Delivering better regulation one year on:

HM Treasury's simplification plan

December 2007

HM TREASURY

HM TREASURY

Delivering better regulation one year on:

HM Treasury's simplification plan

December 2007

Office of Public Sector Information
Information Policy Team
St Clements House
2-16 Colegate
Norwich
NR3 1BQ

Fax: 01603 723000
e-mail: HMSOlicensing@opsi.x.gsi.gov.uk

HM Treasury contacts

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

hm-treasury.gov.uk

If you require this information in another language, format or have general enquiries about HM Treasury and its work, contact:

Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 4558
Fax: 020 7270 4861
E-mail: public.enquiries@hm-treasury.gov.uk

Printed on at least 75% recycled paper.
When you have finished with it please recycle it again.

ISBN 978-1-84532-387-5
PU454

CONTENTS

1 DELIVERING BETTER REGULATION

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with stakeholders, should develop a rolling programme of simplification to identify regulations that can be simplified, repealed, reformed, and/or consolidated."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 and set a net reduction target of 25 per cent over five years from 2005 to 2010 for reducing the administrative burdens[2] their regulations place on businesses and voluntary organisations. Last year's simplification plan outlined 22 measures which will simplify the burden on business and ten measures where HM Treasury introduced new burdens, mainly as a result of EU legislation. These measures were grouped into the following categories:

- procurement;
- Financial Services and Markets Act;
- money laundering; and
- asset freezing and sanctions.

1.3 Since 2006, HM Treasury's 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 adds £115 million to HM Treasury's baseline.

1.4 HM Treasury has also directly incurred an incoming administrative burden of £10 – 12 million from the implementation of the Third Money Laundering Directive. In implementing this requirement, HM Treasury has used its limited discretion to reduce the burden on firms while at the same time ensuring an effective supervisory system that combats money laundering and terrorist financing. As a result of both these measures, HM Treasury's baseline is now £169.9 million. Consequently, the 25 per cent administrative burden reduction target is now £42.5 million. This simplification plan sets out how HM Treasury plans to meet this revised target.

1.5 HM Treasury has already delivered and implemented 15 measures since the measurement exercise began in May 2005. As a result, businesses have benefited from a saving of £21 - 41 million in administrative burden reductions and between £39.6 – 48 million in policy cost[3] savings. £270,000 of the administrative burdens reduction will

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

[2] Administrative burdens are those that require an organisation to provide information either to government or a third party (such as customers or shareholders). Examples include keeping records, carrying out inspections, completing returns and reports, cooperating with audits/inspections, applications for subsidies or grants, applications for permission, exemption or authorisation, framing complaints and appeals, or entry in a register.

[3] Policy burden is the cost inherent in meeting the aims of a regulation. This could be a direct cash cost, such as installing a pollution filter on a factory chimney as prescribed by legislation, or it could come indirectly, for instance through changes to working practices.

directly impact HM Treasury's baseline as a result of initial savings made through the Consolidation of Public Procurement Regulations. The remaining £20.7 – 40.7 million savings will be made through the Financial Services Authority (FSA).

1.6 HM Treasury has also identified six new measures, which are intended to reduce by around £115.6 million the administrative costs of regulation and the policy costs by £7.4 million. £115 million of the administrative burdens reduction will directly impact the HM Treasury baseline.

Table 1.1: HM Treasury progress against 25% administrative burden reduction target

HM Treasury baseline (as at May 2005)	£158.9 million
Reduction target	£39.7 million
Measures already delivered as at December 2007	£0.3 million
% of HM Treasury baseline	0.2%
Measures identified to be delivered by May 2010	£125.7 million
% of HM Treasury baseline	79%
Incoming new burdens identified	£11 million
% of HM Treasury baseline	7%
Total net reduction by May 2010	**£115**
% of HM Treasury baseline	**72.3%**

1.7 HM Treasury is continuing work to simplify existing regulations and promote a risk-based approach to regulation in areas where it has responsibility. This has been highlighted by HM Treasury's decision to remove freight forwarding from the scope of financial services regulation as set out in Box 1.1.

Box 1.1: Risk-based approach to freight forwarding

In July 2007, legislation came into force to remove the insurance activities of freight forwarders and storage firms from the scope of FSA insurance regulation, where the insurance activity relates to a commercial customer. The Government took this measure due to its assessment, following consultation, that there was a low risk of consumer detriment associated with the insurance activities of these firms. This measure will benefit both firms that are FSA-regulated and those that are not. Firms who are currently authorised by the FSA will make savings, as they will no longer need to be authorised by the FSA and therefore pay regulatory fees. Firms who are not currently authorised will see a new potential revenue stream open. Following the introduction of FSA authorisation in 2005, freight forwarder firms who decided not to seek authorisation are estimated to have lost revenue totalling £24 million per annum. On top of this, there will be some administrative savings to firms who are currently authorised by FSA, for instance they will not need to spend time complying with the FSA's information requirements.

Structure

1.8 This is HM Treasury and OGC's second simplification plan. It will discuss the two 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;
- identify new simplification measures which will support delivery of the 25 per cent reduction of HM Treasury's administrative burdens by May 2010; and
- outline incoming burdens.

Justification for regulation

Financial Services

1.9 The purpose of financial regulation is to make financial markets work better, more efficiently, more fairly, and to avoid financial instability. 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. A vast majority of regulated firms believe regulation benefits their industry.

1.10 Effective regulation is one of the most important competitive factors determining the attractiveness of international financial centres. One reason why London has moved further ahead of Paris and Frankfurt in the perception of market practitioners, and one of London's comparative advantages over New York, is the UK's regulatory regime.[4] Firms derive a reputational advantage from well-regulated markets but that regulation needs to be risk-based, proportionate and appropriate. The move towards a more principles-based approach with lower administrative burdens on business will benefit consumers and investors. Firms will need to consider questions such as whether customers are continuing to be treated fairly, whether conflicts of

[4] *The Global Financial Centres Index*, City of London Corporation, September 2007

interest are being managed appropriately and whether business risks are being managed. Ineffective regulation, by contrast, can needlessly over burden businesses and stifle innovation. Following the recent financial market instability and the problems at Northern Rock, the Chancellor has affirmed the importance of ensuring that changes to the regulatory regime should further strengthen the UK's reputation as the world's leading international financial centre, and be founded on the Government's commitment to maintaining a strong and stable economy.

Financial Crime

1.11 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.

1.12 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

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

HM Treasury responsibilities for regulation

1.14 HM Treasury is responsible for financial services and public procurement regulation.

Financial Services

1.15 HM Treasury sets the scope of financial services legislation, has lead responsibility for negotiating financial services legislation in the EU, and sets the context and framework in which the FSA sets its rules and principles. As a result, this simplification plan contains some measures that relate to financial services legislation, some of which are enforced by the FSA. The FSA has published its own simplification plan update which relates to the administrative burden of regulations in the FSA Handbook. A copy of this document can be found at www.fsa.gov.uk.

1.16 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; and
- the reduction of financial crime.

Public Procurement

1.17 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

1.18 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 outside the scope of HM Treasury's administrative burden remit.

1.19 HMRC does not prepare a simplification plan. Instead, it publishes its simplification proposals in the New Relationship series of papers released at either Pre-Budget Report (PBR) or at Budget along with the rest of the PBR and Budget material.

Key Achievements

1.20 HM Treasury has made excellent progress towards the 25 per cent administrative burden reduction set out in last year's simplification plan. This section seeks to highlight some of the key achievements accrued since the administrative burden exercise began. The following two measures set out in Box 1.2 give an overview of how benefits should accrue to businesses from simplified regulation.

Box 1.2: Overview of benefits arising from simplified regulation to businesses

Public procurement

The new Public and Utilities Procurement Regulations were implemented in the UK on 31 January 2006. As outlined in the 2006 Simplification Plan, the Regulations contained a number of new provisions, as provided for in the Public Procurement Directive (2004/18/EC) and Utilities Directives (2004/17/EC) on which the Regulations are based. The purpose of the changes is to help simplify and clarify public procurement procedures for suppliers. OGC is now working to quantify the savings brought about by these new provisions, and aims to include these in the 2008 Simplification Plan.

Beneficiaries from the Consolidation of Public Procurement Regulations are public and utility sector purchasers and bidders. The changes have enabled modern procurement systems to be introduced, which means that such firms spend less time accessing and submitting paper based tender documents – as it can now be done electronically.

Financial Services

Under rule changes from April 2007, the Government has simplified the rules on who could offer tax-privileged pension schemes. This means any person who obtained permission from the FSA to establish or operate a pension scheme could set up a tax-privileged pension scheme. Previously under the outdated rules, only providers who were part of a prescribed HMRC list could offer such schemes without incurring the cost of having to go through third eligible parties. Existing providers will benefit from this change by not having to spend money setting up new schemes through intermediaries. New entrants wanting to provide such a pension scheme will also benefit not having to pay these costs. As intended, there has been evidence of new firms entering the market since April 2007. Finally, consumers benefit due to greater competition, choice, consumer innovation, and from added consumer protection.

Financial Services

1.21 HM Treasury's 2006 plan outlined initiatives that sought to improve anti-money laundering, counter-terrorist financing, and asset freezing requirements placed on firms. These are making progress in promoting a proportionate and effective money laundering regime. Key to this was the abolition of the FSA's Money Laundering Sourcebook, replacing it with high-level provisions for senior management.

1.22 HM Treasury has also taken a risk-based approach to updating the Money Laundering Regulations. For example, from 2007:

- firms will be able to make fewer checks in low risk situations, such as occupational pension funds and child trust fund administration;
- the number of identity checks will be reduced with firms being able to rely upon checks done by certain other firms (for example solicitors and FSA authorised financial advisors); and
- greater flexibility will be introduced to record keeping rules so that firms can keep only the important details rather than whole documents.

1.23 HM Treasury estimates that these measures will lead to policy savings of up to £30million.

1.24 HM Treasury has also delivered on its 2005 Pre-Budget Report commitment to introduce a Regulatory Reform Order (RRO) to reduce the regulatory burdens placed on firms and the FSA. The RRO makes a number of amendments to FSMA which should bring administrative cost savings of between £7.5 and £9.3 million per year for firms. These savings will be given effect through FSA rule changes.

1.25 Although this exercise focuses on the administrative burdens placed on business, HM Treasury has also sought to reduce policy costs. The measures that have already been delivered will reduce such costs by £39.6 - 48 million, which will make a real difference to businesses.

Public Procurement

1.26 A saving of £270,000 in administrative burden[5] reductions has occurred as a result of the exclusion of the electricity generation sector from the 2006 revised Utilities Contracts Regulations. 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. It is too early to produce credible estimates of the savings resulting from this measure. We will be in a position to estimate the savings in future iterations of this plan and judge the effectiveness of the measure on that basis.

1.27 In January, OGC launched Transforming Government Procurement (TGP)[6] which sets out a range of public procurement reforms, reducing 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. This is discussed in more detail later in the plan; and

[6] 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.

1.28 The Government is keen to support and encourage Small and Medium-sized Enterprises (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, promoting competition and innovation in government procurement.

1.29 www.supply2.gov.uk is where small firms can see public sector contracts which fall below the thresholds established by the EU Directives – for supply and service contracts, £140,000 for local authorities and £93,000 for Central Government. Supply2.gov.uk provides an e-mail service so that suppliers can receive relevant contract opportunities for free. It also provides details of above-threshold procurements. As set out in the EU Directives all above-threshold public procurement opportunities have to be advertised in the Official Journal of the European Union (OJEU), all of which are available on www.ted.europa.eu and this is free to register with.

1.30 The supply2.gov.uk Supplier Information Database (SID) allows suppliers free access to create and manage their own unique profile of pre-qualification information. Included in this information are key company details along with the goods and services they provide. Once they have completed their supplier profile, they can 'publish' it on the supply2.gov.uk SID. This ensures that company information can be viewed and accessed by public sector buyers registered on supply2.gov.uk who can perform a variety of searches using criteria such as products, services or locations.

Tax policy

1.31 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 By April 2007 HMRC will have delivered net annual administrative burden reductions of an estimated £130 million towards its target to reduce the burden of forms and returns, and annual administrative burden reductions of an estimated £43 million towards its target to reduce the burden of audits and inspections. In addition, wider administrative burdens of the tax system were reduced by an estimated £134 million net.

1.33 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.

1.34 The 2007 Pre-Budget Report and Comprehensive Spending Review launched a significant programme of tax simplification to enhance UK productivity and competitiveness. The Government committed to three principles[7] of tax simplification; three reviews[8] in which Government will work in partnership with business to evaluate how a range of tax policies could be simplified; and announced immediate progress with over 20 tax measures. These reforms will, dependent on implementation, further reduce administrative burdens from the tax system, a proportion of which should deliver towards HMRC's targets.

Further progress towards the administrative burden reduction target

1.35 Since May 2005, HM Treasury and the OGC have been taking part in the Administrative Burden Measurement Exercise coordinated by the Better Regulation Executive. 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 14 regulations within the scope of the exercise, these are grouped into the following categories:

- procurement;
- Financial Services and Markets Act;
- money laundering; and
- asset freezing and sanctions

1.36 The 2006 simplification plan set out that the total administrative burden of regulations enforced by HM Treasury and OGC amounted to £43.9 million. HM Treasury accepted a net target to reduce this amount by 25 per cent by 2010. This was equivalent to a £11 million saving for industry. This saving is likely to be achieved from two of the simplification proposals: Consolidation of Public Procurement Regulations which came into force in January 2006; and changes to the Financial Ombudsman Service disclosure requirements to be introduced in 2008.

1.37 During 2007, HM Treasury has sought to make further 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 baseline, as it has added £115 million and consequently increased the administrative burden reduction target.

1.38 HM Treasury plans to 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 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.

[7] Simplification will be a priority when designing and reviewing tax policy, alongside sound public finances and fairness; the Government will work in partnership with business to identify further opportunities to simplify the tax system; and the Government will share its findings on the viability of tax simplifications with business.

[8] How to simplify VAT rules and administration in the UK and the EU; how anti-avoidance legislation can best meet the aims of simplicity and revenue protection; and how to simplify the Corporation Tax rules for related companies.

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.

1.39 The requirement for paper transfers costs asset managers and brokers money. There is a direct cost of handling the paper instructions and indirect costs from higher error rates in non-automated systems and interest lost from the additional time taken to complete transactions.

1.40 Savings from allowing paperless transfer and settlement are estimated to be around £115 million per year. This estimate has been refined from the estimated range of £70 million to £290 million given in the Regulatory Impact Assessment. The main difference is that the Government has assumed that initially electronic transfer will only be used for institutional transactions. It is possible that once the measure is established electronic transfers will be extended to the retail market, making possible savings towards the top end of the estimated range. These savings have been consulted upon, and agreed, with industry.

1.41 The introduction of this measure, alongside measures identified in last year's plan, will ensure that HM Treasury is able to deliver a 72.3 per cent reduction of its total administrative burden.

1.42 The key achievements section, above, sets out some of the measures that have been delivered and implemented since May 2005. These 15 measures cover the following areas:

- financial services - nine measures have been delivered;
- financial crime and asset freezing - five have been delivered; and
- public procurement - one measure has been delivered.

1.43 Taken together, these measures contribute to £21 - 41 million in administrative burden reductions and between £39.6 – 48 million in policy cost savings. However, £270,000 of the administrative burdens reduction will impact directly on the HM Treasury baseline as a result of initial savings made through the consolidation of Public Procurement Regulations. These regulations came from the transpositions of European Union rules. As such, the UK does not have full discretion over how they are implemented but the Government is finding ways to calculate some estimates for the 2008 simplification plan. The rest of the admin burden figure, outlined above, will impact on the FSA's baseline.

1.44 Further information about these delivered measures can be found at Annex A.

1.45 Two measures outlined in the 2006 simplification plan have not been implemented according to the specified timescale for the reasons outlined below:

- measures to clarify certain provisions in Part VII of the FSMA relating to transfers of insurance business which was originally expected for March 2007, is now intended to be commenced on 6 April 2008. This reflects the need to consider fully all the responses to the consultation, and time taken for work on developing proposals to implement the Reinsurance Directive (some of which also affect Part VII FSMA); and

- exemptions from FSMA for Limited Liability Partnerships (LLPs) was expected that the legislation be implemented by April 2007. Discussions are ongoing over proposals with the FSA and the Law Society as it has proved difficult to find a way of addressing the concerns of the Law Society within the confines of the Financial Services and Markets Act 2000.

New simplification measures

1.46 The 2007 plan identifies six new simplification measures. These measures should reduce administrative burdens imposed on businesses. A further eight simplification measures were identified in the last plan but are not yet due for delivery. The new measures outlined in the plan are as follows:

- Three better regulation measures for the asset management sector:
  - paperless settlement of trades in investment fund shares through electronic redemption or transfers;
  - a new protected cell regime for Open Ended Investment Companies to permit segregation of liability between sub-funds within umbrella companies; and
  - a faster process by which foreign UCITS funds may passport into the UK, removing a statutory two month delay.
- Changes to the Collective Investment Schemes border for property transactions;
- Market Abuse Regulations - the present regulations include some super equivalent market abuse offences relative to those captured by the Market Abuse Directive. A review, due to be completed by May 2008, will decide whether to retain these or not. Any change will come into force from the end of June 2008. Pre-consultation is ongoing and formal consultation is planned for early 2008 and so it is therefore too early to confirm what change, if any, will occur;
- Maintaining the boundaries of consumer credit and mortgage regulation - HM Treasury proposes legislation to ensure that the regulatory regimes of the FSA and Office of Fair Trading (OFT) in relation to mortgages remain mutually exclusive. This measure addresses circumstances that stakeholders have recently identified where some firms could potentially find themselves having to comply with both regimes simultaneously for certain types of transaction. According to representatives of the mortgage industry, this will prevent a possible future increase in the administrative burden faced by the industry of £0-550m. A consultation was launched on 22 November 2007 and is due to close on 14 February 2008.

1.47 Further information on these measures is in the simplification measures table at Annex B.

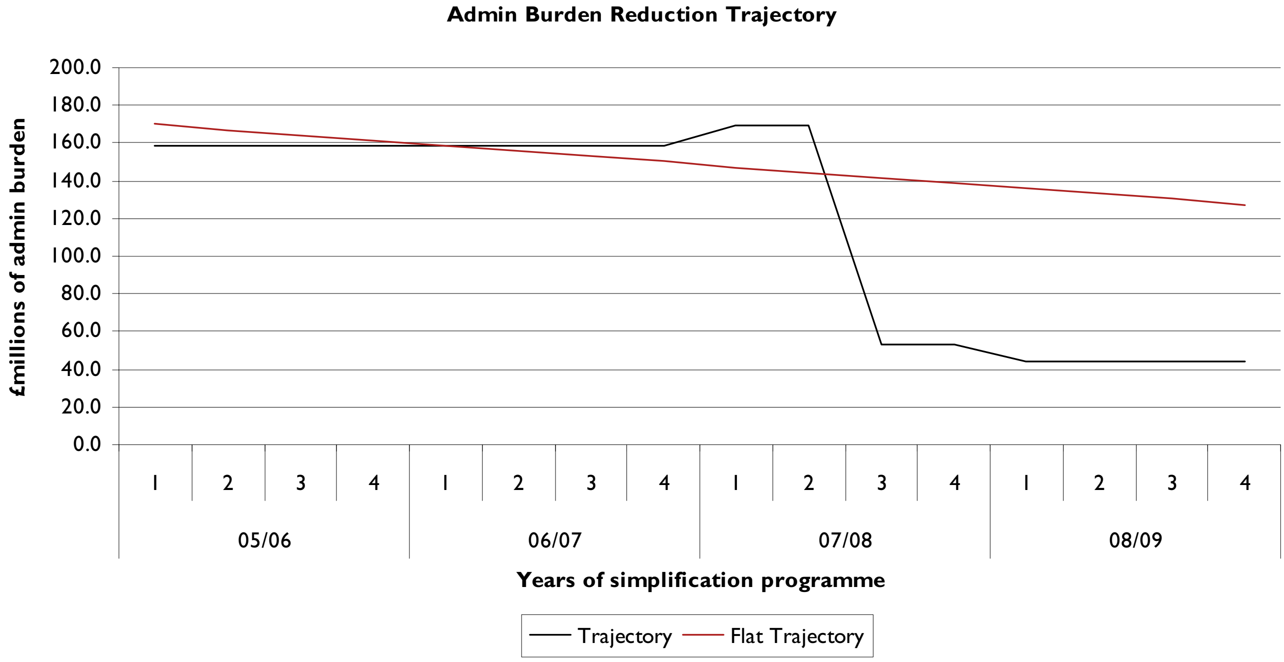
1.48 These new measures are intended to reduce administrative burdens by £115.6 million (of which £115 million, from the paperless settlement measure, will impact on the HM Treasury baseline). Policy costs should be reduced by around £7.4 million.

Admin burden trajectory

1.49 Chart 1.2 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. It also demonstrates that the department should make significant savings ahead of the May 2010 deadline.

Chart 1.2 Administrative burden reduction trajectory



New incoming burdens

1.50 The 2006 simplification plan identified ten incoming burdens, the majority of which came from the EU. The 2007 plan identifies six new measures. Measures in the plan will be updated on an annual basis and new administrative costs will be offset by simplifications elsewhere. An incoming burdens table is set out at Annex C. It is not yet possible to quantify the incoming regulatory burdens of all the new measures but this will be possible as the plan is updated on an annual basis. The incoming burdens table contains four policy areas which are also covered in the simplification grid (Annex B):

- pensions permission reform;
- Capital Requirements Directive;
- Reinsurance Directive; and
- Transparency Directive.

1.51 Only one of the incoming burdens (the Third Money Laundering Directive) will impact on HM Treasury's administrative burden baseline. The rest are enforced by the FSA. The Third Money Laundering Directive is implemented into UK law through the Money Laundering Regulations 2007 and will add an administrative burden of between £10 – 12 million.

1.52 The main factor behind the increased burden is that a number of firms, which had not previously been subject to FSA regulation and supervision, are now caught as a result of implementing the Directive. Two key administrative burdens follow from this scope change: potential form filling requirements e.g application for registration and submitting annual returns; and preparations for supervisory visits.

1.53 HM Treasury plans to offset this burden with the savings made through the package of asset management reforms. The Directive also contains a number of simplification measures such as the simplified due diligence and reliance provisions. The Government will continue to review progress made against delivery of the target and consider whether further simplification measures can be made.

1.54 A post-implementation review of the Money Laundering Regulations will be carried out to establish whether the implemented Regulations are having the intended effect and whether they are implementing policy objectives efficiently. It will consider whether any further simplifications can be made, in particular with regard the monitoring regime, to minimise the policy and administrative burdens. It will also consider whether the penalties regime is appropriate and proportionate in the context of the recommendations of the Macrory Review of Regulatory Penalties, accepted in full by the Government in November 2006. This post-implementation review will be completed by December 2009.

1.55 The simplification measures and the flow of regulation are outlined in the following Annexes:

- Annex A - quantification of the savings delivered on policy and administrative simplification measures from May 2005 to December 2007;
- Annex B - simplification measures identified but not yet delivered, including new policy and administrative simplification measures identified since the last plan in 2006; and
- Annex C - the flow of policy and administrative regulatory burdens that HM Treasury introduced since May 2005, or intend to introduce by 2010.

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

1.57 HM Treasury believes this is an ambitious, quantified, and challenging plan that is credible with stakeholders. The plan will become a living document updated annually on HM Treasury's website www.hm-treasury.gov.uk. HM Treasury welcomes comments on the plan from stakeholders.

Savings to the Public Sector

1.58 In 2006, in partnership with the Cabinet Office, HM Treasury and OGC undertook an internal project to map the reporting burdens (i.e. data requests and other information) that are required from other central government departments, with a view to reducing and rationalising these burdens where possible.

1.59 HM Treasury itself places no regulatory burden on front-line public service delivery units. It typically maintains reporting requirements from departments, who may in turn have gathered the relevant information from front-line bodies.

1.60 HM Treasury agreed a number of reforms in specific areas. These include:

- procedural changes that would speed clearance and agreement of departmental Autumn Performance reports;
- continue the piloting with participating departments of combined publication of Resource Accounts with annual Departmental Reports; and

- change the requirements that departments set out their plans for management of their capital assets over Spending Review periods.

Impact on the Third Sector

1.61 Organisations in the third sector are independent of control by the Government or by any other external agent. The Government's responsibility therefore is to ensure that the legal and regulatory environment within which they operate:

- preserves their independence;
- gives them the freedom to work in innovative ways to meet the needs of the communities they serve; and
- sustains public confidence by providing for effective intervention when things go wrong.

1.62 To ensure that the regulatory requirements for third sector organisations are appropriate, the Government has taken steps to reduce burdens it imposed on the third sector organisations. These include:

- providing the cooperative and credit union sectors with a cost-effective legislative framework, which will enable them to compete even more effectively in the economy and to continue to fulfil their valuable social role. HM Treasury has recently published a consultation document seeking views on the legislative needs of cooperatives (i.e. those established as Industrial and Provident Societies) and credit unions. The responses to the consultation will help to inform policy and form the evidence base for any proposed changes;
- implementing the Charities Act 2006 , which is being led by the Office of the Third Sector. The 2006 Act is being implemented in stages. The first stage, which was completed in February 2007, included raising the financial thresholds for registration and audit of charities;
- giving charity trustees new powers to help in the governance and administration of their charities; and modernising the constitution and powers of the Charity Commission. The second stage, taking place in the second half of 2007, includes provisions to make mergers between charities easier and to simplify the auditing regime for charitable companies. The third stage, to take place in early 2008, will include provisions to establish a new tribunal for challenging legal decisions made by the Charity Commission, and to establish a new legal form for charities, the Charitable Incorporated Organisation. Further details can be found at: http://www.cabinetoffice.gov.uk/third_sector.

1.63 In July 2007, HM Treasury and the Cabinet Office published a final report into the future role of the third sector in social and economic regeneration. A copy of this document can be found on the Treasury website at: http://www.hm-treasury.gov.uk.

1.64 This followed the largest ever consultation with third sector organisations, involving over 90 separate consultation events around the UK. The final report of the review set out how the Government will invest over £515 million over 2008-11 in building the environment for the third sector to thrive.

1.65 OGC have been advising departments that provisions are in place under Article 19 of the Public Contracts Regulations 2006 and Article 28 of the Utilities Contracts Regulations 2006 to enable contracting authorities to reserve contracts for supported factories and businesses or to economic operators which operate supported employment programmes, where more than 50 per cent of employees are people with disabilities. 'Supported Factories and Businesses: OGC Guidance on reserved contracts in the new Procurement Regulations' provides guidance on how this provision should be applied.

1.66 OGC sits on the Social Clauses Project Board which oversees the work of the North East Regional Centre of Excellence (NECE) which was commissioned by OTS to deliver an action identified in both 'Scaling New Heights' and 'Partnership in Public Services'. The work is designed to consult partners on how to tackle barriers to the use of social clauses that deliver social outcomes within the procurement process. The OTS will also work with those commissioners pioneering the use of social clauses to learn about their experiences and the costs of social clauses, and to draw together leading practice.

1.67 In October 2006, the Office of the Third Sector published a response to the Better Regulation Commission's report recommendations in *Better Regulation for Civil Society*.[9] HM Treasury is taking forward the following actions:

- in 2006, HM Treasury issued *Improving financial relationships with the third sector: Guidance for Funders and Procurers*[10]. This made clear that all funding bodies should ensure they have procedures that are clear and, wherever possible, as simple as they can be. HM Treasury undertook to continue working with key stakeholders to ensure this guidance is fully embedded within public authorities' third sector funding practices where appropriate;
- in relation to the regulations surrounding charitable trading, HM Treasury, the Office of the Third Sector, HMRC and the Charity Commission committed to keeping guidance under review and, where there is a lack of clarity will amend it. The Charity Commission has now rewritten its trading guidance 'Charities and Trading' (CC35) in collaboration with HMRC and in consultation with charities. The publication sets out clearly the circumstances in which a charity that wishes to trade is required to set up a non-charitable subsidiary to carry out the trade. The new Charity Commission guidance replaced the previous guidance of the same name, which had been in place since July 2001; and
- the Chancellor announced at Budget 2005 that HMRC would look at ways of removing tax barriers that prevent charities setting up joint ventures to share the costs of trading subsidiaries. Legislation has now been introduced so that from April 2006, companies owned by more than one charity can donate their profits to parent charities using Gift Aid.

1.68 Further, the case study in Box 1.3 discusses Government's commitment to improve access to the public procurement process for entire supply market, including SME suppliers and the third sector.

[9] *Better Regulation for Civil Society': The Government's response to the Better Regulation Commission's report recommendations and areas for further work.* Office of the Third Sector. Cabinet Office. 2006

[10] *Improving financial relationships with the third sector: Guidance for Funders and Procurers.* HM Treasury. 2006

Box 1.3: Improving access to the public procurement process for entire supply market

The Government is committed to improve access to the public procurement process for entire supply market, including SME suppliers and the third sector. Thus, the Government has worked on a number of initiatives to 'level the playing field' between suppliers, to ensure equal access to tendering opportunities and to encourage diversity in the public sector's supplier base. These initiatives include:

- the supply2gov.uk website portal, which was launched in 2006 provides a channel for SMEs to access the public sector market, is now recognised by both business and Government as a useful and effective tool. Since 31 March 2006, a total of 54,491 suppliers have registered, and 17,960 lower value opportunities published (typically those below £100,000), and 36,913 higher value opportunities published (typically those above £100,000);
- OGCbuying.solutions has a Supplier Zone providing information for businesses interested in supplying to Government and the public sector through a range of frameworks and pre-tendered contracts. The website www.ogcbuyingsolutions.gov.uk provides more information on this;
- Model contracts and templates: in order to simplify the procurement process and to achieve greater consistency across Government, the OGC has produced model contracts which departments would be expected to follow. In addition, OGC is developing standard Pre-Qualification Questionnaires again for use across government. These initiatives assist suppliers by standardising the approach government takes and reduces the burden in individual agreements between suppliers and departments by fixing key components of such interaction; and
- OGC will drive forward a 'single approach to sourcing' that it has developed coupled with a pan-government category management process. OGC will identify organisations that have the largest spend for a category – to lead on behalf of the rest of government. As well as improving value for money (vfm) for the taxpayer this approach will lead to a more coherent and predictable experience for suppliers.

Leading regulatory reform in Europe

1.69 HM Treasury continues to drive regulatory reform in Europe. On 7 November 2007, HM Treasury and the FSA jointly published a discussion paper setting out the future of regulation and supervision of financial markets within the EU.[11] It rejects a one-size-fits-all regulatory approach or a pan-European regulator for financial services. Such an approach would not have the flexibility needed to allow EU markets to prosper.

1.70 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. It makes a number of recommendations that the Government 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;

[11] *Strengthening the EU regulatory and supervisory framework: a practical approach.* HM Treasury and the Financial Services Authority, November 2007.

- 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.

1.71 The EU's regulatory and supervisory framework – the so-called 'Lamfalussy arrangements' – is due to be reviewed at the end of the year. The paper represents the UK authorities' contribution to the debate. As such, HM Treasury and the FSA will continue to push forward the better regulation debate in the EU.

1.72 Efforts through the ECOFIN (Finance Ministers' Council) have already brought benefits. All 27 Member States and the Commission have agreed to a target to reduce administrative burdens arising from EU legislation by 25 per cent by 2012. This complements the UK's own target for administrative burden reduction and provides a framework for reducing EU burdens that the UK cannot reduce by itself.

1.73 HM Treasury is pressing for rapid results against this target, especially in the priority areas most relevant to HM Treasury identified in the Commission's administrative burden reduction action plan, namely financial services, procurement and statistics.

Links to the wider better regulation agenda

1.74 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 incoming regulation to ensure that the benefits outweigh the costs. 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 with the expectation that a large majority of cases would be completed more quickly than that.

Davidson Review

1.75 At the 2005 Pre-Budget Report the Government set up a review set up to look at the whole process by which EU legislation is given effect in the UK, from transposition (writing EU legislation into national law) to enforcement. The review, led by Neil Davidson, QC, Advocate General for Scotland, identified - and considered ways to simplify - any unnecessary burdens created by over-implementation. It reported to Government on 28 November 2006.[12]

1.76 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. 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. Details of this measure are set out in Box 1.1 and Annex B.

[12] http://bre.berr.gov.uk/regulation/reviewing_regulation/davidson_review/index.asp

1.77 Lord Davidson also suggested that there was gold-plating in the UK's close links regime. He proposed that this was as a result of imposing a requirement to comply with the close links notification regime on categories of firms where no Directive requires it. Davidson argues that this extends the scope of the close links provisions. HM Treasury is currently reviewing the application of the threshold condition to these particular firms.

Consultation

1.78 HM Treasury is always keen to engage with business and other stakeholders to understand their areas of concern. Reforms are invariably drawn up from industry and consumer groups. HM Treasury engages with stakeholders through informal pre-consultation when drawing up proposals, formal public consultation to elicit views from all quarters on proposed changes, and informal post-consultation to assess whether new measures achieve their objectives. As a result, reforms and simplifications address stakeholder concerns, suggestions and priorities.

1.79 HM Treasury sent a draft of the simplification grid to key stakeholders in July 2007 to elicit views. Responses were received from the following:

- Investment Managers Association;
- Financial Services Consumer Panel;
- Institute of Chartered Accountants;
- The Investment Management Association; and
- London Investment Banking Association.

1.80 HM Treasury is very grateful to all those who provided input into the plan's development (full list of those consulted is in Annex D) and welcome continued input from stakeholders.

1.81 HM Treasury has also engaged throughout the process with the Better Regulation Executive, Financial Services Authority and the Small Business Service. HM Treasury is grateful to them for their input.

1.82 The simplification plan is a living document updated annually on HM Treasury's website www.hm-treasury.gov.uk. Stakeholders are invited to comment on the simplification plan. There will not be a formal 12 week consultation period, but instead HM Treasury would appreciate any comments between now and publication of the updated plan in autumn 2008 on the HM Treasury website.

1.83 Businesses, public and voluntary sector organisations, and individual members of the public also have access to the Better Regulation website simplification mailbox. Suggestions about where a regulation could be simplified can be submitted at http://www.betterregulation.gov.uk. The Government will fully consider stakeholder suggestions and feed into Departmental plans where at all possible.

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					
Consolidation of Public Procurement Regulations	Admin This impacts on the HMT baseline	Four Regulations were replaced by two following new EU Directives. The three previous public sector procurement Regulations were replaced by one to simplify, clarify and update public procurement procedures and reflect new procurement methods. The single Regulation for the utilities sector was also updated to provide clarification for applicants. These two new Regulations enable the introduction of electronic auctions to the process and, in the case of the public contract Regulations, the introduction of the competitive dialogue procedure.	Most of the benefits apply to public and 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.	Possible savings in due course from new procurement methods permitted by these new regulations, such as e-procurement. **It is too early to produce credible estimates of the savings resulting from these changes, largely because this is dependent on the level of take up by those bidding for Government procurement contracts. An admin saving of £270,000 has already occurred as a result of the exclusion of the electricity generation sector from the revised Utilities Contracts Regulations 2006.** An RIA was published on the OGC website.	UK regulations came into force on 31 January 2006.

Transparency Directive Also referred to in the regulatory flow table	Admin/policy These savings will impact the FSA baseline	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.	Investors benefit from more information; issuers should benefit from a lower cost of capital.	**One off policy costs, based on current estimates are £1.75 – 3 million.** **Ongoing 3rd party admin cost savings estimates are between £7.3 and £25.7 million per year.** Final costs and savings will depend to some degree on investor responses. The final RIA was published in October 2006.	Implementing provisions contained in the Companies Act, which received Royal Assent on 8 November 2006. FSA implementing rules came into effect on 20 January 2007.
Audit threshold	Policy	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 RIA was completed in January 2007	An Order was made on 7 February 2006 and came into force on 6 April 2006.

European Co-operative Society (SCE)	Admin These savings, if made, would impact on the FSA baseline.	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.	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. The primary beneficiaries are likely to be co-operatives and their members.	**Total admin savings are estimated to be around £2m per year assuming this scheme is taken up by ten or more.** There are no SCEs registered, or under consideration, at present. A final IA has been prepared.	A 12-week consultation was launched on 16 March 2006. Legislation came into force on 18 August 2006.
Pensions permission reform Also referred to in the regulatory flow table	Policy	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 personal pensions. The RIA contains more details.	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 evidence of new entry since April 2007.	**It is difficult to quantify the cost savings as it will depend on a range of factors but will 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 protection is difficult to quantify but they will be significant in the context of a growing market.	New regulated activity came into effect from April 2007. As intended there has been evidence of new providers entering the market

HMT approach to implementation of the Capital Requirements Directive (CRD) Also referred to in the regulatory flow table	Admin The FSA is responsible for the majority of implementation	HMT is responsible for drafting legislation for two areas of CRD implementation: group model recognition under the advanced approach to measuring capital requirements and the recognition of credit rating agencies for providing risk weightings for calculation under the standardised approach. HMT took a 'copy out' approach to transposing these parts of the directive.	Savings would relate to carrying out processes under FSA and CEBS guidelines operating on a level playing field with EU competitors.	<u>HMT legislation</u> It is difficult to quantify the cost savings for those opting for group model recognition. It is not yet clear who will take up this option. Although Member States must have transposed and firms should be applying the Directive from the start of 2007, during 2007 credit institutions and investment firms (as defined by MiFID) can chose between the current Basel I approach and the simple or medium sophistication approaches of the new framework. The most sophisticated approaches will be available from 2008. **However, administrative costs savings should be made for both those applying for group model recognition and credit ratings agencies.** HM Treasury will seek to quantify these costs following full implementation. Full RIA published 1st January 2007.	All respondents to HMT's consultation supported the proposals and thanked HMT for better regulation approach. The legislation was laid in time for 1st January 2007 as required by the Directive.

Reinsurance Directive implementation (RID) Also referred to in the regulatory flow table	Policy	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. The Directive will be implemented mainly through FSA rules, though with some HMT legislative amendments (primarily to FSMA 2000).	Will create a minimum level of harmonised prudential supervision of reinsurance across the EU. Primarily pure reinsurers to be affected by Reinsurance Directive	HMT Legislation **A one-off policy cost saving is anticipated for reinsurers in the order of £600,000.** An IA was included in the July consultation document. FSA Rules Minimal one-off costs burdens are outweighed by ongoing annual policy cost savings of approximately £25m.	HMT legislation A three-month public consultation was launched in July 2007, following discussions with the FSA. Legislation will be implemented by 10 December 2007. FSA Rules Public consultation has ended and the rules are in force.
Removing freight forwarders and storage firms from the scope of FSA insurance regulation	Policy/some admin These savings will impact on the FSA baseline.	The insurance activities of freight forwarders and storage firms are to be exempt from FSA regulation, where the insurance activity relates to a commercial customer.	The benefit applies to the freight forwarding sector and the storage sector. HMT is currently working with the relevant trade associations to develop codes of practice to cover the provision of insurance services to retail customers. The Government will then consider the case for extending this measure to retail customers through further secondary legislation.	**Whilst there will be some administrative savings as a result, the majority of savings are likely to be policy.** 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. A final RIA was prepared alongside the legislation and is available on the HMT website.	The legislation to enable this exemption came into force on 20 July 2007.

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. A final RIA is posted on the Cabinet Office website.	The Order came into force on 12 July 2007. The FSA will be consulting on rule changes in due course.
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 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.	A more coherent and consistent regulatory regime has been introduced in relation to qualifying contracts of insurance. The primary beneficiaries are likely to be firms offering qualifying contracts of insurance and their clients.	**Potential admin savings are estimated to be £4m per year through shorter advice requirements and simpler documentation.** A final RIA was prepared with the legislation.	Statutory Instrument 2007 No. 1339 came into effect on 6 June 2007.

Lightened money laundering due diligence	Policy	The Money Laundering Regulations 2003 include customer due diligence requirements whereby firms must identify their customers. 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.	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). 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.	**Total policy savings are estimated at £2.5m per year.** Regulated business will benefit from lighter identification and verification requirements. An updated RIA was published in January 2007. It will be finalised this summer	Consultation launched in July 2006. Draft regulations published beginning 2007. Final Regulations laid in Parliament 25th July Legislation will come into force by 15 December 2007
Allowing firms to rely on other firms' money laundering customer due diligence measures.	Policy	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 diligence measures. The UK is proposing taking advantage of this opportunity for certain sectors.	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. Potentially all sectors covered 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.	**Estimated at £13-15m policy savings per year.** An updated RIA was published in January 2007. It will be finalised this summer	Consultation launched in July 2006. Draft regulations published beginning 2007. Final Regulations laid in Parliament 25th July Legislation will come into force by 15 December 2007

Allowing firms greater choice in records kept under Money Laundering Regulations	Policy	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 RIA was published in January 2007. It will be finalised this summer.	Consultation launched in July 2006. Draft regulations published beginning 2007. Final Regulations laid in Parliament 25th July Legislation will come into force by 15 December 2007.
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 HM Treasury estimates 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 is 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 HMT in 2006 - promote a much more risk-based approach towards the implementation of anti-money laundering requirements. Additionally, HMT 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 £10-15million 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	The new guidance was issued by the JMLSG and approved by the Treasury in January 2006. Any resulting guidance from the MLAC working group is likely to be finalised by early 2008.

B HM TREASURY REGULATORY SIMPLIFICATION MEASURES 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					
Better regulation measures for the asset management sector – paperless settlement (NEW MEASURE) Also referred to in the regulatory flow table	Admin This impacts on the HMT 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. This measure will enable paperless settlement of trades in investment fund shares through electronic redemption or transfers.	The primary beneficiaries will be fund management companies and brokers. It is expected that cost savings will be passed onto investors.	**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 don't 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. An IA was included in the consultation document.	Consultation ends on 1 August 2007. A response and legislative proposals will be published towards the end of 2007.

Better regulation measures for the asset management sector – new protected cell regime for OEICs (NEW MEASURE)	Policy	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. This measure will introduce a new protected cell regime for OEICs to permit segregation of liability between sub-funds within umbrella companies.	The primary beneficiaries will be investors who will enjoy a reduced level of risks to their investments. It is expected that cost savings will be passed onto investors.	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. **HM Treasury estimates the monetary value of these estimates to be £7 million per year.** An IA was included in the consultation document.	Consultation ends on 1 August 2007. A response will be published towards the end of 2007.
Better regulation measures for the asset management sector – UCITS passporting (NEW MEASURE)	Policy	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	The primary beneficiaries will be fund management companies. It is expected that cost savings will be passed onto investors.	**Assessing the direct monetary benefit of this is difficult. However, HM Treasury estimates that firms will save £80,000 – 400,000 annually through faster notifications.** 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,	Consultation ends on 1 August 2007. A response and legislative proposals will be published in Autumn 2007.

		requirements are met before that. This measure introduces a faster process by which foreign UCITS funds may passport into the UK, removing the statutory two-month delay.		around 32 of those notifying funds would have been able to begin marketing at least one month earlier than under the current rules. This measure also demonstrates the UK's commitment to strengthening the single market in investment funds.	
Market Abuse Regulations (NEW MEASURE)	Policy	HMT committed in 2005 to reviewing superequivalent provisions of its 2005 Market Abuse Regulations. These clauses were made subject to sunset clauses and will therefore automatically lapse in June 2008 unless new legislation is adopted to allow them to remain in force.	Banking and investment services will primarily benefit if the superequivalent clauses are allowed to lapse. However, this needs to be balanced with potential risks to investors as a result of undesirable market behaviour.	An IA has not yet been prepared but will accompany the consultation document.	A decision has to be made before the sunset clauses expire on 30th June 2008. Treasury anticipates issuing a consultation paper in early 2008.
Maintaining the boundaries of consumer credit and mortgage regulation (NEW MEASURE)	Policy/possibly some admin	This measure addresses circumstances that stakeholders have recently identified where some firms could potentially find themselves having to comply with both regimes simultaneously for certain types of transaction.	Mortgage lenders will benefit from the clarity between two regimes that regulate consumer credit.	According to representatives of the mortgage industry, this will prevent a possible future increase in the administrative burden faced by the industry of £0-550m. 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.	The consultation document was published jointly with the Department for Business, Enterprise and Regulatory Reform on 22 November 2007. The consultation closes on 14 February 2008.

Changes to the Collective Investment Schemes border for property transactions **(NEW MEASURE)**	Admin This will impact on the FSA baseline	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. 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 seeking views on revised proposals. This consultation closed on 12 September 2007.	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.	**Up to £625,000 in administrative burden reductions annually through lower transactions costs.** An IA was produced alongside the consultation document.	The first consultation closed on 29 March 2007. A further consultation was concluded in September 2007. The legislation should be made by early 2008.

Financial Ombudsman Service disclosure requirements	Admin This impacts on the HMT 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 could be in the region of £1m per year.** Savings would relate to lighter disclosure arrangements. There are around 110,000 such cases each year. It is not possible to offer a more precise figure at this stage. An IA is not required.	These reforms will be introduced by 2008.
Transfer of insurance business	Policy	These measures aim to clarify certain provisions in Part VII of the Financial Services and Markets Act 2000 (and in related secondary legislation) regarding to the insurance business transfer schemes. Proposals include ensuring that reinsurance contracts related to the main insurance business are able to be transferred as part of a transfer of that insurance business under Part VII.	The primary beneficiaries are likely to be insurance firms. Reinsurers and certain former Lloyd's Names (those that resigned prior to Dec 1996) will also benefit.	**A typical Part VII transfer might incur a policy cost in the order of £80,000 - £100,000. As an estimate, 10% of this might be saved as a result of these measures.** Overall ongoing cost savings will depend on the number of transfers that take place subsequent to proposals coming in to force. In the last couple of years there have been about twenty transactions a year.	Consultation published in November 2006 with legislation expected to be in place in early 2008 and will commence on 6 April 2008.

Workplace financial promotions	Policy	This expands the current exemption from the financial promotion regime which was granted to employers, and which enabled them to advise their employees to invest in company pensions. This proposal will extend that exemption to third party pensions administrators, and will also enable advice to be provided more freely by employers to employees in relation to other work-related financial products. These proposals form part of a ten-point action plan of reforms set out in the 2005 Pre-Budget Report.	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. It should also reduce the cost to employers of providing such advice. The primary beneficiaries are likely to be all employers and their employees.	**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. A partial RIA is included in the public consultation and posted on the Treasury website.	A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June. A further consultation on proposals raised in the first consultation will be launched by the end of 2007
Exemptions from FSMA for Limited Liability Partnerships (LLPs)	Admin These savings will impact on the FSA baseline.	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.	LLPs would be provided with a clearer exemption from FSA regulation. The primary beneficiaries are likely to be LLPs.	**Total admin savings are likely to be in the region £1.6m per year.** Savings would relate to the costs of avoiding FSA regulation. Over 3,000 LLPs might benefit from these proposals. A partial RIA should be prepared once proposals have been developed.	Discussions are ongoing over proposals with the FSA and the Law Society.

FSMA controllers regime	Admin This will impact on the FSA baseline	Simplify the current regime requiring all people to report to the FSA when they acquire a controlling relationship over an FSA-authorised person, and to report when the extent of their control falls above or below a number of thresholds. This will be achieved in part by modernising the definition of what constitutes a controlling relationship. This reform will reduce admin burdens. These proposals form part of a ten-point action plan of reforms set out in the 2005 Pre-Budget Report.	Reporting requirements should be reduced, and remaining requirements should be more enforceable. The primary beneficiaries are likely to be asset managers, custodians and (other) nominees, who would otherwise need to develop costly and pervasive systems to identify and track the more obscure changes in controlling relationships.	FSA currently receives around 1150 reports per year. It is difficult to quantify the average admin cost of submitting each report and to quantify the likely reduction in reporting volumes. **On the basis of the amendments proposed in HMT's March 2006 consultation document, it is anticipated that admin savings of between £60,000 and £575,000 per year would be generated.** 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. A partial RIA for the HMT consultation can be found on the Treasury website.	A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June 2006. 14 responses were received. The Commission's review of the supervisory approvals process (outlined in the row below) 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.

Improving the implementation of regulation stemming from the EU					
Revision of supervisory approvals process for Mergers and Acquisitions in insurance, banking and securities	Admin This will impact on the FSA baseline	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.	The aim is to stop any supervisory abuse of the process on protectionist grounds.	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. The commission proposal concludes that there are unlikely to be any associated costs as a result of this review. A discussion paper on this issue was published in September 2006.	Council Working Groups negotiated the revision of the Directive started in September '06. The directive was agreed on 28th June 2007 at first reading and placed on the Official Journal on 21 September 2007.
Longer term strategic measures					
Financial promotion reform	Policy/admin	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	The scope of activities which constitute making a financial promotion should be rationalised and simplified where practical. The primary beneficiaries are likely to be all those who make financial promotions.	Total savings will not be known until work starts on the review but they might fall in the band £20m-£50m per year. Savings would relate to a simplification and rationalisation of the scope of FSA regulation in relation to financial promotions. A partial RIA will be prepared once proposals have been developed.	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. A formal review will be

		Order. The Financial Promotion Order will be reviewed and modernised in light of market developments and EU minimum requirements. These proposals form part of a ten-point action plan of reforms set out in the 2005 Pre-Budget Report.			launched in Summer 2008 with a view to a three-month public consultation starting in Spring 2009. Changes could be implemented by 2010.
Regulated Activities Order (RAO) reform	Policy/possibly some admin	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. These proposals form part of a ten-point action plan of reforms set out in the 2005 Pre-Budget Report.	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 RIA 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 Spring2009. Changes could be implemented by 2010.

C 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		
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.	Regulation will extend FSA protections to consumers of these products. 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.	A final RIA was published in September 2006. The total costs to industry (about 60 home reversion providers and intermediaries and 4 Ijara product providers) are: **(Admin one-off) £1.8m** **(Admin ongoing) £70K** **(Policy ongoing) £340K**	Secondary legislation received Parliamentary approval in October 2006. Regulation took effect on 6th April 2007.
Pensions permission reform Also referred to in the delivered measures table	Policy	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	New activity has opened up the personal pensions market to greater competition. It has also extended protection to all aspects of personal pensions including giving of advice.	Final RIA published in July. 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.	New regulated activity came into effect from April 2007.

		of personal pensions. The RIA contains more details.		Many providers will already be registered with the FSA and costs for registration will be minimal. Some providers may incur the costs of becoming regulated for the first time but this will be a commercial decision for providers and will be weighed against the cost savings. The RIA contains more details.	
Investment Exchanges and Clearing Houses Act 2006 (NEW MEASURE)	Policy	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.	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 requirements. The benefits are expected to take the form of greater liquidity and lower bid-offer spreads in UK markets.	**Longer term costs amount to £26,000 pa for FSA, £6,000 for UK RIEs and RCHs. Initial costs expected to be higher.** Final RIA published on 13 November 2006 Published on HMT website: 17 November 2006.	Legislation came into force: 20 December 2006. FSA consultation on rules to replace interim waivers published: 25 June 2007 and closes on 25 September 2007 Deadline for new rules to be made: 19 December 2007.

Unclaimed Assets (NEW MEASURE)	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. As such, the costs involved and detailed below are not mandatory. 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 to be published with Bill.	Consultation on the proposed scheme's distribution mechanism closed on 9 August 2007. The scheme requires enabling legislation. If this was debated in the 2007-2008 Parliamentary session Royal Asset could be received in the second half of 2008. The scheme would need some time to set up after that.

Travel insurance sold alongside a holiday (NEW MEASURE)	Policy/admin This impacts on the FSA baseline	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. This decision is part of HM Treasury's current travel insurance review and was taken following an analysis of responses to a 12-week call for evidence that closed on 22 February 2007. The evidence revealed the potential for consumer detriment arising from non-regulated sales of travel insurance by travel firms.	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 a product disclosure. Customers of these firms will also have access to the Financial Ombudsman Service to resolve a dispute with the firm.	**The partial RIA estimates the total costs to travel firms following the introduction of FSA regulation amount to one-off costs of between £10.5m and £12.6m and ongoing annual costs of between £3.6m and £7.4m.** The partial RIA provides further detail. A final RIA will be provided alongside final legislation. 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.	Consultation on draft legislation implementing the measure closes on 18 September 2007. The Government intends for regulation of the selling of travel insurance sold alongside a holiday to begin on 1 January 2009.

Guidance					
Gender Directive data publication requirement (NEW MEASURE)	Admin/policy 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.	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 HMT 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.	Consumers will have access to evidence for differences in treatment of men and women in insurance.	No monetary benefit. **The costs of publishing data are expected to be less than £1m** **One off set-up costs are estimated to be £720,000 while estimated annual running costs are likely to be around £250,000.** Further details can be found in the Partial Impact Assessment that was published with the consultation document and is available on the HMT website.	A consultation on how firms should meet the obligation to publish data ended on 3 September. The response to the consultation was published in November 2007 and the changes will come into effect on 21 December 2007.
Incoming international regulations					
Payment Services Directive (PSD) (NEW MEASURE)	Policy	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 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.	Full harmonisation of EU legal framework on payment services to support single market in financial services. 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	**In the revised Regulatory Impact Assessment of the PSD published last year, it was estimated that the one-off cost to firms of complying with the Directive might be between £15,000 and £6m for Payment Institutions, ranging from a medium-sized firm to a large multinational corporation. Additionally, credit institutions could incur a one-off cost of**	The Directive must be implemented by 1 November 2009.

		banks, e-money issuers and non-bank providers across the EU).	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 licensing regime. Conduct of business rules aimed at customer protection will apply to all banks, e-money issuers and Payment Institutions.	**around £20 million for complying with updated conduct of business rules in the PSD.** Broadly speaking, the costs relate to paying licensing fees, changing internal firm systems/procedures, and training on PSD compliance. A consultation document and preliminary impact assessment on the implementation of the PSD in the UK is expected to be published during Autumn 2007.	
Rome I (NEW MEASURE)	Policy	A draft Regulation to transpose the Convention on the law applicable to contractual obligations of 1980 ("Rome Convention") into EU law. 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 is it is in the UK interest.	Updating and replacing the Rome I Convention on applicable law to commercial contracts Sectors affected = financial services, lawyers, any business or party to a cross border commercial contract.	Commission proposals do not estimate the likely costs or benefits. IA likely to follow, once a final text is agreed.	Likely to be pushed by the Portuguese presidency of the EU, who will want to agree a text by the end of 2007. This may not be achieved however.

Third Money Laundering Directive	Policy/admin This will fall on the HMT 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 = financial services, accountants, lawyers, estate agents, casinos, trust and company service providers, high value dealers, money service businesses.	**Estimated at around £25-52 million per year policy cost (2007 rate used to calculate the figure)** **Administrative burden quantified at £10-12 million per year** Partial RIA was published 31st July 2006. Updated RIA published 22nd January 2007. The final RIA was published in July 2007.	December 2007
Capital Requirements Directive Also referred to in the delivered measures table	Admin/policy This will impact on the FSA baseline	FSA is responsible for the majority of implementation. HMT is responsible for drafting legislation for two areas: group model recognition under the advanced approach to measuring capital requirements and the recognition of credit rating agencies for providing risk weightings under the standardised approach. HMT has proposed to take a 'copy out' approach to transposing these parts of the directive.	Banking and investment services with primarily benefit. Regulation will provide a more risk-based approach to calculating capital requirements than that currently in place.	HMT legislation: **Market participants believe that admin costs will range from £50,000 to £250,000 for the initial application and £12,500 to £200,000 for ongoing admin and policy costs.** By taking a copy out approach to the directive, HMT has ensured that there are no extra costs involved on top of this. A partial RIA was published with consultation in February 2006. A full RIA is to be published with the draft legislation.	Legislation laid in time for 1st January 2007 implementation date.

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

Solvency II	Policy	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)	An IA will be produced in draft alongside the Directive proposal, which was published July 2007.	Expected implementation 2012
Transparency Directive Also referred to in the delivered measures table	Policy/admin This impacts on the FSA baseline	The Directive updates EU requirements on disclosure of major shareholdings, periodic financial disclosures and equal treatment obligations for issuers whose securities are admitted to trading on a regulated market in the EU. The FSA has been given appropriate rule making powers by provisions in the Companies Act.	FSA regulation of the periodic disclosures made by securities issuers on regulated markets (e.g., half yearly and annual reports), and the disclosures of size of shareholding made by major investors. Investors benefit from more information; issuers should benefit from a lower cost of capital.	A final RIA was published in October 2006. Final costs will depend to some degree on investor responses. **Current estimates are:** **one off policy costs of £1.75 – 3 million; and** **ongoing 3rd party admin costs of £4.7 – 23.1 million p.a.** These costs are off-set by admin savings, which are outlined in the simplification measures table.	Implementing provisions in the Companies Act which received Royal Assent on 8 November. FSA implementing rules came into effect 20 January 2007.

Payments regulation	Policy	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.	Sectors affected- Payment services (but there are certain exemptions for smaller transactions and certain not-for-profit organisations).	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. The costs in relation to transmission relate to the capacity of transmission systems to either associate the payment with the originator information retained by the originating payment service provider, or transmit that originator information with the payment.	December 2006 but the penalties for breaches will not apply until December 2007.
Reinsurance Directive implementation (RID) Also referred to in the simplification measures table	Policy	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. Will be implemented mainly through FSA rules, though with some HMT legislative amendments (primarily to FSMA 2000).	Will create a minimum level of harmonised prudential supervision of reinsurance across the EU. Primarily pure reinsurers to be affected by Reinsurance Directive	<u>FSA Rules</u> FSA capital requirements on reinsurers will be reduced. Minimal one-off policy costs associated with reinsurers updating their I.T. systems <u>HMT Legislation</u> Consultation on changes to FSMA and regulations made under it was launched on 25 July 2007. Net impact identified is positive.	<u>FSA Rules</u> Public consultation has ended and the rules are likely to be in force end 2006. <u>HMT legislation</u> A 12-week consultation was launched on 25 July 2007, following discussions with the FSA.

D CONSULTATION LIST

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

ISBN 978-1-84532-387-5