plan may benefit firms by:

- enabling them to provide standard information to both organisations with as little duplication as possible;
- ensuring that FSA and OFT rules in areas of overlap are consistent and complementary and thus easier for firms to implement; and
- ensuring that FSA and OFT regulation is cost-effective for jointly regulated firms.

Structure

1.13 Following this introduction, the simplification plan will:

- discuss the two regulated sectors (i.e. financial services and public procurement), provide a justification for regulation in those areas, and summarise the regulatory framework;
- outline the alternatives to regulation including avoiding gold plating and leading regulatory reform in Europe;
- set out an overview of both the costs of regulation in financial services and public procurement;
- outline the origins of the simplification plan measures and the opportunities for stakeholder engagement as the plan is developed;
- list the simplification measures of HM Treasury and OGC; and
- list the incoming regulatory burdens of HM Treasury, OGC and the FSA.

THE REGULATED SECTORS

Financial services

1.14 London is, on many counts, the world's leading international financial centre. It dominates key international financial markets in foreign exchange, foreign equities and international bonds, and has more foreign banks than any other financial centre. *Financial services in London: Global opportunities and challenges*, published alongside Budget 2006, sets out the Government's approach to supporting its ambitions for London's continued strength as the world's leading international financial centre and the global location of choice for financial services firms.

1.15 The financial services sector is therefore critical to the UK economy. Financial services account directly for around 6.8 per cent of the UK economy and one million jobs. Net exports from the financial services sector were around £19 billion in 2004 and the trade surplus in 2005 was £16.3 billion.⁵

³ http://www.fsa.gov.uk/pubs/other/OFT_FSA_Actionplan.pdf

⁴ *Delivering better regulation outcomes – an update*, November 2006

⁵ *International Financial Markets in the UK*, International Financial Services – London, April 2006.

1.16 More significantly, financial markets foster growth, innovation and productivity in all other sectors of the economy by ensuring resources are allocated efficiently - including providing business with the capital it needs to grow and expand. The financial services sector has played a vital role in driving what is currently the longest sustained expansion of GDP on record, with employment also at a record high.

1.17 The financial sector plays a vital role in the fight against crime and terrorism by putting in place controls that deter, detect and disrupt money launderers and terrorist financiers. Financial services enable people to rely less upon the state by saving enough for retirement, by insuring themselves against adverse events such as unemployment and poor health, and by financing housing and long-term care. This helps reduce Government spending, leading to less Government borrowing and taxation.

Public procurement

1.18 In 2001, total public spending on procurement represented 16.2 per cent of EU GDP - around €1,500 billion - and a similar proportion within the UK. Whilst public procurement therefore has a significant impact on relevant supplier markets, its fundamental purpose is to provide the public sector with what it needs to deliver high quality public services.

Justification for regulation

Financial services

1.19 The purpose of financial regulation is to make financial markets work better, more efficiently, more fairly, and to avoid financial instability. Financial markets can suffer from significant and pervasive market failures.⁶ Regulation aims to address these market inefficiencies and asymmetries of information, reduce uncertainties, keep markets free from fraud and abuse, improve market stability and raise confidence. Put simply, financial markets cannot operate without an underpinning regulatory framework and the vast majority of regulated firms believe regulation benefits their industry.⁷

1.20 The FSA has to have regard to the general principle that consumers and investors should have responsibility for their decisions. However, both these groups do need protection from the threat of mis-selling, poor advice, and asymmetric information. Finding the right level of protection is one of the key roles of policy makers.

1.21 Effective regulation is one of the most important competitive factors determining the attractiveness of international financial centres. One reason why London has moved further ahead of Paris and Frankfurt in the perception of market practitioners, and one of London's comparative advantages over New York, is the UK's regulatory regime.⁸ Firms derive a reputational advantage from well-regulated markets but that regulation needs to be proportionate and appropriate. The move towards a more risk-based approach with lower administrative burdens on business will benefit consumers and investors because it frees up regulators to target enforcement on the most risky businesses or on those with a poor track record of compliance. Ineffective regulation, by contrast, can either needlessly over burden businesses or permit market failures that damage confidence and market efficiency.

1.22 Financial regulation is necessary to protect the nation's security. The UK's framework of money laundering controls and counter terrorist finance measures

⁶ *The future of UK asset management – competitive position and location choice*, OXERA, May 2005

⁷ *The Financial Services Practitioner Panel Annual Report 2004-05*, Financial Services Practitioner Panel, May 2005,

⁸ *The Competitive Position of London as a Global Financial Centre*, Corporation of London, November 2005.

provides a mechanism to identify individuals and entities suspected of being engaged in criminality, overseas corruption, or terrorism; and prevents such individuals or entities from raising or transferring funds without detection. The operation of such controls equips law enforcement with a powerful intelligence resource, and creates a hostile environment for financial crime that serves to protect the reputation of the UK's financial marketplace as a fair-dealing place to do business.

Financial crime **1.23** Tackling money laundering and terrorist financing also means tackling some of the most harmful activities that society faces. As well as terrorism this includes drugs, people trafficking, prostitution, corruption and fraud. Effective, well targeted and proportionate systems that deter, detect and disrupt money laundering and the financing of terrorism stop the monetary rewards of crime; prevent terrorism from flourishing; and ensure the integrity of the UK's financial systems.

Public procurement **1.24** The purpose of public procurement regulation is to ensure value for money for the taxpayer through the promotion of the single European market, based on the principles of transparency, non-discrimination and competition.

The regulatory framework

Financial services **1.25** HM Treasury is responsible for ensuring that the overall regulatory framework in the UK for financial services is optimal and flexible to market developments. HM Treasury radically overhauled the system between 1997 and 2001 to establish the FSA, a world-leading model which many other countries including Japan, Germany and Sweden have subsequently sought to emulate.⁹ HM Treasury merged nine regulators into one to exploit regulatory synergies and efficiencies and to provide industry and consumers with a one-stop shop - successfully pioneering an approach which laid the foundations for other regulatory mergers being undertaken following Philip Hampton's report¹⁰.

1.26 HM Treasury provided the new regulator, the FSA, with modern powers backed by an effective accountability framework. Outdated legislation and self-regulatory arrangements were replaced with a single statute, the Financial Services and Markets Act 2000 (FSMA). The FSA covers almost all regulated financial activity, the most notable exceptions are occupational pensions, bureaux de change and money transmitters. The FSA has four statutory objectives:

- market confidence;
- public awareness;
- the protection of consumers; and
- the reduction of financial crime.

1.27 The new framework was carefully crafted to ensure that the FSA, sustainably and independently, finds the right balance between protecting consumers and reducing regulatory burdens on industry. The FSA is a private company with public functions, funded by industry, accountable to HM Treasury, Parliament and stakeholders by a range of arms-length mechanisms. Under the new framework HM Treasury is responsible for setting the scope of financial regulation via legislation.

⁹ *Financial Times*, 5 July 2006

¹⁰ *Reducing administrative burdens: effective inspection and enforcement*, Philip Hampton, March 2005.

1.28 HM Treasury is responsible for negotiating EU law, which can affect both the scope and nature of regulation and is increasingly important as EU financial markets become more integrated. During the negotiation phase HM Treasury and the FSA work very closely together to discern industry and consumer views. This includes holding regular open meetings and consulting publicly on EU proposals before they are adopted. Where possible HM Treasury and the FSA consult jointly or in parallel on implementation proposals.

Public procurement **1.29** The EU sets public procurement rules. The OGC leads the UK's EU negotiations, in consultation with interested parties. The OGC generally drafts the regulations to implement EU public procurement rules into domestic law for England, Wales and Northern Ireland, while Scotland implements its own regulations. There is no public procurement regulator as such, so any disputes are ultimately resolved by the courts.

1.30 Each purchasing authority (e.g. government department, Non-Departmental Public Body, local authority etc) is responsible for the application of the Procurement Regulations to their own purchasing decisions. The Regulations include the provisions of the EC Compliance and Remedies Directives. These allow bidders to take action in the courts if the purchasing authority has not complied with the rules. They can seek damages and, where the contract has not been entered into, they can also apply to have the award procedure overturned. The new Regulations, which came into force on 31 January 2006, include a 10-day standstill requirement before the conclusion of a contract. This provision has been included to allow interested parties to seek further information on the award decision from purchasers before it has been entered into.

ALTERNATIVES TO REGULATION

Financial services **1.31** When setting the scope of regulation, HM Treasury seeks non-regulatory solutions first, such as industry codes, and only considers regulation as a last resort. Recently HM Treasury has found alternatives to regulation and:

- used existing contractual mechanisms and legal provisions available to market participants and infrastructures to allow the financial sector to manage risks appropriately rather than adopting a legislative response to deal with a threat of major operational disruption in the UK financial system;
- subsequent to the 2004 Myners Review and following the approach of building societies, allowed life mutuals to voluntarily adopt an annotated version of the Corporate Code for public companies;
- adopted a shared goal with UK retail banks to halve the number of adults living in households without access to a bank account in preference to a regulatory solution such as a universal service obligation; and
- resisted pressure to introduce a new regulatory regime for the investment trust sector following widespread consultation.

1.32 Improvements to consumers' awareness and understanding of financial products and services should reduce the need to use regulation to protect consumers over the long term. A National Strategy for Financial Capability, involving the FSA and a partnership with industry, uses a variety of channels to improve financial capability, including schools, adult and community education, and the workplace.

1.33 HM Treasury is also working to improve implementation of regulation stemming from the EU. Some examples include:

- the **European Commission White Paper on financial services**, which reflects the UK's five strategic priorities for the future of EU regulation. These include better enforcement of existing measures before introducing new measures; pursuing alternatives to regulation such as competition initiatives; improving joint-working between financial regulators; and making greater use of consultation, cost-benefit analysis, and repealing or modifying ineffective old measures;
- the **Third Money Laundering Directive** includes a risk based approach to customer due diligence measures and supervision;
- barriers to **cross-border consolidation in the EU financial sector** are being addressed via a European Commission proposal amending the supervisory approval processes for cross-border mergers and acquisitions in the relevant banking, insurance and securities directives, ensuring that there are clear, transparent and consistent procedures in place;
- the **EC Capital Requirements Directive** should lead to a more risk-based approach in the provision of regulatory capital. This may lead to considerable efficiency gains and more stable financial markets, with burdens applied more proportionately; and
- the **EC Reinsurance Directive** should liberalise the internal market for reinsurance services and present UK reinsurers with significant new business opportunities.

Public procurement 1.34 OGC is proactive in simplification initiatives for businesses in procurement, these include:

- implementation of the revised procurement Regulations (as discussed above);
- working with DTI's Small Business Service to deliver the Supply2.gov.uk website, which enables public sector purchasers to advertise free their sub-threshold requirements. This makes available public procurement opportunities worth billions of pounds and will particularly benefit SMEs and social enterprises;
- model Pre-Qualification Questionnaire (PQQ) for low value procurements, providing standard questions for authorities to ask prospective tenderers. This will aid SMEs by standardising information requirements from multiple authorities;
- training over 800 procurers across nine regions in 2005 to break down barriers to procurement opportunities for SMEs. This was balanced by SBS' SME training in *How to tender for government contracts* designed to improve SME tendering capability;
- guidance on opening up major suppliers' supply-chain in larger public sector procurements for the benefit of SMEs; and
- improving procurement professionalism within the public sector through the Government Procurement Service.

1.35 Further planned regulatory changes are likely in a couple of years and will see revised Compliance and Remedies Directives implemented by modifications to the procurement regulations. OGC is responsible for the UK negotiation on the directives and, as with the procurement regulations themselves, will ensure that implementation does not extend beyond the requirements of the directive.

Avoiding gold plating

1.36 When implementing new EU measures, HM Treasury does not go beyond the minimum requirements of EU law, known as ‘gold plating’, except where Ministers decide it is justified following full cost-benefit analysis and consultation with business. Where industry has drawn attention to unjustified historic ‘gold plating’, HM Treasury has acted to address this. The current proposed simplification of the ‘controllers regime’, addressed through the Commission’s review of the supervisory approvals process for Mergers and Acquisitions in insurance, banking and securities (see Annex A) is one such example. HM Treasury also supported the European Commission in including a provision in the Markets in Financial Instruments Directive (MiFID) restricting member states ability to retain or impose additional requirements. They will be allowed:

“only in exceptional cases where such requirements are objectively justified and proportionate.”

1.37 EU procurement directives are designed to open markets across the EU by requiring transparency, non-discrimination and competitive procurement. They help public procurers to deliver value for money (vfm) for the taxpayer through open competition and restrict the opportunity for corruption. The directives have been transposed into UK domestic law by regulations in line with better regulation principles. The regulations take full account of the flexibilities in the directives which help public authorities to secure vfm. Where appropriate the regulations clarify certain provisions in the directives to help public authorities to comply with the rules. The OGC also provides written guidance on some of the more important or difficult issues.

Davidson Review 1.38 At the 2005 Pre-Budget Report the Government set up a review set up to look at the whole process by which EU legislation is given effect in the UK, from transposition (writing EU legislation into national law) to enforcement. The review, led by Neil Davidson, QC, Advocate General for Scotland, aims to identify - and consider ways to simplify - any unnecessary burdens created by over-implementation. It reported with recommendations to Government on 28 November 2006.¹¹ The review will provide Departments with areas which they should be considering in the simplification process to feed into future iterations of the plan.

1.39 In the financial services area overall, the review team has acknowledged the efforts of HM Treasury and the FSA in engaging with stakeholders when negotiating and implementing EU directives. However, they have also focussed in on three areas where over-implementation has occurred. These are:

- the Insurance Mediation Directive;
- the Distance Marketing Directive; and
- the close links regime.

¹¹ http://www.cabinetoffice.gov.uk/REGULATION/reviewing_regulation/davidson_review/

1.40 HM Treasury's immediate response in particular over the Insurance Mediation Directive, has been to announce the exemption of "freight forwarders" from the scope of FSA insurance regulation, in a move that will decrease regulation on the industry and help promote its competitiveness.

1.41 HM Treasury and FSA are taking steps to address the other issues raised. No allegations of over implementation were made to the Davidson Review concerning the OGC.

1.42 HM Treasury also uses public consultation and cost-benefit analysis to ensure all regulation is proportionate. Where the current regulatory environment goes beyond the requirements of EC law, sunset clauses have been used (e.g. in relation to the FSMA 2000 (Market Abuse) Regulations 2005). This is to ensure that the additional prohibitions automatically fall away unless after a full consultation it is decided that the protections are necessary and supported by industry.

Leading regulatory reform in Europe

1.43 The vast majority of new financial services legislation since 1999 has stemmed from the EU Financial Services Action Plan (FSAP) - a programme of EU law which is designed to help create more open, efficient, deeper, more liquid, innovative, competitive and integrated EU financial markets. Aside from intending to provide cheaper capital for business, the FSAP provides UK financial firms with greater business opportunities to expand across the EU. The Prime Minister welcomed the FSAP at its launch in 1999 and has subsequently praised its contribution to EU economic reform.¹²

1.44 These significant longer-term opportunities and benefits have been associated with high implementation costs. A priority for HM Treasury has been to maximise the gains and minimise the potential costs.

1.45 The UK's five priorities for future strategy towards financial services in Europe¹³ were embraced by the European Commission and reflected in the Commission's White Paper on Financial Services Strategy 2005-2010.¹⁴ Turning the White Paper into reality over the coming years will be the most significant way of minimising new regulatory burdens on business, and in some cases cutting back regulatory costs, especially for cross-border business.

COSTS OF REGULATION

1.46 Since May 2005 HM Treasury and the OGC have been taking part in the Administrative Burdens Reduction project carried out by PricewaterhouseCoopers and coordinated from the Better Regulation Executive. This involves identifying regulations for which HM Treasury is responsible, and quantifying the size of 'administrative burdens' relating to those regulations – in particular the cost to industry of having to report information to the authorities. The Treasury and OGC have responsibility for 14 regulations within the scope of the exercise. These can be grouped into the following categories:

¹² *Realising Europe's Potential: Economic Reform in Europe*, HM Treasury, February 2002; *Meeting the Challenge: Economic Reform in Europe*, HM Treasury, February 2003; *Growth and Opportunity: Prioritising Economic Reform in Europe*, HM Treasury, February 2005.

¹³ *After the EU Financial Services Action Plan: a new strategic approach*, HM Treasury, Financial Services Authority and Bank of England, May 2004.

¹⁴ *Financial Services Policy, 2005-10 White Paper, COM (2005) 629*, Commission of European Communities, December 2005

- Procurement
- Financial Services and Markets Act
- Money Laundering
- Asset Freezing and Sanctions

1.47 This exercise considers only the burdens associated with the act of transmitting information, and is not considering the underlying ‘policy costs’, taken to mean for example the costs to industry of establishing and operating the business systems needed to collect the information which is subsequently transmitted.

1.48 The FSA already had in progress a project to measure the wider costs of regulation. This has been initiated jointly with the independent Financial Services Practitioner Panel. Alongside this, the FSA undertook an exercise to estimate the administrative costs that the financial services sector incurs reporting to them. The burden was estimated at being around £600 million per annum. A further study was recently conducted into the administrative costs to the industry of reporting information to third parties, principally consumers. This study estimated the overall cost to be £227.9 million. Further details can be found in the FSA Simplification Plan.

Standard Cost Model

1.49 Administrative burdens were calculated using the Standard Cost Model (SCM) which was developed in the Netherlands. The SCM takes a pragmatic approach to measurement and aims to provide estimates that are consistent across policy areas but which are indicative rather than statistically representative. The measurement focuses only on the administrative activities that must be undertaken in order to comply with regulation and not whether the regulation itself is reasonable or not. It does not therefore capture the policy or ‘compliance’ costs of a particular activity. So for example, if a business is required by law to fit a fire door, the cost of fitting the fire door and understanding the precise requirements are not included in this exercise; instead the cost of informing the relevant authorities that the door has been fitted or showing an inspector the relevant activity is caught.

1.50 Each regulation is broken down into information obligations (activities) and in turn each of these is broken down into data requirements. For each activity a price and quantity is collected:

- Price: Price consists of a tariff, wage costs (plus overhead, non-wage costs) for activities done internally or hourly cost for external service providers and time, the amount of time required to complete the activity. Wage data is taken from statistical sources. For external costs a national average figure is used.
- Quantity: Quantity comprises of the size of the population of businesses affected and the frequency that the activity must be completed each year.

Combining these elements give the basic SCM formula: **Activity Cost = Price x Quantity = (tariff x time) x (population x frequency)**

1.51 This formula also identified and captured the costs of activities which businesses would be likely to carry out regardless of the regulation measured being in place. These activities, and the estimates for the ‘business as usual’ costs they represent, could lead to distortion in the focus of our reduction efforts. The actual administrative burden is the additional cost imposed by regulation, over and above what businesses would do anyway.

Reducing administrative burdens

1.52 To ensure our reduction strategy focuses on areas where regulation adds specific additional burdens, the HM Treasury took part in a cross-government process developed by the Cabinet Office and agreed with business stakeholders to identify those activities within our total administrative cost which might be classified as 'business as usual' (BAU). Using a pragmatic methodology to apportion the estimates captured by the measurement exercise, an independent panel of business representatives looked at the activities that make up 70% of our total administrative cost to consider the apportionment of BAU costs.

1.53 Just under 90 per cent of the costs captured in Annex D relate to the OGC's procurement regulations. It should be noted that the administrative burden of these regulations only applies if a business voluntarily chooses to bid for Government work.

1.54 The total administrative burden (abated by 'business as usual' costs) of regulations enforced by HM Treasury and OGC is £43.9 million and is outlined in Annex D. HM Treasury has accepted a target to reduce by 25 per cent the administrative burden by 2010. This is equivalent to a saving for industry of £11 million. This saving is likely to be achieved from two of the simplification proposals outlined in Annex A: (Item 2) Consolidation of Public Procurement Regulations which came into force in January 2006; and (Item 1) changes to the Financial Ombudsman Service disclosure requirements to be introduced in 2008. However, it is too early to produce credible estimates of the savings resulting from the first of these measures. We will be in a position to estimate the savings in future iterations of this plan and judge the effectiveness of the measure on that basis. We will of course review progress against delivery of the target and continue to consider whether further simplification measures can be made in the Spring 2008 review.

1.55 Some progress towards the £11 million target has already been achieved since the measurement exercise began in May 2005. For example, the rules governing public procurement have changed. The Public Services, Public Works and Public Supply Regulations have been merged into a consolidated 2006 Public Contracts Regulations in line with changes to the EU directives on which they are based. The following simplifications have also taken place:

- the formal introduction of framework agreements into the bidding process will reduce the frequency with which businesses need to bid for contracts – this will reduce costs associated with £37.9 million of the administrative burden Information Obligations (IOs);
- if taken up by bidders, the new option for electronic application of documents will reduce the unit cost of submitting a bid – this will reduce costs associated with £36.1 million of the administrative burden IOs; and
- if taken up by bidders, the new dynamic purchasing systems, will also reduce the unit cost of submitting a bid – this will reduce costs associated with £27.3 million of the administrative burden IOs.

1.56 It is not possible so soon after the introduction of the new regulations to quantify these savings. However, it should be possible in the future to make estimates of the reduction in affected populations and unit costs of the individual Information Obligations as a result of the simplification measures outlined above.

1.57 In addition, provisions in the revised 2006 Utilities Contracts Regulations allow for the total exclusion of particular sectors if an application is made to the European Commission. This has been done for the electricity generation sector resulting in a

reduction in the affected population of approximately 20 per cent. This is equivalent to an administrative burdens saving of approximately £270,000. If supported by industry, further applications for exemptions could be made for other energy or transport sectors in the future resulting in further administrative burden reductions.

1.58 The simplification measures table (Annex A) sets out 22 measures to reduce policy and administrative costs of regulation. Against each administrative cost saving it is made clear whether this will impact on HM Treasury or the FSA's administrative burdens baseline. The simplification measures table includes administrative burden reductions to HM Treasury's baseline of at least £1.27 million. This is equivalent to 27 per cent of our Category B and C burden. It is the first step towards achieving a 25 per cent reduction in our total burden, which will require total reductions of £11 million. We believe that the remainder of this target could be met by the consolidation of Public Procurement Regulations, which came into force in January 2006. It is too early to produce credible estimates of the savings resulting from these changes, largely because this is dependent on the level of take up by those binding for Government procurement contracts.

1.59 As outlined above, the figures in Annex D represent a small proportion of the total administrative burden on the financial services sector. The administrative burden of regulations enforced by the Financial Services Authority and targets for their reduction are set out in the FSA simplification plan.

1.60 Although this exercise does not set out to reduce the policy costs to business, Annex A contains a number of measures that together aim to reduce this burden by £59.28 – 94.3 million.

Incoming burdens **1.61** Measures in the plan will be updated on an annual basis and new administrative costs will be offset by simplifications elsewhere. An incoming burdens table is set out at Annex B. It is not yet possible to quantify the incoming regulatory burdens of all the new measures but this will be possible as the plan is updated on an annual basis. None of the incoming burdens will impact on HM Treasury's administrative burden baseline because they are all enforced by the FSA. The incoming burdens table contains four policy areas which are also covered in the simplification grid (Annex A):

- Capital Requirements Directive
- Third Money Laundering Directive
- Pensions permission reform
- FSMA controllers regime

CONSULTATION

1.62 HM Treasury maintains an active dialogue with industry and consumer groups, including individual firms and all the key trade organisations. Reforms and simplifications are almost invariably drawn up in conjunction with industry and consumer groups. HM Treasury engages with stakeholders through informal pre-consultation when drawing up proposals, formal public consultation to elicit views from all quarters on proposed changes, and informal post-consultation to assess whether new measures achieve their objectives. As a result reforms and simplifications address stakeholder concerns, suggestions and priorities.

1.63 The OGC regulations implement EU directives where there is no discretion in transposition (i.e. Category A obligations). The scope to amend as a result of dialogue with industry is therefore limited. Nonetheless, the OGC undertook a formal consultation on the two new directives while they were being negotiated at the EU. They also had two formal consultations before the new 2006 Procurement Regulations, which replaced the four regulations covered in the May 2005 baseline, came into force.

1.64 HM Treasury also sent a draft of Annex A to its key stakeholders in April 2006 to elicit views. Responses were received from the following bodies:

- Association of British Insurers
- City of London Law Society
- Confederation of British Industry
- Financial Services and Markets Legislation City Liaison Group
- Financial Services Consumer Panel
- Investment Management Association
- London Stock Exchange

1.65 We have also engaged throughout this process with the Better Regulation Executive, Small Business Service and Better Regulation Commission. We are grateful to them all for their input.

1.66 These views have been reflected in this simplification plan. As this plan is a living document to be updated on an annual basis, new ideas are encouraged. HM Treasury have established an email address to which stakeholders can send deregulatory and simplification suggestions.¹⁵

Your input

1.67 Milestones and deadlines for delivery have been set out in the attached tables. However, the simplification plan will be updated with new measures on a rolling basis to reflect the ongoing work of HM Treasury and OGC in cutting regulatory burdens.

1.68 Stakeholders are invited to comment on the simplification plan. There will not be a formal 12 week consultation period, but instead we would appreciate any comments between now and publication of the updated plan in autumn 2007 on our website. Publication of updated plans will then take place on an annual basis. The list of questions below may help provoke a response to this plan.

¹⁵ simplification@hm-treasury.x.gsi.gov.uk

Questions for consideration

1. Does the plan reflect what you see as priorities for HM Treasury?
2. Are you clear how these proposals will benefit business?
3. Do you believe the plan to be properly quantified?
4. Do you believe that the plan is ambitious, imaginative and aggressive? Does it challenge the status quo? Does it make use of the full range of alternatives to regulation to deliver simplification?

1.69 Stakeholders are also asked to submit new proposals for simplification or reform. To facilitate this the Government has launched the Simplification portal which enables stakeholders to make a contribution to this process which will be fully considered by Government and fed into Departmental plans where at all possible. Proposals can be submitted at <http://www.betterregulation.gov.uk>.

1.70 Stakeholders can send comments on the FSA's simplification plan, and better regulation proposals, to betterregulation@fsa.gov.uk. Ideas for simplifying tax and duty measures administered by HMRC can be submitted using the portal at <http://www.hmrc.gov.uk/simplification/simplification.htm> or e-mailed to simplification@hmrc.gsi.gov.uk

HM TREASURY REGULATORY SIMPLIFICATION MEASURES TABLE

Title and brief description of the initiative and how it will be delivered	Type of burden (Top IO, category A/B/C*)	Outcome (including sector/s to benefit)	Source of proposal (stakeholder, department, EU, other)	Estimated cost savings and RIA status where applicable	Milestones and deadlines for delivery
Simplifying regulatory requirements					
<p>Financial Ombudsman Service disclosure requirements</p> <p>Under section 231 of the Financial Services and Markets Act 2000 the Financial Ombudsman Service (FOS) has the power to require information to be submitted to it in order to resolve outstanding complaints between consumers and persons authorised by the FSA (where the FOS has jurisdiction to resolve such complaints). Administrative burdens to industry stem from these requirements. The FOS is launching a new initiative to reduce these burdens by facilitating more e-communications.</p>	C	<p>The administrative burdens to industry of providing information to the FOS and to third parties should be reduced as a result of this initiative.</p> <p>In particular, the scope for business to communicate electronically with the FOS in a secure way will be enhanced, reducing the current level of paper communications.</p>	FOS	<p>Savings would relate to lighter disclosure arrangements.</p> <p>There are around 110,000 such cases each year. Total admin savings could be in the region of £1 m per year. It is not possible to offer a more precise figure at this stage.</p> <p>This impacts on the HMT baseline.</p> <p>An RIA is not required.</p>	These reforms will be introduced by 2008.
<p>Consolidation of Public Procurement Regulations</p>	A	Most of the benefits apply to public and utility sector	EU	Possible savings in due course from new procurement methods	UK regulations came into force on 31 January 2006.

* A= burdens of an international origin where the UK does not have national discretion over how they are implemented;
 B= burdens of an international origin where the UK has national discretion over how they are implemented; and
 C= burdens with a UK origin
 IO= Information Obligation

<p>Four regulations were replaced by two following EU Directives. The three current sector procurement regulations were replaced by one to simplify, clarify and update public procurement procedures and reflect new procurement methods. The existing single regulation for the utilities sector has also been updated to provide clarification for applicants. These two regulations enable the introduction of electronic auctions to the process and, in the case of the public contract regulation, the introduction of the competitive dialogue procedure. These changes make the framework for both regulations more flexible, transparent and accessible to its applicants and users.</p>		<p>The new provisions also benefit both purchasers and bidders by providing for modern procurement systems and by allowing electronic access and submission of tender documents.</p>		<p>permitted by these new regulations, such as e-procurement. It is too early to produce credible estimates of the savings resulting from these changes, largely because this is dependent on the level of take up by those bidding for Government procurement contracts. An admin saving of £270,000 has already occurred as a result of the exclusion of the electricity generation sector from the revised Utilities Contracts Regulations 2006. This impacts on the HMT baseline. An RIA was published on the OGC website.</p>	
<p>Changes to the scope of FSA insurance regulation Freight forwarders are to be exempt from FSA regulation that implements the EU's Insurance Mediation Directive (IMD). The IMD requires the UK to regulate various activities involved in selling and administering all contracts of insurance, including long-term insurance business, commercial insurance and reinsurance. The IMD was implemented in the UK by giving the Financial Services Authority (FSA) responsibility for regulating</p>	<p>B</p>	<p>The benefit applies to the freight forwarding sector. Where freight forwarders arrange an insurance policy to cover goods in transit they will now be able to pass on rights under this policy to their customers without being subject to FSA regulation.</p>	<p>Industry</p>	<p>Approximately 1200 companies, including a number of small firms would make savings as a result of this initiative. Cost-savings result from (i) reduced compliance costs from freight-forwarders not having to comply with FSA's rules in this area (ii) removing authorisation costs for freight forwarders for whom this is their only FSA-regulated activity. Policy development is at a very early stage and so estimating</p>	<p>These changes will be achieved through amending the Regulated Activities Order. A consultation paper with draft secondary legislation will be published in late 2006. Subject to this consultation, regulations amending the RAO will be laid in early 2007.</p>

<p>the sale of general insurance products (the FSA already had responsibility for regulating the sale of long-term contracts). These changes will be achieved through amending the Regulated Activities Order.</p>	<p>Audit threshold The audit requirements for industrial and provident societies are being reduced. The turnover level below which non-charitable societies (and to a limited extent charitable societies) do not need to have accounts fully audited has been raised.</p>	<p>C</p>	<p>Greater consistency with companies has been created, in relation to smaller operators not needing to have their accounts audited. The auditing requirements will also be less burdensome. The primary beneficiaries are likely to be industrial and provident societies, and their members.</p>	<p>Treasury</p>	<p>costs is difficult. We intend to use the consultation process to gather this information.</p>	<p>An Order was made on 7 February 2006 and came into force on 6 April 2006.</p>
<p>Pensions permission reform Currently only persons belonging to certain categories listed in tax law may establish a tax privileged personal pension scheme. Many providers are forced to operate through such eligible third parties. Under new rule changes following consultation from April 2007 Government will be introducing a new regulated activity of establishing or operating a pension scheme, and any person who obtained permission to carry on that activity could set up a HM Revenue & Customs (HMRC)-registered pension scheme entitled</p>	<p>A wider range and larger number of pensions schemes should benefit from tax relief in future. The primary beneficiaries will be consumers who will potentially be served by a larger number of providers. Consumers will also have added protection since it will also be extended to parts of private pensions market not currently covered by FSA</p>	<p>C</p>	<p>HMRC</p>	<p>Existing pension operators, who are not within the relevant categories in tax law, would benefit by not having to incur the cost of setting up new schemes via third parties who are within the named list of categories. Could be between 50-100 firms, but difficult to be certain. Difficult to quantify the cost savings as it will depend on a range of factors but will be non-trivial for many. The main benefits of greater competition, choice and consumer innovation, and added consumer</p>	<p>Consultation was launched in September 2005 and closed on 23 December 2005. A formal response was issued in March 2006 and changes to FSMA Regulated Activities Order have now gone through parliament. Implementation will be from 6 April 2007 to dovetail with wider reforms to pensions' taxation.</p>	

<p>to tax privileges. So regulation will be a key to opening up the pensions market to new providers as well as extending FSA supervision to all aspects of personal pensions. Also referred to in the incoming regulations table</p>		<p>supervision – such as advice and personal pension schemes investing in commercial property. Many Providers will also benefit because for the first time they will be able to offer tax privileged pension schemes directly to the market without having to go through third parties often at considerable cost. Difficult to estimate but maybe around 50-100 small pension firms stand to benefit in this way. These rule changes from April 2007 are therefore fully in line with both deregulation and pensions simplification agendas.</p>		<p>protection is difficult to quantify but we expect them to be significant in the context of a growing market.</p>	
<p>Regulatory Reform Order (RRO)</p> <p>This RRO will enable the FSA to:</p> <ul style="list-style-type: none"> • make minor changes to the FSA's consultation procedures on guidance; • make the variation of permissions (VOP) process less time consuming; • issue waivers and modifications in a wider range of areas; and 	<p>C</p>	<p>The FSA should be able to operate more efficiently and operate in a more flexible way. The primary beneficiaries are likely to be the FSA and all persons regulated by the FSA.</p>	<p>FSA</p>	<p>Some of the cost savings and benefits of more flexible FSA rule application are difficult to quantify. There are around 2300 VOPs p.a. that can cost firms £2,000 - £15,000 depending on complexity. Savings for firms could be around £7m per year as a result of this amendment. There are currently 3054 authorised firms with a legal status of some type of partnership. 233 partnerships and limited liability partnerships were</p>	<p>A three-month public consultation was launched on 5 December 2005 and closed in March 2006. A second consultation was launched on 24 May and closed on 21 June 2006. 12 responses were received. We will lay the draft Order in December 2006 and the measures should come into effect around</p>

<ul style="list-style-type: none"> • will remove unnecessary administrative requirements placed on the FSA. <p>This RRO will not introduce a major upheaval to the financial regulation framework, which is currently working well, but will continue to provide stability and certainty whilst introducing a number of important improvements.</p>				<p>involved in the cancellation process at year-end 31.07.2006. Based on an estimated cost of £2,000-£10,000, savings could be made by firms in the order of £450,000 and £2.3m per year. FSA will also make savings of approximately one person day for simple cases and three days for complex ones. Based on the PricewaterhouseCooper figures of an associate's wage, this saving could be between £6,310 - £19,200 per year. FSA has taken different figures for their associate wage based on what they believe to be the going rate for the industry, particularly in London. This would lead to a saving of between £22,425 - £68,250 per year.</p> <p>FSA will make savings by simplifying the delisting procedures of between £31,750 -£50,000 per year.</p> <p>Total admin savings for firms are likely to be between £7.5 and £9.3m per year.</p> <p>This saving will impact on the FSA baseline.</p> <p>A partial RIA is included in the public consultation and posted on the Treasury website.</p>	<p>Autumn 2007.</p>
		<p>The primary beneficiaries are</p>		<p>Aim of measures is to increase legal</p>	<p>Consultation published in</p>

<p>Transfer of insurance business</p> <p>These measures aim to clarify certain provisions in Part VII of the Financial Services and Markets Act 2000 (and in related secondary legislation) regarding to the insurance business transfer schemes.</p> <p>The key proposals aim to:</p> <ul style="list-style-type: none"> ensure that reinsurance contracts related to the main insurance business are able to be transferred as part of a transfer of that insurance business under Part VII; impose a requirement on insurers to notify reinsurers whose contracts are liable to be transferred as a result of this amendment; and ensure that certain former Lloyd's Names are able to transfer their insurance business, if they wish to do so. 	<p>C</p>	<p>likely to be insurance firms who will gain more legal certainty in the event that they decide to embark on a transfer of business. This is because they will know for certain that the Court will be able to order the transfer of reinsurance contracts, whereas there are currently concerns that this assumption cannot be made (whether such contracts can be transferred or not can significantly alter the economics of a transfer).</p> <p>Reinsurers will also gain from the proposed addition of a notification requirement on the insurer, in the event that the transfer is to include an accompanying transfer of their reinsurance contracts.</p> <p>Certain former Lloyd's Names (those that resigned prior to Dec 1996) will benefit because at present they are unable to transfer their insurance business – HMT is proposing to change the legislation so that they can.</p>	<p>Treasury</p>	<p>certainty for firms wishing to carry out a transfer of business. These measures will therefore reduce the legal cost of such an exercise, although estimating this saving is difficult if not impractical.</p> <p>A typical Part VII transfer might incur a policy cost in the order of £80,000 - £100,000. As an estimate, 10% of this might be saved as a result of these measures. Overall ongoing cost savings will depend on the number of transfers that take place subsequent to proposals coming in to force. In the last couple of years there have been about twenty transactions a year.</p>	<p>November with legislation expected to be in place in March 2007.</p>
<p>Amendment to the Regulated Activities Order (ROA) in respect of qualifying</p>	<p>C</p>	<p>A more coherent and consistent regulatory regime should be introduced in</p>	<p>The Association of British Insurers</p>	<p>Compliance costs would fall, as firms would be subject to more consistent regulatory requirements, including in</p>	<p>HMT and FSA has reviewed the regulatory regime and identified</p>

<p>contracts of insurance</p> <p>Certain long-term insurance products are subject to one of two different FSA regulatory regimes, depending upon their classification. Some of these products may be very similar to one another, and it might be possible to establish a more unified and coherent regulatory regime. A simplified regime should cut back regulatory duplication and reduce admin burdens.</p> <p>HMT is leading on the amendments to the RAO.</p>	<p>relation to qualifying contracts of insurance.</p> <p>The primary beneficiaries are likely to be firms offering qualifying contracts of insurance and their clients.</p>	<p>relation to conduct of business rules.</p> <p>The current system of dual regulation might be replaced with a unified system.</p> <p>Potential admin savings are £4m per year.</p> <p>This saving will impact on the FSA baseline.</p> <p>A partial RIA will be prepared once proposals have been developed.</p>	<p>update options.</p> <p>FSA published a consultation in July as part of the Quarterly Consultation Paper (CP 06/13). The consultation closed on 6/9/06 and received 37 responses. The consultation responses have produced additional options that require further work and consideration. Decisions will be taken before the end of 2006.</p> <p>Any changes will require a SI to amend the Regulated Activities order.</p>
<p>Workplace financial promotions</p> <p>This expands the current exemption from the financial promotion regime which was granted to employers, and which enabled them to advise their employees to invest in company pensions. This proposal will extend that exemption to third party pensions administrators, and will also enable advice to be provided more freely by employers to employees in relation to other work-related financial products, in particular life, health and unemployment cover. New freedoms will be provided by lightening regulatory</p>	<p>Enables employers to improve employees' levels of awareness of financial services and products which are relevant to the workplace. This should lead to improved investment in pensions and greater uptake of insurance.</p> <p>The primary beneficiaries are likely to be all employers and their employees.</p>	<p>This measure will increase regulatory certainty by clarifying and simplifying the boundary of financial services regulation, thereby reducing uncertainties and reducing the perceived need for certain financial promotions to be approved or issued by persons authorised by the FSA. This will therefore help reduce the cost of employers providing advice.</p> <p>Cost savings are difficult to quantify as we are not yet aware of who will take up this</p>	<p>A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June.</p> <p>The results of the consultation will be scrutinised in conjunction with the FSA. Legislation should be implemented by Autumn 2007.</p>

<p>requirements.</p> <p>These proposals form part of a ten point action plan of reforms to wholesale and retail financial markets set out in the 2005 Pre-Budget Report.</p>			<p>option. Finding out who might take up this option is likely to impose an admin burden on firms with no obvious benefit.</p> <p>A partial RIA is included in the public consultation and posted on the Treasury website.</p>	<p>Council Working Groups to negotiate the revision of the Directive started in September '06 It is likely that there will be a discussion at CORPER under the Finnish Presidency, with a General Approach at ECOFIN under the German Presidency.</p> <p>As such we would expect a first reading deal around May '07 – but this may slip.</p>
<p>Revision of supervisory approvals process for Mergers and Acquisitions in insurance, banking and securities</p>	<p>IO A</p>	<p>EU</p>	<p>It is difficult to quantify the cost savings at this stage – particularly as we are yet to see the final text, although indications are that if the process is speeded up significantly and made more efficient – the benefits would be increased consolidation and a cut in costs for firms' applications.</p> <p>The commission proposal concludes that there are unlikely to be any associated costs as a result of this review.</p> <p>A discussion paper on this issue was published in September 2006 and a summary of responses, including a partial RIA will be published at the beginning of next year.</p>	<p>Reporting requirements should be reduced, and remaining requirements should be more enforceable.</p> <p>The primary beneficiaries are</p>
<p>FSMA controllers regime</p> <p>Lightens the current regime requiring all people to report to the FSA when they acquire a controlling relationship over an</p>	<p>B & C</p>	<p>Industry</p>	<p>Savings should stem from establishing a more proportionate regime and a reduction in the direct business compliance costs (reduction in the number and volume of reports submitted to the FSA) and</p>	<p>A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June 2006. 14 responses were</p>

<p>FSA-authorised person, and to report when the extent of their control falls above or below a number of thresholds. This will be achieved in part by modernising the definition of what constitutes a controlling relationship. The new simplified requirements will reduce admin burdens.</p> <p>These proposals form part of a ten point action plan of reforms to wholesale and retail financial markets set out in the 2005 Pre-Budget Report, which reflects a number of concerns raised by industry and consumers about financial services regulation.</p> <p>Also referred to in the incoming regulations table</p>	<p>likely to be asset managers, custodians and (other) nominees, who would otherwise need to develop costly and pervasive systems to identify and track the more obscure changes in controlling relationships.</p>	<p>minimising a range of business impact costs.</p> <p>FSA currently receives around 1150 reports per year. It is difficult to quantify the average admin cost of submitting each report and to quantify the likely reduction in reporting volumes. On the basis of the amendments proposed in HMT's recent consultation document, it was thought that if each report costs firms on average between £500 and £2500 to submit to the FSA and the volume of reports drops by 10 per cent to 20 per cent then admin savings of between £60,000 and £575,000 per year would be generated.</p> <p>However, any savings would be dependent on the proposals coming forward from the Commission as part of their review in to the supervisory approvals process.</p> <p>A partial RIA for recent HMT consultation is included in the public consultation and posted on the Treasury website.</p>	<p>received.</p> <p>The Commission's review of the supervisory process (outlined in the row above) will address the vast majority of the simplification measures planned under the review of the controllers regime. The momentum behind this at EU level has increased making it sensible that these are taken forward through this work.</p>
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<p>Exemptions from FSMA for Limited Liability Partnerships (LLPs)</p> <p>It is possible that some LLPs might be caught unintentionally by regulation applying to collective investment schemes. This proposal would provide such LLPs with an exemption from FSA regulation.</p>	<p>C</p>	<p>LLPs would be provided with a clearer exemption from FSA regulation. The primary beneficiaries are likely to be LLPs.</p>	<p>Law Society</p>	<p>Savings would relate to the costs of avoiding FSA regulation. Over 3,000 LLPs might benefit from these proposals. Total admin savings are likely to be in the region of £1.6m per year. A partial RIA should be prepared once proposals have been developed.</p> <p>These savings will impact on the FSA baseline.</p>	<p>A three month public consultation should be launched by Winter 2006. Legislation should be implemented by April 2007.</p>
<p>Improving the implementation of regulation stemming from the EU</p>					
<p>European Co-operative Statute (SCE)</p> <p>This measure follows from European Company Statute, and provides similar legal vehicle to that which exists on the corporate side. This new vehicle provides for the legal requirements of conducting cross-border business to be simplified.</p> <p>HMT led on the regulation, and FSA acts as the registrar, while DTI led on the associated Workers Involvement Directive</p>	<p>A</p>	<p>Provides a new form of legal vehicle for co-operatives, which should reduce the costs of cross-border business, by establishing a series of legal forms designed to enable registration in one Member State and operation cross-border.</p> <p>The primary beneficiaries are likely to be co-operatives and their members.</p>	<p>EU</p>	<p>Registration in one Member State will allow for operation in other Member States without in addition having to be registered there.</p> <p>Any company or cooperative venture may join with one or more others, registered in a different member State to form an SCE. They may also be formed by a combination of individuals or companies/cooperatives.</p> <p>There are no SCEs registered, or under consideration, at present.</p> <p>Total admin savings are estimated to be around £2m per year assuming this scheme</p>	<p>A three month consultation was launched on 16 March 2006. Legislation came into force on 18 August 2006.</p>

	<p>Lightened money laundering due diligence</p> <p>The Money Laundering Regulations 2003 include customer due diligence requirements whereby firms must identify their customers.</p> <p>The Third Money Laundering Directive offers member states an opportunity to allow firms to reduce the customer due diligence checks in certain circumstances. The UK is proposing taking advantage of these derogations.</p>	<p>B</p>	<p>Provides a larger list of where simplified customer due diligence can be applied (i.e. the removal of identification and verification requirements for certain customers and products).</p> <p>The main beneficiaries are likely to be financial services and larger accountancy and legal firms, although all regulated sectors can potentially benefit. It is estimated that about 30,000 firms will benefit from this measure.</p>	<p>EU</p>	<p>Regulated business will benefit from lighter identification and verification requirements.</p> <p>Total policy savings are estimated at £3m per year.</p> <p>An RIA is being prepared alongside other aspects of this EC Directive.</p>	<p>is taken up by ten or more. These savings will impact on the FSA baseline. A final RIA has been prepared.</p>	
<p>Allowing firms to rely on other firms' money laundering customer due diligence measures.</p> <p>The Third Directive introduces the opportunity for all of the sectors covered by the Money Laundering Regulations to rely on a third party (that meets certain conditions) for undertaking the customer due diligence measures.</p>	<p>B</p>	<p>Offers the opportunity to rely on a third party's customer due diligence measures rather than duplicating the effort. Recommended by the Better Regulation Task Force Report on regulatory creep.</p> <p>Potentially all sectors covered by the money laundering regulations could benefit from</p>	<p>EU</p>	<p>Potentially up to £25m policy savings per year.</p> <p>A partial RIA has been published.</p>	<p>Consultation launched in July 2006. Draft Regulations planned for beginning 2007. Legislation must come into force by the end of 2007.</p>		

<p>The UK is proposing taking advantage of this opportunity for certain sectors.</p>		<p>this, this would mean up to 300,000 firms. However those sectors most likely to rely on others are financial services, lawyers, accountants and estate agents.</p>			
<p>Transparency Directive</p> <p>The Directive updates EU requirements on disclosure of major shareholdings, periodic financial disclosures and equal treatment obligations for issuers whose securities are admitted to trading on a regulated market in the EU. The FSA has been given appropriate rule making powers by provisions in the Companies Act.</p> <p>Also referred to in the incoming burdens table</p>	<p>A/B</p>	<p>FSA regulation of the periodic disclosures made by securities issuers on regulated markets (e.g., half yearly and annual reports), and of the disclosures of size of shareholding made by major investors. Investors benefit from more information; issuers should benefit from a lower cost of capital.</p>	<p>EU</p>	<p>While there will be some initial policy costs and some ongoing admin costs, these will be offset by 3rd party admin cost savings from the implementation process of up to £30.4 million per year.</p> <p>These savings will impact on the FSA baseline.</p>	<p>Implementing provisions in the Companies Act which received Royal Assent on 8 November 2006.</p> <p>Must be implemented by 20 January 2007</p>
<p>Reinsurance Directive implementation (RID)</p> <p>This Directive, due for implementation by end 2007, will create an EU-wide prudential regulatory framework for pure reinsurers, along similar lines to those already in place for insurers.</p> <p>Will be implemented mainly through FSA rules, though with some HMT legislative amendments (primarily to FSMA 2000).</p>	<p>B</p>	<p>Will create a minimum level of harmonised prudential supervision of reinsurance across the EU.</p> <p>Primarily pure reinsurers to be affected by Reinsurance Directive</p>	<p>Mainly FSA with some HMT input and legislative amendments.</p>	<p><u>HMT Legislation</u></p> <p>Still early in policy development process so have no precise figures at present.</p> <p>FSA capital requirements on reinsurers will be reduced.</p> <p><u>FSA Rules</u></p> <p>FSA capital requirements on reinsurers will be reduced.</p> <p>Minimal one-off costs burdens are outweighed by ongoing annual</p>	<p><u>HMT Legislation</u></p> <p>A three-month public consultation should be launched in January 2007, following discussions with the FSA and industry.</p> <p>Legislation should be implemented by summer 2007.</p> <p><u>FSA Rules</u></p> <p>Public consultation has ended and the rules are</p>

<p>Also referred to in the incoming burdens table</p>	<p>likely to be in force at the end of 2006.</p>	<p>policy cost savings of approximately £25m. Beneficiaries are UK pure reinsurers.</p>			
<p>HMT approach to implementation of the Capital Requirements Directive (CRD)</p> <p>FSA is responsible for the majority of implementation.</p> <p>HMT is responsible for drafting legislation for two areas of CRD implementation: group model recognition under the advanced approach to measuring capital requirements and the recognition of credit rating agencies for providing risk weightings for calculation under the standardised approach.</p> <p>HMT has proposed to take a 'copy out' approach to transposing these parts of the directive. This will allow the FSA the flexibility to apply the EU guidelines developed by the Committee of European Banking Supervisors, ensuring a consistent approach to implementation across the EU.</p> <p>Also referred to in the incoming burdens table</p>	<p>Consultation and partial RIA on proposals closed 23rd February. All respondents supported the Treasury's proposals and thanked HMT for better regulation approach.</p> <p>Next steps – make and lay legislation, including full RIA for 1st January 2007 implementation date.</p>	<p><u>HMT legislation</u></p> <p>Administrative costs savings will be made for both those applying for group model recognition and credit ratings agencies.</p> <p>It is difficult to quantify the cost savings for those opting for group model recognition, as we are not yet aware of who will take up on this option.</p> <p>Partial RIA published with consultation in February 2006. Full RIA to be published with draft legislation.</p>	<p>Treasury</p>	<p>The administrative burden on the relevant firms (those applying for group model recognition and credit rating agencies) should be reduced as a result of this approach.</p> <p>This approach is also consistent with ensuring a level playing field for firms across Europe.</p> <p>Savings would relate to carrying out processes under FSA and CEBS guidelines operating on a level playing field with EU competitors.</p>	<p>B</p>
Improved guidance					
<p>Improving availability of information on asset freezing targets</p>	<p>The financial sanctions pages on the Bank of England's website provide comprehensive</p>	<p>Treasury</p>	<p>Cost savings relate to making it easier to identify target accounts for freezing.</p>	<p>The more comprehensive financial sanctions pages have been in place since May 2005</p>	<p>B</p>

<p>An ongoing commitment to improve the clarity, presentation, and availability of information required by financial institutions in order to comply with asset freezing obligations; and to ensure the provision of a 'point of contact' to provide guidance and advice.</p> <p>Consolidated, accessible, and high quality information on asset freezing obligations helps financial institutions target their compliance resources more effectively.</p>	<p>information on all the financial sanctions / asset freezes imposed by UN, EU or under domestic UK legislation, including:</p> <ul style="list-style-type: none"> (i) the legal basis for these sanctions; (ii) a consolidated list of financial sanctions targets; (iii) Notices and News Releases advising of recent changes; (iv) FAQs about implementation and compliance; (v) a subscription facility alerting users to changes. <p>If the information provided is still not adequate, there is an option to contact the Financial Sanctions staff at the Bank with novel or contentious issues.</p> <p>The main beneficiaries are Financial Institutions</p>	<p>Total policy savings are difficult to quantify.</p> <p>An RIA is not required.</p>	<p>and are continually updated by the Bank of England as new targets are identified and as changes are made to financial sanctions regimes.</p>
<p>Money laundering guidance</p> <p>New guidance by the Joint Money Laundering Steering Group (JMLSG), approved by HMT in 2006 - promote a much more risk-based approach towards the implementation of anti-money laundering requirements.</p> <p>Further HMT, working through the Money</p>	<p>B</p> <p>Voluntary guidance provides for a much more risk-based and less prescriptive approach. The primary beneficiaries are all financial services. The MLAC exercise is likely to benefit non financial services sectors covered by the money</p>	<p>Savings stem from the introduction of a more flexible, risk-based approach to all anti-money laundering requirements.</p> <p>Total savings are difficult to quantify as they are just being implemented, but policy savings have been estimated at around £10-15m over the next five</p>	<p>The new guidance has been issued by the JMLSG and approved by the Treasury. Any resulting guidance from the MLAC working group is likely to be finalised in early 2007.</p>

years.	laundering regulations.	Industry	Savings would relate to a simplification and rationalisation of the scope of FSA regulation in relation to financial promotions.	A formal review of the financial promotion regime is likely to be launched in late 2007, after the FSA's Financial Promotion review, which will include the EC Markets in Financial Instruments Directive once it has been implemented – a delay which industry has requested. Pre-consultation on possible proposals is unlikely before spring 2007. A three-month public consultation might be launched in 2008 that will take account of the proposals put forward as part of the Regulated Activities Order reform.
<p>Laundering Advisory Committee (MLAC), is also sharing best practice learnt from the FSA exercise on reducing identification burdens, to other sectors.</p>	<p>The scope of activities which constitute making a financial promotion should be rationalised and simplified where practical. EU minimum requirements will be taken into account. This will involve considering changes to the nature and form of the blanket 'financial promotion restriction' in FSMA, including whether to adopt an entirely different approach, and in light of this considering whether the various categories of exemptions in the Financial Promotion Order can be simplified, rationalised and cut back to make the regime easier and cheaper to comply with.</p> <p>The primary beneficiaries are likely to be all those who make financial promotions.</p>	<p>Industry</p>	<p>Savings would relate to a simplification and rationalisation of the scope of FSA regulation in relation to financial promotions.</p> <p>Total savings will not be known until work starts on the review but they might fall in the band £20m-£50m per year.</p> <p>A partial RIA will be prepared once proposals have been developed.</p>	<p>An RIA is not needed</p>
Longer term strategic measures				
<p>Financial promotion reform</p> <p>The financial promotion regime is complex partly because of the way the scope of FSA regulation is defined. Currently under the 'financial promotion restriction' in FSMA, in general, all communications which invite or induce a person to engage in investment business need to be approved or issued by an authorised person, unless covered by an exemption in the 83 articles of the Financial Promotion Order. These complex exemptions relate to many considerations, such as whether the communication is solicited or unsolicited, real time or non-real time, one-off, who makes it and to whom it is made.</p> <p>The Financial Promotion Order will be reviewed and modernised in light of market developments and EU minimum requirements. Industry has identified the complexity of current requirements and associated compliance costs and difficulties as a key concern. We have listened to these concerns and as a result aim to introduce a regime which is simpler, quicker, cheaper and easier to comply with, whilst still providing</p>	<p>The scope of activities which constitute making a financial promotion should be rationalised and simplified where practical. EU minimum requirements will be taken into account. This will involve considering changes to the nature and form of the blanket 'financial promotion restriction' in FSMA, including whether to adopt an entirely different approach, and in light of this considering whether the various categories of exemptions in the Financial Promotion Order can be simplified, rationalised and cut back to make the regime easier and cheaper to comply with.</p> <p>The primary beneficiaries are likely to be all those who make financial promotions.</p>	<p>C</p>	<p>The scope of activities which constitute making a financial promotion should be rationalised and simplified where practical. EU minimum requirements will be taken into account. This will involve considering changes to the nature and form of the blanket 'financial promotion restriction' in FSMA, including whether to adopt an entirely different approach, and in light of this considering whether the various categories of exemptions in the Financial Promotion Order can be simplified, rationalised and cut back to make the regime easier and cheaper to comply with.</p> <p>The primary beneficiaries are likely to be all those who make financial promotions.</p>	<p>A formal review of the financial promotion regime is likely to be launched in late 2007, after the FSA's Financial Promotion review, which will include the EC Markets in Financial Instruments Directive once it has been implemented – a delay which industry has requested. Pre-consultation on possible proposals is unlikely before spring 2007. A three-month public consultation might be launched in 2008 that will take account of the proposals put forward as part of the Regulated Activities Order reform.</p>

<p>consumers with necessary protections. This should involve simplifying where possible exactly what types of promotional activity should be subject to FSA regulation.</p> <p>These proposals form part of a ten-point action plan of reforms to wholesale and retail financial markets set out in the 2005 Pre-Budget Report.</p>					
<p>Regulated Activities Order (RAO) reform</p> <p>The RAO - the legislation specifying exactly what counts as a 'regulated activity' - will be reviewed and modernised in light of market developments and EU minimum requirements. Industry has identified the complexity of current requirements and associated compliance costs and difficulties as a key concern. This should involve simplifying where possible the precise list of activities which are subject to FSA regulation.</p> <p>The RAO has 135 articles which provide a comprehensive and definitive list of precisely which activity and components of an activity need to be regulated by the FSA - such as dealing as principal, dealing as agent, arranging, managing, advising, safeguarding and administering, agreeing, offering, and sending instructions. It aims to restrict financial regulation to financial service -type activities and to financial service-type investments</p>	<p>C</p>	<p>The precise scope of FSA regulation should be simplified and rationalised where possible, and brought into line with EU minimum requirements.</p> <p>This should involve reconsidering all 135 articles of the RAO to make it easier and cheaper to comply with, and in the process considering where it would be possible to cut back the scope of financial regulation - it is the RAO which sets the FSA's remit.</p> <p>The primary beneficiaries are likely to be all those subject to FSA regulation.</p>	<p>Treasury/EU/ Industry</p>	<p>Savings should stem from reductions in the scope of FSA regulation, and from the simplification of what constitutes a regulated activity.</p> <p>The extent of savings might be mitigated by the possible need for the FSA to introduce a new regulatory permissions regime, as this is tied closely to the RAO.</p> <p>A partial RIA will be prepared once proposals have been developed.</p>	<p>A formal review will be launched in September 2008 with a view to a three-month public consultation starting in July 2009. Changes could be implemented by 2010.</p>

<p>rather than to commercial business. It sets out in detail exactly what is meant by banking, insurance, investment business, and provides a large number of detailed exemptions.</p> <p>These proposals form part of a ten-point action plan of reforms to wholesale and retail financial markets set out in the 2005 Pre-Budget Report</p>					
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B

HM TREASURY INCOMING BURDENS TABLE

Title and brief description of the initiative and how it will be delivered	Type of burden (Top IO, category A/B/C*)	Outcome (including sector/s to benefit)	Source of proposal (stakeholder, department, EU, other)	Estimated costs and RIA status where applicable	Milestones and deadlines for delivery
Incoming domestic regulations					
<p>The Regulation of Financial Services (Land Transactions) Act 2005 (and an Order to amend the RAO in 2006)</p> <p>This brings home reversion plans and ijara home financing arrangements within the scope of FSA regulation.</p> <p>("Ijara" arrangements are one of the two main forms of home financing arrangements that are philosophically acceptable to Islamic consumers.</p>	IO C	<p>Regulation will extend FSA protections to consumers of these products.</p> <p>The introduction of regulation may bolster consumer confidence in these products and provide a context in which more firms are prepared to enter these markets, thereby adding to competition (especially in the home reversion market).</p>	<p>HMT/industry/consumer groups</p> <p>The decision was taken to regulate these products following consultations in 2003 and 2004</p>	<p>A final RIA was published in September 2006.</p> <p>The total costs to industry (about 60 home reversion providers and intermediaries and 4 Ijara product providers) are:</p> <p>(Admin one-off) £1.8m</p> <p>(Admin ongoing) £70K</p> <p>(Policy ongoing) £340K</p> <p>This admin cost will impact on the FSA baseline</p>	<p>Secondary legislation received</p> <p>Parliamentary approval in October 2006.</p> <p>We expect this regulation to come into effect in April 2007.</p>

* A= burdens of an international origin where the UK does not have national discretion over how they are implemented;
 B= burdens of an international origin where the UK has national discretion over how they are implemented; and
 C= burdens with a UK origin
 IO= Information Obligation

<p>Pensions permission reform</p> <p>Some personal pensions providers are deterred from entering the market or are forced to operate through eligible third parties if they are not on a permitted HMRC list. Under new rule changes following consultation from April 2007 Government will be introducing a new regulated activity related to pension scheme where any person who has this permission could set up a HM Revenue & Customs (HMRC)-registered pension scheme entitled to tax privileges. The new activity will also extend FSA supervision to all aspects of personal pensions.</p> <p>Also referred to in the simplification measures table</p>	<p>C</p>	<p>New activity will open up the personal pensions market to greater competition. It will also extend protection to all aspects of personal pensions including giving of advice.</p>	<p>HMT/HMRC/industry/consumer groups</p> <p>Informal discussion with industry in 2004 and overwhelming support from industry in a formal consultation in late 2005</p>	<p>Final RIA published in July.</p> <p>Little or no burdens on existing firms in personal pensions. They will not have to pay application fees. There will be no change to their ongoing FSA fees and levies for consumer protection purposes.</p> <p>Firms in related areas – eg with investment permissions will only have to apply for a Variation of Permission (‘VoP’) fee of £250.</p> <p>Main policy costs will be FSA fees for new firms choosing to become regulated. These are updated annually and can only give illustrations as FSA are consulting.</p> <p>Application fees for new entrants will be between £1,500 for a straightforward application and £5,000 at most for a moderately complicated case. Ongoing FSA fees and contributions to consumer protection levies will depend on size of funds managed – policy costs could range from £1,875 to £96,121 for the largest funds.</p> <p>FSA consulting on details of</p>	<p>FSMA (RAO) amendment passed in parliament in July 2006.</p> <p>Relevant changes to Finance Act will be made in Finance Bill 2007.</p>
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Incoming international regulations					
					implementation these new changes – eg compliance - that will determine any other costs. Cannot quantify as will depend on details.
<p>Payments regulation</p> <p>This regulation implements the Financial Action Task Force recommendation no. 7 on financial terrorism. It puts in place identification procedures for money transfers. It is separate from the Payment Services Directive.</p>	A/B (Discretion over penalties)	Sectors affected- Payment services (but there are certain exemptions for smaller transactions and certain not for profit organisations).	EU	<p>No estimate given:</p> <p>The costs in relation to this activity relate to: collecting and verifying the originator information; and retaining originator information associated with transfers for five years.</p> <p>The costs in relation to transmission relate to the capacity of transmission systems to either associate the payment with the originator information retained by the originating payment service provider, or transmit that originator information with the payment.</p>	December 2006 but the penalties for breaches will not apply until December 2007.
<p>Capital Requirements Directive</p> <p>FSA is responsible for the</p>	IO B	Banking and investment services with primarily benefit. Regulation will provide a more risk-based	EU	<p><u>FSA general implementation:</u></p> <p>Reductions in regulatory capital costs off-set by implementation and on-going administrative costs on firms (see FSA</p>	1 January 2007

<p>majority of implementation. HMT is responsible for drafting legislation for two areas: group model recognition under the advanced approach to measuring capital requirements and the recognition of credit rating agencies for providing risk weightings under the standardised approach. HMT has proposed to take a 'copy out' approach to transposing these parts of the directive. Also referred to in the simplification measures table</p>	<p>approach to calculating capital requirements than that currently in place.</p>	<p>consultation document CP06/3 'Strengthening Capital Standards 2')³⁸** <u>HMT legislation:</u> Market participants believe that admin costs will range from £50,000 to £250,000 for the initial application and £12,500 to £200,000 for ongoing admin and policy costs. By taking a copy out approach to the directive, HMT has ensured that there are no extra costs involved on top of this. Partial RIA published with consultation in February 2006. Full RIA to be published with draft legislation. This admin cost will impact on the FSA baseline</p>	<p>Expected implementation 2010</p>
<p>Solvency II The European Commission, jointly with Member States, is carrying out a fundamental review of the regulatory capital regime of the insurance industry (the Solvency II project). Its objective</p>	<p>Insurance (both direct and reinsurance)</p>	<p>EU</p>	<p>RIA to be produced in draft alongside Directive proposal, expected Summer 2007</p>

** http://www.fsa.gov.uk/pages/Library/Policy/CP/2006/06_03.shtml

<p>is to establish a solvency system that is better matched to the true risks of insurers enabling supervisors to protect policyholders' interests as effectively as possible and in accordance with common principles across the EU.</p>					
<p>Markets in Financial Instruments Directive (MiFID)</p> <p>MiFID regulates the buying, selling and organised trading of financial instruments. It replaces the Investment Services Directive. In so doing it expands the scope of European regulation to cover investment advice and services and activities linked to commodity derivatives. It also substantially harmonises the conduct of business rules governing the provision of investment services, and introduces a Pan-European transparency regime for shares.</p>	<p>A&B</p>	<p>Revision of EU legislation governing the operating conditions and conduct of business rules for investment firms</p>	<p>EU</p>	<p>FSA published a full CBA on 24 November 2006 entitled "the overall impact of MiFID". Copies can be found on the FSA website at www.fsa.gov.uk</p>	<p>Transition will take place by 31 January 2007 and implementation by 1 November 2007</p>

<p>Third Money Laundering Directive</p>	<p>B</p>	<ul style="list-style-type: none"> • increased identity checks for higher risk customers • new monitoring regimes • fit and proper test as condition of registration for two sectors <p>Sectors affected = financial services, accountants, lawyers, estate agents, casinos, trust and company service providers, high value dealers, money service businesses.</p>	<p>EU</p>	<p>Estimated at around £60m per year</p> <p>Majority policy burden. Will be some admin burden under the new supervisory regimes (as yet unquantified).</p> <p>Out of the £60m, it has been estimated in the partial RIA for the Third Money Laundering Directive that approximately £30m would be the cost of the new supervisory activities proposed in the consultation document.</p> <p>Some admin cost may impact on the FSA baseline</p> <p>Partial RIA was published 31st July 2006</p>	<p>December 2007</p>
<p>Reinsurance Directive implementation (RID)</p> <p>This Directive, due for implementation by end 2007, will create an EU-wide prudential</p>	<p>B</p>	<p>Will create a minimum level of harmonised prudential supervision of reinsurance across the EU.</p> <p>Primarily pure reinsurers to be affected by Reinsurance Directive</p>	<p>Mainly FSA with some HMT input and legislative amendments.</p>	<p>FSA Rules</p> <p>FSA capital requirements on reinsurers will be reduced.</p> <p>Minimal one-off policy costs associated with reinsurers updating their I.T. systems</p>	<p>FSA Rules</p> <p>Public consultation has ended and the rules are likely to be in force end 2006.</p>

<p>regulatory framework for pure reinsurers, along similar lines to those already in place for insurers. Will be implemented mainly through FSA rules, though with some HMT legislative amendments (primarily to FSMA 2000). Also referred to in the simplification measures table</p>				<p><u>HMT Legislation</u> Still early in policy development process so have no precise figures at present.</p>	<p><u>HMT Legislation</u> A three-month public consultation should be launched in January 2007, following discussions with the FSA and industry. Legislation should be implemented by summer 2007.</p>
<p>FSMA Controllers regime Lightens the current regime requiring all people to report to the FSA when they acquire a controlling relationship over an FSA-authorised person, and to report when the extent of their control falls above or below a number of thresholds. Also referred to in the simplification measures table</p>	<p>B/C</p>	<p>Reporting requirements should be reduced, and remaining requirements should be more enforceable. The primary beneficiaries are likely to be asset managers, custodians and (other) nominees, who would otherwise need to develop costly and pervasive systems to identify and track the more obscure changes in controlling relationships.</p>	<p>Industry</p>	<p>On the basis of the amendments proposed in the recent consultation document, it was thought that the FSA may incur one-off costs in amending the rules, guidance and codes in accordance with the new requirements, and FSA staff may incur one-off costs in learning about these new requirements (unlikely to be significant and are difficult to quantify). Equally those who are required to make reports to the FSA may incur one-off costs as a result of familiarising themselves with the new requirements, but again unlikely to be significant and are difficult to quantify. However, any costs would be</p>	<p>A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June 2006. 14 responses were received. The Commission's review of the supervisory approvals process (outlined in the simplification grid) will address the vast majority of the simplification measures planned under the review of the controllers regime. The momentum behind this at EU level has increased making it</p>

<p>sensible that these are taken forward through this work.</p>	<p>dependent on the proposals coming forward from the Commission as part of their review in to the supervisory approvals process. Current Commission proposals do not anticipate any costs.</p>				<p>Transparency Directive</p> <p>The Directive updates EU requirements on disclosure of major shareholdings, periodic financial disclosures and equal treatment obligations for issuers whose securities are admitted to trading on a regulated market in the EU. The FSA has been given appropriate rule making powers by provisions in the Companies Act.</p> <p>Also referred to in the simplification measures table</p>
<p>Implementing provisions in the Companies Act which received Royal Assent on 8 November.</p> <p>Must be implemented by 20 January 2007</p>	<p>A final RIA was published in October 2006.. Final costs will depend to some degree on investor responses.</p> <p>Current estimates are:</p> <ul style="list-style-type: none"> • one off policy costs of £1.75 – 3 million; and • ongoing 3rd party admin costs of £4.7 – 23.1 million p.a. <p>These costs are off-set by admin savings, which are outlined in the simplification measures table.</p>	<p>EU</p>	<p>FSA regulation of the periodic disclosures made by securities issuers on regulated markets (e.g., half yearly and annual reports), and the disclosures of size of shareholding made by major investors. Investors benefit from more information; issuers should benefit from a lower cost of capital.</p>	<p>A/B</p>	

C

CONSULTATION LIST

The following organisations were consulted in April 2006:

Association of British Insurers
Association of Private Client Investment Managers and Stockbrokers
Confederation of British Industry
FSA's Practitioner and Small Business Practitioner Panels
Investment Management Association
Institute of Directors
London Stock Exchange
British Bankers Association
Which?
Institute of Chartered Accountants in England and Wales
Consumer Panel
London Investment Banking Association
Financial Services and Markets Legislation City Liaison Group
Law Society
City of London Law Society

D

THE ADMINISTRATIVE BURDEN OF REGULATION ENFORCED BY HM TREASURY AND OGC

Regulation	Total	BAU	Net	Cat A	Cat B	Cat C
Procurement						
Public Services Contracts Regulations 1993	£35,664,349	£12,692,184	£22,972,165	£22,972,165	0	0
Public Supply Contracts Regulations 1995	£21,077,209	£8,138,080	£12,939,129	£12,939,129	0	0
Public Works Contracts Regulations 1991	£2,980,570	£1,020,042	£1,960,528	£1,960,528	0	0
Utilities Contracts Regulations 1996	£1,791,268	£441,353	£1,349,915	£1,349,915	0	0
Financial services						
Financial Services and Markets Act 2000	£5,255,250	£1,525,274	£3,729,976	0	0	£3,729,976
Money laundering						
Money Laundering Regulations 2003	£1,340,538	£418,921	£921,617	0	£921,617	0
Asset freezing and sanctions						
Al-Qa'ida and Taliban (United Nations Measures) Order 2002	£60,926	£11,482	£50,344	0	£50,344	0
Iraq (United Nations Sanctions) Order 2000	£4,466	£1,147	£3,117	0	£3,117	0
Terrorism (United Nations Measures) Order 2001	£2,224	£646	£1,579	0	£1,579	0
Sudan (United Nations Measures) Order 2005	£2,085	£529	£1,556	0	£1,556	0
Ivory Coast (United Nations Sanctions) Order 2005	£695	£202	£493	0	£493	0
Zimbabwe (Freezing of Funds and Economic Resources) Regulations 2004	£695	£202	£493	0	£493	0
Federal Republic of Yugoslavia (Freezing of Funds) Regulations 2001	£695	£286	£406	0	£406	0
Liberia (Freezing of Funds and Economic Resources) Regulation 2004	£75	£22	£53	0	£53	0
Total	£68,181,045	£24,250,370	£43,931,371	£39,221,737	£979,658	£3,729,976

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