

## Appendix 5: Costs of regulatory authorities in other jurisdictions

### Table of indicators

The data in the following table was obtained largely from the regulatory agencies named. In producing the table we were aware that:

- the nature and extent of the responsibilities of the various regulatory agencies differ materially;
- figures do not all relate to the same accounting period and may not be compiled on the same basis;
- labour and other costs vary between countries;
- variations in exchange rates will affect results expressed in a single currency;
- the nature and scale of the financial services industries in different countries differs materially. We include some figures that indicate the size of countries' financial services sectors, but these are only indicative; and
- in several cases we have been unable to establish a reliable estimate of all the direct costs of regulation or staff employed in regulatory functions. In such cases the numbers provided will understate the true position.

Because of the factors listed above, we **caution against using the table for international comparisons, such as whether regulation in any individual country is truly more cost-efficient than regulation in any other country.**

It should also be noted that the direct costs of regulation incurred by the agencies in the table reflect only some of the total costs that regulation imposes upon the economies concerned.

Area of responsibility	Australia	Canada (Note 7)	France	Germany	Hong Kong
<b>Credit institutions – prudential supervision</b>	Australian Prudential Regulatory Authority (APRA): £9.7m; 133 staff	Office of the Superintendent of Financial Institutions (OSFI): £9.5m; 169 staff / Canada Deposit Insurance Corporation (CDIC): £1.3m ;19 staff / British Columbia Financial Institutions Commission (FICOM): £1.8m; 25 staff	Commission Bancaire; £43.7m; 595 staff	Federal Financial Supervisory Authority (BaFin) (Note:17): £37.8m; 823 staff	Hong Kong Monetary Authority £14.6m; 234 staff
<b>Insurance companies (life, pensions and non-life) – prudential supervision</b>	APRA: £7.4m; 102 staff for insurance companies, £10m and 133 staff for pension funds	OSFI: £9.0m; 159 staff / FICOM: £0.8m; 10 staff / Autorité des Marchés Financiers (AMF): £2.1m; 70 staff (Note 8)	Commission de Contrôle des Assurances: £5.5m (Note 14)	BaFin: £16.3m; 353 staff	Office of the Commissioner of Insurance (OCI): £7.1m; 86 staff
<b>Securities firms and fund management firms – prudential supervision</b>	Australian Stock Exchange (ASX) : £17.6m; 136 staff / Australian Securities and Investments Commission (ASIC): £71.7m; 1,396 staff (Note 6)	AMF: costs included above / Ontario Securities Commission: £23.2m; 356 staff / Alberta Securities Commission: £7.8m; 142 staff / British Columbia Securities Commission: £11.6m; 208 staff / Manitoba Securities Commission: £1.3m; 34 staff	Commission des Opérations de Bourse (COB): £16.2m; 276 staff (Note 15)	BaFin: £5.2m; 143 staff	Securities and Futures Commission (SFC): £7.9m; 129 staff
<b>Supervision of and standards for exchanges / clearing and settlement systems / market service providers</b>	ASX: costs included above	AMF, Securities Commissions: costs included above	Council Des Marchés Financiers (CMF): £5.4m; 45 staff (Note 15)	BaFin: costs included above	SFC: £10.4m; 22 Staff
<b>Supervision of, and standards of conduct on, capital markets (including transaction reporting but excluding exchange's own rules)</b>	ASX: costs included above / ASIC: costs included above	AMF: £10.5m; 240 staff (Note 9)	CMF: costs included above	BaFin: costs included above	SFC: £4.2m; 44 Staff
<b>Standards for / approval of listing of securities</b>	ASX: costs included above	Toronto Stock Exchange: £44.2m; 524 staff (Note 10) /AMF: costs included above	COB: costs included above	BaFin: costs included above	HK Exchange Clearing LTD: £13.0m; 125 staff
<b>Regulation of collective investment schemes / fund management</b>	ASIC: costs included above	AMF: costs included above	COB: costs included above	BaFin: costs included above	SFC: included under prudential supervision above
<b>Regulation of financial advice / advisers and of the selling / marketing of retail financial products (excluding occupational pension schemes)</b>	ASIC: costs included above	Financial Consumer Agency of Canada (FCAC): £2.8m; 35 staff / AMF:£4.8m; 145 staff (Note 11)	CMF and COB: costs included above	BaFin: costs included above	SFC: included under prudential supervision above
<b>Regulation of Credit Unions</b>	APRA: included in credit institutions / ASIC: costs included above	OSFI: £0.1m; 2 staff / Credit Union Deposit Guarantee Corporation (Alberta): £1.6m; 36 staff / AMF: £0.8m; 30 staff (Note 12)		BaFin: costs included above	N/A
<b>Regulation of the provision of mortgages</b>		FCAC: costs included above / FICOM: £2.1m; 5 staff		BaFin: costs included above	N/A
<b>Total costs of regulators (Note 1)</b>	£116.4m	£135.3m (Note 13)	£70.8m	£59.3m	£57.2m
<b>Total staff in regulatory agencies (Note 2)</b>	1,900 staff	2,209 staff	916 staff	1,319 staff	640 staff
<b>Total banking assets (Note 3)</b>	£500bn	£717.6bn	£2,504bn	£557.4bn	£468.6bn
<b>Total equity market capitalisation (Note 4)</b>	£319.4bn	£481.6bn (TSX)	£1,134.4bn (Euronext) (Note 16)	£584.5bn (Deutsche Bourse)	£484.2bn
<b>Total insurance premiums (Note 5)</b>	£20.4bn	£24.9bn	£87.8bn	£95.4bn	£7.1bn

Irish Republic (Note 18)	Singapore	Sweden	UK	USA
52 Staff	Monetary Authority of Singapore (MAS): £12.3m; 162 staff	Finansinspektionen (SFSA): £5.2m; 71 staff	Financial Services Authority (FSA): £51m	Office of the Comptroller of the Currency (OCC): £289.9m; 2,761 staff / Office of Thrift Supervision (OTS): £96.7m; 894 staff / Federal Reserve Board: £51.9m; 377 staff / Federal Reserve Banks: £268.3m; 2,578 staff / Federal Deposit Insurance Corporation (FDIC): £440.8m; 4,209 staff
28 Staff	MAS: £3.5m; 51 staff	SFSA: £2.8m; 38 staff	FSA: £25m	National Association of Insurance Commissioners (NAIC): £514.5m; 11,256 staff (Note 19)
42 Staff (a)	MAS: £5.2m; 56 staff	SFSA: £1.8m; 25 staff	FSA: £19m	Securities and Exchange Commission (SEC): £430.2m; 4,090 staff / Commodity Futures Trading Commission (CFTC): £46.5m; 521 staff / National Futures Association (NFA): £17.5m; 226 staff (Note 20) / National Association of Securities Dealers (NASD): costs included below
Staff numbers included in 'a' above	MAS: £0.6m; 6 staff	SFSA: £0.3m; 4 staff	FSA: £5m	SEC, OCC, CFTC: costs included above
Staff numbers included in 'a' above	MAS: £1.4m; 15 staff	SFSA: £2.5m; 35 staff	FSA: £4m	SEC, CFTC: costs included above / NASD: £290.2m; 2,085 staff
		SFSA: £0.3m ; 4 staff	FSA: £11m	SEC,CFTC: costs included above
68 Staff	MAS: costs included in securities firms and fund management firms	SFSA: costs included under insurance companies, securities firms and fund management firms	FSA: £24m	SEC, CFTC: costs included above
56 Staff (b)	MAS: £0.9m; 10 staff	SFSA: £0.7m; 9 staff	FSA: £74m / Financial Ombudsman Service (FOS): £36m / Financial Services Compensation Scheme (FSCS): £11m	SEC, CFTC: costs included above
21 Staff	N/A	N/A	FSA: £1m	National Credit Union Administration (NCUA): £72.9m; 927 staff
Staff numbers included in 'b' above	N/A	SFSA: costs included in credit institutions	FSA: £9m	
£25.5m	£23.9m	£13.6m	£270m	£2,519.4m
267 staff	300 staff	186 staff	FSA: 2,313 staff / FOS: 634 staff / FSCS: 122 staff	29,924 staff
£369.2m	£391.8bn	£237.2bn	£3,364.6bn	£4,933.2bn
£111.1m	£84.9bn	£166.8bn	£1,331.8bn	£9,344.4bn
£14.3bn	£3.4bn	£13.9bn	£157.6bn	£635.4bn

## Notes to the table

### Note 1

The figures in this row reflect the numbers in this table. In some cases the true totals are higher. For example, some of the figures exclude support staff. In other cases we have been unable to provide a reliable estimate of all of the direct costs of regulation, because some regulatory functions are performed within government departments, central banks, or at a regional as well as a national level. Figures are recent, but they do not all relate to the same accounting period.

Total figures per country and other data are not directly comparable because of differences in countries' financial industries, regulatory legislation, labour and other costs. They are also affected by the strength of the countries' currencies on the date the figure was converted to sterling, which in most cases was 7 April 2004.

Therefore, the table cannot be used to support the conclusion that regulation in any country listed is more cost-efficient than in any other country.

### Note 2

As with the total costs of regulation, the total number for staff reflects only the numbers in the table.

### Note 3

Most of the figures for total banking assets refer to 31 December 2003.

### Note 4

Most of the figures shown are for market capitalisation of domestic companies as at January 2004, as published by the World Federation of Exchanges. The figure shown for the US is the sum of the NASDAQ and the New York Stock Exchange market capitalisations of domestic companies. The figures for Ireland and Sweden were provided by the respective regulatory authorities.

### Note 5

Most of the figures shown are total premiums for 2002. The figures for France, Germany and Singapore are from Swiss Re's Sigma publication.

### Note 6

ASIC's number of staff allocated to the supervision of, and standards of conduct on, capital markets (including transaction reporting but excluding exchange's own rules) is a sub-set of the 125 staff in its

Markets Regulation and Policy Directorate. Similarly, included in the 178 staff in their Financial Services Regulation Directorate are those allocated to:

- regulating collective investment schemes/fund management;

- regulating financial advice and advisers;
- selling and marketing of retail financial products (excluding occupational pension schemes); and
- regulating credit unions.

Staff numbers for the Markets Regulation and Policy Directorate and for the Financial Services Regulation Directorate do not include staff devoted to enforcing the law relevant to those functions. A share of ASIC's total is devoted to aspects of corporate regulation, which may not be performed by financial regulators in other countries.

### Note 7

The Agence nationale d'encadrement du secteur financier, an entity created by Act, began operations on February 1, 2004 under the name 'Autorité des marchés financiers' (AMF). It replaces the Commission des valeurs mobilières du Québec (CVMQ), Bureau des services financiers (BSF), Régie de l'assurance-dépôts du Québec (RADQ), and the Fonds d'indemnisation des services financiers. It also replaces the Inspecteur général des institutions financières (IGIF) regarding the functions and powers it exercises in the application of laws governing the regulation of the financial sector.

The figures in the AMF response cover 10 months for CVMQ and IGIF and 13 months for BSF.

#### Note 8

This figure is from the IGIF's 2003 budget.

#### Note 9

This figure is from the CVMQ's 2003 budget.

#### Note 10

This figure is for the TSX Group as a whole and includes compensation and benefits, general and administration expenses, but not IT costs or depreciation.

#### Note 11

This figure is from the BSF's 2003 budget.

#### Note 12

This figure is from the IGIF's 2003 budget.

#### Note 13

This figure reflects only the numbers in the column. For consistency it does not include the additional figures for overheads provided by the Office of Superintendent of Financial Institutions, British Columbia Financial Institutions Commission and Autorité des marchés financiers,

as the figures provided by some other Canadian regulators are understood to exclude overheads.

#### Note 14

This budget figure is likely to represent an underestimate and the budgeted costs of regulation will be reviewed going forward.

#### Note 15

France's new securities regulator, the Autorité des marchés financiers (AMF) was established by Act on 1 August 2003 and started operational activity on 24 November 2003. It was formed from the merger of the Commission des Opérations de Bourse (COB), the Conseil des marchés financiers (CMF) and the Conseil de Discipline de la Gestion Financière (CDGF).

The figures provided by the AMF are for COB and CMF only and relate to the period 1 January to 23 November 2003.

#### Note 16

Euronext includes more than French stocks.

#### Note 17

There is now a single integrated regulator in Germany for banking, insurance and securities regulation: the Federal Financial Supervisory Authority (BaFin). All the key

functions of consumer protection and solvency supervision fall to the BaFin. However the Deutsche Bundesbank and its regional offices undertake day-to-day supervision of banks. State authorities have some responsibilities for securities markets and certain insurance companies.

#### Note 18

The Irish Financial Services Authority (the new single regulator) was established on 1 May 2003. So 2004 will be its first full financial year and the first year in which detailed budget data can be provided. No detailed information relating to the cost per area of regulation could be provided at the time of publication.

#### Note 19

This figure includes costs of state insurance regulators and not just the NAIC.

#### Note 20

The National Futures Association (NFA) has provided projected cost figures for the fiscal year 1 July 2003 to 30 June 2004.

