



HM TREASURY

Delivering better regulation 2009:

HM Treasury's simplification plan

December 2009



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Delivering better regulation 2009

1.1 HM Treasury and the Office of Government and Commerce (OGC) published their first annual simplification plan in December 2006, in line with the Better Regulation Task Force report *Less is More*¹, which recommended that:

“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with stakeholders, should develop a rolling programme of simplification to identify regulations that can be simplified, repealed, reformed, and/or consolidated.”

Introduction

1.2 HM Treasury and OGC have measured the annual administrative burden of regulation that they impose on business and voluntary organisations and set a net reduction target of 25 per cent by May 2010. This simplification plan updates those measures that will simplify the burden on business for 2009.

1.3 HM Treasury’s original baseline has been revised following the discovery of information obligations in the Law of Property Act 1925 that relate to financial services. PricewaterhouseCoopers had not taken these into account in the original administrative burden measurement exercise, carried out in 2005. This administrative burden added £115 million to HM Treasury’s baseline. Therefore HM Treasury’s revised baseline is £158.9 million.

1.4 HM Treasury has also directly incurred an incoming administrative burden of £11 million from the implementation of the Third Money Laundering Directive. In implementing this requirement, HM Treasury used its limited discretion to reduce the burden on firms whilst at the same time ensuring an effective supervisory system that combats money laundering and terrorist financing. This simplification plan sets out how HM Treasury plans to meet the revised target.

1.5 HM Treasury, in conjunction with the Financial Services Authority (FSA), has already delivered and implemented 19 measures since the measurement exercise began in May 2005. As a result, businesses have benefited from a saving of £137-£157 million in administrative burden reductions from the FSA baseline and over £8.1 billion in policy benefits, largely thanks to the implementation of the Payment Services Directive. These savings will impact positively on the FSA baseline.

1.6 In 2007 HM Treasury identified one administrative measure that would come into force in 2008, and was intended to reduce by around £1 million the administrative cost of regulation on HM Treasury’s baseline. This is the Financial Ombudsman Service Disclosure Requirements regulation. Noted in the 2008 plan is the £115 million Paperless Settlement simplification measure for the asset management sector, which was passed by Parliament on 6 March 2009 and is now available for business to take up.

1.7 HM Treasury has to date three main simplifications and these three measures will deliver a total £116.4 million in administrative savings. The most significant of these measures is now beginning to be taken up by business, and is awaiting official validation by the EVP. The EVP is

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

an independent body comprising representatives from business organisations, which provide advice and scrutiny of claimed administrative savings as part of the annual simplification process.

1.8 The Consolidation of Public Procurement Regulations previously identified a simplification of £270,000 in administrative burden reductions, which occurred as a result of the exclusion of the electricity generation sector in England, Scotland and Wales. Since then the European Commission has granted a further exclusion to the Electricity and Gas supply sectors in the same regions. This is estimated to produce savings of a further £130,000, making the total savings £400,000. The details of this can be found in the annex at the back of this plan.

1.9 While only administrative burden reductions are counted in the Government’s simplification programme, some measures have significant policy benefits that positively impact on business. For example, a new regulatory measure taken forward in 2009 is the Payment Services Directive, which was enacted in UK law on 1 November 2009, and is expected to deliver policy benefits of over £8.1 billion annually. Moreover, while outside the scope of the HM Treasury’s simplification plan, the policy benefit arising from Solvency II – which is expected to be implemented in 2012 – is £97 million annually, with £3.4 million annually saved on administrative costs.

Table 1.A: HM Treasury’s progress against 25 per cent administrative burden reduction target

HM Treasury baseline (as of May 2007)	£158.9 million
Reduction target (as of May 2007)	£39.7 million
Incoming new burdens identified (money laundering regulations)	£11 million
Net Reduction target	£50.7 million
Measures already validated and delivered as of December 2009	£1.4 million
Measures implemented by December 2009 awaiting validation	£115 million
Total savings of implemented measures (as of December 2009)	£116.4 million
% of HM Treasury baseline	66.3%

1.10 This is HM Treasury and OGC’s fourth simplification plan. It will discuss two of the regulated sectors (i.e. financial services and public procurement) that HM Treasury and OGC are directly responsible for, and outline reasons for regulation in these areas. Following this, the simplification plan will:

- illustrate key achievements since the measurement exercise began in May 2005;
- report on progress made so far against the administrative burden reduction target; and
- outline incoming burdens and identify significant policy savings in the annex tables of the report.

The tables at the back of the document display the administrative and policy savings of various simplification measures, and identify incoming regulatory burdens.

1.11 The simplifications outlined in this plan do not reduce protections for consumers or affect the robustness of financial regulation.

1.12 The simplification measures and the flow of regulation in the annexes are as follows:

- Annex A – quantification of the savings delivered on administrative and policy simplification measures from May 2005 to December 2009;

- Annex B – simplification measures identified but not yet delivered, including new administrative and policy simplification measures identified since the last plan in 2008; and
- Annex C – the flow of administrative and policy regulatory burdens that HM Treasury introduced since May 2005, or intend to introduce by 2010.

1.13 Against each administrative cost saving, it is made clear whether this will impact on HM Treasury administrative burden baseline or whether the savings will be made through the FSA or another organisation.

HM Treasury responsibilities for regulation

1.14 HM Treasury is responsible for financial services and also for public procurement regulation through the auspices of OGC.

Financial Services

1.15 HM Treasury sets the scope of financial services legislation and has lead responsibility for negotiating financial services legislation in the EU, and sets the framework in which the FSA sets its rules and principles. As a result, this simplification plan contains some measures that relate to financial services legislation which are enforced by the FSA and do not impact on the HM Treasury baseline.

1.16 The FSA has published an update of its own simplification plan (which relates to the administrative burden of regulations in the FSA Handbook) as Appendix Five of its Business Plan for 2009/10. A copy of this document can be found at http://www.fsa.gov.uk/pubs/plan/pb2008_09_appendix5.pdf.

1.17 When HM Treasury established the FSA, it provided the new regulator 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 and bureaux de change. The FSA has four statutory objectives:

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

Financial Crime

1.18 Financial regulation is also necessary to help protect the nation's security. For example, the UK's framework of money laundering and counter terrorist finance measures provide 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.

1.19 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

1.20 The EU sets public procurement rules. The OGC is responsible for taking forward the UK public procurement regulations in order to equip the UK with the capability to deliver world-class public services.

Tax policy

1.21 HM Treasury also has responsibility for tax policy, and therefore plays a central role in supporting and developing HMRC's targets to reduce the administrative burdens imposed on business by the tax system. This focuses on the burdens imposed by forms and returns, and audits and inspections. However, this simplification plan does not include details of tax simplification measures, as this is dealt with separately through the Budget process.

1.22 HMRC does not prepare a simplification plan and its reduction targets are outside of the wider Government's administrative burdens reduction programme. Instead, HMRC publishes its simplification proposals in the New Relationship series of papers released at Budget along with the rest of the Budget material. This can be access here:
<http://www.hmrc.gov.uk/budget2009/new-relationship-605.pdf>.

Key Achievements in the HM Treasury Simplification Plan

1.23 A key simplification measure mentioned in both the 2007 and 2008 plan, the Paperless Settlement measure for the asset management sector, was passed by Parliament on 6 March 2009. This measure is expected to deliver benefits of £115 million annually. Also, several measures promise large policy (non-administrative) benefits of over £8.1 billion annually (see annex A).

1.24 This section seeks to highlight some of the achievements accrued since the administrative burden exercise. Box 1.B below takes a detailed look at the rolling out of one simplification measure which HM Treasury has policy responsibility for, and which offers significant administrative burden reductions.

Public Procurement

1.25 A saving of approximately £400,000 in administrative burden reductions has occurred as a result of the exclusion of the electricity generation and electricity and gas supply sectors in England, Scotland and Wales from the 2006 revised Utilities Contracts Regulations (see annex A). Further savings are expected to be made in this area in the coming years as more businesses take up the new procurement methods, such as e-procurement.

1.26 In January 2007, OGC launched Transforming Government Procurement (TGP)² which sets out a range of public procurement reforms, which will reduce the regulatory burden imposed on public, private and third sector organisations. These include:

- implementation of the new Public Procurement and Utilities Procurement Regulations which came into force in January 2006 (as discussed above);
- implementation of supply2gov website portal which was launched in 2006 to provide a channel for all suppliers, including SMEs; and

² http://www.hm-treasury.gov.uk/documents/enterprise_and_productivity/public_services_productivity/ent_services_procurement.cfm

- launch of Government Procurement Service (GPS) – a professional body that provides training and development to help raise skills of procurement staff across Government.

1.27 The Government is keen to support and encourage SMEs and the third sector of the market in the belief that by achieving greater involvement of SMEs in the government market place there will be wider benefits to the economy, thereby promoting competition and innovation in government procurement. The 2008 Budget announced the appointment of a Committee chaired by Anne Glover to provide advice on measures to improve SME access to public procurement.

1.28 Accounting for 51.5% of UK turnover, SMEs are extremely important to the economy. Together SMEs number 4.8 million and make up 99.9% of all business. However, of the annual £220 billion procurement spend, only approx 16% is won by SMEs. Government is committed to seeing more SMEs bidding for, and winning, public sector contracts and, at the same time, is aware that small firms can find it difficult to move in to the public sector marketplace.

1.29 Last year Anne Glover led a major enquiry in to the barriers faced by SMEs looking to supply goods and services to the public sector. Published alongside the 2009 Pre-Budget Report, her report "Accelerating the SME economic engine" made twelve recommendations aimed at making the procurement process more transparent, simpler and strategic. Government immediately accepted all twelve recommendations, which combined, will create a level playing field for all businesses to participate within the public sector marketplace.

1.30 These recommendations include the creation of a single, easy to search portal for the advertisement of all opportunities over £20K, a single pre-qualification questionnaire, and training for both procurers and SMEs. All of the recommendations will be implemented by 2010, with many being completed by the end of 2009.

Tax policy

1.31 HMRC is committed to making the tax system simpler to improve customers' experience of HMRC and contribute to improving the UK business environment. HMRC aim to achieve this by reducing the administrative burden placed on business in complying with the UK tax system. At Budget 2006, the Chancellor announced administrative burden reduction targets for HMRC to achieve by 2010-11:

- **Target 1:** to reduce the administrative burden on business of dealing with HMRC's forms and returns by at least 10 per cent over 5 years (equivalent to a total reduction of £337 million).
- **Target 2:** to reduce the administrative burden on compliant business of dealing with HMRC's audits and inspections by 10 per cent over 3 years, and at least 15 per cent over 5 years (equivalent to reductions of £14 million and £21 million respectively).

1.32 At Budget 2009, HMRC reported significant progress in reducing administrative burdens both against targets and more generally. Since 2006, HMRC have implemented or committed to new measures that will deliver administrative savings to business of around £540 million per annum, made up of:

- £330 million from reducing the burden of forms and returns;
- £43 million from reducing the burden of audits and inspections; and
- £168 million from wider administrative changes.

Recent highlights include:

1.33 Raising the SA 'Three Line Account' turnover limit to permanently align with the VAT registration threshold from 2009-10 tax returns;

- Increasing substantially SA on-line filing: 5.8 million returns (69 per cent of total) filed online by 31 January 2009 - over 50 per cent more than last year;
- A free Online Tariff for businesses involved in Import & Export saving businesses the £250 subscription fee while offering 40 more information guides and additional logic tools;
- Doubling the payment on account threshold for income tax self assessment (to £1000 from April 2009), simplifying the payment system for 320,000 businesses;
- Removing the need for 250,000 non-residential and residential Stamp Duty Land Tax (SDLT) returns by introducing a notification threshold of £40,000 for all freehold and leasehold transactions from Budget Day 2008; and
- Developing and implementing new and more proportionate ways to do compliance checks.

1.34 HMRC is committed to supporting business, particularly through these challenging times. This support includes:

- Allowing businesses to phase their payments via the Business Payment Support Service – from its launch in November 2008 through to the end of March 2009 the service has handled more than 156,000 calls leading to more than 101,000 'Time to Pay' agreements worth over £1.7 billion; and
- 'Real help for businesses now' campaign – available through businesslink.gov.uk which is designed to maximise awareness about the cross-Government support available to businesses about saving money, managing finances, retaining staff and improving productivity. Since early February, over 250,000 businesses have responded to the campaign.

1.35 HMRC will continue to work closely with the Administrative Burden Advisory Board, the Better Regulation Executive and with the business community to identify new areas for action that tackle the burdens of most concern to business.

1.36 At Budget 2008 HMRC also announced the next stage in the Government's rolling programme of tax simplification. Budget 2008 announced:

- initial outcomes from 3 existing tax simplification reviews (VAT; anti-avoidance legislation; Related companies) and launch of a new review (Corporation tax calculations and returns for smaller companies); and
- immediate progress with more than 20 further simplification measures.

1.37 These reforms will, dependent on implementation, further reduce administrative burdens from the tax system, a proportion of which should deliver towards HMRC's targets.

Financial regulation

Financial Services

1.38 The purpose of financial regulation is to make financial markets work more efficiently, more fairly (including providing protection to consumers), and in a way which maintains financial stability. Regulation aims to address market inefficiencies and asymmetries of information, reduce uncertainties, keep markets free from fraud and abuse, improve market

stability and raise confidence. Where regulation is proportionate and effective, firms often agree that it benefits their industry.

1.39 Firms can derive a reputational advantage from operating in well-regulated markets, whilst managing business risk and customer protection. Effective regulation should keep pace with changes in the behaviour of firms and markets which risk causing instability. It remains vital to ensure that changes to the regulatory regime further strengthen the UK's reputation as a leading international financial centre, alongside the Government's commitment to maintain a strong and stable economy.

1.40 More than ever, given the uncertainty in global financial markets over the last 24 months, financial regulation needs to be effective, promoting stability and maintaining consumer protection while remaining appropriately targeted and proportionate. The turbulent events on international financial markets in 2008 and 2009 highlight the need to strengthen financial regulation to improve the oversight of capital, liquidity and risk and to ensure that consumer trust and confidence in financial markets is restored.

1.41 The simplifications outlined in this plan, which have been implemented over the last 12 months do not reduce protections for consumers or affect the robustness of financial regulation. Going forward, as set out below, there will inevitably be an increase in the extent to which the financial sector is regulated.

1.42 In response to the crisis, there has also been a shift in the FSA's approach to supervision. In March 2008, the FSA embarked on a 'supervisory enhancement programme' (SEP), which constitutes a more intensive and intrusive supervisory regime and moves the FSA's approach away from focusing primarily on the regulation of individual institutions, to combining this with a strong focus on the overall system and on the management of systemic risks across the economic cycle.

1.43 The Better Regulation principles of ensuring that there are no unnecessary or outdated regulatory burdens continue to be relevant in this environment, as is HM Treasury's role promoting Better Regulation across government

Financial Crime

1.44 The 2007 simplification plan outlined initiatives that sought to improve anti-money laundering, and counter-terrorist financing, as well as asset freezing requirements placed on firms which are making progress to promote a proportionate and effective money laundering regime. Central to this was the replacement of the FSA's Money Laundering Sourcebook, with industry-developed, risk based guidance for senior management and Money Laundering Reporting Officers. This approach is being replicated throughout the regulated sector.

1.45 HM Treasury has also taken a risk-based approach to updating the Money Laundering Regulations. For example:

- firms are able to make fewer checks in certain low risk situations, such as occupational pension funds and child trust fund administration
- in certain circumstances firms are able to rely upon identification checks done by certain other firms (for example solicitors and FSA authorised financial advisors)
- greater flexibility has been introduced to record keeping requirements so that firms may keep relevant details rather than whole documents, in certain circumstances.

Review of Money Guidance Regulations

1.46 HM Treasury published a 'Call for Evidence' on 9 October 2009 to launch the Review of the Money Laundering Regulations 2007. The Review focuses on the full scope of the Regulations,

on guidance, and on other communication and engagement with stakeholders. The Review also considers supervisory arrangements, industry practice and the customer experience under the regulations.

1.47 The 'Call for Evidence' seeks to capture information and views on how the Money Laundering Regulations 2007 are working in practice in terms of how effective and proportionate they are and how much engagement there has been with and among the different stakeholders.

1.48 The 'Call for Evidence' closed on Friday 11th December 2009 and responses will be published in early 2010, with a Government response to follow in Spring 2010. See here for the 'Call for Evidence' webpage: http://www.hm-treasury.gov.uk/fin_crime_review.htm

Regulatory Benefit/Cost Ratio

1.49 In October 2009 HM Government published an overall benefit/cost ratio for Government regulation. The methodology used is derived from published impact assessments that have been uploaded to the Better Regulation Executive (BRE) on-line IA library (see box.1.3). BRE has done significant work across Whitehall with OGDs to refine the benefit/cost ratio and to develop a full audit trail back to published impact assessments.

1.50 In this year's benefit/cost ratio HM Treasury had quantified benefits of £8,495.8m and quantified costs of £42.2m. The highly favourable benefit/cost ratio is chiefly due to the Payment Services Directive. Overall, the cross-government benefit/cost ratio for April 2008 to April 2009 is 1.85:1, or alternatively, £1.85 benefit for every £1 cost.

1.51 The publication of the benefit/cost ratio across Government departments intends to increase transparency over the quantification of regulations and their expected implementation timetable. This publication can be viewed at: <http://www.berr.gov.uk/files/file53280.pdf>

Forward regulatory programme

1.52 BRE also published the forward regulatory programme of Government regulation, which sets out the stock of Government regulation scheduled for implementation between September 2009 and April 2011. This publication aims to provide business with additional certainty about planned future regulation. This can be viewed at: <http://www.berr.gov.uk/files/file53203.pdf>

1.53 Furthermore, it is clear that the general trend in financial services will necessarily be one of an increase in the regulation of the sector, as the Government and the FSA respond to the lessons of recent financial instability. The Government set out its plan for reforms to the regulation of financial services and markets in its July 2009 paper "Reforming Financial Markets". The FSA has set out its own views in the Turner Review,³ which the Government supports. Internationally, there is also consensus on the need to improve and recalibrate standards of prudential regulation – the Basle Committee, for example, is considering the extent to which the level of capital rules need to be increased, alongside other changes to their structure, to improve the resilience of financial institutions.

1.54 It is clear, therefore, that in the wake of the financial crisis, better regulation of the financial sector is going to involve not only more effective regulation, but more regulation full stop. For this reason, for the next period, HM Treasury has agreed with the BRE that financial services regulation will not be set a new target for simplification. HM Treasury will continue to look for further simplification measures in the other areas of responsibility which fall within its portfolio.

³ The Turner Review: a regulatory response to the global banking crisis, Financial Services Authority, March 2009. <http://www.fsa.gov.uk/pages/Library/Corporate/turner/index.shtml>

Reaching the administrative burden reduction target for HM Treasury and the OGC

1.55 Since May 2005, HM Treasury and the OGC have been taking part in the Administrative Burden Measurement Exercise coordinated by the BRE. This has involved identifying regulations for which HM Treasury and OGC are responsible for, and quantifying the size of administrative burdens relating to these regulations. The Treasury and OGC have responsibility for regulations grouped into the following categories:

- Financial Services and Markets Act;
- Financial crime; and
- Procurement.

1.56 During 2007, HM Treasury sought to make reductions in the administrative burdens placed on business. As a result, a package of better regulation measures for the Asset Management Sector was developed. The associated information obligations arise from the Law of Property Act 1925. These obligations had not been counted as part of the original Administrative Burden Measurement Exercise. HM Treasury has agreed that these particular obligations arising from the Act should be placed on its baseline. This has obviously had an impact on HM Treasury's original baseline of £43.9m, as it has added £115 million and consequently increased the administrative burden reduction target. The revised baseline is £158.9m. Also, HM Treasury has incurred £11 million in administrative burden from the implementation of the Third Money Laundering Directive. Bearing this in mind HM Treasury's revised net reduction target is £50.7m.

1.57 HM Treasury will meet this revised target through implementing changes to the way in which investors in Open Ended Investment Companies and Authorised Unit Trusts can redeem or transfer their shares. The law previously only provided for these redemptions or transfers to be made in writing. Although the initial instruction can be made electronically, it must be confirmed by a written instruction from the investor. This measure will enable paperless transfer and settlement of trades in investment fund shares through electronic redemption or transfers yielding savings to participants on both sides of the transactions – the fund managers who market the units, and the brokers who buy them for clients.

Box 1.A: Benefit of Paperless Settlement: Euroclear Case-study

Despite the turbulent events of the last two years, London retains its crown as one of the world's key financial trading centres. Each day in the City and Canary Wharf, huge sums of money are invested, shares bought and sold, bonds and derivatives traded in an incessant stream of transactions.

Technology, of course, plays a huge part in speeding up the process. And for over a decade, many of these transactions have been settled by an electronic, paperless system. "We're at the end of the transaction chain, the place where the assets and cash are exchanged and the transaction is completed" says Andy Rudd, Product Manager for Euroclear UK & Ireland.

Euroclear, based in Brussels, owns the UK's central securities depository, which specialises in the settlement of securities transactions. Its paperless approach in settling transactions, primarily in bonds and equities, is based on electronic debits and credits of cash and securities positions.

Yet until quite recently, transaction processing for one remaining UK asset class – investment funds – highly prevalent within the asset or fund management sector, continued to be carried out in paper form.

"Essentially, the entity buying and selling funds on behalf of a retail or institutional client needed to send a piece of paper with a client signature on it to the fund manager before the manager had the authority to transfer a unit in that fund" explains Andy Rudd.

"The manual process meant completing the transaction was time consuming and costly."

Now, thanks to recent new legislation and improved technology, these settlement processes for the fund management sector and those investing in funds can be conducted electronically.

"Our service will electronically route the orders and exchange the cash and fund units records electronically, while simultaneously communicating this to the relevant parties" explains Andy Rudd. "Retail and institutional investors will benefit because they will no longer be paying as much as they do today to settle and reconcile UK fund transactions."

It is estimated (by HMG) that the UK fund management industry will save £115m a year by switching to the paperless Euroclear process. "It could take up to 10 days or more to settle a UK fund transaction" says Andy Rudd. "We estimate that settlement will now take place more regularly in just 4 days."

Paperless Transfer & Settlement Simplification

1.58 The paperless transfer and settlement simplification was introduced on 6 March 2009. HM Treasury has delivered on its regulatory reduction commitments. However, due to severe turbulence in financial markets, businesses have only recently begun to implement the necessary software platforms to take advantage of the electronic system for paperless settlement (see box 1.A) already implemented by business. This has resulted in the measure not being validated by BRE's EVP in July of this year. The EVP provides advice to Government about the extent to which businesses are using the opportunities to make administrative burden savings.

1.59 There is clear evidence that businesses are now beginning to implement the requisite changes to their asset management platforms. This is to ensure that business gain from the enhanced efficiency of a centralised electronic system that is currently being offered by Euroclear through the CREST system, and which allows shareholders and bondholders to hold assets in electronic form (see box 1.B).

Box 1.B: Rolling out Paperless Trading: The CREST System

HM Treasury's main simplification measures relates to paperless trading and settlement. This measure – which has been in force since the statutory instrument was laid in March 2009 – will lift the previous requirement for paper settlement and transfer of title for fund managers, stockbrokers, financial advisers and other intermediaries by allowing electronic settlement. As the asset management industry develops, electronic systems are becoming increasingly central and efficient. Growing use of platforms and wraps, where a firm holds a large holding in a fund on behalf of many small investors, alongside increasing standardisation of back office functions were two of the factors which suggested that the asset management sector could derive significant benefit by being allowed to settle trades electronically.

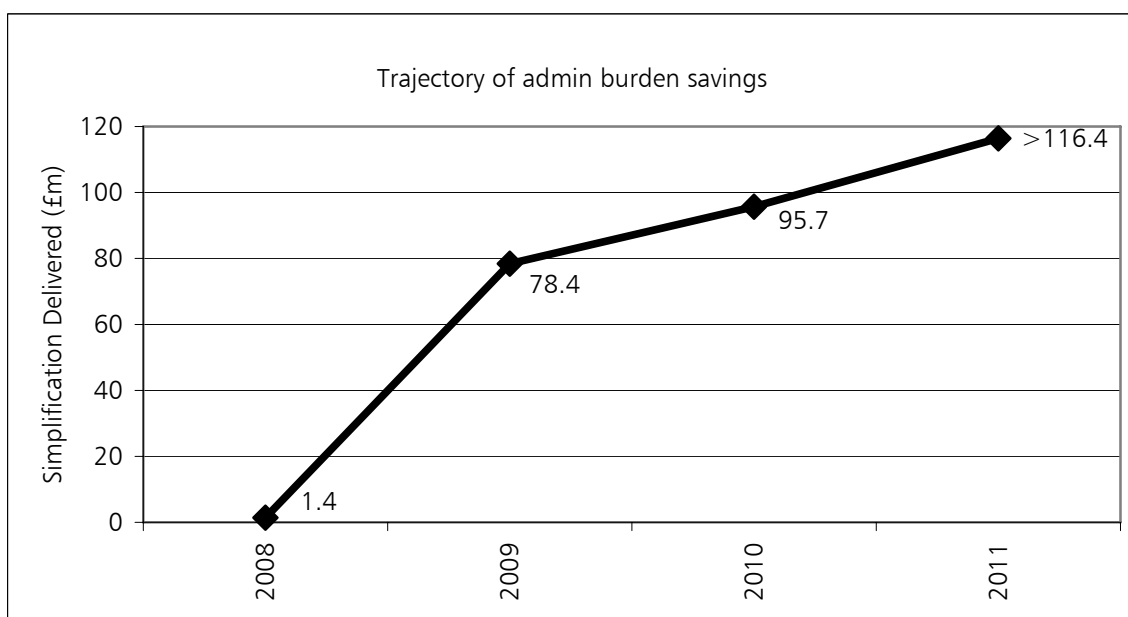
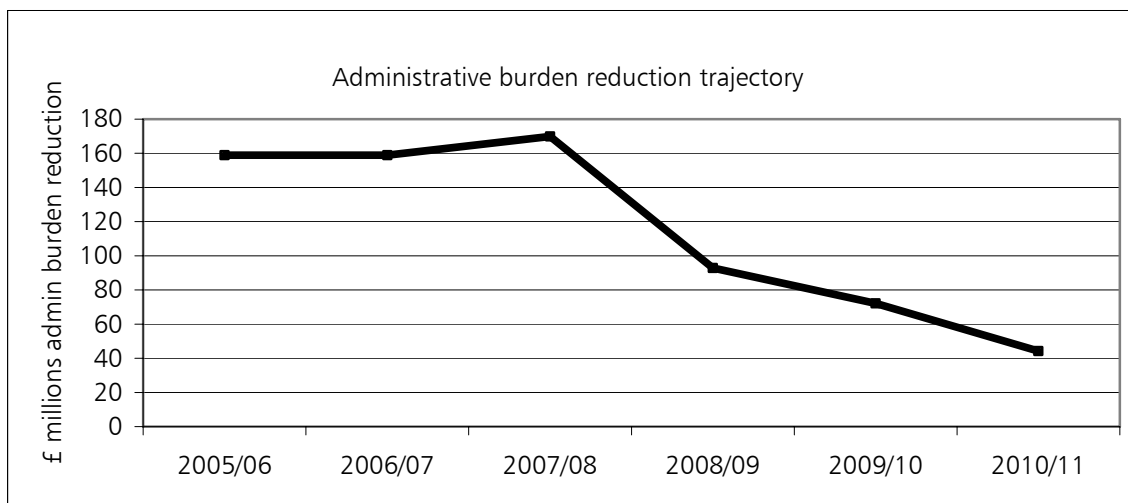
The logistics of rolling out a paperless settlement platform to the asset management industry is challenging as it comes at a time of difficult market conditions for firms, with their priorities elsewhere. CREST is a settlement system allowing shareholders and bondholders to hold assets in electronic form. Euroclear, which runs CREST (after merging in 2002), is currently changing the CREST platform so that it can provide holdings of notional balances for reconciliation purposes and for settlement of notional units and movement. This increased functionality means that fund administrators will have to adapt their own system interfaces which will take time.

Euroclear started to implement changes to CREST in September 2009. However, given the changes needed by fund administrators, they will not be ready by the end of this year. Nonetheless, industry momentum is growing as large platform providers are engaging with CREST, with small providers expected to follow suit at a later date. Large platform providers account for a large percentage of market share, making their usage of CREST important in terms of overall industry uptake. Industry-wide momentum is important because it is necessary to have multiple firms operating the same system for paperless settlement at the same time. However, we can expect that once revenues recover in the wake of turbulence on financial markets and business outlook improves, there will be increased momentum for firms to make the necessary changes and use systems such as CREST's for paperless trades and settlements.

Admin burden trajectory

1.60 The graph below sets out the progress that HM Treasury is making towards achieving the necessary reduction in its baseline. The slight increase in the baseline towards the end of 2007 represents the incoming burden as a result of implementing the Third Money Laundering Directive (£11 million).

Chart 1.A: Administrative burden reduction trajectory



New incoming burdens

1.61 The 2007 simplification plan identified six incoming burdens, the majority of which came from the EU. The 2008 plan identified one new measure, the Authorisation and Supervision of Credit Rating Agencies in the EU, which impose £3.05 million in costs but will impact on the FSA baseline. Twelve measures came into force in 2009, none of which impacted on the HM Treasury baseline. The total cost of the 2009-10 measures are around £203 million in annual costs; however this includes the rollout of the National Money Guidance initiative which has £85m in annual costs but average annual benefits of £1.1 billion. Another measure that will deliver significant policy benefit is the Payment Service Directive at £8.1 billion annually. These two measures outweigh the overall policy burdens imposed for 2009 and 2010.

An incoming burdens table is set out in Annex C. The incoming burdens table contains seven policy areas that are also covered in the simplification grid (Annex B):

- Pensions permission reform
- Capital Requirements Directive

- Reinsurance Directive
- Transparency Directive
- FSMA Controllers Regime
- Part 7 of the 1989 Companies Act
- Solvency II (though implementation is beyond 2010)

Impact on HM Treasury baseline burdens

1.62 Only one of the incoming burdens (Third Money Laundering Directive) had impacted on HM Treasury's administrative burden baseline. The rest are enforced by the FSA and will therefore fall on the FSA's baseline. The Third Money Laundering Directive is implemented into UK law through the Money Laundering Regulations 2007 and has added an administrative burden of £11 million.

Leading regulatory reform in Financial Services in Europe

1.63 HM Treasury continues to remain at the forefront of regulatory developments. In September 2008, HM Treasury published a cross-border financial stability and depositor protection paper setting out challenges and responses to cross-border regulatory issues. The paper calls for greater coordination and cooperation by strengthening the existing network of supervisory colleges and establishing cross-border stability groups.

Strengthening supervisory colleges

1.64 Extending better regulation within the current EU supervisory framework is a key thread running throughout the paper – indeed one of the key principles behind it is that regulation should never be an end in itself. The paper makes a number of recommendations that HM Treasury believes will lead to better regulatory outcomes and reduced burdens for industry. The recommendations include:

- greater use of cost benefit analysis for new proposals coming from the EU;
- measures to encourage the convergence of supervisory practices;
- ensuring more consistent implementation of EU Directives to minimise burdens for cross-border groups;
- giving sufficient time for firms to comply with new regulation; and
- ensuring greater efficiency for cross-border groups, through greater use of group supervisory approaches.

Lamfalussy Arrangement

1.65 Focus continues on the reforms agreed by finance ministers to the EU's regulatory and supervisory framework — the so-called Lamfalussy arrangements. These reforms aim to increase the efficiency and effectiveness of the arrangements, whilst ensuring that national regulators remain nationally accountable. In particular, the UK strongly supports the establishment of supervisory colleges - designed to encourage supervisory information exchange and cooperation - which are now being taken forward in the revisions to EU insurance and banking legislation.

1.66 HM Treasury and HMRC are continuing to press for real results against the EU target to reduce administrative burdens by 25 per cent by 2012. In addition to the burden reductions in financial services regulations, progress is being made in the area of statistics with a new Intrastat regulation soon to be agreed which should particularly benefit small traders.

Box 1.C: Financial Service Regulation in Europe

As part of the government's announcement to strengthen regulatory management in April 2009 HMG committed to work closely with EU partners to further embed the EU better regulation agenda and to ensure that the current pressures on business are taken into account when new European Regulation is being considered. HMG is taking this forward in Brussels in a number of ways:

- Maintaining the better regulation agenda's momentum by securing commitments from all three EU institutions;
- Making better regulation a reality in the EU by embedding the use of better regulation tools such as good quality impact assessments for all new proposals and effective consultation with stakeholders;
- Cut unnecessary administrative burden in existing EU legislation. This will deliver tangible benefits to UK business, especially SMEs, which will help the recovery.

To complement this push in Brussels, departments and regulators are working together to maximise the UK's impact on the European policy making process by proactively anticipating, analysing and influencing the development of EU policy earlier, by lobbying the Commission before proposals are published. Better regulation principles are absolutely essential at this time as it will help HM Treasury achieve the dual aims of long term stability and avoiding unnecessary increase in cost of financial services to the wider economy, which would only hinder the recovery.

HM Treasury views better regulation principles as more important than ever to ensure that new regulation is both tighter and targeted to ensure that we achieve our objective of stabilising the financial sector. To this end, better regulation principles in Europe is important given the considerable role that Europe has in influencing international agreement on financial services regulation and also in affecting the stock of regulation in the UK.

However, we must have evidence-based regulation to ensure that it is precisely targeted. Moreover, we must take the opportunity to review and reduce existing regulation/provisions that are ineffective or are superseded by incoming regulation.

HM Treasury views reducing the scope for regulatory arbitrage in two key ways:

- within the EU by agreeing min/max requirements where possible
- internationally by seeking global agreement or convergence of standards where possible.

By encouraging jurisdictions beyond the UK and in the EU to comply with similar stabilising regulation, it will:

- reduce external risks to our stability;
- reduce the regulation UK firms need to comply with to achieve a stable system; and
- ensure a level playing field with international firms facing similar regulatory costs to ours, thereby maintaining healthy competition.

Davidson Review

1.67 At the 2005 Pre-Budget Report the Government set up a review 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, identified - and considered ways to simplify – any unnecessary burdens created by over-implementation. It reported to Government on 28 November 2006.

1.68 The review generally acknowledged the efforts of HM Treasury and the FSA in engaging with stakeholders when negotiating and implementing EC Directives. However, it did make some recommendations in areas where over-implementation has occurred.

1.69 Following consultation with industry, HM Treasury has responded to Davidson's recommendation on the over-implementation of the Insurance Mediation Directive by removing the insurance activities of freight forwarders from the scope of financial services regulation.

1.70 Lord Davidson, in his review of over-implementation of EU directives, suggested that there was gold-plating in the UK's close links regime. Gold Plating refers to transposition of EU legislation into domestic law but which goes beyond what is required by that legislation, while staying within legality. He proposed that this was a result of imposing a requirement to comply with the close links notification regime on categories of firms where no Directive requires it. Davidson argued that this extended the scope of the close links provisions. In particular, Davidson recommended that the FSA amend their rules as follows:

- so that firms do not have to disclose temporarily held trading positions as a close link; and
- so that firms do not have to disclose some categories of close links, where no concern arises.

1.71 In response to the first recommendation, the FSA published in their consultation paper (CP7/21) there have been changes to the definition of parent and subsidiary undertakings originally introduced by the Seventh Company law Directive. So while the FSA can make the change requested by Davidson, the FSA are no longer able to exclude temporary investments from their definition of close links for relationships of control and that the FSA will amend their guidance in their rule to reflect this.

1.72 In response to the second recommendation, the FSA will allow for two categories of close links that will not have to be disclosed. They are custodians and collateral holders. Non-disclosure of these categories will not prevent the FSA from effectively supervising firms. The test used was firstly whether the holding was short term and secondly whether the holder could ever exercise voting power or influence the firm management. This will be offered as an option for firms should they wish to exercise the ability to carve out.

1.73 The Financial Services Authority (FSA) has published a policy statement in November 2009, which sets out that they will allow firms a 6 month transitional period to implement the changes from 1 December 2009. http://www.fsa.gov.uk/pubs/policy/ps09_17.pdf

1.74 The consultation period for Close Links closed on 31 March 2008. Issues were raised during the consultation that the FSA needed further time to explore. In the context of close links, the FSA views it necessary to retain certain elements of the current reporting regime rather than adopting all of the proposals contained in the FSA original consultation period and reflected in the feedback provided by respondents. The FSA believe this policy achieves the right balance in equipping them with the appropriate level of information at the appropriate time, in order for the FSA to supervise firms effectively in accordance with legislative requirements, while at the same time, also removing any unnecessary burdens on firms.

1.75 The FSA is also liaising with HM Treasury on the latter's review of Financial Services and Markets Act 2000 requirements on close links where these currently apply to firms not subject to directive requirements in this area, as any change would result in changes to the FSA Handbook.

Links to the wider better regulation agenda

1.76 Achieving regulatory reform will help create a strong business environment and achieve real economic benefits. As such, HM Treasury remains committed to the wider better regulation agenda and continues to play an important role in scrutinising the flow of regulation. In line with the Hampton recommendations, this package included a proposal to replace a statutory minimum two months delay for registration of new investment funds with a maximum of two months. The expectation is that a large majority of cases will be completed more quickly than that.

Box 1.D: Getting it Right: Impact Assessments in Policy Making

Impact assessments (IAs) are a tool to help policy development by assessing the costs, benefits, and risks of options relating to a policy proposal. They also provide transparency and accountability in the decision-making process for senior officials, ministers and the public. The Better Regulation Executive (BRE) and Treasury publish IAs online, providing increased transparency of the policy making process.

It is useful to think of IAs as a tool to enable the Government to weigh and present the evidence on the positive and negative effects of intervention. IAs are generally applicable to all Government interventions affecting the private sector, the third sector and public services, regardless of source: domestic or international. Their preparation and publication is undertaken by policy officials and signed-off by ministers. Partial IAs are used in the consultation stage and are a useful way of getting stakeholder views on costs and benefits of a proposed regulatory intervention.

Across Whitehall, departments have in place IA processes, some of which involve senior economist sign-off and specialised teams that work on IA quantification and compliance. HM Treasury is committed to ensuring that the IA process is challenging enough to encourage robust IAs and incorporates economists' expertise early in the design process to ensure quality control. The International and Finance Directorate in HM Treasury is implementing a new review process for IAs, which incorporates a series of quality control checks, including a challenge panel process and sign-off by a senior economist for high-impact IAs. It is envisaged that this process, and regular training seminars that accompany it, will help to improve the quality of IAs and contribute to better policy outcomes.

1.77 The Enterprise strategy launched with Budget 2008 included proposals to help lessen the burden of regulation. In April this year the Government announced a programme of measures that further strengthens its management of regulation. These include:

- a published Forward Programme of future regulatory plans;
- a new external body – the Regulatory Policy Committee – whose role will initially be to advise the Government on whether it is doing all it can to accurately assess the costs and benefits of regulation;
- new simplification targets for 2010-15 covering all the regulatory costs faced by business; and
- working closely with EU partners to further embed the EU better regulation agenda and to ensure the current pressures on business are taken into account when new European regulation is being considered.

1.78 Further information on better regulation is available at:
<http://www.berr.gov.uk/whatwedo/bre/index.html>

A

HM Treasury delivered measures table

Title/Policy/Initiative	Nature of burden	Description of simplification measure	Outcome (including sector/s to benefit)	Cost saving (admin or policy)	Delivery
Simplifying regulatory requirements					
<u>HM Treasury Baseline</u>					
Asset management sector – Paperless Settlement [non-validated simplification saving].	Admin This impacts on the HM Treasury baseline.	Open Ended Investment Companies (OEICs) and authorised unit trusts are open-ended collective investment funds authorised by the FSA. Because they are open ended, investors can, and generally do, redeem their investments by selling their shares or units back to the fund’s management company. The law currently only provides for these redemptions or transfers to be made in writing. Although the initial instruction can be made electronically, it must be confirmed by a written instruction from the investor.	The primary beneficiaries will be fund management companies and brokers. It is expected that cost savings will be passed onto investors.	Admin Savings are estimated to be around £115 million per year as a result of firms no longer needing to confirm the instruction in writing. Firms and investors will also benefit from faster and more accurate processing of investor instructions. There will be a small one-off cost when firms decide to move to paperless settlement and do not already have systems in place. It is anticipated that this would be around £5 million although there will be no requirement to offer electronic transfers. As such, this cost is voluntary.	Implementation was on 6 March 2009.

		This measure will enable paperless settlement of trades in investment fund shares through electronic redemption or transfers.		An IA was included in the consultation document. http://www.hm-treasury.gov.uk/d/consult_betterregulation090107.pdf	
Financial Ombudsman Service disclosure requirements	Admin This impacts on the HM Treasury baseline	Under 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). The FOS is launching a new initiative to reduce these burdens by facilitating more e-communications.	The burden to industry of providing information to the FOS and to third parties should be reduced as a result of this initiative. 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.	Total admin savings are in the region of £1m per year. Savings would relate to lighter disclosure arrangements. There are around 110,000 such cases each year. An IA was not required.	These reforms were introduced on 14 July 2008 for firms communicating with FOS.
Consolidation of Public Procurement Regulations (See also the measure below - Updating of the Utilities Contracts Regulations)	Admin This impacts on the HM Treasury baseline	The three previous public sector procurement Regulations were consolidated into one following the adoption of a new single public procurement Directive. The purpose of this Directive was to simplify, clarify and update public procurement procedures and reflect new procurement methods.	Most of the benefits apply to public sector purchasers. 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.	New procurement methods permitted by these new regulations, such as e-procurement. An IA was published on the OGC website.	UK regulations came into force on 31 January 2006.

		These new Regulations implement those improvements and enable, for example, the introduction of electronic auctions to the process and the use of the competitive dialogue procedure for complex procurements.			
Updating of the Utilities Contracts Regulations	Admin This impacts on the HM Treasury baseline	In a related move to the updating and consolidation of the public sector Directives the Utilities Directive was also updated. New implementing regulations were made as a result.	Most of the benefits apply to utility sector purchasers. 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.	New procurement methods permitted by these new regulations, such as e-procurement. The revised Regulations allow for utilities that can demonstrate that they operate in a competitive environment to apply for exclusion from the application of the rules. Exclusions have been granted for some operators in the electricity generation sector giving an estimated admin burden saving of £270,000. Since the 2007 plan was published a further exclusion has been granted to the electricity and gas supply sectors giving a further estimated admin saving of £130,000. An IA was published on the OGC website.	UK regulations came into force on 31 January 2006.
Reinsurance Directive implementation (RID) Also referred to in the	Policy HM Treasury policy saving	This Directive creates an EU-wide prudential regulatory framework for pure reinsurers, along similar lines to those already in place	Creates a minimum level of harmonised prudential supervision of reinsurance across the EU. Provides	<u>HM Treasury Legislation</u> A one-off policy cost saving is estimated for reinsurers in the	<u>HM Treasury legislation</u> A three-month public consultation was

regulatory flow table (annex C)		<p>for insurers.</p> <p>The Directive has been implemented mainly through FSA rules, though with some HM Treasury legislative amendments (primarily to FSMA 2000).</p>	<p>reinsurers with a single passport enabling them to carry on business anywhere in the EEA, either by establishing branches or providing services, on the basis of home-state authorisation.</p> <p>Primarily pure reinsurers only are affected by the Reinsurance Directive</p>	<p>order of £600,000.</p> <p><u>FSA Rules</u></p> <p>Minimal one-off costs burdens are outweighed by ongoing annual policy cost savings of approximately £25m.</p>	<p>launched in July 2007, following discussions with the FSA. Regulations to implement the Directive came into force on 10 December 2007.</p> <p><u>FSA Rules</u></p> <p>The rules are in force.</p>
Lightened money laundering due diligence	Policy HM Treasury baseline – policy savings	<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>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.</p>	<p>Total policy savings are estimated at £2.5m per year.</p> <p>Regulated business will benefit from lighter identification and verification requirements.</p> <p>An updated IA was published in January 2007. This relates to the Third Money Laundering Directive.</p>	<p>Consultation launched in July 2006. Draft regulations published beginning 2007.</p> <p>Final Regulations laid in Parliament 25th July 2007. Legislation came into force on 15 December 2007.</p>
Allowing firms to rely on other firms' money laundering customer due diligence measures.	Policy HM Treasury – Policy savings	<p>The Third Money Laundering 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</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</p>	<p>Estimated at £13-15m policy savings per year.</p> <p>An updated IA was published in January 2007. This relates to the Third Money Laundering Directive.</p>	<p>Consultation launched in July 2006. Draft regulations published beginning 2007.</p> <p>Final Regulations laid in Parliament 25th July 2007. Legislation came into force on 15</p>

		diligence measures. The UK is proposing taking advantage of this opportunity for certain sectors.	by the money laundering regulations could benefit from this (up to 300,000 firms). However those sectors most likely to rely on others are financial services, lawyers, accountants and estate agents.		December 2007.
Allowing firms greater choice in records kept under Money Laundering Regulations	Policy HM Treasury – policy benefit	The Money Laundering Regulations 2007 will allow firms to keep either copies of references of identity documents as records. The Money Laundering Regulations 2003 required firms to keep copies unless practicable.	Offer the opportunity for all firms to choose to keep either copies or references of identity documents as records of identification. All sectors covered by the Money Laundering Regulations.	Estimated at £11-12m policy savings per year An updated IA was published in January 2007.	Consultation launched in July 2006. Draft regulations published beginning 2007. Final Regulations laid in Parliament 25th July Legislation came into force on by 15 December 2007.
Audit threshold	Policy HM Treasury baseline	This proposal raised the threshold which non-charitable industrial and provident societies were required to appoint an auditor to audit their end of year accounts and balance sheets to £5.6m turnover and £2.8m balance sheet total.	Greater consistency has been created. Smaller operators do not need to have their accounts audited. The auditing requirements will also be less burdensome. The primary beneficiaries are industrial and provident societies, and their members.	If all affected societies took advantage of the new threshold there would be a policy cost saving of up to £2.4 million per year. The final IA was completed in January 2007	An Order was made on 7 February 2006 and came into force on 6 April 2006. http://www.hm-treasury.gov.uk/d/uksiem_20060265_en.pdf
<u>FSA Baseline</u>					
Transfer of insurance business	Policy This will impact on FSA baseline	These measures aim to clarify certain provisions in Part VII of the Financial Services and Markets Act 2000 (and in related secondary legislation)	The primary beneficiaries are likely to be insurance firms. Reinsurers and certain former Lloyd's Names (those that resigned prior to Dec 1996)	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	Implementation occurred in July 2008.

		<p>regarding to the insurance business transfer schemes.</p> <p>Proposals include ensuring that reinsurance contracts related to the main insurance businesses are able to be transferred as part of a transfer of insurance business under Part VII.</p>	will also benefit.	(ie. £9,000). 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 which would result in a benefit of £181,672 accrued from reduced legal costs over the 10 year period from 2007 (ie assuming 20 transfers a year).	
Changes to the Collective Investment Schemes border for property transactions	<p>Admin</p> <p>This will impact on the FSA baseline</p>	<p>There is uncertainty over whether some types of property transaction fall within the FSMA definition of a Collective Investment Scheme (CIS). Those that do cannot be established, operated or wound up without FSA authorisation. It is proposed to clarify how exemptions apply to special purpose vehicles or multiple transactions.</p> <p>The consultation closed on 29 March 2007. Responses to the consultation highlighted difficulties the proposed clarifications would cause for schemes set up deliberately to qualify as CISs in order to benefit from tax relief. The Treasury considered responses and published a further consultation on 1 August</p>	The beneficiaries will be property firms. They will have more certainty and lower legal costs, reducing the risk of legal challenge or enforcement action by the FSA.	<p>Up to £625,000 in administrative burden reductions annually through lower transactions costs.</p> <p>An IA was produced alongside the consultation document.</p>	The first consultation closed on 29 March 2007. A further consultation was concluded in September 2007. The regulation was implemented on 14 July 2008.

		seeking views on revised proposals. This consultation closed on 12 September 2007.			
<p>HM Treasury approach to implementation of the Capital Requirements Directive (CRD)</p> <p>Also referred to in the regulatory flow table</p>	<p>Admin</p> <p>The FSA is responsible for the majority of implementation</p>	<p>HM Treasury was 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>HM Treasury took a 'copy out' approach to transposing these parts of the directive.</p>	<p>Savings relate to carrying out processes under FSA and CEBS guidelines operating on a level playing field with EU competitors.</p> <p>CRD provides a more risk-based approach to calculating capital requirements.</p>	<p><u>HM Treasury legislation</u></p> <p>Those applying for group model recognition and credit ratings agencies should be experiencing some administrative cost savings.</p> <p>It is difficult to quantify the cost savings for those opting for group model recognition. Firms can chose between the simple or medium sophistication approaches of the new framework. The most sophisticated approaches became available from 2008.</p> <p>An IA was published 1 January 2007.</p>	<p>The FSA will consult on implementation during 2009. More details are set out in Annexes B and C.</p> <p>The Directive will be transposed by 31 October 2010, and implemented by 31 December 2010.</p> <p>More details are set out in Annexes B and C.</p> <p>http://www.hm-treasury.gov.uk/d/capital_requirements_directive280206.pdf</p>
<p>Financial Services and Markets Act 2000 (Consequential Amendments) Order 2008</p>	<p>Policy</p> <p>This will impact on the FSA baseline</p>	<p>This removes the potential for certain types of mortgage transaction to be subject to competing regulatory requirements under both the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000 (FSMA).</p>	<p>This removes the potential for dual regulation for certain types of mortgage transaction, which could potentially have made credit contracts unenforceable. The proposals seek to minimise burdens on business and promote regulatory efficiency, while safeguarding important consumer protections in the area of consumer credit. Admin burdens may be reduced as a result</p>	<p>An impact assessment was completed in March 2008. The impact assessment estimated the policy cost of not legislating would be £0-£550m one off cost due to the significant uncertainty caused by possible dual regulation and the unenforceability of incorrectly documented agreements.</p>	<p>The legislation came into force on 6 April 2008.</p>

<p>Transparency Directive</p> <p>Also referred to in the regulatory flow table (annex C)</p>	<p>Admin & policy</p> <p>These savings will impact the FSA baseline</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.</p>	<p>Investors benefit from more information; issuers should benefit from a lower cost of capital.</p>	<p>One off policy costs, based on current estimates are £1.75 – 3 million.</p> <p>Ongoing 3rd party admin cost savings estimates are between £7.3 and £25.7 million per year.</p> <p>Final costs and savings will depend to some degree on investor responses.</p> <p>The final IA was published in October 2006.</p>	<p>Implementing provisions contained in the Companies Act, which received Royal Assent on 8 November 2006.</p> <p>FSA implementing rules came into effect on 20 January 2007.</p>
<p>European Co-operative Society (SCE)</p>	<p>Admin</p> <p>These savings, if made, would impact on the FSA baseline.</p>	<p>This measure follows from European Company Statute, and provides a similar legal vehicle to that which exists on the corporate side. This vehicle provides for the legal requirements of conducting cross-border business to be simplified.</p>	<p>It 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>Total admin savings are estimated to be around £2m per year assuming this scheme is taken up by ten or more.</p> <p>There are no SCEs registered, or under consideration, at present.</p> <p>A final IA has been prepared.</p>	<p>A 12-week consultation was launched on 16 March 2006.</p> <p>Legislation came into force on 18 August 2006.</p>
<p>Removing freight forwarders and storage firms from the scope of FSA insurance regulation (commercial)</p>	<p>Policy & admin</p> <p>These savings impact on the FSA baseline.</p>	<p>Certain insurance activities of freight forwarders and storage firms have been exempted from FSA regulation, where the insurance activity relates to a commercial customer.</p>	<p>The benefit applies to the freight forwarding sector and the storage sector.</p> <p>Following further work with the relevant trade associations to develop codes of practice to cover the provision of insurance services to retail customers, the Government has proposed further secondary legislation to</p>	<p>Whilst there will be some administrative savings as a result, the majority of savings are likely to be annual policy savings in the estimated indicative range of £4 million for freight forwarders, as cited in the 2007 final RIA.</p> <p>According to the RIA, the measure is deregulatory and will not result in new costs for the freight forwarding and storage industries.</p>	<p>The legislation to enable the exemption of certain insurance activities of freight forwarding and storage firms for retail customers came into force on 20 July 2007.</p> <p>http://www.hm-treasury.gov.uk/d/dffi_ria_final.pdf</p>

			extend this measure to retail customers.	Some admin savings may result, though none are quantifiable. At least 2500 companies, including a significant proportion of small firms, will potentially make savings as a result of this initiative. The FSA estimate that they currently authorise the insurance activities of approximately 150 freight forwarding firms.	Also see the revised IA here: http://www.dwp.gov.uk/docs/impact-assessment-240408.pdf
Regulatory Reform Order (RRO)	Admin These savings impact on the FSA baseline	The RRO makes a number of amendments to the Financial Services and Markets Act 2000 including: Lightening the authorisation requirements in relation to partnerships whose members change; Extending the FSA's powers to waive or modify all of its rules in respect of authorised and unauthorised persons; Permitting the FSA board to delegate the issuing of guidance.	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. Most significantly, a partnership will now be able to continue trading and remain authorised by the FSA following a change in its membership.	Total admin savings for firms are likely to be between £7.5 and £9.3m per year. The total administrative savings for the FSA could be between £54,175 – £118,250 p.a. Some of the cost savings and benefits of more flexible FSA rule application are difficult to quantify. However, it is possible to calculate savings in relation to: lightening the authorisation requirements for partnerships and removing unnecessary consultation between the FSA and other EEA regulators.	The Order came into force on 12 July 2007. The FSA will be consulting on rule changes in due course. http://www.hm-treasury.gov.uk/d/consult_regulatoryreform240506.pdf
Amendment to the Regulated Activities Order (ROA) in respect of qualifying contracts of insurance	Admin These savings will impact on the FSA baseline.	Pure insurance protection products without an investment element were subject to differing FSA conduct of business rules depending upon the age of the policyholder or	A more coherent and consistent regulatory regime has been introduced in relation to qualifying contracts of insurance.	Potential admin savings are estimated to be £4m per year through shorter advice requirements and simpler documentation.	Statutory Instrument 2007 No. 1339 came into effect on 6 June 2007.

		the term of a policy. This measure enables all such policies to be sold through a single regulatory regime. It cuts back regulatory duplication and reduces admin burdens.	The primary beneficiaries are likely to be firms offering qualifying contracts of insurance and their clients.	A final IA was prepared with the legislation.	
Improving availability of information on asset freezing targets	Policy	Improving 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.	The financial sanctions pages on the Bank of England's website provide comprehensive information on all the financial sanctions / asset freezes imposed by UN, EU or under domestic UK legislation The main beneficiaries are Financial Institutions.	Total policy savings are extremely difficult to quantify accurately but we estimate that they might be in the order of £100,000-500,000 per year. Cost savings relate to making it easier to identify target accounts for freezing. An IA was not required.	The more comprehensive financial sanctions pages have been in place since May 2005 and are continually updated by the Bank of England as new targets are identified and as changes are made to financial sanctions regimes.
Money laundering guidance	Policy	New guidance by the Joint Money Laundering Steering Group, approved by HM Treasury in 2006 - promote a much more risk-based approach towards the implementation of anti-money laundering requirements. Additionally, HM Treasury is helping to share best practice learnt from the FSA exercise on reducing identification burdens, to other sectors.	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 laundering regulations.	Total savings are difficult to quantify as they are just being implemented, but policy savings are estimated at around £10-15 million over the next five years. Savings stem from the introduction of a more flexible, risk-based approach to all anti-money laundering requirements. An IA is not needed	New money laundering guidance was issued by the JMLSG and approved by HM Treasury in December 2007. Further guidance has been approved for notaries, for those supervised by HMRC, and for accountants. HM Treasury is considering other guidance in conjunction with MLAC. Overall, significant progress has been made in adopting guidance that reflects the revised (2007) regime.

<p>Removing freight forwarders and storage firms from the scope of FSA insurance regulation (retail)</p> <p>Also referred to in table C</p>	<p>Policy & admin</p> <p>These saving will impact on the FSA baseline</p>	<p>Certain insurance activities of freight forwarders and storage firms are to be exempt from FSA regulation, where the insurance activity relates to a retail customer. This follows the deregulation of the commercial insurance activities of these firms in July 2007.</p>	<p>The benefit applies to the freight forwarding sector and the storage sector</p>	<p>The Average annual total benefit for freight forwarders is estimated to be £475,000 with a one-off transition cost of £1,550,000 and on-going annual cost of £ 53,000.</p> <p>Over 10 years the estimated net benefit will be £2.6 m to freight forwarders and storage firms.</p> <p>The FSA estimate that they currently authorise the insurance activities of approximately 100 freight forwarding and storage companies, including a significant proportion of small firms. These firms could make significant savings as a result of this initiative. The customers of as many as 2,900 freight forwarding and storage companies could benefit from additional security.</p> <p>A final Impact Assessment was prepared alongside the response to the consultation and is available on the HM Treasury website.</p>	<p>A consultation was launched on 19 July 2008 and closed on 12 September 2008. Proposals came into force on 6 April 2009 following Parliamentary scrutiny.</p> <p>http://www.hm-treasury.gov.uk/d/consult_forwardingfreightinsurance120209.pdf</p>
<p>Workplace financial promotions</p>	<p>Policy</p> <p>FSA impact</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</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>It should also reduce the cost</p>	<p>Cost savings are difficult to quantify, as it is not yet clear who will take up this 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</p>	<p>A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June 2007</p> <p>Follow up consultation published on 19 September 2008 and closed on 12 December</p>

		also enable advice to be provided more freely by employers to employees in relation to other work-related financial products. These proposals form part of a ten-point action plan of reforms set out in the 2005 Pre-Budget Report.	to employers of providing such advice. The primary beneficiaries are likely to be all employers and their employees.	Treasury website.	2008. Implemented in 2009. http://www.hm-treasury.gov.uk/d/consult_facilitating_promotions090908.pdf
Regulated Covered Bond Regulations	Policy FSA impact Burdens of an international origin where the UK has national discretion over how they are implemented.	Regulations were introduced to deliver compliance for UK covered bonds with the Undertakings for Collective Investment in Transferable Securities (UCITS) directive. Covered bonds that comply with UCITS benefit from higher prudential limits and a preferential credit risk rating.	Compliance creates a level playing field for UK covered bonds in the EU and delivers best possible right weight for UK covered bonds under the Banking Consolidation Directive. UK issuers are able to access the larger investor base of the European market. The main beneficiaries are UK issuers of covered bonds.	Savings would relate to the reduced risk-weighting for UCITS-compliant covered bonds. This could reduce annual policy compliance costs by up to £5 million. A final IA was published with the Summary of Responses in February 2008.	This was implemented on 6 March 2008 http://www.hm-treasury.gov.uk/d/consult_bonds140208.pdf
Other Department's Baseline					
Pensions permission reform Also referred to in the regulatory flow table	Policy & admin DWP	The Government has introduced a new regulated activity of establishing or operating a pension scheme. Any person who obtained permission to carry on that activity could set up a tax-privileged pension scheme. This change was key to opening up competition in the pensions market to new providers as well as extending FSA supervision to all aspects of	The primary beneficiaries are consumers who will be served by a larger number of providers and from added protection provided by FSA supervision. Many providers also benefit because they can offer tax privileged pension schemes without incurring the cost of having to go through third parties. There has been	It is difficult to quantify savings, as it will depend on a range of factors but will not be non-trivial for many. Many existing providers benefit by not having to incur the cost of setting up new schemes via intermediaries. The main benefits of the greater competition, choice and consumer innovation, and added consumer	New regulated activity came into effect from April 2007. As intended there has been evidence of new providers entering the market http://www.dwp.gov.uk/docs/pensionsbillimpactassessment-final2.pdf

		personal pensions. The IA contains more details.	evidence of new entry since April 2007.	protection is difficult to quantify but they will be significant in the context of a growing market.	
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HM Treasury regulatory simplification table

Title/Policy/Initiative	Nature of burden	Description of simplification measure	Outcome (including sector/s to benefit)	Cost saving (admin or policy)	Implementation timeline
Simplifying regulatory requirements					
HM Treasury Baseline					
Better Regulation measures for the asset management sector – new protected cell regime for OEICs	Policy HM Treasury – policy saving	<p>Open Ended Investment Companies (OEICs) are investment funds structured as bodies corporate. Large fund managers generally operate a small number of OEIC umbrella companies with a large number of sub-funds within each umbrella. This helps them to operate a large range of funds more efficiently. Under current law, there is no segregation of liabilities between different sub-funds. This can present an element of risk to investors.</p> <p>This measure will introduce a new protected cell regime for OEICs to permit segregation of liability between sub-funds within umbrella companies.</p>	The primary beneficiaries will be investors who will enjoy a reduced level of risk to their investments. It is expected that cost savings will be passed onto investors.	<p>The two key benefits would be protecting OEIC investors from having to meet the liabilities of another sub-fund in the event of insolvency and improving the international attractiveness of the UK OEIC vehicle.</p> <p>HM Treasury estimates the monetary value of these policy savings to be £6 million per year.</p> <p>The 2009 IA quantifies costs as up to £5.96m.</p> <p>An IA was included in the consultation document.</p>	<p>Consultation ended on 1 August 2007. A response was published at end of 2007. Another consultation was published in July 2009. A response was published in November 2009.</p> <p>http://www.hm-treasury.gov.uk/d/consult_protected_cellregime_270709.pdf</p>

<p>Better regulation measures for the asset management sector – UCITS passporting</p>	<p>Policy</p> <p>HM Treasury – policy saving</p>	<p>Currently funds passporting into another member state must notify the 'host' regulator of their intention to begin marketing units in the new jurisdiction. The host regulator has two months in which to raise any concerns relating to the fund's marketing procedure before it can begin marketing. Under current rules, the fund must wait the full two months before it can begin marketing, even if the FSA is satisfied that the relevant requirements are met before that.</p> <p>This measure introduces a faster process by which foreign UCITS funds may passport into the UK, removing the statutory two-month delay.</p>	<p>The primary beneficiaries will be fund management companies. It is expected that cost savings will be passed onto investors.</p>	<p>Assessing the direct monetary benefit of this is difficult. However, we estimate that firms will save £80,000 – 400,000 annually through faster notifications.</p> <p>The FSA receives around 40 new notifications from non-UK UCITS funds per year. In around 80 per cent of cases, its consideration of the notification is completed within one month. Under the proposals, around 32 of those notifying funds would have been able to begin marketing at least one month earlier than under the current rules.</p> <p>This measure also demonstrates the UK's commitment to strengthening the single market in investment funds.</p>	<p>Consultation ended on 1 August 2007. A second consultation was published in July 2009 with response was published in November 2009.</p> <p>http://www.hm-treasury.gov.uk/d/consult_protected_cellregime_270709.pdf</p>
<p>FSA Baseline</p>					
<p>Further Amendments to the Capital Requirements Directive (CRD)</p> <p>Also referred to in the regulatory flow table</p>	<p>Admin & Policy</p> <p>The FSA is responsible for the majority of implementation</p>	<p>The overarching goal of the proposed amendment is to: i) strengthen prudential requirements; ii) improve supervisory coordination and efficiency of supervision; and iii) increase convergence across the EU. Specifically, these amendments relate to the large exposures regime, hybrid capital instruments, supervision and supervisory colleges, and the requirements for securitisation and risk transfer activities. There is also a clarification of the existing principles</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>The amendments will also improve financial stability and enhance supervision of cross-border groups.</p> <p>Member states transposed the Directive</p>	<p>It is not yet possible to quantify the likely policy cost savings from amending the CRD, as the amendments have not yet been finalised. It is also difficult to accurately quantify admin savings.</p> <p>Proposals requiring Treasury legislation they will be subject to an Impact Assessment in 2009. The FSA will also be conducting a full cost benefit analysis ahead of implementation.</p>	<p>The Directive will be transposed by 31 October 2010, and implemented by 31 December 2010.</p> <p>The FSA will consult on implementation during 2009.</p> <p>http://www.hm-treasury.gov.uk/d/capital_requireme</p>

		on liquidity.	in 2007 with full implementation on 1 January 2008. Further amendments to the Directive will be made in 2009, though any estimates on admin/policy costs and benefits will be subject to an impact assessment in 2009.		nts_directive280206.pdf
<p>Proposals to reform Part 7 of the 1989 Companies Act</p> <p>(Also referred to in the regulatory flow table. Annex C)</p>	<p>Policy</p> <p>This will impact on the FSA baseline</p>	<p>HM Treasury has proposed reforms to Part 7, which safeguards financial markets in relation to central counterparty clearing houses and investment exchanges in the event of a market participant's default.</p>	<p>Updating the legislation will reduce systemic risk in the event of a market participant's default and support industry developments in operations, risk management and governance.</p>	<p>One-off policy costs are estimated to be £1.9m resulting from clearing houses promulgating changes to the finance print of their terms of business. Potential benefits are likely to be large and diffuse and so precise quantification is difficult at this stage.</p> <p>A draft Impact Assessment was published with the consultation document in July 2008.</p>	<p>Consultation ran from 24 July to 16 October 2008. The responses from the consultation are being considered.</p> <p>http://www.hm-treasury.gov.uk/d/e1(1).pdf</p>
<p>Exemptions from FSMA for Limited Liability Partnerships (LLPs) – now being taken forward as part of much wider deregulatory review of the Regulated Activities Order (RAO)</p>	<p>Admin</p> <p>These savings will impact on the FSA baseline.</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>LLPs would be provided with a clearer exemption from FSA regulation.</p> <p>The primary beneficiaries are likely to be LLPs.</p> <p>The Review of the RAO will cover this issue as well as a number of others.</p>	<p>Total Admin savings are likely to be in the region of £1.6 million per year.</p> <p>Savings would relate to the costs of avoiding FSA regulation. Over 3,000 LLP's might benefit from these proposals.</p> <p>Exemptions from FSMA for Limited Liability Partnerships (LLPs) – now being taken forward as part of much wider deregulatory review of the Regulated Activities Order</p>	<p>Admin</p> <p>These savings will impact on the FSA baseline.</p> <p>A formal review was launched in December 2008 as part of the review of Regulated Activities Order with a view to a</p>

				(RAO)	three month public consultation starting in Spring 2009. Changes could be implemented by 2010-2011.
<p>FSMA controllers regime (Acquisitions Directive)</p> <p>(Also referred to in the regulatory flow table Annex C)</p>	<p>Admin</p> <p>This will impact on the FSA baseline</p>	<p>Simplify the current regime requiring all people to report to the FSA when they acquire a controlling relationship over an FSA-authorized 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. This reform will reduce admin burdens.</p> <p>These proposals form part of a ten-point action plan of reforms set out in the 2005 Pre-Budget Report.</p>	<p>Reporting requirements should be reduced, and remaining requirements should be more enforceable.</p> <p>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>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.</p> <p>It is estimated that admin savings will be £200,000 per year, with a one-off cost of £150,000.</p> <p>Savings should stem from establishing a more proportionate regime and a reduction in the direct business compliance costs and minimising a range of business impact costs.</p> <p>An Impact Assessment for the implementation of the Acquisitions Directive can be found on the HM Treasury website.http://www.hm-treasury.gov.uk/d/consult_implementation_aquisitiondirective.pdf</p>	<p>A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June 2006.</p> <p>It was decided not to change the law twice and to implement the directive. An additional consultation was launched on 22 September 2008 and closed on 12 December 2008 for the directive to be implemented on 21 March 2009.</p> <p>The Commission's review of the supervisory approvals process</p>

					addressed the vast majority of the simplification measures planned under the review of the controllers regime. It is anticipated that reforms not caught by the Directive will be considered at the same time as transposing the Directive into UK law.
<p>Market Abuse Regulations</p> <p>(Also referred to in the regulatory flow table Annex C)</p>	<p>Policy</p> <p>Impacts on FSA baseline</p>	<p>In 2005 HM Treasury committed to reviewing superequivalent provisions of its 2005 Market Abuse Regulations. These clauses were made subject to sunset clauses and would have otherwise automatically lapsed in June 2008 unless new legislation is adopted to allow them to remain in force.</p>	<p>Banking and investment services will primarily benefit if the superequivalents clauses are allowed to lapse. However this needs to be balanced with potential risk to investors as a result of undesirable market behaviour.</p>	<p>An Impact assessment accompanied the Consultation Document in 2008. Retaining the current UK superequivalent offences for a further limited period delivered the most favourable net benefit. The sunset clauses were extended to December 2009 in order to allow for the outcome of the EU review of the MAD. This enables a wider consideration of the benefits of the superequivalents in the context of this EU review and will minimise transition costs for industry.</p> <p>The IA notes that there would be a cost of implementing the outcome of the EU review of around £10.6</p>	<p>The relevant sunset clauses have been extended to the end of December 2009.</p>

				million which reflects the cost of between 2-8 hours work depending on the magnitude of the review and its similarity to existing UK requirements. The policy benefits of moving towards to a harmonised regime on completion of the EU review would be £4.8m. This benefit would arise from lower legal and compliance costs.	
Solvency II (Also referred to in the regulatory flow table. Annex C)	Policy Admin This will impact on the FSA baseline	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 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.	The insurance sector (both direct and reinsurance)	In June 2008 HM Treasury published a partial IA on Solvency II. We consider that Solvency II will have a net benefit to the UK of approximately £97m per annum and the administrative savings will be around £3.4 million per year. The UK has already implemented prudential policy for insurers with broadly similar principles as Solvency II in the form of the ICAS regime. Therefore some of the regulatory costs of implementing Solvency II may have already been incurred. Of the additional direct costs likely to be incurred by the FSA, one-off costs of implementation are estimated to be in the range of between £4m and £12.5 million, with ongoing costs between £500,000 and £2 million per annum.	Expected implementation 2012 (this measure is outside the timescale of the simplification plan). http://www.hm-treasury.gov.uk/d/solvencyii_finalia_090608.pdf
Improving the implementation of regulations stemming from the EU					

<p>Revision of supervisory approvals process for Mergers and Acquisitions in insurance, banking and securities.</p>	<p>Admin</p> <p>This will impact on the FSA baseline</p>	<p>Revision of regulation in all 3 sectors to make the process clearer, fairer and more transparent for firms who are seeking approvals for mergers and acquisitions on a domestic and cross-border basis.</p>	<p>The aim is to stop any supervisory abuse of the process on protectionist grounds.</p>	<p>It is difficult to quantify the cost savings, 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.</p>	<p>Council Working Groups negotiated the revisions of the Directive started in September 2006. The directive was agreed on 28th June 2007 at first reading and placed on the Official Journal on 21 September 2007.</p>
<p>Financial promotion reform.</p>	<p>Policy/admin</p> <p>Admin</p> <p>This will impact on the FSA baseline</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 Financial Promotion Order.</p> <p>The Financial Promotion Order will be reviewed and modernised in light of market developments and EU minimum requirements.</p> <p>These proposals form part of a ten-point action plan of reforms set out</p>	<p>The scope of activities which constitute making a financial promotion should be rationalised and simplified where practical.</p> <p>The primary beneficiaries are likely to be all those who make 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>Savings would relate to a simplification and rationalisation of the scope of FSA regulation in relation to financial promotions.</p> <p>A partial RIA will be prepared once proposals have been developed.</p>	<p>A formal review of the financial promotion regime will be launched 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.</p> <p>A formal review will be launched in Summer 2008 with a view to a</p>

		in the 2005 Pre-Budget Report.			three-month public consultation starting in Spring 2009. Changes could be implemented by 2010.
Regulated Activities Order (RAO) reform	Policy & admin FSA baseline	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. This should involve simplifying where possible the precise list of activities which are subject to FSA regulation.	The precise scope of FSA regulation should be simplified and rationalised where possible, and brought into line with EU minimum requirements. The primary beneficiaries are likely to be all those subject to FSA regulation.	Savings should stem from reductions in the scope of FSA regulation, and from the simplification of what constitutes a regulated activity. 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. A partial Impact Assessment will be prepared once proposals have been developed.	A formal review will be launched in Summer 2008 with a view to a three-month public consultation starting in Spring 2009. Changes could be implemented by 2010.



HM Treasury regulatory flow table

Title/Policy/Initiative	Nature of burden	Description of simplification measure	Outcome (including sector/s to benefit)	Cost saving (admin or policy)	Implementation timeline
Incoming domestic regulations					
HM Treasury Baseline					
Third Money Laundering Directive	Policy & admin This will fall on the HM Treasury baseline	The third money laundering directive will introduce: - increased identity checks for higher risk customers - new monitoring regimes - fit and proper test as a condition of registration for two sectors	Sectors affected include: financial services, accountants, lawyers, estate agents, casinos, trust and company service providers, high value dealers, money service businesses.	Estimated policy cost of around £25-52 million per year policy cost (2007 rate used to calculate the figure) Administrative burden quantified at £11 million per year Partial IA was published 31st July 2006. Updated IA published 22nd January 2007. The final IA was published in July 2007.	December 2007. http://www.hm-treasury.gov.uk/consult_thirdmoney_2007.htm
FSA Baseline					
Authorisation and supervision of Credit Rating Agencies in the EU.	Admin This will impact on the FSA baseline.	HM Treasury is responsible for drafting the legislation on credit rating agencies to oversee their business practices to mitigate and manage conflicts of interest, and improve transparency.	Savings would relate to carrying out processes under FSA and CESR guidelines operating on a level playing field with EU competitors. The main beneficiaries will	Although it is difficult to quantify the costs, given that the directive/regulation has not been finalised yet, the FSA estimate costs to be around £0.75m per annum for each of the 3 large CRAs and £0.4m per annum for	The Commission is currently consulting on the draft directive/regulation. Implementation is currently proposed for 6 months after the

			be financial investors, although this has wider positive impacts on financial stability.	<p>each of the smaller CRAs. Initial indications point towards an annual cost of £3.05m, to supervise 3 large CRAs and 2 small ones.</p> <p>It is not yet clear which Member State competent authority will be assigned lead regulator for each CRA that is affected, but given the location of headquarters and place of business, the FSA is expected to be assigned lead regulator to the vast majority.</p>	directive/regulation is agreed, pointing towards a possible summer/autumn 2009 start date.
The Regulation of Financial Services (Land Transactions) Act 2005 (and an Order to amend the RAO in 2006)	Policy/Admin This will impact on the FSA baseline	This brings home reversion plans and Ijara home financing arrangements within the scope of FSA regulation.	<p>Regulation will extend FSA protections to consumers of these products.</p> <p>The introduction of regulation may also help to strengthen consumer confidence in these products and provide a context in which more firms are prepared to enter these markets, thereby adding to competition.</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 (Admin ongoing) £70K (Policy ongoing) £340K</p>	Secondary legislation received Parliamentary approval in October 2006. Regulation took effect on 6th April 2007.
Financial Markets and Insolvency Regulations	Policy This will impact on FSA baseline	The regulation creates more clarity around the clearing houses and investment exchanges activities such as default fund arrangements, cross-margining agreements between clearing houses and the definition of a 'market contract'. Previously uncertainty around these created increased risk.	The main beneficiaries will be clearing houses and investment exchanges to ensure that in the event of a default markets will continue to operate with confidence.	<p>One off annual cost is quantified at £1.9m and the costs are likely to be restricted to clearing houses making changes to the fine print of their terms of business and the marginal costs of their members in assimilating these changes.</p> <p>The benefits of reducing risk and bolstering the integrity of</p>	The Final impact assessment was published with the SI in April 2009. The SI came into force on 15 June 2009.

				financial markets is potentially massive. No benefit has been quantified due to the possible wholesale systemic benefit that arises from increasing confidence.	
Regulating the sale and rent back market	Policy This will impact on the FSA baseline	Sale and rent back market gives homeowners the option of selling properties at discounted rates in exchange for tenancy agreements. An asymmetry of information exists between customers and sale and rent back providers, causing a market failure. The regulations ensures appropriate consumer protections are in place to address this.	The main beneficiaries are consumers who gain from direct protection such as access for redress. Reputational effects for consumers and other businesses in the sector will be enhanced. There is evidence to show that regulation in the sector will have positive competition effects and allow consumers who are best placed to releaser equity from their property to benefit from a high quality product. Increased consumer protection will have the general affect of lower transaction cost to consumers.	<p>Average annual cost £-6.9m to £83.7m. Total cost (PV) is £-59.4 to 720.5m. The negative figure is a potential benefit which is possible if the majority of consumers received more than fair value for their property.</p> <p>Average annual benefit has been quantified at £-6.9m to £167.4m and total benefit at £-59.4m to 1440.9m The Impact Assessment uses the inverse of the costs to consumers of result of foregone equity. Assuming that sale and rent back providers are wealthier than sale and rent back consumers, distributional implications are accounted for by attaching weights. Annex 5 of the Green Book suggests that the relative marginal utility of an additional pound on net income to the lowest quintile can be up to double that of someone with an average income. On that basis, the benefits for sale and rent back consumers may be multiplied by a factor of one (for a lower bound) and two (for an upper bound), giving a range for annual benefits</p>	Final Impact assessment dated 1 June 2009. Interim regulation began on 1 July 2009. The FSA is consulting on full regulation, which will commence on 30 June 2010

				to consumers of -£6.9 million to £167.4 million.	
Legislative Reform Order to amend industrial & provident Society legislation	Policy This will impact on the FSA baseline	This regulation updates the cooperative legislation in line with international comparators as the legislation was out of date and imposed burdens on cooperate enterprises. The updating of the legislation reflects commercial realities and allows cooperates to compete on a level playing field with other legal forms.	The main beneficiaries are cooperatives as the updated legislation will provide legal clarity.	There is a one-off costs of £0.15m which primarily comprises of government staff costs and printing logistics. There are no on-going annual average costs. Benefits are not quantifiable; however there is a general benefits arising for increased awareness of the sector's legal clarification and provides better certainty to people working in the sector as well as greater investor confidence.	Consultation stage Impact Assessment dated 2 July 2008.
Financial Instruments Order 2008	Policy This will impact on the FSA baseline	This regulation ensures that the UK gives full affect to its obligations to the markets in Market Abuse Directive. The regulation clarifies the FSA rule-making powers in relation to disclosure of major shareholdings cover derivative instruments such as Contracts for Difference (CfD). The regulation will ensure that the UK remains fully compliant with relevant EU directives.	The primary beneficiaries are market participants due to increased market transparency due to better disclosure, which helps to allay market rumour and speculation, thus promoting market confidence.	The one-off costs include £5.8m-£16.8m and average annual cost is £1.5 - £3.1m. These costs relate ot FSA implementing a general disclosure regime for CfDs. In terms of benefits, there are no quantified benefits. Qualitative benefit of making the Order include ensuring that the UK remains fully compliant with its obligations under the Market Abuse Directive and the Commission Directive, which together have large upside benefit for market transparency and financial stability.	Final Impact Assessment dated 3 November 2008. The order came into force on 31st January 2009.
Banking Bill	Policy This will impact on the FSA baseline	The Banking Bill is a wide-ranging bill with various measures that aim to reduce the likelihood of individual bank facing difficulties and in providing	The primary beneficiaries include financial market participants (firms, consumers and banks) in	There are a variety of individual measures that have individual quantification of costs/benefits. As noted in the Impact Assessment some costs and	The final Impact Assessment is dated 7 October 2008 and the Bill became an Act on 12

		<p>effective compensation arrangements in which consumers have confidence in. The regulation also strengthens the Bank of England role and ensures effective coordinated actions by authorities. The Banking Bill builds on the tripartite framework to enhance the ability of the Authorities (the Bank of England, the Financial Services Authority and the Treasury) to deal with crises in the banking system, to protect depositors and to maintain financial stability. The centrepiece is a new permanent Special Resolution Regime (SRR), providing the Authorities with a range of tools to deal with banks and building societies that are failing.</p>	<p>strengthening overall financial stability and introducing measures that are effective in dealing with the aftermath of the financial crisis on the banking sector.</p>	<p>benefits are not possible to quantify. However there are overall costs associated with the Banking Bill and these include: One-off costs relate to streamlining the FSCS claims process; ongoing costs reflect costs to the FSCS of processing information. The Banking Bill includes a power to allow the introduction of pre-funding into the FSCS. If pre-funding were introduced then costs to deposit-takers would significantly increase. (However, there would be lower costs at a later date if a bank failed so this is a contingent cost).</p> <p>To give an indicative scale, the annual and ongoing costs to the FSCS levy payers could be in the range of £118 million to £236 million per year over twenty years. The impact assessment quantifies one off costs as £1.5m-3.0m and average annual costs as £0m-0.1m. Total cost is £2.2m-£4.5m. Benefits include average annual benefits of £0.3m-£0.4m and total benefit of £3.6m-£5.1m.</p>	<p>February 2009.</p>
<p>Building Society insolvency procedure (BSIP, building society special administration procedure (BSSAP) and financial assistance to building societies.</p>	<p>Policy This will impact on the FSA baseline</p>	<p>The regulation provides building society members with similar protections to bank depositors and to allow the special resolution regime (which was established under the Banking Act on 21 Feb. 2009) to apply to building societies in the advent of insolvency. The regulation also provides financial assistance to building societies</p>	<p>The key beneficiaries are building societies and customers in the form of depositors by giving clarity and protection in the advent of insolvency and also improving confidence and market confidence. Tax payers are also to benefit</p>	<p>The annual costs are not quantified as there are no significant ongoing or one-off direct costs associated with these measures. Benefits are quantified due to their expected diffuse nature. However, there are significant benefits of preventing a bank failure.</p>	<p>Final Impact Assessment dated 1 July 2009.</p>

		through the auspices of the Bank of England to grant liquidity support in exchange of security in the form of a floating charge.	through increased protection of their interest as liquidity assistance by the Bank of England is secured by an effective charge against assets.		
Building Societies (Funding) and Mutual Societies (Transfers) Act 2007	Policy This will impact on the FSA baseline	The regulation makes it less onerous for a mutual society to transfer its business to a subsidiary of another UK mutual society or of an EEA mutual.	Primary beneficiaries include mutual societies in the form of more flexibility and choice offered in their corporate restructuring and also benefits to Government in the wider financial stability of the economy.	Benefits are not quantified but it is envisaged that benefit would accrue by allowing market consolidation beyond like-with-like merger or demutualization. This allows mutuals to compete effectively with other legal forms. Costs depend on the size of the mutual society and merging complexity, ranging from large mutuals at £1m-24m, medium mutual society from £0.45-£1m and small mutual society from 6k-£0.45m.	April 2009. http://www.hm-treasury.gov.uk/d/consult_buildmutsocociety_act2007.pdf
Additional powers to FSA to suspend and fine certain persons	Policy This will impact on the FSA baseline	This regulation seeks to enforce legislation to deter non-compliance of FSA rules to improve consumer protections and overall welfare.	The main beneficiaries include consumers of financial service products as increased deterrence of non-compliance will protect them from adverse behaviour of non-compliant firms. The regulation will also deter 'hit and run' non-compliance whereby profits are made by non-approved persons who then subsequently withdraw from the market.	The main costs are average annual costs of £1m and total cost (PV) of £8.6m. This cost is incurred through legal challenges to the FSA decisions leading to legal costs to both the FSA and firms. Quantified benefits include an annual benefit of £3.6m and total benefit (PV) of £31m. This includes mis-selling being deterred to the extent that consumers benefit between £800,000 and £6.4m per year.	The consultation stage impact assessment was published in July 2000 as part of <i>Reforming Financial Markets</i> consultation (http://www.hm-treasury.gov.uk/d/impactassessment080709.pdf) Implementation is expected in 2010.
Short Selling Powers	Policy This will impact on	This regulation reduces short selling market failures. The regulation does	The beneficiaries include financial market participants	One off costs are estimated as less than £20m with average	The consultation stage impact assessment was

	the FSA baseline	this through granting the FSA emergency powers of intervention which are independent of its powers of market abuse and to grant FSA powers to make a permanent disclosure regime for short positions in UK stocks.	who will benefit from better and more accurate signals about the real value supply or the correct valuation of a stock. This presents benefits also to investors and contributes to financial stability.	annual costs at £4.8 with total cost (PV) at 61m. The one-off costs are main composed of systems and controls costs by short sellers. The average annual benefits are significant and are estimated at £106m-\$1,066m with total benefit of £912-£9,176m.	published in July 2009 .as part of <i>Reforming Financial Markets</i> consultation (http://www.hm-treasury.gov.uk/d/impactassessment080709.pdf) Implementation is expected in 2010.
National roll-out of Money Guidance	Policy This will impact on the FSA baseline	This regulation establishes a Money Guidance service which will give people the knowledge, confidence and motivation to make sound financial decisions. Effectively, the regulation aims to narrow and 'advise gap', especially for lower-income households thereby mitigating the asymmetry of information when dealing with financial service products.	The key beneficiaries are potential consumers of financial market products and services. Given the educative purpose of a Money Guidance Service, the primary beneficiaries are people with low financial literacy.	The one-off costs include £22m with £85m accounting for average annual costs. The total cost (PV) is estimated at £1,374m-£2,659m). This includes 50% funding the service by the financial services industry. The average annual benefits are £1,100m with total benefit being in the range of £24,662-£27,914. with better informed and more financially capable consumers.	The consultation stage impact assessment was published in July 2009 .as part of <i>Reforming Financial Markets</i> consultation (http://www.hm-treasury.gov.uk/d/impactassessment080709.pdf) Implementation is expected in 2010.
New Consumer Education Authority linked to the FSA	Policy This will impact on the FSA baseline	This regulation is connected to the establishment of a national Money Guidance. The regulation specifically sets out that the organisation leading Money Guidance has the capability to deliver Money Guidance as well as other consumer education initiatives. That the organisation can receive a range of funding streams and hold a ring-fenced budget and delegate functions where appropriate to other organisations better placed to delivered. The regulation proposes a new independent consumer education linked to the FSA .	The primary beneficiaries are potential consumers of financial market products and services. Given the educative purpose of a Money Guidance Service, the primary beneficiaries are people with low financial literacy.	The one-off cost is £1m and average annual cost is £1m with total cost (PV) at £23.7m. Most of these costs are expected to be marginal back office costs. Other costs are covered by the levy on FSA regulated firms. This levy uses existing levy mechanism to raise finance. The annual benefits are the same for the Money Guidance roll-out (see above entry).	The consultation stage impact assessment was published in July 2009 as part of <i>Reforming Financial Markets</i> consultation (http://www.hm-treasury.gov.uk/d/impactassessment080709.pdf) Implementation is expected in 2010.

Consumer Redress Mechanisms	Policy This will impact on the FSA baseline	The regulations delivers a package that promotes the restoration of consumer confidence in financial services by addressing the causes of complaints before they occur and developing measures to assess consumer redress by the FSA when mass complaints occur as well as provide new routes to collective redress in order to deal with claims more efficiently. The regulation will make current redress mechanisms more effective in the advent of large number of consumers suffering detriment.	The main beneficiaries are consumers of financial market products and services.	The average annual costs are estimated at £45m-£60m with total cost (PV) at £451.9m. The average annual benefits are £60-£300m with total benefit of £1,549.4m. This costing figure is based off numbers of previous referred cases to the Financial Service Ombudsman with an estimated average size of claims of between £500-£10,000.	The consultation stage impact assessment was published in July 2009 as part of <i>Reforming Financial Markets</i> consultation (http://www.hm-treasury.gov.uk/d/impactassessment080709.pdf) Implementation is expected in 2010.
Northern Rock plc Transfer Order 2008 and the Northern Rock plc Compensation Scheme Order 2008	Policy FSA baseline	This regulation provided for a temporary period of public ownership of Northern Rock on account of the severe financial stress of the bank. This regulation protects the public interest in the circumstance where financial assistance has been provided by the Treasury to a deposit-taker for the purposes of maintaining stability in the UK financial system.	The main beneficiaries are the public taxpayers as the regulation aims to protect their interest as well as promoting financial stability.	The Impact Assessment does not quantify either the costs or benefits. This is primary due to the urgent nature of the regulation and necessity of submitting the Bill to Parliament speedy, so as to assuage financial markets.	Final Impact Assessment dated 21 February 2008. The regulation was implemented on 22 February 2008. http://www.hm-treasury.gov.uk/press_16_08.htm
Transfer of Kaupthing Deposit Book of Edge Accounts to ING Direct N.V	Policy Impacts on FSA	This regulation aims to protect the public interest and maintain stability in the UK financial system. This regulation is made in the context of the FSA determining that a deposit taker is no longer meeting its threshold conditions for authorisation. The purpose of the regulation is to transfer Kaupthing's deposit book of 'Edge' accounts via a transfer into a company owned by the Bank of England followed by the onward transfer of those accounts to	The primary beneficiaries are depositor's and their banking assets as well as to safeguard taxpayers interest and promote financial stability.	The Impact Assessment does not quantify either the costs or benefits. This is primary due to the urgent nature of the regulation and necessity of submitting the Bill to Parliament speedy, so as to assuage financial markets.	Final Impact Assessment dated 8 October 2008. The regulation was implemented on 8 October 2008. http://www.hm-treasury.gov.uk/press_102_08.htm

		ING Direct N.V			
Heritable Bank Plc Transfer Certain Rights and Liabilities order 2008	Policy Impacts on FSA	This regulation aims to transfer the retail deposit book of Heritable into temporary public ownership in order to rapidly payout depositors.	The primary beneficiaries include depositors whose money is protected as well as taxpayers. Temporary public ownership also supports the objective of creating financial stability in the midst of severe turbulence in the financial sector.	The Impact Assessment does not quantify either the costs or benefits. This is primarily due to the urgent nature of the regulation and necessity of submitting the Bill to Parliament speedy, so as to assuage financial markets.	Final Impact Assessment dated 7 October 2008. The regulation was implemented on the 7 October 2008.
Landsbanki Freezing Order 2008	Policy Impacts on FSA	This regulation prohibits the movement of funds of the Icelandic bank Landsbanki, from its UK branch called Icesave. The regulation makes provision for freezing Landsbanki assets from being transferred from the UK in order to avoid detriment to the UK economy.	Primary beneficiaries are UK creditors who hold deposits in Landsbanki. There is also a more general benefit to the UK economy as freezing the transfer of Landsbanki assets from the UK will avoid detriment to the UK economy.	The Impact Assessment does not quantify either the costs or benefits. This is primarily due to the urgent nature of the regulation and necessity of submitting the Bill to Parliament speedy, so as to assuage financial markets.	Final Impact Assessment dated 8 October 2008. The regulation was implemented on the 8 October 2008. http://www.opsi.gov.uk/si/si2008/em/uksiem_20082766_en.pdf
Bradford and Bingley Compensation Order 2008	Policy This will impact on the FSA baseline	Treasury is required to make an order providing for the determination of the amount of any compensation payable to holders of securities transferred and to those whose subscription rights are extinguished by an order under the Banking Act. This order protects depositor's and the interests of taxpayers.	Primary beneficiaries are depositors whose compensation rights will be determined by an independent valuer as well as the taxpayer as the bank was taken into public ownership and so an independent valuer will ensure fair and reasonable compensation payable to former shareholders of Bradford and Bingley by the Treasury.	Costs and benefits have not been quantified in the impact assessment. Benefits are expected to be large and accrue to the depositors and shareholders as well as the taxpayer more generally.	Final Impact Assessment dated 8 October 2008. The regulation was implemented on 8 October 2008. http://www.hm-treasury.gov.uk/d/bb_transferorder2008_em.pdf
Pensions permission	Policy	The Government has introduced a new regulated activity of establishing or	New activity has opened up the personal pensions	A Final RIA was published in July	New regulated activity came into effect from

<p>reform</p> <p>Also referred to in the delivered measures table (annex A).</p>		<p>operating a pension scheme. Any person who obtained permission to carry on that activity could set up a tax-privileged pension scheme. This change was key to opening up competition in the pensions market to new providers as well as extending FSA supervision to all aspects of personal pensions.</p> <p>The RIA contains more details.</p>	<p>market to greater competition. It has also extended protection to all aspects of personal pensions including giving of advice.</p>	<p>2007.</p> <p>Little or no burdens on existing firms in personal pensions. They have not had to pay application fees. There has been no change to their ongoing FSA fees and levies for consumer protection purposes.</p>	<p>April 2007.</p>
<p>HM Treasury approach to implementation of the Capital Requirements Directive (CRD)</p> <p>Also referred to in the regulatory flow table</p>	<p>Admin / Policy</p> <p>The FSA is responsible for the majority of implementation</p>	<p>HM Treasury was 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>HM Treasury took a 'copy out' approach to transposing these parts of the directive.</p>	<p>Savings relate to carrying out processes under FSA and CEBS guidelines operating on a level playing field with EU competitors.</p> <p>CRD provides a more risk-based approach to calculating capital requirements.</p>	<p><u>HM Treasury legislation</u></p> <p>Market participants estimated that administrative costs will range from £50,000 to £250,000 for initial applications and from £12,500 to £200,000 for ongoing admin and policy costs.</p> <p>By taking out a copy out approach to the directive, HM Treasury has ensured that there are no extra costs involved on top of this.</p> <p>An IA was published 1 January 2007.</p>	<p>Member states transposed the Directive in 2007 with full implementation on 1 January 2008.</p> <p>Further amendments to the Directive will be made in 2009. These are likely to deliver some further savings as well as imposing some additional costs. More details are set out in Annexes B and C. In terms of these amendments the Directive will be transposed by 31 October 2010, and implemented by 31 December 2010.</p> <p>The FSA consulted on implementation during 2009.</p>
<p>Further Amendments to the Capital Requirements</p>	<p>Admin / Policy</p> <p>The FSA is</p>	<p>The overarching goal of the proposed amendment is to: i) strengthen prudential requirements; ii) improve</p>	<p>Savings would relate to carrying out processes under FSA and CEBS guidelines</p>	<p>It is not yet possible to quantify the likely additional costs from amending the CRD, as the</p>	<p>The Directive will be transposed by 31 October 2010, and implemented by 31 December 2010.</p>

<p>Directive (CRD)</p> <p>Also referred to in the regulatory flow table</p>	<p>responsible for the majority of implementation</p>	<p>supervisory coordination and efficiency of supervision; and iii) increase convergence across the EU. Specifically, these amendments relate to the large exposures regime, hybrid capital instruments, supervision and supervisory colleges, and the requirements for securitisation and risk transfer activities. There is also a clarification of the existing principles on liquidity.</p>	<p>operating on a level playing field with EU competitors.</p> <p>The amendments will also improve financial stability and enhance supervision of cross-border groups.</p>	<p>amendments have not yet been finalised.</p> <p>Proposals requiring Treasury legislation they will be subject to an Impact Assessment in 2009. The FSA will also be conducting a full cost benefit analysis ahead of implementation.</p>	<p>The FSA consulted on implementation during 2009.</p>
<p>Removing freight forwarders and storage firms from the scope of FSA insurance regulation (retail)</p> <p>Also referred to in table A</p>	<p>Policy costs</p> <p>These costs will impact on the FSA baseline</p>	<p>Certain insurance activities of freight forwarders and storage firms are to be exempt from FSA regulation, where the insurance activity relates to a retail customer. This follows the deregulation of the commercial insurance activities of these firms in July 2007.</p>	<p>The benefit applies to the freight forwarding sector and the storage sector.</p>	<p>Aside from the average annual total benefit for freight forwarders of £475,000, there will be a one-off transition cost of £1,600,000 and on-going annual cost of £53,000.</p> <p>A final Impact Assessment was prepared alongside the response to the consultation and is available on the HM Treasury website.</p>	<p>A consultation was launched on 19 July 2008 and closed on 12 September 2008. The Government intends for proposals to come into force from 6 April 2009 following Parliamentary scrutiny.</p>
<p>FSMA controllers regime (Acquisitions Directive)</p> <p>Also referred to in the delivered measures table (annex B).</p>	<p>Policy cost</p> <p>This will impact on the FSA baseline</p>	<p>Simplify the current regime requiring all people to report to the FSA when they acquire a controlling relationship over an FSA-authorized 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. This reform will reduce admin burdens.</p> <p>These proposals form part of a ten-point action plan of reforms set out in</p>	<p>Reporting requirements should be reduced, and remaining requirements should be more enforceable.</p> <p>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</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.</p> <p>It is estimated that admin savings will be £200,000 per year, with a one-off cost of £150,000.</p> <p>Savings should stem from establishing a more proportionate</p>	<p>A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June 2006.</p> <p>It was decided not to change the law twice and to implement the directive. An additional consultation was launched on 22 September 2008 and closed on 12</p>

		the 2005 Pre-Budget Report.	controlling relationships.	regime and a reduction in the direct business compliance costs and minimising a range of business impact costs. An Impact Assessment for the implementation of the Acquisitions Directive can be found on the HM Treasury website.	December 2008 for the directive to be implemented on 21 March 2009. The Commission's review of the supervisory approvals process addressed the vast majority of the simplification measures planned under the review of the controllers regime. It is anticipated that reforms not caught by the Directive will be considered at the same time as transposing the Directive into UK law.
Proposals to reform Part 7 of the 1989 Companies Act Also referred to in the delivered measures table (annex A).	Policy This will impact on the FSA baseline	HM Treasury has proposed reforms to Part 7, which safeguards financial markets in relation to central counterparty clearing houses and investment exchanges in the event of a market participant's default.	Updating the legislation will reduce systemic risk in the event of a market participant's default and support industry developments in operations, risk management and governance.	One-off costs are estimated to be £1.9m resulting from clearing houses promulgating changes to the finance print of their terms of business. Potential benefits are likely to be large and diffuse and so precise quantification is difficult at this stage. A draft Impact Assessment was published with the consultation document in July 2008.	Consultation ran from 24 July to 16 October 2008. The responses from the consultation are being considered.
Solvency II (Also referred to	Policy This will impact on	The European Commission, jointly with Member States, is carrying out a	The insurance sector (both direct and reinsurance)	In June 2008 HM Treasury published a partial IA on Solvency	Expected implementation 2012 (this measure is

Annex B)	the FSA baseline	fundamental review of the regulatory capital regime of the insurance industry (the Solvency II project). Its objective 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>II. We consider that Solvency II will have a net benefit to the UK of approximately £97m per annum and the administrative savings will be around £3.4 million per year. The UK has already implemented prudential policy for insurers with broadly similar principles as Solvency II in the form of the ICAS regime. Therefore some of the regulatory costs of implementing Solvency II may have already been incurred. Of the additional direct costs likely to be incurred by the FSA, one-off costs of implementation are estimated to be in the range of between £4m and £12.5 million, with ongoing costs between £500,000 and £2 million per annum.</p>	outside the timescale of the simplification plan).
<p>Investment Exchanges and Clearing Houses Act 2006</p>	<p>Policy Impact on the FSA baseline</p>	<p>The Investment Exchanges and Clearing Houses Act 2006 gave the FSA new powers to veto proposed excessive regulatory provision (i.e. rules, guidance etc) of UK RIEs and RCHs. Proposed regulatory provision will be notified to the FSA, which may call it in for review. The FSA is also given powers (in the long term in rules but for one year, by waivers) to specify regulatory provision which does not need to be notified to it to avoid imposing an undue regulatory burden on the RIEs and RCHs.</p>	<p>The legislation means that, even in cases where commercial pressures are not effective, a UK RIE or RCH will be unable to introduce excessive regulatory provision. The main sectors to benefit will be users on UK RIEs and RCHs, particularly companies seeking to raise capital in UK markets which might otherwise have been required to comply with excessive regulatory</p>	<p>Longer term policy costs amount to £26,000 pa for FSA, £6,000 for UK RIEs and RCHs. Initial costs expected to be higher.</p> <p>Final RIA published on 13 November 2006</p> <p>Published on HM Treasury website: 17 November 2006.</p> <p>http://www.hm-treasury.gov.uk/d/ria_investmente</p>	<p>Legislation came into force: on 20 December 2006.</p> <p>FSA consultation on rules to replace interim waivers published on 25 June 2007 and closed on 25 September 2007.</p> <p>New rules made on 19 December 2007.</p>

			requirements. The benefits are expected to take the form of greater liquidity and lower bid-offer spreads in UK markets.	xchanges161106.pdf	
Unclaimed Assets	Admin This impacts on the FSA baseline.	The proposed scheme will facilitate the establishment of an unclaimed assets scheme in the UK, covering dormant accounts held by banks and building societies. Unclaimed assets transferred to the scheme will be used to fund on ongoing reclaim from account holders with the balance being available for reinvestment in the community.	Account holders and the communities served by third sector organisations will benefit. The scheme will encourage more account holders to reclaim their money. Money not needed to cover the cost of reclaim, that would be otherwise unavailable, will be distributed to the third sector.	Industry participation in the unclaimed assets scheme is entirely voluntary. The costs involved and detailed below are not mandatory but voluntary. In order to minimise costs to institutions the proposed scheme will build on existing arrangements where possible. Additional costs are likely to be small and incremental. Financial institutions have been unable to quantify the administration costs relating to the scheme but these are expected to be small. The most significant cost for institutions is likely to be audit of money transferred to and from the proposed scheme. Actual costs will depend on the size of the institution, its quantum of dormant accounts and systems to record them. For illustration, an average annual cost per institution could be £10-25,000. Partial RIA published March 2007. Final RIA published with Bill (Nov	Consultation on the proposed scheme's distribution mechanism closed on 9 August 2007. The scheme requires enabling legislation. The Dormant Bank and Building Society Accounts Bill was introduced into the House of Lords in November 2007. If and when Royal Assent is achieved; consultation by HM Treasury and FSA will be required related to the scheme's reclaim fund. The scheme would need some time to set up after that.

				2007). http://www.hm-treasury.gov.uk/d/unclaimedassets_ria081107.pdf	
Travel insurance sold alongside a holiday	Policy & admin This impacts on the FSA baseline	<p>The Government announced on 26 June 2007 that it intends to extend FSA regulation to the selling of travel insurance sold alongside a holiday or other related travel, subject to a consultation on its favoured approach. Currently FSA regulation applies only to the selling of stand-alone travel insurance. It is not intended that this extension will apply to car-hire and event management firms that make use of the current exemption.</p> <p>This decision is part of HM Treasury's current travel insurance review and was taken following an analysis of responses to call for evidence that closed on 22 February 2007. Further consultation on the intended approach and the detail of the draft legislation closed on 18 September 2007. The evidence revealed the potential for consumer detriment arising from non-regulated sales of travel insurance by travel firms.</p>	Consumers of travel insurance sold alongside a holiday will benefit through the increased consumer protections afforded by FSA regulation. Firms selling travel insurance alongside a holiday will be expected to comply with high-level principles, including a general requirement to treat customers fairly, and statutory rules covering areas such as product disclosure. Customers of these firms will also have access to the Financial Ombudsman Service to resolve a dispute with the firm.	<p>The final Impact Assessment estimates the total costs to travel firms following the introduction of FSA regulation amount to one-off costs of between £7.25m and £8.14m and ongoing annual costs of between £2.48m and £5.14m. The annual benefits are of the range of £19.56 - £20.1m, with the total benefit estimated at £168.37-£173.01m</p> <p>It is not possible at this stage to split the costs associated with this option into policy compliance costs and administrative burdens. This will only be possible when the FSA</p> <p>has indicated the regime that it intends to apply. At this point in time, the Government expects that policy compliance costs (such as the costs of ensuring that the details of insurance policies are disclosed in a fair and transparent way, FSA authorisation fees, FOS case fees) will constitute a higher proportion of total costs than administrative burdens.</p>	<p>The final SI was laid 13 December 2007. Travel insurance sold alongside a holiday commenced on 1 January 2009.</p> <p>http://www.hm-treasury.gov.uk/d/travelinsurance_responses131207.pdf</p>

				Costs related to this measure include the direct and indirect one-off costs of seeking authorisation and the direct and indirect ongoing costs associated with FSA authorisation. The costs arising from this measure are therefore sensitive to the number of travel firms that will seek authorisation.	
Incoming international regulations – FSA Baseline					
Company Reporting – Amending the Accounting Directives (2006/46/EC)	Policy Impact on the FSA baseline	This regulation implements the EU directive 2006/46/EC which amends the 4 th and 7 th Accounting Directives to reduce the risk of future corporate scandals and the adverse impact on investor confidence. The regulation aims to enhance the confidence in the financial statements and annual accounts published by mutual societies (ie. building societies and friendly societies) by allowing members to make comparable assessments of different societies across borders.	The primary beneficiaries include building societies and friendly societies members who will be better placed to undertake comparable assessments of societies across EU borders. This increases access to reliable information in relation to the societies' financial arrangements and corporate governance.	The one-off annual costs are £0.02m-£0.12m and these mainly include additional disclosure costs for large building societies and friendly societies regarding annual corporate governance statement, related party and off-balance sheet transactions. There are no annual costs quantified. The annual benefits are no quantifiable but the impact assessment refers to benefits arising from building society and friendly society members increasing deposits as a direct result of increasing deposits as a direct result of increased confidence following the extra disclosure in their accounts.	Final Impact Assessment published on 12 June 2008. The regulation was implemented on 6 April 2008.

<p>Implementing Directives 2006/43/EC and 2006/46/EC and make other reporting amendments with respect to Lloyds.</p>	<p>Policy Impact on the FSA baseline</p>	<p>This regulation gives effect in UK law and implements Directives 2006/43/EC and 2006/46/EC. The regulation makes consequential amendments necessary subsequent to the enactment of the Companies Act 2006. This will help to ensure minimum levels of investor protection, and reduce the risk of future financial scandals and any adverse impact on investor confidence.</p>	<p>The primary beneficiaries include members of Lloyds as they will again from increased transparency and market efficiency.</p>	<p>There are no one-off costs. The average annual cost are £0.015m-£0.03m with total costs (PV) at £0.024m. These costs are primarily incurred by additional audit costs due to extra disclosure requirements, related party and off balance sheet transactions, and recoding and verifying non-audit work performed by accountants. The main average benefits are £1.1m with £10.25m in total benefit (PV). The benefit accrue due to increased transparency for Lloyds members increased confidence and market efficiency.</p>	<p>Final Impact Assessment was published on 17 July 2008. The regulation was implemented in December 2008. http://www.hm-treasury.gov.uk/d/consult_lloydsria151008.pdf</p>
<p>Statutory Audit Directive (2006/43/EC)</p>	<p>Policy Impact on the FSA baseline (and FRC)</p>	<p>The regulation gives effect in UK law to implement Directive 2006/43/EC and to establish minimum levels of investor protection across the EU by strengthening audit regulation. This will enhance the level of confidence in EU capital markets and whilst these measures may not guarantee the prevention of financial scandals they are intend to mitigate the risk of corporate malpractice occurring. The Directive clarifies the duties of statutory auditors and provides for their independence and ethical standards.</p>	<p>The main beneficiaries are members of building societies and friendly societies by increasing deposits as a direct result of enhanced confidence following the extra disclosure in their accounts.</p>	<p>The one-off costs are £0.01m-0.05m in audit costs incurred for extra disclosure requirements, recording and verifying non audit work performed by accountants. There are also government costs for policy, legal and printing and distribution of consultation documents and implementation. The benefits are not quantifiable in the impact assessment.</p>	<p>Final Impact Assessment was published on 31 March 2008. The regulation was implemented on 6 April 2008. http://www.hm-treasury.gov.uk/consult_eu_directives.htm</p>

<p>Burma/Myanmar (Financial Restrictions) Regulations 2009 and Council Regulation (EC) No. 194/2008</p>	<p>Policy Impact on the FSA baseline (and CPS and Police)</p>	<p>The regulation gives effect to Council Regulation (EC) No.194/2008 which concern financial sanctions against those involved in, or those who are connected to, the regime in Burma/Myanmar and those who are involved with serious violations of human rights by the Burmese Government. The regulation is a statutory instrument that provides the mechanism for enforcing the existing EC regulation.</p>	<p>The intended beneficiaries are those who support international efforts for a peaceful resolution of the human rights situation in Burma/Myanmar. Financial sanctions against individuals involved in the Burmese regime intend to exert pressure on those implicated individuals.</p>	<p>The impact assessment does not quantify either the costs or benefits. However, the compliance costs of administering financial sanctions are negligible and so there will be no additional financial cost associated with the introduction of this specific legislation.</p>	<p>The Final Impact Assessment was dated 15 June 2009 and the regulation entered into effect immediately.</p> <p>http://www.hm-treasury.gov.uk/fin_sanctions_burma.htm</p>
<p>Payment Services Directive (PSD)</p>	<p>Policy Impact on the FSA baseline</p>	<p>The Directive creates a new licensing regime for non-bank providers of payment services - known as "payment institutions". The regime will allow non-bank providers (e.g. money remitters) to sell their services across the EU (passport) on the basis of a single licence obtained in any EU MS. The Directive also harmonises conduct of business rules (e.g. relating to information provision and liability requirements) for all providers of payment services (e.g. banks, e-money issuers and payment institutions across the EU).</p>	<p>Full harmonisation of EU legal framework on payment services to support single market in financial services.</p> <p>New licensing regime will affect the larger/medium-sized players among the UK's existing and emerging non-bank payment service providers (payment institutions), allowing them to passport their services into other EU MS. Smaller firms (e.g. local shops offering a variety of small-scale/localised payment services) operating below a certain threshold and not wishing to operate cross-border can be waived from all or part of the new</p>	<p>In the latest impact assessment the authorisation of the regime (with no provision to wave small payment service providers) has been estimated to be £28m one-off and £36.2m p.a. The implementation cost of the PSD (which includes the authorisation cost and safeguarding costs) has been estimated to be £328.1m one-off and £186.2m pa. By applying the derogations as concluded the estimated cost to business would be around £44.1m one-off and £29.4m p.a. The benefits of the PSD are very significant and are estimated as total one-off benefit £1,089m, annual average benefit of £8,167.5m and total benefit (PV) £23,683.3m</p>	<p>The Final Impact Assessment is dated 5 February 2009. Enactment is expected on 1 November 2009.</p> <p>http://www.hm-treasury.gov.uk/consult_implementation_paymentservices_index.htm</p>

			licensing regime. Conduct of business rules aimed at customer protection will apply to all banks, e-money issuers and payment institutions		
Markets in Financial Instruments Directive (MiFID)	Policy/Admin This will impact on the FSA baseline	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.	Revision of EU legislation governing the operating conditions and conduct of business rules for investment firms	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 This paper suggests that, under particular assumptions, MiFID could plausibly be estimated to generate quantifiable benefits of up to £200 million per year in direct benefits , accruing principally to firms in the form of reductions in compliance and transaction costs. The quantified one-off cost of implementing MiFID could be between £870 million and £1 billion with ongoing costs of around an extra £100 million a year. These are aggregate figures: it is likely that the distribution of costs and benefits will vary among firms depending on exactly how MiFID affects their business.	1 November 2007. http://www.hm-treasury.gov.uk/d/mifidria.pdf

<p>Market Abuse Regulations</p> <p>(Also referred to in the regulatory flow table A)</p>	<p>Policy costs</p> <p>Impacts on FSA baseline</p>	<p>In 2005 HM Treasury committed to reviewing superequivalent provisions of its 2005 Market Abuse Regulations. These clauses were made subject to sunset clauses and would have otherwise automatically lapsed in June 2008 unless new legislation is adopted to allow them to remain in force.</p>	<p>Banking and investment services will primarily benefit if the superequivalent clauses are allowed to lapse. However this needs to be balanced with potential risk to investors as a result of undesirable market behaviour.</p>	<p>The IA notes that there would be a cost of implementing the outcome of the EU review of around</p> <p>£10.6 million which reflects the cost of between 2-8 hours work depending on the magnitude of the review and its similarity to existing UK requirements. The benefits of moving towards to a harmonised regime on completion of the EU review would be £4.8m. This benefit would arise from lower legal and compliance costs.</p>	<p>The relevant sunset clauses have been extended to the end of December 2009.</p> <p>http://www.hm-treasury.gov.uk/d/MAD_RI_A240205.pdf</p>
<p>Transparency Directive</p> <p>Also referred to in the delivered measures table</p>	<p>Policy & admin</p> <p>This impacts on the FSA baseline</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.</p>	<p>Investors benefit from more information; issuers should benefit from a lower cost of capital.</p>	<p>One off policy costs, based on current estimates are £1.75 – 3 million.</p> <p>Ongoing 3rd party admin cost savings estimates are between £7.3 and £25.7 million per year.</p> <p>Final costs and savings will depend to some degree on investor responses.</p> <p>The final RIA was published in October 2006.</p>	<p>Implementing provisions contained in the Companies Act, which received Royal Assent on 8 November 2006.</p> <p>FSA implementing rules came into effect on 20 January 2007.</p> <p>http://www.hm-treasury.gov.uk/fin_eufs_trans.htm</p>

<p>Payments regulation</p>	<p>Policy Impact on the FSA baseline</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>	<p>Sectors affected- Payment services (but there are certain exemptions for smaller transactions and certain not-for-profit organisations).</p>	<p>Costs would stem from providing extra information to supervisors to inform the supervisors' risk registers. This cost is estimated at approximately £89,000 across 3,400 firms, averaging from £20 - £50 per firm depending on size.</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>Implemented on 15 December 2007.</p>
<p>Reinsurance Directive implementation (RID)</p> <p>Also referred to in the simplification measures table (annex A)</p>	<p>Policy Impact on the FSA baseline</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 HM Treasury legislative amendments (primarily to FSMA 2000).</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 the Reinsurance Directive.</p>	<p><u>FSA Rules</u></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 (ie. £ 215,000) but total policy benefit of £600,000.</p> <p><u>HM Treasury Legislation</u></p> <p>Consultation on changes to FSMA and regulations made under it was launched on 25 July 2007. Net impact identified is positive.</p> <p>http://www.hm-treasury.gov.uk/d/consult_reinsurance_directive250707.pdf</p>	<p><u>HM Treasury legislation</u></p> <p>A three-month public consultation was launched in July 2007, following discussions with the FSA. Regulations to implement the Directive came into force on 10 December 2007.</p> <p><u>FSA Rules</u></p> <p>The rules are in force.</p>

Incoming International Regulations – Other Department's Baseline					
Gender Directive Data Publication Requirement	<p>Policy</p> <p>These costs are attributable to GEO's baseline. They represent the costs of implementing a Directive for which GEO is responsible and result from GEO Regulations.</p>	<p>The Government Equalities Office (GEO) has published proposals for implementing the Directive through the Sex Discrimination Act 1975 (Amendment) Regulations 2007. It is proposed that HM Treasury will be required to publish guidance on how insurance companies should comply with an obligation to publish data relating to their use of gender as a factor in setting premiums and benefits. The deadline for implementation is 21 December 2007.</p>	<p>Consumers will have access to evidence for differences in treatment of men and women in insurance.</p>	<p>No monetary benefit.</p> <p>The costs of publishing data are expected to be less than £1m.</p> <p>One off set-up costs are estimated to be £720,000 while estimated annual running costs (policy) are likely to be around £250,000.</p> <p>Further details can be found in the Partial Impact Assessment that was published with the consultation document and is available on the HM Treasury website.</p>	<p>A consultation on how firms should meet the obligation to publish data ended on 3 September 2007.</p> <p>The response to the consultation was published in November 2007 and the changes came into effect on 6 April 2008.</p>
Rome I	<p>Policy</p> <p>Impact on the MOJ baseline</p>	<p>A draft regulation to transpose the convention on the law applicable to contractual obligations of 1980 ("Rome Convention") into EU law.</p> <p>The UK opted out of the regulation but is continuing to take part in the negotiations with a view to opting in at a later date if it is in the UK interest.</p>	<p>Updating and replacing the Rome I Convention on applicable law to commercial contracts.</p> <p>Sectors affected – financial services, lawyers, any business or party to a cross border commercial contract.</p>	<p>Commission proposals do not estimate the likely costs or benefits. IA likely to follow, once a final text is agreed.</p> <p>http://www.hm-treasury.gov.uk/consult_rome_index.htm</p>	<p>Rome 1 was adopted in 2008 and the UK signed up to it.</p>

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This document can be found in full on our website at:
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