

Delivering better regulation two years on: HM Treasury's simplification plan

December 2008



HM TREASURY



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Contents

		Page
Chapter 1	Delivering better regulation	3
Annex A	HM Treasury delivered measured tables	21
Annex B	HM Treasury regulatory simplification measures table	31
Annex C	HM Treasury regulatory flow table	41

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*, which recommended that:

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with stakeholders, should develop a rolling programme of simplification to identify regulations that can be simplified, repealed, reformed, and/or consolidated.”

Introduction

1.2 HM Treasury and OGC have measured the annual administrative burden of regulation that they impose on business and voluntary organisations and set a net reduction target of 25 per cent by 2010. This simplification plan outlines two measures that will simplify the burden on business for 2008, and one large measure, which is expected to be implemented in January 2009. Coupled together, these three measures, which total £116.4 million in administrative savings, will deliver a 66.3 per cent reduction against the HM Treasury baseline, exceeding the 25 per cent target in administrative burden reduction.

1.3 HM Treasury’s original baseline has been revised following the discovery of information obligations in the Law of Property Act 1925 that relate to financial services. PricewaterhouseCoopers had not taken these into account in the original administrative burden measurement exercise, carried out in 2005. This administrative burden adds £115 million to HM Treasury’s baseline. Therefore HM Treasury’s revised base-line for 2008 is £158.9 million.

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, we have used our limited discretion to reduce the burden on firms whilst at the same time ensuring an effective supervisory system that combats money laundering and terrorist financing. This simplification plan sets out how HM Treasury plans to meet this revised target.

1.5 HM Treasury, in conjunction with the Financial Services Authority (FSA), has already delivered and implemented 20 measures since the measurement exercise began in May 2005. As a result, businesses have benefited from a saving of £22.13-£42.13 million in administrative burden reductions and between £39.8-£48.2 million in policy cost savings. A primary simplification measure for Treasury is £115 million of administrative burden reduction that directly impacts HM Treasury’s baseline as a result of savings made through simplifying regulatory requirements for the asset management sector. This measure is to be laid before Parliament in December, with a possible implementation timeframe of January 2009. The remaining administrative savings from this year’s plan result from savings made in the Financial Ombudsman Service Disclosure Requirement (£1 million) and through savings made via the Consolidation of Public Procurement Regulations (£130,000 in addition to £270,000 made in 2007). Further measures brought forward by HM Treasury and set out in this plan will deliver the remaining £20.7 - £40.7 million savings against administrative burdens imposed by FSA regulation.

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

1.6 In 2007 HM Treasury identified one administrative measure that would come into force in 2008, and was intended to reduce by around £1 million the administrative cost of regulation on HM Treasury's base-line. This is the Financial Ombudsman Service Disclosure Requirements regulations. Falling just outside the scope of the plan is the £115 million Paperless Settlement simplification measure for the asset management sector, which will shortly be laid before Parliament, but is intended for implementation in January 2009. Also, two policy saving measures were noted as scheduled for implementation in 2008. These were the *Financial Services and Markets Act 2000 (Consequential Amendments) Order 2008* and the Transfer of Insurance Business regulation. The former ensured legal certainty for mortgage lenders that dual regulation is avoided, preventing future costs of up to £550 million. The latter regulatory measure was expected to deliver an annual policy saving of £200,000. Of the one administrative and two policy measures scheduled to come into force in 2008, all have been implemented. A new measure identified in 2007 and implemented in July 2008 was the Changes to the Collective Investment Schemes Border for Property Transactions. This measure has administrative savings but will only impact on the FSA base-line.

1.7 The Consolidation of Public Procurement Regulations previously identified a saving of approximately £270,000 in administrative burden reductions, which occurred as a result of the exclusion of the electricity generation sector in England, Scotland and Wales. Since then the European Commission has granted a further exclusion to the Electricity and Gas supply sectors in the same regions. This is estimated to produce savings of a further £130,000, making the total savings £400,000.

1.8 Also, a new policy regulatory measure being taken forward in 2008 (but which is still under consultation) is Reforming Part 7 of the 1989 Companies Act, which imposes a one-off policy cost of £1.9 million but which also has potentially large benefits.

1.9 Other regulatory measures that HM Treasury was consulting on in 2007 such as the Exemptions from FSMA for Limited Liability Partnerships, may be implemented in 2010-2011. Moreover, while outside the scope of the HM Treasury's simplification plan, the policy benefit arising from Solvency II – which is expected to be implemented in 2012 – is £97 million annually, with £3.4 million annually saved on administrative costs.

Table 1.1: HM Treasury progress against 25 percent 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 2008	£1.4 million
Percentage of HM Treasury baseline	0.9 %
Measures identified to be delivered by May 2010	£116.4 million
Percentage of HM Treasury baseline	73.2%
Incoming new burdens identified	11 million
Percentage of HM Treasury baseline	6.9%
Total net reduction by May 2010	£105.4
Percentage of HM Treasury baseline	66.3%

1.10 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, for example, by HM Treasury's decision to remove freight forwarding from the scope of financial services regulation.

Structure

1.11 This is HM Treasury and OGC's third 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.

1.12 The tables at the back of the document display the administrative and policy savings of various simplification measures, and identify incoming regulatory burdens. In particular, the first table (annex A) shows the detail of simplifications (both administrative and policy) proposed for implementation any time from May 2005 to date. The second table (annex B) shows the detail of new simplification measures (both administrative and policy) yet to be delivered. The third table (annex C) sets out the flow of regulatory burdens (both administrative and policy) that HM Treasury has introduced since May 2005 or intends to introduce by 2010.

Justification for regulation

Financial services

1.13 The purpose of financial regulation is to make financial markets work better, more efficiently, fairly (including providing protection to consumers), and to maintain financial stability. Regulation aims to address market inefficiencies and asymmetries of information, reduce uncertainties, keep markets free from fraud and abuse, improve market stability and raise confidence. A vast majority of regulated firms believe regulation benefits their industry.

1.14 More than ever, given current uncertainty in global financial markets, financial regulation needs to be effective, promoting stability and maintaining consumer protection while remaining

appropriately targeted and proportionate. Recent events in international financial markets have highlighted the need to strengthen financial stability to improve the oversight of capital, liquidity and risk and to increase transparency. The Better Regulation principles of ensuring that there are no unnecessary or outdated regulatory burdens continue to be relevant in this environment, as is HM Treasury's role is helping to promote Better Regulation across government.

1.15 Firms can derive a reputational advantage from operating in well-regulated markets, whilst managing business risk and customer protection. Effective regulation will keep pace with changes in the behaviour of firms and markets which risk causing instability. It remains vital to ensure that changes to the regulatory regime should further strengthen the UK's reputation as a leading international financial centre, alongside the Government's commitment to maintain a strong and stable economy. The simplifications outlined in this plan do not reduce protections for consumers or affect the robustness of financial regulation.

Financial crime

1.16 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.

1.17 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

1.18 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

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

Financial services

1.20 HM Treasury sets the scope of financial services legislation and 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 an update of its own simplification plan (which relates to the administrative burden of regulations in the FSA Handbook) as Appendix Five of its Business Plan for 2008/09. A copy of this document can be found at www.fsa.gov.uk.

1.21 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

1.22 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

1.23 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.

1.24 HMRC does not prepare a simplification plan. Instead, it publishes its simplification proposals in the New Relationship series of papers released at Budget along with the rest of the Budget material.

Key Achievements

1.25 Treasury is making progress towards the 25 per cent administrative burden reduction set out in last year's simplification plan. A key deregulatory measure mentioned in both the 2007 and this year's plan, the Paperless Settlement measure for the asset management sector, falls out of scope for 2008 but, subject to Parliamentary approval, is expected to be enacted in January 2009. This measure is expected to deliver benefits of £115 million per year and will add significantly to HM Treasury's overall simplification. Also, two other administrative saving measures have been implemented in 2008, which will create annual savings of around £1.13 million. Policy (non-administrative) measures have also saved industry from unnecessary burdens of up to £550 million one-off costs (see annex A). This section seeks to highlight some of the key achievements accrued since the administrative burden exercise began. The following two measures set out in the box below give an overview of how benefits should accrue to businesses from simplified regulation.

Box 1.A: 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. 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, for example firms can spend less time accessing and submitting tender documents – it can now be done electronically. A saving of approximately £270,000 in administrative burden reductions has previously been notified as occurred as a result of the granting of an exclusion of the electricity generation sector in England, Scotland and Wales from the need to comply with the Utilities Regulations. This is provided for in the Utilities Directive where a sector can demonstrate that it is subject to normal competitive pressures. Since then the European Commission has granted a further exclusion to the Electricity and Gas supply sectors in the same regions. This is estimated to produce savings of a further £130,000.

Financial services

The Government has laid before Parliament a significant simplification measure concerning the asset management sector. The requirement for paper settlement and transfer of title is costly to fund managers, stockbrokers, financial advisers and other intermediaries. The provision of paperless settlement, through a purely electronic settlement of trades, would have significant benefit to the industry and, importantly, the provision of electronic settlement in OEIC shares and AUT units would not compromise investor protection. Savings are estimated to be around £115 million per year as a result of firms no longer needing to conform to the instruction in writing. Firms and investors will also benefit from faster and more accurate processing of investor instructions. While the primary beneficiaries will be fund management companies and brokers, it is expected that cost savings will also be passed onto investors.

Financial crime

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

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

- firms are able to make fewer checks in certain low risk situations, such as occupational pension funds and child trust fund administration;
- in certain circumstances firms are able to rely upon identification checks done by certain other firms (for example solicitors and FSA authorised financial advisers); and

- greater flexibility has been introduced to record keeping requirements so that firms may keep relevant details rather than whole documents, in certain circumstances.

We estimate that these measures will lead to policy savings of up to £45 million.

Financial services

1.28 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.

1.29 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 £39.8 - £48.2 million, which will make a real difference to businesses.

Public procurement

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

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

- implementation of the new Public Procurement and Utilities Procurement Regulations which came into force in January 2006 (as discussed above);
- implementation of supply2gov website portal which was launched in 2006 to provide a channel for all suppliers, including SMEs; and
- launch of Government Procurement Service (GPS) – a professional body that provides training and development to help raise skills of procurement staff across Government.

1.32 The Government is keen to support and encourage SMEs and the third sector of the market in the belief that by achieving greater involvement of SMEs in the government market place there will be wider benefits to the economy, thereby promoting competition and innovation in government procurement. The 2008 Budget announced the appointment of a Committee chaired by Anne Glover to provide advice on measures to improve SME access to public procurement and to seek views on the practicality of a goal of 30 per cent of such firms winning all public sector contracts. In the 2008 Pre-Budget report, the Government accepted all of the recommendations put forward in the Glover Committee's report, which was published alongside of the Pre-Budget Report. The Committee has undertaken a consultation of small firms, industry and public purchasers to seek their experiences of doing business with government, in addition to reviewing progress in this area over the past five years, and examining best practice internationally.

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

1.33 Supply2gov (www.supply2.gov.uk) is where companies (particularly aimed at 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. Supply2gov provides an e-mail service so that suppliers can receive relevant contract opportunities for free in their chosen location. 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 which is free to register with.

1.34 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 your 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

1.35 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); and
- **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).

1.36 Both against these targets and more widely, HMRC has already delivered, or is committed to measures, which will deliver administrative savings to business of up to £400 million. To date, this figure consists of:

- £186 million when completing tax forms and returns, a reduction of nearly 6% against the target of 10 per cent;
- £43 million from complying with audits and inspections which is a 31% saving against the target of 15 per cent; and
- £163 million in relation to wider administrative burdens in complying with tax legislation, for which no targets have been set.

1.37 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.

1.38 Budget 2008 announced the next stage in the Government's rolling programme of tax simplification, building on the Budget 2007 reforms and the significant programme of tax simplification launched at the 2007 Pre-Budget Report. Budget 2008 announced:

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

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

Reaching the administrative burden reduction target

1.40 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; and
- Financial crime.

1.41 Our first year's simplification plan in 2006 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. Part of this saving will be achieved from two of the simplification proposals: Consolidation of Public Procurement Regulations which came into force in January 2006 and has annual savings of £400,000 (2008 revised figure); and changes to the Financial Ombudsman Service disclosure requirements which were introduced in July 2008 provide an estimated saving of £1 million.

1.42 During 2007, HM Treasury 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.

1.43 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. 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.

1.44 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.

1.45 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 we have assumed that initially electronic transfer will only be used for institutional transactions. It is possible that after January 2009 - the proposed date of implementation for the measure - electronic transfers will be extended to the retail market, making possible savings towards the top end of our estimated range. These savings have been consulted upon, and agreed, with industry.

1.46 The expected introduction of this in early 2009, alongside two other measures identified in the 2007 plan, total an administrative saving of £116.4 million. This includes the revised estimate for the saving benefit accrued from the Consolidation of Public Procurement Regulations (up from £270,000 to the current £400,000 annually). Progress to date on reaching Treasury's administrative burden target has seen, for 2008, a 6 per cent increase in regulation. However, it is expected that the implementation of the paperless transfer and settlement measure in January 2009 will significantly decrease Treasury's overall administrative burden by 66.3 per cent, exceeding the original administrative burden reduction target of 25 per cent.

1.47 Taken together, these measures contribute to £22.13 – £42.13 million in administrative burden reductions, and between £39.8 – £48.2 million in policy cost savings. Taking account of the Paperless Settlement regulation, £116.4 million in administrative savings will impact on the Treasury baseline. The remainder of administrative savings (and policy cost savings) will impact on the FSA baseline.

1.48 Further information about these delivered measures can be found in Annex A.

1.49 Two measures were highlighted in last year's simplification plan as having 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, was implemented in July 2008. This was implemented later due to 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) were expected to have been implemented in April 2007. However, given that this measure is being taken forward as part of review of the Regulated Activities Order, a formal review is being launched in December 2008 with possible implementation, after public consultation, in 2010. Further, 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

1.50 This year's plan identifies no new simplification measures. A significant deregulatory measure that was foreshadowed last year is expected to come into effect in January 2009 and is a key element in the HM Treasury simplification efforts for 2008. The Paperless Settlement measure is expected to deliver benefits of £115 million annually. The principal simplification measures that will deliver administrative savings outlined in this year's plan are:

- Paperless settlement for the asset management sector. This measure will enable the paperless settlement of trades in investment fund shares through electronic redemption or transfers and will deliver an ongoing annually administrative benefit of £115 million. The measure is proposed for implementation in January 2009;
- Financial Ombudsman Service Disclosure Requirements. This measure will result in lighter disclosure arrangements, with the burden to industry of providing information to the Financial Services Ombudsman and to third parties, being reduced. This will save £1 million annually; and
- Consolidation of Public Procurement Regulations which came into force in January 2006 with estimated annual savings of £270,000 (as outlined in the 2007 plan) has

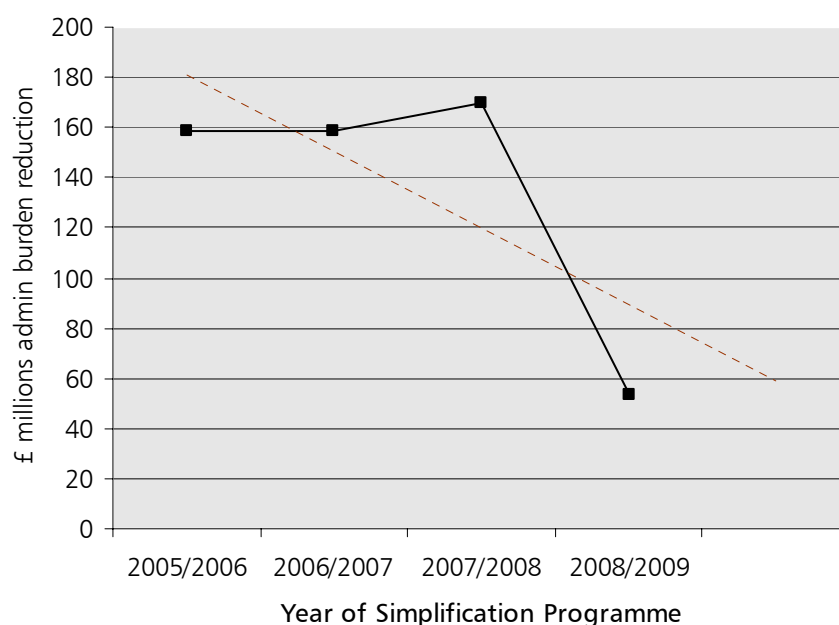
been reassessed and a new figure of £400,000 has been estimated in terms of total administrative savings. The upwardly revised figure, representing the 'balance' of £130,000, is counted in this year's plan.

1.51 Further information on these measures is in the simplification measures table (Annex A).

Admin burden trajectory

1.52 The graph below sets out the progress that HM Treasury is making towards achieving the necessary reduction in its baseline. The slight increase in the baseline towards the end of 2007 represents the incoming burden as a result of implementing the Third Money Laundering Directive. It also demonstrates that the department should make significant savings in 2009 as a result of the expected implementation of the Paperless Settlement regulation (£115 million) ahead of the May 2010 deadline.

Chart 1.A: Administrative burden reduction trajectory



Source:

New incoming burdens

1.53 The 2007 simplification plan identified six incoming burdens, the majority of which came from the EU. This year's plan identifies one new measure, the Authorisation and Supervision of Credit Rating Agencies in the EU, which will impose £3.05 million in costs but will impact on the FSA baseline. An incoming burdens table is set out in Annex C. The incoming burdens table contains seven policy areas that are also covered in the simplification grid (Annex B):

- Pensions permission reform;
- Capital Requirements Directive;
- Reinsurance Directive;
- Transparency Directive;
- FSMA Controllers Regime;

- Part 7 of the 1989 Companies Act; and
- Solvency II (though implementation is beyond 2010)

1.54 Only one of the incoming burdens (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.

1.55 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.

1.56 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. We will continue to review progress made against delivery of the target and consider whether further simplification measures can be made.

1.57 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.

1.58 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 2008;
- Annex B - simplification measures identified but not yet delivered, including new policy and administrative simplification measures identified since the last plan in 2007; and
- Annex C - the flow of policy and administrative regulatory burdens that HM Treasury introduced since May 2005, or intend to introduce by 2010.

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

Savings to the Public Sector

1.60 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 is required from other central government departments, with a view to reducing and rationalising these burdens where possible.

1.61 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.

1.62 HM Treasury agreed a number of reforms in specific areas. These included:

- 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

1.63 Organisations in the third sector are independent of control by the state 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.

1.64 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:

- In Budget 2008 HM Treasury published its response to the wide ranging 2007 Gift Aid consultation. The response included a number of measures to reduce the burdens on charities of administering the relief. From Budget 2008, the claims process has been simplified to allow charities to aggregate claims under £10 in claims up to a total of £500; and HMRC agreed to develop a framework in which charities might opt to destroy Gift Aid declarations after 6 years, provided a database record is retained. A number of changes to the charity audit regime operated by HMRC were also introduced to reduce audit fears and burdens on charities. HM Treasury committed to continue to work with charities and donors to look at how to simplify the Gift Aid system more radically, without putting at risk what is widely recognised to be a very successful system;
- Following an earlier consultation Government is now consulting on proposals for a Legislative Reform Order to amend the legislation for credit unions and industrial & provident societies; and
- The staged implementation of the Charities Act 2006 is being continued by the Office of the Third Sector. The third commencement order of the Charities Act 2006 was made in March 2008. The provisions commenced include the setting up of Charity Tribunal for challenging legal decisions by the Charity Commission, a new power enabling the remuneration of trustees for providing (non-trustee) services to their charity, and three new powers for the Charity Commission. The fourth commencement order was made in April 2008. The provisions commenced by this order include the statutory definition of charity, including the list of headings of charitable purposes and the public benefit requirement as well as the requirement for charity trustees to have regard to the Charity Commission's guidance on public benefit. The Office of the Third Sector and the Charity Commission are currently consulting on the detailed legal framework for the Charitable Incorporated

Organisation (CIO), the first incorporated legal form designed specifically with the needs of charities in mind. Further details can be found at : http://www.cabinetoffice.gov.uk/third_sector.

1.65 In June this year, the Office of Government Commerce published *Buy and make a difference: How to address social issues in public procurement*, a new procurement pamphlet setting out how value for money procurement judgements should take account of the whole life cost and wider factors including social considerations. This can be found at <http://www.ogc.gov.uk>

1.66 OGC has been raising awareness with 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. A refreshed version of the guidance will be published by the OGC in Autumn 2008 to provide clearer guidance to public procurers on how to implement Article 19 provisions whilst ensuring value for money.

1.67 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 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. It aims to publish its initial findings and the draft templates in Summer 2007.

1.68 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.³ HM Treasury was identified in taking forward the following three actions:

- In 2006, HM Treasury issued *Improving financial relationships with the third sector: Guidance for Funders and Procurers*⁴. This made clear that all funding bodies should ensure they have procedures that are clear and, wherever possible, as simple as they can be. The 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;

³ 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

⁴ *Improving financial relationships with the third sector: Guidance for Funders and Procurers*. HM Treasury. 2006

- 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.

1.69 Further, the case study below discusses the Government's commitment to improving access to the public procurement process for the entire supply market, including SME suppliers and the third sector.

Box 1.A: Improving access to the public procurement process for entire supply market

Government is committed to improving access to the public procurement process for the entire supply market, including SMEs 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. Initiatives include:

- The 2008 budget announced the appointment of a Committee to provide advice on measures to improve SME access to public procurement and to seek views on the practicality of a 30% goal of such firms winning public contracts.
- the supply2gov website portal (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, 100,000 suppliers have registered, and over 93,000 contract opportunities published.
- An OGC buying solutions' 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.
- 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 refreshing its standard Pre-Qualification Questionnaires 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.

A "single approach to sourcing" that OGC has developed and will drive forward, along with a pan-government category management process. We 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 Financial Services in Europe

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

1.71 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 we believe will lead to better regulatory outcomes and reduced burdens for industry. The recommendations include:

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

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

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

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

1.75 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.

1.76 Lord Davidson, in his review of over-implementation of EU directives, suggested that there was gold-plating in the UK's close links regime. He proposed that this was a result of imposing a requirement to comply with the close links notification regime on categories of firms where no Directive requires it. Davidson argued that this extended the scope of the close links provisions. HM Treasury is still reviewing the application of the threshold condition to these particular firms. The Financial Services Authority (FSA) is continuing to talk to the industry about reviewing the close links requirements and - within the constraints of European law - examining whether there are any opportunities for reducing the burden on firms. The FSA published a consultation paper on this in December 2007 (http://www.fsa.gov.uk/pubs/cp/cp07_21.pdf). The FSA is also liaising with HM Treasury on the latter's review of Financial Services and Markets Act 2000 requirements on close links where these currently apply to firms not subject to directive requirements in this area, as any change would result in changes to the FSA Handbook.

Links to the wider better regulation agenda

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

1.78 HM Treasury is strongly committed to driving forward better regulation policy, in its own regulation and far more widely. HM Treasury continues to play an important role in the scrutiny of new regulatory proposals.

1.79 The Enterprise strategy launched with Budget 2008 included proposals to help lessen the burden of regulation. The Government committed to a consultation on the introduction of regulatory budgets, subsequently launched by BERR in August 2008. Regulatory budgets would limit the new regulatory costs that government can introduce, representing a significant change in the way new costs on business are managed. The consultation closed on 12 November and further announcements will be made when the responses have been analysed.

1.80 The Enterprise Strategy also launched the Anderson Review of regulatory guidance, seeking to improve the quality and reliability of government guidance, as well as setting out a new approach to determining whether incoming regulation should be applied to SMEs.

1.81 We believe this is an ambitious and quantified plan that is credible with our stakeholders. The plan is a living document updated annually on HM Treasury's website: www.hm-treasury.gov.uk.

A

HM Treasury delivered measured tables

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					
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 are 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 were introduced on 14th July 2008 for firms communicating with FOS.
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	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 (ie.£9,000). Overall ongoing cost savings will depend on the number of transfers that	Implementation occurred in July 2008,

		reinsurance contracts related to the main insurance businesses are able to be transferred as part of a transfer of insurance business under Part VII.		take place subsequent to proposals coming in to force. In the last couple of years there have been about twenty transactions a year which would result in a benefit of £181,672 accrued from reduced legal costs over the 10 year period from 2007 (ie assuming 20 transfers a year).	
Changes to the Collective Investment Schemes border for property transactions	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 regulation was implemented on 14 July 2008.

<p>Consolidation of Public Procurement Regulations (See also the measure below - Updating of the Utilities Contracts Regulations)</p>	<p>Admin</p> <p>This impacts on the HMT baseline</p>	<p>The three previous public sector procurement Regulations were consolidated into one following the adoption of a new single public procurement Directive. The purpose of this Directive was to simplify, clarify and update public procurement procedures and reflect new procurement methods.</p> <p>These new Regulations implement those improvements and enable, for example, the introduction of electronic auctions to the process and the use of the competitive dialogue procedure for complex procurements.</p>	<p>Most of the benefits apply to public sector purchasers. The new provisions also benefit both purchasers and bidders by providing for modern procurement systems and by allowing electronic access and submission of tender documents.</p>	<p>New procurement methods permitted by these new regulations, such as e-procurement. An RIA was published on the OGC website.</p>	<p>UK regulations came into force on 31 January 2006.</p>
<p>HMT approach to implementation of the Capital Requirements Directive (CRD)</p> <p>Also referred to in the regulatory flow table</p>	<p>Admin</p> <p>The FSA is responsible for the majority of implementation</p>	<p>HMT was responsible for drafting legislation for two areas of CRD implementation: group model recognition under the advanced approach to measuring capital requirements and the recognition of credit rating agencies for providing risk weightings for calculation under the standardised approach. HMT took a 'copy out' approach to transposing these parts of the directive.</p>	<p>Savings relate to carrying out processes under FSA and CEBS guidelines operating on a level playing field with EU competitors. CRD provides a more risk-based approach to calculating capital requirements.</p>	<p>HMT legislation Those applying for group model recognition and credit ratings agencies should be experiencing some administrative cost savings.</p> <p>It is difficult to quantify the cost savings for those opting for group model recognition. Firms can choose between the simple or medium sophistication approaches of the new framework. The most sophisticated approaches became available from 2008. An Impact Assessment was published 1 January 2007.</p>	<p>Member states transposed the Directive in 2007 with full implementation on 1 January 2008. Further amendments to the Directive will be made in 2009. These are likely to deliver some further savings as well as imposing some additional costs. More details are set out in Annexes B and C.</p>

<p>Updating of the Utilities Contracts Regulations</p>	<p>Admin</p> <p>This impacts on the HMT baseline</p>	<p>In a related move to the updating and consolidation of the public sector Directives the Utilities Directive was also updated. New implementing regulations were made as a result.</p>	<p>Most of the benefits apply to utility sector purchasers. The new provisions also benefit both purchasers and bidders by providing for modern procurement systems and by allowing electronic access and submission of tender documents.</p>	<p>New procurement methods permitted by these new regulations, such as e-procurement.</p> <p>The revised Regulations allow for utilities that can demonstrate that they operate in a competitive environment to apply for exclusion from the application of the rules.</p> <p>Exclusions have been granted for some operators in the electricity generation sector giving an estimated saving of £270,000. Since the 2007 plan was published a further exclusion has been granted to the electricity and gas supply sectors giving a further estimated saving of £130,000.</p> <p>An RIA was published on the OGC website.</p>	<p>UK regulations came into force on 31 January 2006.</p>
<p>Financial Services and Markets Act 2000 (Consequential Amendments) Order 2008</p>	<p>Policy</p>	<p>This removes the potential for certain types of mortgage transaction to be subject to competing regulatory requirements under both the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000 (FSMA).</p>	<p>This removes the potential for dual regulation for certain types of mortgage transaction, which could potentially have made credit contracts unenforceable. The proposals seek to minimise burdens on business and promote regulatory efficiency, while safeguarding important consumer protections in the area of consumer credit. Admin burdens may be reduced as a result</p>	<p>An impact assessment was completed in March 2008. The impact assessment estimated the cost of not legislating would be £0-£550m one off cost due to the significant uncertainty caused by possible dual regulation and the unenforceability of incorrectly documented agreements.</p>	<p>The legislation came into force on 6 April 2008.</p>

<p>Transparency Directive</p> <p>Also referred to in the regulatory flow table (annex C)</p>	<p>Admin/policy</p> <p>These savings will impact the FSA baseline</p>	<p>The Directive updates EU requirements on disclosure of major shareholdings, periodic financial disclosures and equal treatment obligations for issuers whose securities are admitted to trading on a regulated market in the EU.</p>	<p>Investors benefit from more information; issuers should benefit from a lower cost of capital.</p>	<p>One off policy costs, based on current estimates are £1.75 – 3 million.</p> <p>Ongoing 3rd party admin cost savings estimates are between £7.3 and £25.7 million per year.</p> <p>Final costs and savings will depend to some degree on investor responses.</p> <p>The final RIA was published in October 2006.</p>	<p>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.</p>
<p>Audit threshold</p>	<p>Policy</p>	<p>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.</p>	<p>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.</p>	<p>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.</p> <p>The final RIA was completed in January 2007</p>	<p>An Order was made on 7 February 2006 and came into force on 6 April 2006.</p>
<p>European Co-operative Society (SCE)</p>	<p>Admin</p> <p>These savings, if made, would impact on the FSA baseline.</p>	<p>This measure follows from European Company Statute, and provides a similar legal vehicle to that which exists on the corporate side. This vehicle provides for the legal requirements of conducting cross-border business to be simplified.</p>	<p>It should reduce the costs of cross-border business, by establishing a series of legal forms designed to enable registration in one Member State and operation cross-border. The primary beneficiaries are likely to be co-operatives and their members.</p>	<p>Total admin savings are estimated to be around £2m per year assuming this scheme is taken up by ten or more.</p> <p>There are no SCEs registered, or under consideration, at present. A final IA has been prepared.</p>	<p>A 12-week consultation was launched on 16 March 2006.</p> <p>Legislation came into force on 18 August 2006.</p>

<p>Pensions permission reform</p> <p>Also referred to in the regulatory flow table</p>	Policy/admin	<p>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.</p>	<p>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.</p>	<p>It is difficult to quantify the cost savings as it will depend on a range of factors but will not non-trivial for many.</p> <p>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.</p>	<p>New regulated activity came into effect from April 2007. As intended there has been evidence of new providers entering the market.</p>
<p>Reinsurance Directive implementation (RID)</p> <p>Also referred to in the regulatory flow table (annex C)</p>	Policy	<p>This Directive creates an EU-wide prudential regulatory framework for pure reinsurers, along similar lines to those already in place for insurers.</p> <p>The Directive has been implemented mainly through FSA rules, though with some HMT legislative amendments (primarily to FSMA 2000).</p>	<p>Creates a minimum level of harmonised prudential supervision of reinsurance across the EU. Provides reinsurers with a single passport enabling them to carry on business anywhere in the EEA, either by establishing branches or providing services, on the basis of home-state authorisation. Primarily pure reinsurers only are affected by the Reinsurance Directive</p>	<p>HMT Legislation A one-off policy cost saving is estimated for reinsurers in the order of £600,000.</p> <p>FSA Rules Minimal one-off costs burdens are outweighed by ongoing annual policy cost savings of approximately £25m.</p>	<p>HMT legislation A three-month public consultation was launched in July 2007, following discussions with the FSA. Regulations to implement the Directive came into force on 10 December 2007.</p> <p>FSA Rules The rules are in force.</p>
<p>Removing freight forwarders and storage firms from the scope of FSA insurance regulation (commercial)</p>	Policy/some admin These savings impact on the FSA baseline.	<p>Certain insurance activities of freight forwarders and storage firms have been exempted from FSA regulation, where the insurance activity relates to a commercial customer.</p>	<p>The benefit applies to the freight forwarding sector and the storage sector. Following further work with the relevant trade associations to develop codes of practice to cover the provision of insurance</p>	<p>Whilst there will be some administrative savings as a result, the majority of savings are likely to be annual policy savings in the estimated indicative range of £4 million for freight forwarders, as cited in the 2007 final RIA. According to the RIA, the</p>	<p>The legislation to enable the exemption of certain insurance activities of freight forwarding and storage firms relating to retail customers came into force on 20 July 2007.</p>

			services to retail customers, the Government has proposed further secondary legislation to extend this measure to retail customers.	measure is deregulatory and will not result in new costs for the freight forwarding and storage industries. 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.	
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 the term	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	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.

		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.	qualifying contracts of insurance and their clients.		
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 2007. Legislation came into force on 15 December 2007.
Allowing firms to rely on other firms' money laundering customer due diligence measures.		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 2007. Legislation came into force on 15 December 2007.

<p>Allowing firms greater choice in records kept under Money Laundering Regulations</p>	<p>Policy</p>	<p>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.</p>	<p>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.</p>	<p>Estimated at £11-12m policy savings per year An updated RIA was published in January 2007. It will be finalised this summer.</p>	<p>Consultation launched in July 2006. Draft regulations published beginning 2007. Final Regulations laid in Parliament 25th July Legislation will come into force on by 15 December 2007.</p>
<p>Improving availability of information on asset freezing targets</p>	<p>Policy</p>	<p>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.</p>	<p>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.</p>	<p>Total policy savings are extremely difficult to quantify accurately but we estimate that they might be in the order of £100,000-500,000 per year. Cost savings relate to making it easier to identify target accounts for freezing. An IA is not required.</p>	<p>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.</p>
<p>Regulated Covered Bond Regulations NEW MEASURE</p>	<p>Policy Burdens of an international origin where the UK has national discretion over how they are implemented.</p>	<p>Regulations were introduced to deliver compliance for UK covered bonds with the Undertakings for Collective Investment in Transferable Securities (UCITS) directive. Covered bonds that comply with UCITS benefit from higher prudential limits and a preferential credit risk rating.</p>	<p>Compliance creates a level playing field for UK covered bonds in the EU and delivers best possible right weight for UK covered bonds under the Banking Consolidation Directive. UK issuers are able to access the larger investor base of the European market. The main beneficiaries are UK issuers of covered bonds.</p>	<p>Savings would relate to the reduced risk-weighting for UCITS-compliant covered bonds. This could reduce annual compliance costs by up to £5 million. A final Impact Assessment was published with the Summary of Responses in February 2008.</p>	<p>This was implemented on 6 March 2008.</p>

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	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 do not already have systems in place. It is anticipated that this would be around £5 million although there will be no requirement to offer electronic transfers. As such, this cost is voluntary. An IA was included in the consultation document.	The Government has laid this measure before Parliament. Expected implementation date is January 2008.

<p>Better Regulation measures for the asset management sector – new protected cell regime for OEICs</p>	<p>Policy</p>	<p>Open Ended Investment Companies (OEICs) are investment funds structured as bodies corporate. Large fund managers generally operate a small number of OEIC umbrella companies with a large number of sub-funds within each umbrella. This helps them to operate a large range of funds more efficiently. Under current law, there is no segregation of liabilities between different sub-funds. This can present an element of risk to investors.</p> <p>This measure will introduce a new protected cell regime for OEICs to permit segregation of liability between sub-funds within umbrella companies.</p>	<p>The primary beneficiaries will be investors who will enjoy a reduced level of risk to their investments. It is expected that cost savings will be passed onto investors.</p>	<p>The two key benefits would be protecting OEIC investors from having to meet the liabilities of another sub-fund in the event of insolvency and improving the international attractiveness of the UK OEIC vehicle.</p> <p>HM Treasury estimates the monetary value of these estimates to be £7 million per year.</p> <p>An IA was included in the consultation document.</p>	<p>Consultation ends on 1 August 2007. A response will be published towards the end of 2007.</p>
<p>Better regulation measures for the asset management sector – UCITS passporting</p>	<p>Policy</p>	<p>Currently funds passporting into another member state must notify the 'host' regulator of their intention to begin marketing units in the new jurisdiction. The host regulator has two months in which to raise any concerns relating to the fund's marketing procedure before it can begin marketing. Under current rules, the fund must wait the full two months before it can begin marketing, even if the FSA is satisfied that the relevant requirements are met before that. This measure introduces a faster process by which foreign UCITS funds may passport into the UK, removing the statutory two-month delay.</p>	<p>The primary beneficiaries will be fund management companies. It is expected that cost savings will be passed onto investors.</p>	<p>Assessing the direct monetary benefit of this is difficult. However, we estimate that firms will save £80,000 – 400,000 annually through faster notifications.</p> <p>The FSA receives around 40 new notifications from non-UK UCITS funds per year. In around 80 per cent of cases, its consideration of the notification is completed within one month. Under the proposals, around 32 of those notifying funds would have been able to begin marketing at least one month earlier than under the current rules.</p>	<p>Consultation ends on 1 August 2007. A response will be published in early 2009.</p>

				This measure also demonstrates the UK's commitment to strengthening the single market in investment funds.	
<p>Further Amendments to the Capital Requirements Directive (CRD)</p> <p>Also referred to in the regulatory flow table</p>	<p>Admin / Policy</p> <p>The FSA is responsible for the majority of implementation</p>	<p>The overarching goal of the proposed amendment is to:</p> <ul style="list-style-type: none"> i) strengthen prudential requirements; ii) improve supervisory coordination and efficiency of supervision; and iii) increase convergence across the EU. Specifically, these amendments relate to the large exposures regime, hybrid capital instruments, supervision and supervisory colleges, and the requirements for securitisation and risk transfer activities. There is also a clarification of the existing principles on liquidity. 	<p>Savings would relate to carrying out processes under FSA and CEBS guidelines operating on a level playing field with EU competitors. The amendments will also improve financial stability and enhance supervision of cross-border groups. Member states transposed the Directive in 2007 with full implementation on 1 January 2008. Further amendments to the Directive will be made in 2009, though any estimates on admin/policy costs and benefits will be subject to an impact assessment in 2009.</p>	<p>It is not yet possible to quantify the likely cost savings from amending the CRD, as the amendments have not yet been finalised. Proposals requiring Treasury legislation they will be subject to an Impact Assessment in 2009. The FSA will also be conducting a full cost benefit analysis ahead of implementation.</p>	<p>The Directive will be transposed by 31 October 2010, and implemented by 31 December 2010.</p> <p>The FSA will consult on implementation during 2009.</p>
<p>Proposals to reform Part 7 of the 1989 Companies Act</p> <p>NEW MEASURE</p> <p>(Also referred to in the regulatory flow table. Annex C)</p>	<p>Policy</p> <p>This will impact on the FSA baseline</p>	<p>HM Treasury has proposed reforms to Part 7, which safeguards financial markets in relation to central counterparty clearing houses and investment exchanges in the event of a market participant's default.</p>	<p>Updating the legislation will reduce systemic risk in the event of a market participant's default and support industry developments in operations, risk management and governance.</p>	<p>One-off costs are estimated to be £1.9m resulting from clearing houses promulgating changes to the finance print of their terms of business. Potential benefits are likely to be large and diffuse and so precise quantification is difficult at this stage.</p>	<p>Consultation ran from 24 July to 16 October 2008. The responses from the consultation are being considered.</p>

				A draft Impact Assessment was published with the consultation document in July 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 2007. Follow up consultation published on 19 September 2008 and closes on 12 December 2008. Implementation planned for 2009.
Exemptions from FSMA for Limited Liability Partnerships (LLPs) – now being taken forward as part of much wider deregulatory review of the Regulated Activities Order (RAO)	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. The Review of the RAO will cover this issue as well as a number of others.	Total Admin savings are likely to be in the region of £1.6 million per year. Savings would relate to the costs of avoiding FSA regulation. Over 3,000 LLP's might benefit from these proposals. Exemptions from FSMA for Limited Liability Partnerships (LLPs) – now being taken forward as part of much wider deregulatory review of the Regulated Activities Order (RAO)	Admin These savings will impact on the FSA baseline. A formal review will be launched in December 2008 as part of the review of Regulated Activities Order with a view to a three month public consultation starting in Spring

					2009. Changes could be implemented by 2010-2011.
<p>FSMA controllers regime (Acquisitions Directive) (Also referred to in the regulatory flow table Annex C)</p>	<p>Admin</p> <p>This will impact on the FSA baseline</p>	<p>Simplify the current regime requiring all people to report to the FSA when they acquire a controlling relationship over an FSA-authorized person, and to report when the extent of their control falls above or below a number of thresholds. This will be achieved in part by modernising the definition of what constitutes a controlling relationship. This reform will reduce admin burdens. These proposals form part of a ten-point action plan of reforms set out in the 2005 Pre-Budget Report.</p>	<p>Reporting requirements should be reduced, and remaining requirements should be more enforceable. The primary beneficiaries are likely to be asset managers, custodians and (other) nominees, who would otherwise need to develop costly and pervasive systems to identify and track the more obscure changes in controlling relationships.</p>	<p>FSA currently receives around 1150 reports per year. It is difficult to quantify the average admin cost of submitting each report and to quantify the likely reduction in reporting volumes. It is estimated that admin savings will be £200,000 per year, with a one-off cost of £150,000. 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. An Impact Assessment for the implementation of the Acquisitions Directive can be found on the HMT website.</p>	<p>A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June 2006. It was decided not to change the law twice and to implement the directive. An additional consultation was launched on 22 September 2008 and closes on 12 December 2008 for the directive to be implemented on 21 March 2009. The Commission's review of the supervisory approvals process addressed the vast majority of the simplification measures planned under the review of the controllers regime. It is anticipated that reforms not</p>

					caught by the Directive will be considered at the same time as transposing the Directive into UK law.
<p>Market Abuse Regulations (Also referred to in the regulatory flow table Annex C)</p>	<p>Policy Impacts on FSA baseline</p>	<p>In 2005 HMT committed to reviewing superequivalent provisions of its 2005 Market Abuse Regulations. These clauses were made subject to sunset clauses and would have otherwise automatically lapsed in June 2008 unless new legislation is adopted to allow them to remain in force.</p>	<p>Banking and investment services will primarily benefit if the superequivalent clauses are allowed to lapse. However this needs to be balanced with potential risk to investors as a result of undesirable market behaviour.</p>	<p>An Impact assessment accompanied the Consultation Document in 2008. Retaining the current UK superequivalent offences for a further limited period delivered the most favourable net benefit. The sunset clauses were extended to December 2009 in order to allow for the outcome of the EU review of the MAD. This enables a wider consideration of the benefits of the superequivalences in the context of this EU review and will minimise transition costs for industry.</p> <p>The IA notes that there would be a cost of implementing the outcome of the EU review of around £10.6 million which reflects the cost of between 2-8 hours work depending on the magnitude of the review and its similarity to existing UK requirements. The benefits of moving towards to a harmonised regime on completion of the EU review would be £4.8m. This benefit would arise from lower legal and compliance costs.</p>	<p>The relevant sunset clauses have been extended to the end of December 2009.</p>

<p>Removing freight forwarders and storage firms from the scope of FSA insurance regulation (retail) Also referred to in table C</p>	<p>Policy/some admin These saving will impact on the FSA baseline</p>	<p>Certain insurance activities of freight forwarders and storage firms are to be exempt from FSA regulation, where the insurance activity relates to a retail customer. This follows the deregulation of the commercial insurance activities of these firms in July 2007.</p>	<p>The benefit applies to the freight forwarding sector and the storage sector</p>	<p>The Average annual total benefit for freight forwarders is estimated to be £475,000 with a one-off transition cost of £1,600,000 and on-going annual cost of £53,000. Over 10 years the estimated net benefit will be £2.6 m to freight forwarders and storage firms. The FSA estimate that they currently authorise the insurance activities of approximately 100 freight forwarding and storage companies, including a significant proportion of small firms. These firms could make significant savings as a result of this initiative. The customers of as many as 2,900 freight forwarding and storage companies could benefit from additional security. A final Impact Assessment was prepared alongside the response to the consultation and is available on the HMT website.</p>	<p>A consultation was launched on 19 July 2008 and closed on 12 September 2008. The Government intends for proposals to come into force from 6 April 2009 following Parliamentary scrutiny.</p>
<p>Solvency II (Also referred to in the regulatory flow table. Annex C)</p>	<p>Policy Admin This will impact on the FSA baseline</p>	<p>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.</p>	<p>The insurance sector (both direct and reinsurance)</p>	<p>In June 2008 HMT published a partial IA on Solvency II. We consider that Solvency II will have a net benefit to the UK of approximately £97m per annum and the administrative savings will be around £3.4 million per year. The UK has already implemented prudential policy for insurers with broadly similar principles as Solvency II in the form of the ICAS regime. Therefore some of the regulatory costs of implementing Solvency II</p>	<p>Expected implementation 2012 (this measure is outside the timescale of the simplification plan).</p>

				may have already been incurred. Of the additional direct costs likely to be incurred by the FSA, one-off costs of implementation are estimated to be in the range of between £4m and £12.5 million, with ongoing costs between £500,000 and £2 million per annum.	
Improving the implementation of regulations 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 revisions of the Directive started in September 2006. The directive was agreed on 28 th June 2007 at first reading and placed on the Official Journal on 21 September 2007.
Financial promotion reform.	Policy/admin Admin This will impact on the FSA baseline	The financial promotion regime is complex partly because of the way the scope of FSA regulation is defined. Currently under the 'financial promotion restriction' in FSMA, in general, all communications which invite or induce a person to engage in investment business need to be approved or issued by an authorised person, unless covered by an exemption in the Financial Promotion Order.	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

		<p>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.</p>			<p>implemented – a delay which industry has requested. A formal review will be launched in Summer 2008 with a view to a three-month public consultation starting in Spring 2009. Changes could be implemented by 2010.</p>
<p>Regulated Activities Order (RAO) reform</p>	<p>Policy/ some admin</p>	<p>The RAO - the legislation specifying exactly what counts as a 'regulated activity' - will be reviewed and modernised in light of market developments and EU minimum requirements. This should involve simplifying where possible the precise list of activities which are subject to FSA regulation.</p>	<p>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.</p>	<p>Savings should stem from reductions in the scope of FSA regulation, and from the simplification of what constitutes a regulated activity. The extent of savings might be mitigated by the possible need for the FSA to introduce a new regulatory permissions regime, as this is tied closely to the RAO. A partial Impact Assessment will be prepared once proposals have been developed.</p>	<p>A formal review will be launched in Summer 2008 with a view to a three-month public consultation starting in Spring 2009. Changes could be implemented by 2010.</p>



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					
<p>Authorisation and supervision of Credit Rating Agencies in the EU.</p> <p>NEW MEASURE</p>	<p>Admin</p> <p>This will impact on the FSA baseline.</p>	<p>HMT is responsible for drafting the legislation on credit rating agencies to oversee their business practices to mitigate and manage conflicts of interest, and improve transparency.</p>	<p>Savings would relate to carrying out processes under FSA and CESR guidelines operating on a level playing field with EU competitors.</p> <p>The main beneficiaries will be financial investors, although this has wider positive impacts on financial stability.</p>	<p>Although it is difficult to quantify the costs, given that the directive/regulation has not been finalised yet, the FSA estimate costs to be around £0.75m per annum for each of the 3 large CRAs and £0.4m per annum for each of the smaller CRAs. Initial indications point towards an annual cost of £3.05m, to supervise 3 large CRAs and 2 small ones.</p> <p>It is not yet clear which Member State competent authority will be assigned lead regulator for each CRA that is affected, but given the location of headquarters and place of business, the FSA is expected to be assigned lead regulator to the vast majority.</p>	<p>The Commission is currently consulting on the draft directive/regulation, with a view to submitting it in October 2008.</p> <p>Implementation is currently proposed for 6 months after the directive/ regulation is agreed, pointing towards a summer/autumn 2009 start date.</p>

<p>The Regulation of Financial Services (Land Transactions) Act 2005 (and an Order to amend the RAO in 2006)</p>	<p>Policy/Admin</p> <p>This will impact on the FSA baseline</p>	<p>This brings home reversion plans and Ijara home financing arrangements within the scope of FSA regulation.</p>	<p>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.</p>	<p>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</p>	<p>Secondary legislation received Parliamentary approval in October 2006. Regulation took effect on 6th April 2007.</p>
<p>Pensions permission reform</p> <p>Also referred to in the delivered measures table (annex A).</p>	<p>Policy</p>	<p>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.</p>	<p>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.</p>	<p>A Final RIA was published in July 2007. Little or no burdens on existing firms in personal pensions. They have not had to pay application fees. There has been no change to their ongoing FSA fees and levies for consumer protection purposes.</p>	<p>New regulated activity came into effect from April 2007.</p>
<p>HMT approach to implementation of the Capital Requirements Directive (CRD)</p> <p>Also referred to in the regulatory flow table</p>	<p>Admin / Policy</p> <p>The FSA is responsible for the majority of implementation</p>	<p>HMT was responsible for drafting legislation for two areas of CRD implementation: group model recognition under the advanced approach to measuring capital requirements and the recognition of credit rating agencies for providing risk weightings for calculation under the standardised approach. HMT took a 'copy out' approach to transposing these parts of the directive.</p>	<p>Savings relate to carrying out processes under FSA and CEBS guidelines operating on a level playing field with EU competitors. CRD provides a more risk-based approach to calculating capital requirements.</p>	<p>HMT legislation Market participants estimated that administrative costs will range from £50,000 to £250,000 for initial applications and from £12,500 to £200,000 for ongoing admin and policy costs. By taking out a copy out approach to the directive, HMT has ensured that there are no extra costs involved on top of this.</p>	<p>Member states transposed the Directive in 2007 with full implementation on 1 January 2008. Further amendments to the Directive will be made in 2009. These are likely to deliver some further savings as well as imposing some additional costs. More details are set out in</p>

				An Impact Assessment was published 1 January 2007.	Annexes B and C. In terms of these amendments the Directive will be transposed by 31 October 2010, and implemented by 31 December 2010. The FSA will consult on implementation during 2009.
<p>Further Amendments to the Capital Requirements Directive (CRD)</p> <p>Also referred to in the regulatory flow table</p>	<p>Admin / Policy</p> <p>The FSA is responsible for the majority of implementation</p>	<p>The overarching goal of the proposed amendment is to: i) strengthen prudential requirements; ii) improve supervisory coordination and efficiency of supervision; and iii) increase convergence across the EU. Specifically, these amendments relate to the large exposures regime, hybrid capital instruments, supervision and supervisory colleges, and the requirements for securitisation and risk transfer activities. There is also a clarification of the existing principles on liquidity.</p>	<p>Savings would relate to carrying out processes under FSA and CEBS guidelines operating on a level playing field with EU competitors.</p> <p>The amendments will also improve financial stability and enhance supervision of cross-border groups.</p>	<p>It is not yet possible to quantify the likely additional costs from amending the CRD, as the amendments have not yet been finalised.</p> <p>Proposals requiring Treasury legislation they will be subject to an Impact Assessment in 2009. The FSA will also be conducting a full cost benefit analysis ahead of implementation.</p>	<p>The Directive will be transposed by 31 October 2010, and implemented by 31 December 2010.</p> <p>The FSA will consult on implementation during 2009.</p>
<p>Removing freight forwarders and storage firms from the scope of FSA insurance regulation (retail)</p> <p>Also referred to in table A</p>	<p>Policy costs</p> <p>These costs will impact on the FSA baseline</p>	<p>Certain insurance activities of freight forwarders and storage firms are to be exempt from FSA regulation, where the insurance activity relates to a retail customer. This follows the deregulation of the commercial insurance activities of these firms in July 2007.</p>	<p>The benefit applies to the freight forwarding sector and the storage sector.</p>	<p>Aside from the average annual total benefit for freight forwarders of £475,000, there will be a one-off transition cost of £1,600,000 and on-going annual cost of £53,000.</p> <p>A final Impact Assessment was prepared alongside the response to the consultation and is available on the HMT website.</p>	<p>A consultation was launched on 19 July 2008 and closed on 12 September 2008. The Government intends for proposals to come into force from 6 April 2009 following Parliamentary scrutiny.</p>

<p>FSMA controllers regime (Acquisitions Directive) Also referred to in the delivered measures table (annex B).</p>	<p>Policy cost This will impact on the FSA baseline</p>	<p>Simplify the current regime requiring all people to report to the FSA when they acquire a controlling relationship over an FSA-authorized person, and to report when the extent of their control falls above or below a number of thresholds. This will be achieved in part by modernising the definition of what constitutes a controlling relationship. This reform will reduce admin burdens. These proposals form part of a ten-point action plan of reforms set out in the 2005 Pre-Budget Report.</p>	<p>Reporting requirements should be reduced, and remaining requirements should be more enforceable. The primary beneficiaries are likely to be asset managers, custodians and (other) nominees, who would otherwise need to develop costly and pervasive systems to identify and track the more obscure changes in controlling relationships.</p>	<p>FSA currently receives around 1150 reports per year. It is difficult to quantify the average admin cost of submitting each report and to quantify the likely reduction in reporting volumes. It is estimated that admin savings will be £200,000 per year, with a one-off cost of £150,000. 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. An Impact Assessment for the implementation of the Acquisitions Directive can be found on the HMT website.</p>	<p>A twelve-week public consultation was launched at Budget 2006 (22 March) and closed on 14 June 2006. It was decided not to change the law twice and to implement the directive. An additional consultation was launched on 22 September 2008 and closes on 12 December 2008 for the directive to be implemented on 21 March 2009. The Commission's review of the supervisory approvals process addressed the vast majority of the simplification measures planned under the review of the controllers regime. It is anticipated that reforms not caught by the Directive will be considered at the same time as transposing the Directive into UK law.</p>
<p>Proposals to reform Part 7 of the 1989 Companies Act NEW MEASURE Also referred to in the delivered measures table (annex A).</p>	<p>Policy This will impact on the FSA baseline</p>	<p>HM Treasury has proposed reforms to Part 7, which safeguards financial markets in relation to central counterparty clearing houses and investment exchanges in the event of a market participant's default.</p>	<p>Updating the legislation will reduce systemic risk in the event of a market participant's default and support industry developments in operations, risk management and governance.</p>	<p>One-off costs are estimated to be £1.9m resulting from clearing houses promulgating changes to the finance print of their terms of business. Potential benefits are likely to be large and diffuse and so precise quantification is difficult at this stage.</p>	<p>Consultation ran from 24 July to 16 October 2008. The responses from the consultation are being considered.</p>

				A draft Impact Assessment was published with the consultation document in July 2008.	
Solvency II (Also referred to Annex B)	Policy This will impact on the FSA baseline	The European Commission, jointly with Member States, is carrying out a fundamental review of the regulatory capital regime of the insurance industry (the Solvency II project). Its objective is to establish a solvency system that is better matched to the true risks of insurers enabling supervisors to protect policyholders' interests as effectively as possible and in accordance with common principles across the EU.	The insurance sector (both direct and reinsurance)	In June 2008 HMT published a partial IA on Solvency II. We consider that Solvency II will have a net benefit to the UK of approximately £97m per annum and the administrative savings will be around £3.4 million per year. The UK has already implemented prudential policy for insurers with broadly similar principles as Solvency II in the form of the ICAS regime. Therefore some of the regulatory costs of implementing Solvency II may have already been incurred. Of the additional direct costs likely to be incurred by the FSA, one-off costs of implementation are estimated to be in the range of between £4m and £12.5 million, with ongoing costs between £500,000 and £2 million per annum.	Expected implementation 2012 (this measure is outside the timescale of the simplification plan).
Investment Exchanges and Clearing Houses Act 2006	Policy Impact on the FSA baseline	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	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	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: on 20 December 2006. FSA consultation on rules to replace interim waivers published on 25 June 2007 and closes on 25 September 2007. Deadline for new rules to be made: 19 December 2007.

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

<p>Travel insurance sold alongside a holiday</p>	<p>Policy/admin</p> <p>This impacts on the FSA baseline</p>	<p>The Government announced on 26 June 2007 that it intends to extend FSA regulation to the selling of travel insurance sold alongside a holiday or other related travel, subject to a consultation on its favoured approach. Currently FSA regulation applies only to the selling of stand-alone travel insurance. It is not intended that this extension will apply to car-hire and event management firms that make use of the current exemption. This decision is part of HM Treasury's current travel insurance review and was taken following an analysis of responses to call for evidence that closed on 22 February 2007. Further consultation on the intended approach and the detail of the draft legislation closed on 18 September 2007. The evidence revealed the potential for consumer detriment arising from non-regulated sales of travel insurance by travel firms.</p>	<p>Consumers of travel insurance sold alongside a holiday will benefit through the increased consumer protections afforded by FSA regulation. Firms selling travel insurance alongside a holiday will be expected to comply with high-level principles, including a general requirement to treat customers fairly, and statutory rules covering areas such as product disclosure. Customers of these firms will also have access to the Financial Ombudsman Service to resolve a dispute with the firm.</p>	<p>The final Impact Assessment estimates the total costs to travel firms following the introduction of FSA regulation amount to one-off costs of between £7.25m and £8.14m and ongoing annual costs of between £2.48m and £5.14m. The annual benefits are of the range of £19.56 - £20.1m, with the total benefit estimated at £168.37-£173.01m</p> <p>It is not possible at this stage to split the costs associated with this option into policy compliance costs and administrative burdens. This will only be possible when the FSA has indicated the regime that it intends to apply. At this point in time, the Government expects that policy compliance costs (such as the costs of ensuring that the details of insurance policies are disclosed in a fair and transparent way, FSA authorisation fees, FOS case fees) will constitute a higher proportion of total costs than administrative burdens. 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.</p>	<p>The final SI was laid 13 December 2007. The Government intends for regulation of the selling of travel insurance sold alongside a holiday to begin on 1 January 2009.</p>
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Incoming international regulations					
<p>Gender Directive Data Publication Requirement</p>	<p>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.</p>	<p>The Government Equalities Office (GEO) has published proposals for implementing the Directive through the Sex Discrimination Act 1975 (Amendment) Regulations 2007. It is proposed that 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.</p>	<p>Consumers will have access to evidence for differences in treatment of men and women in insurance.</p>	<p>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 (policy) 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.</p>	<p>A consultation on how firms should meet the obligation to publish data ended on 3 September 2007. The response to the consultation was published in November 2007 and the changes came into effect on 21 December 2007.</p>
<p>Payment Services Directive (PSD)</p>	<p>Policy Impact on the FSA baseline</p>	<p>The Directive creates a new licensing regime for non-bank providers of payment services - known as "payment institutions". The regime will allow non-bank providers (e.g. money remitters) to sell their services across the EU (passport) on the basis of a single licence obtained in any EU MS. The Directive also harmonises conduct of business rules (e.g. relating to information provision and liability requirements) for all providers of payment services (e.g. banks, e-money issuers and payment institutions across the EU).</p>	<p>Full harmonisation of EU legal framework on payment services to support single market in financial services. New licensing regime will affect the larger/medium-sized players among the UK's existing and emerging non-bank payment service providers (payment institutions), allowing them to passport their services into other EU MS. Smaller firms (e.g. local shops offering a variety of small-scale/localised payment services) operating below a certain threshold and not wishing to operate cross-border can be waived from all or part of the new licensing</p>	<p>In the latest Impact Assessment regarding the implementation of the PSD, published July 2008, and accompanying a consultation on the draft legislation, the estimated total one-off cost of compliance for firms lay at £28.3m, and the ongoing cost at £4.8m per annum. These estimates were based on using the policy flexibility within the directive, without which they could be expected to rise to £34m and £19.6m respectively. Broadly, the costs relate to paying licensing fees, changing internal firm systems/procedures, and training on PSD compliance.</p>	<p>A consultation on the draft implementing legislation, in the form of section 2(2) HMT regulations, was published in July 2008. Final legislation will be laid before Parliament before end-2008, for enactment on 1 November 2009.</p>

			regime. Conduct of business rules aimed at customer protection will apply to all banks, e-money issuers and payment institutions		
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 include: 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
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	1 November 2007

				figures: it is likely that the distribution of costs and benefits will vary among firms depending on exactly how MiFID affects their business.	
Market Abuse Regulations (Also referred to in the regulatory flow table A)	Policy costs Impacts on FSA baseline	In 2005 HMT committed to reviewing superequivalent provisions of its 2005 Market Abuse Regulations. These clauses were made subject to sunset clauses and would have otherwise automatically lapsed in June 2008 unless new legislation is adopted to allow them to remain in force.	Banking and investment services will primarily benefit if the super-equivalent clauses are allowed to lapse. However this needs to be balanced with potential risk to investors as a result of undesirable market behaviour.	The IA notes that there would be a cost of implementing the outcome of the EU review of around £10.6 million which reflects the cost of between 2-8 hours work depending on the magnitude of the review and its similarity to existing UK requirements. The benefits of moving towards to a harmonised regime on completion of the EU review would be £4.8m. This benefit would arise from lower legal and compliance costs.	The relevant sunset clauses have been extended to the end of December 2009.
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.	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.

<p>Payments regulation</p>	<p>Policy Impact on the FSA baseline</p>	<p>This regulation implements the Financial Action Task Force recommendation no. 7 on financial terrorism. It puts in place identification procedures for money transfers. It is separate from the Payment Services Directive.</p>	<p>Sectors affected- Payment services (but there are certain exemptions for smaller transactions and certain not-for-profit organisations).</p>	<p>Costs would stem from providing extra information to supervisors to inform the supervisors' risk registers. This cost is estimated at approximately £89,000 across 3,400 firms, averaging from £20 -£50 per firm depending on size. The costs in relation to this activity relate to: collecting and verifying the originator information; and retaining originator information associated with transfers for five years.</p>	<p>Implemented on 15 December 2007.</p>
<p>Reinsurance Directive implementation (RID)</p> <p>Also referred to in the simplification measures table (annex A)</p>	<p>Policy</p>	<p>This Directive, due for implementation by end 2007, will create an EU-wide prudential regulatory framework for pure reinsurers, along similar lines to those already in place for insurers. Will be implemented mainly through FSA rules, though with some HMT legislative amendments (primarily to FSMA 2000).</p>	<p>Will create a minimum level of harmonised prudential supervision of reinsurance across the EU. Primarily pure reinsurers to be affected by the Reinsurance Directive.</p>	<p>FSA Rules FSA capital requirements on reinsurers will be reduced. Minimal one-off policy costs associated with reinsurers updating their I.T. systems HMT Legislation Consultation on changes to FSMA and regulations made under it was launched on 25 July 2007. Net impact identified is positive.</p>	<p>HMT legislation A three-month public consultation was launched in July 2007, following discussions with the FSA. Regulations to implement the Directive came into force on 10 December 2007. FSA Rules The rules are in force.</p>
<p>Rome I</p>	<p>Policy Impact on the MOJ baseline</p>	<p>A draft regulation to transpose the convention on the law applicable to contractual obligations of 1980 ("Rome Convention") into EU law. The UK opted out of the regulation but is continuing to take part in the negotiations with a view to opting in at a later date if it is in the UK interest.</p>	<p>Updating and replacing the Rome I Convention on applicable law to commercial contracts. Sectors affected – financial services, lawyers, any business or party to a cross border commercial contract.</p>	<p>Commission proposals do not estimate the likely costs or benefits. IA likely to follow, once a final text is agreed.</p>	<p>Rome 1 was adopted in 2008 and the UK signed up to it.</p>

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