



Estimation of FSA Administrative Burdens

**Real Assurance Risk Management
June 2006**

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1 Introduction

- 1.1 This report describes the results of work commissioned by the FSA in August 2005 to estimate the total cost of the administrative burdens imposed on the UK financial services industry by the rules in the FSA Handbook.¹
- 1.2 The report also describes the estimation process we employed. This was based upon the Standard Cost Model (SCM), a methodological approach endorsed by the Cabinet Office's Better Regulation Executive (BRE).
- 1.3 Most of the work was carried out during the period September 2005 to February 2006. Firms' estimates were then challenged and refined between March and May 2006.
- 1.4 An addendum to this work covering administrative costs of reporting information to third parties is in the course of preparation.

Acknowledgements

- 1.5 We should like to thank all the firms who participated in this study for their help and co-operation.
- 1.6 In addition, the completion of this work would have been difficult without the full assistance and co-operation of many staff and managers within the FSA itself. In particular, we would like to thank FSA staff within the Economics of Financial Regulation Department, the General Counsel's Division, the various supervisory departments, and the Business Intelligence Department who provided invaluable assistance in extracting information from a multiplicity of complex IT systems.

Real Assurance Risk Management

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Real Assurance Risk Management is a small consulting firm specializing in quantitative analysis mainly in the areas of business, strategic and operational risk management, including AMA implementation.

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¹ The administrative burdens associated with the Listing Rules, Prospectus Rules and Disclosure Rules were excluded from this exercise to avoid duplicating the work of government departments.

2 Summary of results

- 2.1 A summary of the rules considered to result in administrative burdens with associated estimates of those burdens is set out in Annex 1 in descending order of size. The total administrative burden imposed by the 158 rules identified as imposing such costs is estimated at around £600m per annum.² This estimate, which is the sum of the figures in the column headed "Costs" in Annex 1, was generated using our own estimates of the hourly wage rates of those working in the financial services industry. The estimates listed in the "SCM" column sum to approximately £440m. These estimated costs are based on the hourly wage rate information provided by the BRE, which we believe underestimates going rates for the industry, particularly in London and the South East.
- 2.2 It must be stressed that, due to the uncertainties of the estimation process, the "true" figure could lie anywhere in a very wide range around £600m (or £440m).
- 2.3 The top twenty administrative burdens and associated rules – based on our own hourly wage rate estimates - are shown in Table 1 as follows:

Rule	Description	Estimated cost (£)	Percent
ML 7.3.2	Money laundering -records of evidence customer identity etc	99,242,000	16.7%
ML 7.3.3	Money laundering - records of transactions	70,271,000	11.8%
ML 7.3.3	Money laundering staff training	46,272,000	7.8%
TC 2.4.9 G	Training and competence record requirements	38,672,000	6.5%
ML 4.3.2	Money laundering reporting to NCIS	38,537,000	6.5%
ICOB 7.7.1	Claims information to be kept for three years	29,880,000	5.0%
ICOB 5.7.1	Records of policy summaries and policy documents provided to customers	24,910,000	4.2%
IPRU (INS) 9	Life Insurers annual returns	21,310,000	3.6%
SUP 16.7.77	RMAR Returns - GI intermediaries	15,996,000	2.7%
AUTH 3.9	Application for authorisation	14,809,000	2.5%
DISP 1.5.1	Making and retaining records of complaints	14,411,000	2.4%
DISP 1.5	Half yearly complaints report	13,850,000	2.3%
IPRU (INS) 9	General Insurers annual returns	13,775,000	2.3%
SUP 16.7.77	RMAR Returns - Financial Advisors	12,735,000	2.1%
CASS 2.6.15	Client asset records	11,785,000	2.0%
SUP 10.12.2	Application for approval of approved persons in controlled functions	9,092,000	1.5%
SUP 16.7.24	Securities and futures firms regular returns	8,604,000	1.5%
SUP 6.3.15	Application for variation of permission ("VOP")	8,200,000	1.4%
SUP 3.10.4	Client money audit	7,695,000	1.3%
COB 3.7	Records of non-real time financial promotions.	6,852,000	1.2%

² The estimates are based on data for the calendar year 2005. The estimates also incorporate information for the financial year 2004-2005 provided by Deloitte. It was not felt necessary to adjust the Deloitte estimates because inflation is low and, given the wide margin of error involved, to avoid accusations of spurious accuracy.

- 2.4 Money laundering rules account for by far the largest single set of administrative burdens on the UK financial services industry, accounting for around 40% of the total estimated cost.
- 2.5 The highest burdens generally arise in two cases: high costs incurred by a few very large firms (this is mainly the case with the money laundering rules), or cases where rules apply to a large proportion of the approximately 25,000 firms that the FSA supervises (for example the Retail Mediation Activity Report (RMAR)).
- 2.6 An example of the former situation is the reported costs of preparing the annual returns of insurance companies. Unsurprisingly, for large companies with international operations, this will require many hours of management and staff time in gathering and collating the required information to include in a long and complex report. On our estimates this information costs in the region of £35m per annum to produce.
- 2.7 The other main costs of producing regular reporting returns, extracted from the list in Annex 1, are shown in Table 2:

Rule	Description	Estimated cost (£)	Percent
ML 4.3.2	Money laundering reporting to NCIS	38,537,000	6.5%
IPRU (INS) 9	Life Insurers annual returns	21,310,000	3.6%
SUP 16.7.77	RMAR Returns - GI intermediaries	15,996,000	2.7%
DISP 1.5	Half yearly complaints report	13,850,000	2.3%
IPRU (INS) 9	General Insurers annual returns	13,775,000	2.3%
SUP 16.7.77	RMAR Returns - Financial Advisors	12,735,000	2.1%
SUP 16.7.24	Securities and futures firms regular returns	8,604,000	1.5%
DISP 5.5	Annual report of relevant business for General Levy	6,479,000	1.1%
SUP 16.7.36	Investment management firm regular returns	3,867,000	0.7%
SUP 16.7.7	Banking BSD returns	3,754,000	0.6%
SUP 16.5.4	Annual Close Links Report	2,793,000	0.5%
SUP 16.7.16	Building society returns	2,650,000	0.5%
IPRU(INS) 9.3A	Realistic basis life firm mid-year realistic valuation	2,240,000	0.4%
SUP 10.9.8	Annual report on significant management functions	2,193,000	0.4%
COMP 13.6.11	Annual report on contribution groups and business re FSCS (Compensation Scheme)	2,011,000	0.3%
SUP 16.9.1	Appointed representatives annual report	1,984,000	0.3%
SUP 16.4.5	Annual Controllers Report	1,772,000	0.3%
SUP 16.11.3	Product sales data	1,745,000	0.3%
SUP 16.8.3	Persistency reports for life insurers and friendly societies	917,000	0.2%
SUP 17.7.30	For investment firms which are sole traders/partnerships - solvency statement requirements	804,000	0.1%

- 2.8 Looking at the results in Annex 1, it is clear that the overwhelming proportion of the administrative burdens arise from comparatively few rules. Of the 158 rules identified as imposing an administrative burden we can see that the top 20 rules account for over 85% of the total administrative burden and the top 50 rules for 99%.
- 2.9 Overall, there do not appear to be any major surprises in the figures obtained. For example the money laundering figures appear to be in line with those quoted in a recent report sponsored by the ICAEW and the Corporation of London in June 2005.³
- 2.10 Although the SCM-defined baseline, and the estimates in Annex 1, exclude all “one-off” costs (arising from the introduction of new rules), nevertheless a general point common among firms’ comments was that many of their significant costs arise from *changes* to the rules, even, paradoxically, if the result is a set of simpler or less burdensome rules.

³ Anti-Money Laundering Requirements: Costs, Benefits and Perceptions (2005) published by the Corporation of London.

3 Methodology

The Standard Cost Model (“SCM”)

- 3.1 The methodology used was based upon the “UK Standard Cost Model Manual” Version 1.01 published by the Better Regulation Executive in September 2005.
- 3.2 The SCM specifically does not aim to produce statistically valid results and we set out below important caveats to be placed upon the use of the estimates we have obtained.
- 3.3 Our method followed the basic approach to the SCM comprising the following steps:
 - Obtain a listing of all FSA rules containing administrative burdens;
 - Identify the relevant population of firms to which each rule applies;
 - Seek estimates from firms for the annual incremental compliance cost associated with each rule (ie those costs that firms would save if the rule was removed);
 - Extrapolate the results to the national level.
- 3.4 The SCM seeks to analyse the cost of each administrative burden rule into 16 standard activity types. This is a very ambitious project and given that firms were asked to cost around 20 rules each (already a challenge for many), the activity analysis would have required a request for around 320 individual pieces of cost data.
- 3.5 On the grounds of pragmatism we decided not to request the standard activity analysis because of a concern that this would be perceived by firms as an unreasonable request. Later this was borne out in practice when many firms who were asked to participate in a web-based survey refused to do so on the grounds that the survey itself imposed on them a further administrative burden (even in the absence of the activity analysis).

Administrative costs, administrative burdens and incremental costs

- 3.6 The SCM defines *administrative costs* as the costs of administrative activities that businesses are required to conduct in order to comply with the information obligations that are imposed through regulation. The *administrative burdens* are that part of the administrative costs which are only incurred as a result of the rules. Such costs are called *incremental costs* because in the absence of regulation they would not be incurred.
- 3.7 For example, there is an administrative cost associated with keeping records in relation to the handling of complaints. Not all of this cost can be considered incremental since, in the absence of regulation, firms would still need to keep records in relation to matters that could become the subject of litigation. Only that

part of the cost which can be attributed solely to the rules is considered incremental and, therefore, an administrative burden.

- 3.8 Another example would be keeping records of confirmations of transactions sent by stockbrokers to their customers. Here there is little or no incremental cost in that the information should already be on the system which produces the confirmation and there is a negligible additional cost of maintaining the information on the system for the required time period.

Third party information obligations

- 3.9 The estimates presented in this report relate to the administrative burdens arising from the obligation to report information to the FSA and other statutory bodies (such as NCIS). It is these estimates which are to be included in the baseline of the Administrative Burden in the UK.
- 3.10 There are, however, many rules which require firms to provide information to third parties, especially customers. The costs of these requirements are excluded from the current estimates and will be estimated as part of a future report, whose precise scope may alter to reflect discussions with the BRE.

Size categories

- 3.11 Because of the large disparity in the size and nature of firms subject to FSA regulation, firms were placed into a size category (Large, Medium, Small). This classification was based upon the FSA's standard "Arrow" impact assessment used for supervisory risk assessment. Arrow assessments are available for all firms and this was determined to be a reasonable proxy for a size parameter.
- 3.12 The SCM advises that cost information should be obtained from a relatively small number of firms (two or three) in each size category for each rule. We met this requirement and in many cases obtained information from much larger samples of firms in relation to rules which apply to all firms (eg complaints reporting).

"Normally efficient business"

- 3.13 The SCM introduces the concept of the "normally efficient business". Clearly comparable firms may suffer different costs of satisfying the same requirements because of differences in efficiency. In common with many exercises such as these, judgmental adjustments need to be made in view of the general tendency of firms to over-estimate costs. There were a number of rules where firms significantly revised their estimates downwards after challenge and further consideration.
- 3.14 In addition, in some cases firms may have "over implemented" the rules in the sense that they have decided that there are good business reasons for going beyond the requirements. In such instances one needs to establish that this is the case and make adjustments as necessary.

Rules analysis

- 3.15 The base population of administrative and policy burdens was first identified by policy experts within the FSA and then split into the following categories
1. Regular reporting returns to be submitted to the FSA;
 2. Formal applications or requests submitted to the FSA (eg approval of individuals, waivers, and variations of permission);
 3. Ad-hoc notifications to the FSA (all other notifications not included in 2);
 4. Record keeping requirements;
 5. Policy burdens (third party information obligations eg providing information to customers)
 6. Audit requirements.
- 3.16 It was necessary first to eliminate double counting, which resulted in the exclusion of a fair number of rules that were on the initial list. Double counting occurs where more than one specific rule relates to the same administrative cost being incurred. One example of this is the “COLL” sourcebook, which is the new set of rules applying to collective investment schemes. Currently this set of rules is running in parallel with the “CIS” sourcebook which will be superseded by COLL. Clearly, we only needed to include one set of rules which related to the same costs being incurred.
- 3.17 The full listing of the rules considered is set out in Annex 1.
- 3.18 For each rule one needs to establish the relevant *firm populations* relating to the Large, Medium and Small categories. After obtaining *unit cost* information, the total administrative burden is simply obtained by multiplying for each size category the unit cost and the population and summing the results for each administrative burden identified.
- 3.19 Table 3 sets out the general approach to defining the applicable populations. There were some exceptions to this (the detail is contained in the full rule/cost listing in Annex 1).
- 3.20 There are 236 rules in all, of which 158 are administrative burdens and 78 are burdens arising from reporting to third parties.

Table 3: Breakdown of rules by type

Rule type	Population	Number of rules
1. Reporting returns	Number of firms submitting reporting return	40
2. Formal notifications/requests	Number of notifications/requests received per annum	13
3. Ad-hoc notifications	Number of notifications	55
4. Record keeping	Number of firms to which rule is applicable	48
6. Audit requirements	Requirements for audit other than the audit of financial statements.	2
Total administrative burden rules		158
5. Third party reporting burdens (to be included in a later report)	Number of items (eg Key Features Documents) produced per annum based on market statistics	78

Estimation of populations

- 3.21 Estimating applicable populations proved to be one of the most challenging aspects of the exercise. Set out below is our approach to each of the above populations.
- 3.22 **Type 1 and Type 4 Rules:** For these rules the population of firms to which each rule applies is required. The difficulty of ascertaining this relates directly to the legal precision with which the FSA Handbook has been produced. Given the way in which the Handbook is framed in legally tight language it should be possible, knowing all the facts about a given firm, to ascertain whether or not any specific rule, or part of a rule, applies. The converse however is not the case. That is, given a rule, there is no straightforward way to establish the precise population of firms to which the rule applies.
- 3.23 Part of the reason for this is that the Handbook precisely defines the conditions under which each rule applies. However, the majority of applicability specifications are, understandably, not reflected in easily obtainable information held in the FSA's internal operational systems. Thus there is no simple way to query the systems to ascertain the subset of firms to which the rule applies.

- 3.24 The net result of this is that populations have had to be estimated based on the information which is extractable from the FSA's systems. These are mainly based on the general "Firm category" field supplemented by other tables based on custom queries of various systems. In most cases we believe that these estimates are accurate. Further information is set out in Annex 2.
- 3.25 **Type 2 Notifications/Applications:** What distinguishes type 2 and type 3 rules is where the information is processed. Type 2 rules essentially are those where the information is processed within a formal system in the Regulatory Transactions Department within the FSA. That being the case, we were able to use departmental management information to obtain exact numbers of items dealt with in a year. This would be the case for example for applications for authorization of new firms or applications for rule waiver and so on.
- 3.26 **Type 3 Miscellaneous notifications:** Because of the more sporadic nature of these items, they are processed on an ad-hoc basis by individual firm supervisors within the FSA. Although each of the supervisors de facto has information about this, there is no centralized system for recording them (nor would one reasonably expect one to exist). Our approach to establishing the numbers of these items therefore was to conduct a survey of a sample of the FSA's supervisors and use the results to estimate the figures for the FSA as a whole. The results of this are set out in Annex 3.
- 3.27 **Type 5 Third party information obligations:** These items relate to information provided to third parties, predominantly customers. The appropriate populations are therefore simply the number of such items issued in a year. However, for many of these no data are collected. For example, Key Features Documents are issued by direct suppliers of "packaged products" (i.e. life and savings products) to customers and prospective customers who may have made enquiries but may not have completed the transaction.
- 3.28 The approach to this type of item is to estimate, based on a survey of firms, the ratio of these items to that of completed contracts and use the latter (for which there is industry information for the UK as a whole) to perform the extrapolation to the UK total. (As noted above this work is still in progress and not included in this report.) These estimates will also incorporate information from the Deloitte study (see below).
- 3.29 **Type 6 Audit requirements:** Only two audit requirements were included, namely the requirement for client money audits (SUP 3.10.4) and the requirement for an audit if an investment management firm wishes to include interim profits in Tier 1 capital (IPRU(INV) 5.2.3(3)(b)). Other audit requirements are similar to those for companies included elsewhere in the Administrative Burden exercise.

Unit cost information

- 3.30 The following table (Table 4) sets out the approach to obtaining the unit incremental cost information associated with the different rule types. Several information sources (described below) were used, allowing us to cross-check the consistency of firms' estimates.

Table 4: Source of unit cost information by rule type

Rule type	Unit incremental cost estimates
1. Reporting returns	<ul style="list-style-type: none"> ➤ E-mail survey of firms; ➤ Deloitte study
2. Formal notifications/requests	NOP ex post telephone survey (see below)
3. Ad-hoc notifications	Mainly de-minimis costs, estimated using consultants' best judgement
4. Record keeping	<ul style="list-style-type: none"> ➤ E-mail survey of firms; ➤ Deloitte study
5. Policy burdens	<ul style="list-style-type: none"> ➤ E-mail survey of firms; ➤ Deloitte study
6. Audit requirements	<ul style="list-style-type: none"> ➤ E-mail survey of firms

The Deloitte study of the costs of regulation ("The Deloitte study")

3.31 Deloitte was commissioned by the FSA in May 2005 with the objective of establishing the incremental costs of compliance with FSMA on a rule-specific basis for firms in the following three market sectors:

- Corporate finance
- Institutional fund management
- Retail investment and pension advice provision.

The administrative burden element of the output from the Deloitte study (which covers all ongoing incremental compliance costs of regulation and includes administrative burdens, policy burdens and all other costs of compliance for specific market segments) formed much of the basis for that part of our estimation exercise relating to the above sectors.⁴ This approach was agreed with the BRE soon after the Administrative Burden exercise began.

⁴ Deloitte developed a detailed methodological approach to the estimation of incremental ongoing compliance costs, which asked firms to take the operating costs recorded in their general ledger, allocate those costs to individual rules, and finally make a judgement about how much of the cost associated with each individual rule was incremental. This is consistent with the administrative cost-administrative burden distinction made in the SCM. 58 firms participated in the Deloitte study.

The Supervisor survey

- 3.32 It was necessary to survey a sample of the FSA's supervisors in order to:
- Obtain estimates of the volume of "ad-hoc" notifications received by the FSA;
 - Obtain supervisor input into the e-mail questionnaire for firms; and
 - Ensure that the suggested sample of firms was reasonable.
- 3.33 56 supervisory managers, covering all types of firms, were surveyed. Between them they are responsible for supervising around 3,000 firms, including 1,764 supervised by the Wholesale Contact Centre. Together with responses from the FSA's Small Firms Division, which supervises 22,000 firms, the survey therefore gathered the numbers of ad-hoc notifications received by the FSA from over 90% of all firms regulated by the FSA.
- 3.34 Details of the questions and a summary of responses are included in Annex 3. The survey was carried out using an online survey service that allows participants to fill in the questionnaire online and downloads the results directly into a database for processing.
- 3.35 In addition to supplying volume information in respect of the ad-hoc notifications the supervisors reviewed the content of the e-mail-based firm survey and contributed valuable firm-specific information to improve the sample.
- 3.36 The volume information obtained from the supervisor survey confirmed what was suspected, namely that the majority of these ad-hoc items are comparatively rare. Furthermore, since it is clear that they, by their nature, are unlikely to involve more than a simple letter of notification or forwarding of existing documents, overall they have a minimal effect on the administrative burden total.

The NOP survey

- 3.37 As noted above, type 2 burdens are handled within the FSA by the Regulatory Transactions Department. That department has for some time commissioned an external opinion research company, NOP, to carry out post transaction telephone surveys of firms, essentially to obtain customer service feedback. It was agreed that for a specific subset of the types of transactions handled by the department and identified as the most significant, a number of additional questions would be added to the NOP telephone interview script to request unit cost estimates for these transactions.
- 3.38 The transactions covered in this way were:
- Authorisation
 - Cancellation of authorisation
 - Rule waiver

- Variation of permission
- Application to trade in other member states (“passporting”)
- Authorisation of collective investment schemes
- Notification of change of control
- Approved person notifications

3.39 Details of the questions and the results are set out in Annex 4. On average, NOP received 88 responses for each of the eight transaction types.

The E-mail survey

- 3.40 The SCM recommends the use of face to face or telephone-based interviews as means of obtaining unit cost estimates from firms. However, given the time constraints, the size of the coverage needed, and the detailed and complex nature of the information being requested, it was decided to use an e-mail survey of firms. This supplemented the Deloitte study by, for example, covering the markets not under investigation by Deloitte.
- 3.41 The aim was to try to obtain, for each of the Large, Medium and Small firm categories, at least two e-mail responses per rule. In order to achieve this we selected a random sample of firms comprising six firms in each firm category in the hope that we would obtain responses from a third of those requested. In the event we obtained 46 usable responses and although this fell short of expectations, we are satisfied that a sufficient number of responses was received in each firm category to meet the requirements of the Standard Cost Model.
- 3.42 It would have been advantageous to have dispatched more e-mail requests (say 3,000 instead of 300, which would not have posed a problem using e-mail technology) in order to generate a larger number of responses. However, in general there is a reluctance to carry out such large scale surveys because of the extent of the imposition it places on firms. Given the number of requests for similar information being sent to firms, in addition to regular reporting and trade body initiatives, there is a fear of “survey fatigue” among firms, which is understandable.
- 3.43 To draw the sample, each rule was marked with a category marker which groups together rules of similar applicability. Fifteen survey categories were then identified grouping together different types of firm. These categories formed the basis for the survey. A routine was run on the database which randomly selected firms in the required categories and generated the necessary table of applicable rules to be included in the e-mail. These categories did not need to identify accurately the scope of applicability of the rules. At this stage it was only necessary to ensure that the requisite number of firms in the sample covered each rule.

3.44 The survey categories used were:

- Securities Firm
- Bank
- Building Society
- Investment Management Firm
- Credit Union
- E-money Issuer (non-bank)
- General Insurance Intermediary
- General Insurer
- Financial Advisor
- Life Insurer
- Society of Lloyd's
- Lloyd's Managing Agent
- Mortgage Adviser/Arranger
- Friendly Society
- Non-bank mortgage lender

3.45 The e-mails were dispatched using specially designed e-mail merge software which was able to generate a tailored questionnaire for each item in the sample and mark the subject line with a unique identifier for easier processing of the replies. The positive responses were collated in the database for analysis as described above.

Unit cost estimation and critical review

3.46 Once results from individual firms were received it became clear that:

- (a) Some results needed to be questioned and reviewed with the firms;
- (b) There was a large spread in results even for firms in the same size category, making the use of simple averages unreliable.

3.47 The responses we received from firms were critically reviewed before being fully incorporated into the database. This review process generated many queries where some reported costs appeared to be out of line with corresponding items in peer group responses, or with our own "back of envelope" calculations. In some cases this resulted in changes to firms' original submitted figures, emphasizing the uncertain nature of the estimates concerned.

3.48 After the critical review of responses with the firms concerned, it was clear that the problem in (b) above remained. It was therefore decided not to attempt to use any sort of mechanical algorithm upon which to base the overall unit cost estimates as it might have led to counter-intuitive results. If that were to occur, one would assume there would be legitimate questioning of the calculation after the event. It was therefore decided to estimate the unit cost per rule per size category "by eye" using judgment and documented reasoning.

3.49 This also made it a more straightforward procedure to incorporate the Deloitte data which was provided in the form of the average incremental cost estimates they had obtained for each rule affecting firms in each of the three size categories within each of the three market segments noted above.

Staff and management costs

- 3.50 We sought from firms information in respect of each rule as to the time taken by different grades of staff in carrying out the administrative task, together with any other additional ongoing costs (such as the maintenance of IT systems and so on).
- 3.51 In order to arrive at standardized costs, we used a set of standard hourly rates as set out in Annex 5. To this was added a standard overhead rate of 30% of staff costs representing the overheads of providing buildings and other facilities to enable staff and managers to work.
- 3.52 The SCM recommends the use of the hourly rates specified as median rates in the Annual Survey of Hours and Earnings (2005) published by the Office for National Statistics.
- 3.53 After review, however, we considered these rates not really reflective of the current situation in the financial services industry, especially in relation to large banks, insurers, security firms and similar institutions where hourly rates are patently significantly higher. Therefore we decided to make what we considered to be more realistic assumptions about hourly rates. However, we have presented in addition to our cost estimates for each rule a second estimate based on the SCM hourly rates for comparison in Annex 1.

Warnings and caveats

- 3.54 As noted above the SCM does not seek statistically reliable results. Indeed paragraph 5.15.1 of the SCM states:

“It is important that it is understood that estimates are indicative and not statistically representative. There is a danger that estimates will be presented as being more accurate or of a higher quality than they actually are.

The aim of the SCM measurement is to provide a reasonably consistent baseline of the administrative costs on business arising from central government regulation. This baseline can then be used in a simplification and target-based burden reduction process. The fundamental aim being about bringing culture change across government in the way policy is made as part of the broader better regulation agenda.”

- 3.55 We would re-iterate these points noting that in many cases our results are based on half a dozen responses to the web-based survey, in other cases one or two responses, and in some cases the results were entirely estimated based on judgment. Without going into the statistical technicalities, it really does need to be stressed that the margin of error in the estimate is large. Therefore it is possible that whilst the figure quoted is of the order of £600m, the “true” figure could be twice or half as big, that is, in the range £300m to £1,200m.

- 3.56 Secondly, during the course of the work and conversations with compliance and finance staff within the firms surveyed, it became quite clear that firms are not in any way systematically measuring these costs. They are not perceived by firms to bring any commercial advantage so there is no perceived benefit in setting up a measurement system for them. Therefore, for many of the costs, firms had to carry out special exercises in order to generate the estimates and it is also clear that many of their own estimates are not particularly accurate.
- 3.57 One of the issues contributing to the difficulty of estimation is that the SCM seeks to measure “incremental costs” which are those costs that firms would not incur in the absence of regulation. It is likely that within a firm the estimate of how much of a cost (which itself may be a rough estimate) relates only to FSA rules and would not otherwise be incurred, is a matter of subjective judgment.
- 3.58 One example of this relates to the costs of record keeping in respect of complaints (DISP 1.5). Clearly, firms would need to keep records of customer complaints even in the absence of any rules requiring them to do so. We have applied a judgmental figure of 10% of these costs being incremental after discussing the matter with a number of large firms. One of those firms agreed that in some sense it had “over implemented” for its own business reasons by putting in sophisticated scanning systems to deal with complaints and the majority of those costs could not reasonably be said to be incremental.
- 3.59 In summary, our figure for the total administrative burden is based on estimates which have as their primary input only approximate estimates made by firms. The “true” figure is therefore unknown and we believe the work necessary within firms to arrive at anything near an accurate figure would be very considerable, and unlikely to happen.
- 3.60 On the other hand, a reasonable use of the figures, and one to which they were intended to be put, is to direct attention to areas of *relatively* high administrative burdens, which may be considered as part of the process of review and simplification. However, it will be for the FSA to determine the extent to which any relaxation of the rules to reduce these burdens on the industry is compatible with its statutory objectives.

Annex 1: Summary of Administrative Burdens

See notes at end of report

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
552	ML 7.3.2	recds	Money laundering -records of evidence customer identity <i>Fairly large spread of estimates, for example one large insurer reported nearly £1m p.a. One large bank quoted even more based on informal conversations.</i>	99,242	67,118	16.7%
631	ML 7.3.3	recds	Money laundering - records of transactions <i>Based on Deloitte data unit costs. Main part of total cost comes from large retail firms.</i>	70,271	52,024	28.5%
554	ML 7.3.3	recds	Money laundering staff training <i>Very large firms reported costs over £100k (one reported £600k) but this considered exceptional for only a few of the large firms. Responses from small securities brokers not typical - counted as part of medium firm population. Assume all firms subject to ML incur training costs. For large firms take 53@200k + 300 @ 25k which comes to around £50k on average for large firms.</i>	46,272	31,346	36.3%
395	TC 2.4.9 G	recds	Training and competence record requirements <i>Estimates based mainly on Deloitte data. Total works out at a maintenance cost of around £300 per competent person per annum, for a total of around 140,000 individuals.</i>	38,672	28,327	42.8%
553	ML 4.3.2	reps	Money laundering reporting to NCIS <i>As with other ML costs, main costs appear to arise in very large firms. Two large building societies reported between £200k to £300k. However, Deloitte's averages much lower than this due to nature of those firms. Assume top 60 firms around £300k and next 293 around £30k.</i>	38,537	27,128	49.3%
193	ICOB 7.7.1	recds	Claims information to be kept for three years <i>Three very large firm responses. Two consistent - other stated nil incremental as they already did it. Assume 60% incremental cost and estimate small/medium firm costs based on large firm estimates.</i>	29,880	22,924	54.3%
186	ICOB 5.7.1	recds	Records of policy summaries and policy documents provided to customers <i>Very large firms reported high ongoing IT spend plus one reported in addition high incremental ongoing management and admin staff costs. This differs from record keeping for other rules, where information is system-produced, only because this was a new rule.</i>	24,910	19,108	58.5%
551	IPRU (INS) 9	reps	Life Insurers annual returns <i>Two very large life offices reported costs between £170k and £700k, one small friendly society reported around £5,000. Estimate average for large firms around £400k, medium £10k and small £5k.</i>	21,310	13,383	62.1%
537	SUP 16.7.77	reps	RMAR Returns - GI intermediaries <i>Used a combination of three responses in conjunction with a "read across" from RMAR for IFAs using Deloitte data.</i>	15,996	14,115	64.8%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
2	AUTH 3.9	regtrs	Application for authorisation <i>NOP estimates ranged between £6,310 - £9,278. However applications differ widely according to size and complexity of firm applying. E.g. many applications by small financial advisors or mortgage or GI brokers are relatively straightforward compared to banks and securities firms. We therefore stratified the NOP data into 5 different bands with different averages that ranged between, at the high end, an estimate of about 10 applications per annum costing around £400k, to about 1,250 straightforward applications per annum costing around £1,800.</i>	14,809	11,334	67.3%
546	DISP 1.5.1	recds	Making and retaining records of complaints <i>Some firms estimated the total cost of dealing with complaints. However, the large firms gave detailed record keeping cost breakdowns, including for example, costs of scanning and filing the correspondence. The numbers of complaints are high, in the tens of thousands for the largest retail firms. There appears to be a rough standard of between £9 - £15 per complaint as the record keeping cost. Several firms argued that the major cost in time was the noting down and recording of the details of the complaint, especially if made by phone. Some large firms recognised that they would do this anyway and therefore reported nil incremental cost, though the majority of firms disagreed with this assessment. Overall, we estimated that 10% of the reported figures was incremental.</i> <i>In addition, many small firm respondents noted that they had received no complaints. We assumed that this applies to 50% of small firms.</i>	14,411	9,598	69.7%
149	DISP 1.5	reps	Half yearly complaints report <i>Very large retail institutions reported cost estimates of around £20k-£30k. However, most institutions did not report high costs. We estimated averages taking account of these differences.</i>	13,850	11,081	72.0%
550	IPRU (INS) 9	reps	General Insurers annual returns <i>Very wide variation of responses for large firms. Estimated for medium and small. Includes Lloyds syndicates as an estimate since no responses from them.</i>	13,775	11,627	74.3%
549	SUP 16.7.77	reps	RMAR Returns - Financial Advisors <i>Based on response of a large life office and a small IFA and Deloitte's averages for Financial Advisors in their sample.</i>	12,735	12,072	76.5%
626	CASS 2.6.15	recds	Client asset records <i>Deloitte average used for large firms. Small and medium firms estimated.</i>	11,785	9,142	78.5%
344	SUP 10.12.2	regtrs	Application for approval of approved persons in controlled functions <i>NOP data adjusted to remove outliers believed to exist due to misunderstanding of question. Further phone interviews carried out to clarify. Now estimated at around 3 hours time plus some costs for credit checks and criminal record checks - average estimated at £200 per case.</i>	9,092	7,036	80.0%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
527	SUP 16.7.24	reps	Securities and futures firms regular returns <i>Fairly broad spread incorporating Deloitte data for corporate finance firms.</i>	8,604	6,088	81.4%
518	SUP 6.3.15	regtrs	Application for variation of permission ("VOP") <i>NOP result: Mean £2,189 +/- 1,614. However, some large firms noted VOPs costing between £30-50k. Similar to Waivers, we have assumed two separate bands relating to large and small scale VOPs. The highest cost band itself consists of a variety of types and costs, but we assume on average 10% of VOPs fall into the higher band at an average of £15,000 with 90% of VOPs being at the NOP average value of £2,189.</i>	8,200	6,149	82.8%
521	SUP 3.10.4	audit	Client money audit <i>Based on responses, we assumed that only 50% of the calculated client money population actually require client money audit. One positive response from a medium firm of £10k, assume large firms around £50k and small firms £5k.</i>	7,695	7,482	84.1%
25	COB 3.7	recds	Records of non-real time financial promotions. <i>Assume all large and medium firms make non-real time promotions but only 20% of small firms do so.</i>	6,852	5,632	85.3%
515	COB 5.2.9	recds	Record keeping private customers <i>Estimated based on assumption of amount of admin time for record keeping eg 2hrs per week for a small firm, 10hrs for a medium and 40hrs for a large firm.</i>	6,588	4,591	86.4%
153	DISP 5.5	reps	Annual report of relevant business for General Levy <i>Four very large firm estimates ranged from £1,800 to £9,000. Assume average of £2,500. Figures for small and medium firms were in a more consistent range of £200 - £500.</i>	6,479	4,431	87.5%
96	COLL 6.4	recds	Maintenance of register of unitholders <i>These costs are not wholly incremental - firms would maintain such a register anyway. We estimated 10% of costs to be incremental arising from specific conditions specified by the rules. One large firm quoted just over £9 per unit holder and £8.5m total outsourcing cost.</i>	5,415	4,288	88.4%
206	IPRU (BANKS) TS	misc	Notification of changes to CAD1 model <i>One very large bank reported very high cost (>£300k) but such costs would only apply to a very small number of banks. We based medium-sized firm estimate on the figure for large banks and assumed n/a for small banks. Estimated number of occurrences was based on 20 large and 20 medium banks once every 2 years.</i>	4,000	2,600	89.0%
637	SUP 17.4.1	misc	Transaction reporting <i>200m FSA direct reported transactions - transaction charges around £3m p.a. (FSA's own figures). 300m non direct reported - reported by exchanges. Zero incremental costs associated with them as information generated automatically by well-established systems. Estimate based on information from a couple of direct reporting firms that systems costs could add around an additional 0.5p per transaction.</i>	4,000	4,000	89.7%
370	SUP 13.5.1	regtrs	Applications re business in EEA Member States (Passporting) <i>NOP estimates ranged between £707 and £2,632 per application.</i>	3,897	3,157	90.4%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
531	SUP 16.7.36	reps	Investment management firm regular returns <i>Based on Deloitte data for institutional fund managers plus four responses.</i>	3,867	2,619	91.0%
523	SUP 16.7.7	reps	Banking BSD returns <i>New IT costs reported by newly authorised banks - as an average take 500 p.a. as estimated impact on overall average since large and well established banks reported no new IT costs. One response from a very large bank of £68k - assume average £40k for large banks.</i>	3,754	2,517	91.6%
342	SUP 8.3.3	regtrs	Application for Rules Waiver <i>NOP data ranged between £1,076 and £4,406 but one very large firm costed this at around £9,600. Therefore, we prepared a simple stratification using 10% of items costing around £9,000 and the rest based on the NOP average of £2,741. The top 10% itself is known to cover a variety of situations of increasing complexity and cost, but we believe an average of £9,000 within that top band is reasonable.</i>	3,403	2,654	92.2%
544	SUP 6.4.1	regtrs	Cancellation of permission <i>NOP data ranged between £921 and £2,632.</i>	3,190	2,410	92.8%
630	SUP 16.5.4	reps	Annual Close Links Report <i>Excludes sole traders and pure intermediaries (estimate 13,000 of them). Based on Deloitte data excluding outliers.</i>	2,793	1,932	93.2%
525	SUP 16.7.16	reps	Building society returns <i>Averages of £50k, £40k and £10k for large medium and small firms estimated. One firm reported this as a business as usual activity but this appeared to be an error.</i>	2,650	2,107	93.7%
234	IPRU(INS) 9.3A	reps	Realistic basis life firm mid-year realistic valuation <i>Only two large life company responses here, medium company value estimated.</i>	2,240	1,360	94.0%
27	COB 4.1.16	recds	Records of client classification (private, market counterparty etc) to be kept <i>Assumed to be applicable to approximately half the firms. The remainder were assumed to be either wholly retail or wholly wholesale so do not maintain these records. Estimates based on Deloitte data.</i>	2,208	1,653	94.4%
633	SUP 10.9.8	reps	Annual report on significant management functions <i>Estimated to require around 15hrs of staff time for large firms, 5 hrs for medium and 2hrs for small firms. One response from a very large firm @ £4,000 seemed unreasonably high.</i>	2,193	1,518	94.8%
366	SUP 11.6.4	regtrs	Notification that the change in control has taken place <i>NOP data ranged between £1,455 and £2,864. This refers to notifications under FSMA Section 178. Notifications under SUP 11.6.4 have negligible cost.</i>	2,159	1,631	95.1%
562	ICOB 4.2.14	recds	Records kept by intermediary of insurance companies dealt with. <i>Assume no incremental cost incurred by small brokers.</i>	2,076	1,450	95.5%
79	COLL 2.1.1	regtrs	Authorised fund applications <i>NOP data included 29 estimates ranging between £0 and £62,297. Wide spread and insufficient data to make other than a rough estimate.</i>	2,053	1,620	95.8%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
125	COMP 13.6.11	reps	Annual report on contribution groups and business re FSCS (Compensation Scheme) <i>Wide range of estimates even for large companies - depends on complexity of business rather than company size.</i>	2,011	1,356	96.2%
542	SUP 16.9.1	reps	Appointed representatives annual report <i>One firm with 335 representatives estimated cost at £4,713.</i>	1,984	1,322	96.5%
543	IPRU (BANKS) LE 1.1	misc	Notifications re large exposures (pre and post) <i>Estimated number of notifications p.a. obtained from Supervisor Survey.</i>	1,968	1,295	96.8%
19	CASS 4.5	recds	For firms managing client assets - records in respect of client mandates. <i>Based on Deloitte returns for large and small institutional fund managers (IFMs). Medium-sized firm estimate based on one firm's response. The majority of respondents had n/a for this so estimate applicable to around 30% of client money firms.</i>	1,946	1,603	97.2%
629	SUP 16.4.5	reps	Annual Controllers Report <i>Excludes sole traders and pure GI or investment brokers (sole permissions).</i>	1,772	1,228	97.5%
555	SUP 16.11.3	reps	Product sales data <i>One very large firm had over £400k of new IT (around £133k p.a.). Another large firm quoted only £7,500 but did not quote new IT.</i>	1,745	1,156	97.8%
62	COB 7.7	recds	Records of allocation and aggregated transactions for firms dealing on behalf of customers <i>Assume only large and medium firms allocate transactions in this way.</i>	1,581	1,187	98.0%
625	COB 2.2	recds	Records of reports sent to customers under COB 2.2.18 (soft commission) (DELETED from Handbook 01.01.2006) <i>Based on Deloitte averages for IFMs and corporate finance (CF) firms plus assumption of around 20% for proportion with reportable soft commission arrangements.</i>	1,165	863	98.2%
541	SUP 16.8.3	reps	Persistency reports for life insurers and friendly societies <i>Life insurer category (22) includes friendly societies. Figures include two very large life offices.</i>	917	787	98.4%
23	COB 2.2.20	recds	Records of payments made under soft commission arrangements <i>Assume 20% of all wholesale firms have soft commission arrangements. Figures based on Deloitte figures for IFMs and CF firms.</i>	855	643	98.5%
530	SUP 17.7.30	reps	For investment firms which are sole traders/partnerships - solvency statement requirements <i>Based on figures provided by the FSA's Small Firms Division (SFD) And on the assumption that 30% of firms are sole traders or partnerships.</i>	804	610	98.7%
207	IPRU (BANKS) TV	misc	Notification of losses in excess of VAR model limits <i>Assume 10 large, 10 medium and 0 small banks have these notifications. One v. large bank estimated costs at over £50k.</i>	700	440	98.8%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
67	COB 7.13	recds	Records for personal account dealing <i>No responses – costs all estimated.</i>	647	577	98.9%
285	MCOB 4.7.17	recds	Records of customer recommendations to be maintained <i>Main costs associated with policy element - i.e. sales process. Assume de-minimis additional costs for filing/electronically storing the details of the recommendation.</i>	639	441	99.0%
367	SUP 12.7.1	regtrs	Notification of appointment of an appointed representative <i>Estimated as minimal cost (1hr administration+1hr manager time).</i>	597	422	99.1%
534	SUP 16.7.63	reps	Credit union regular returns	536	375	99.2%
548	SUP 16.7.77A	reps	MLAR return for mortgage lenders (not banks or building societies) <i>Estimated on the assumption that this return is similar to the RMAR.</i>	419	372	99.3%
540	SUP 16.6.6	reps	Quarterly compliance reports from AUTs, ICVC depositaries and OPS firms (pricing errors etc) quarterly	385	259	99.3%
627	CASS 3.2.2	recds	Client assets held as collateral <i>No responses on this - estimated as low occurrence.</i>	366	254	99.4%
263	LLD 15.10	reps	Lloyds Global Accounts <i>Based on Lloyd's estimate.</i>	340	284	99.4%
35	COB 5.1.6E	recds	Records of range of products for each appointed representative <i>No responses - but assume minimal incremental cost to maintain these records.</i>	335	233	99.5%
390	SYSC 2.2	recds	Records of apportionment of responsibilities <i>Assume an hour of admin time per firm.</i>	244	179	99.5%
104	COLL 6.9.11	regtrs	Miscellaneous CIS notifications to FSA <i>Simple notifications - estimated costs of preparation.</i>	228	158	99.6%
237	IPRU(INS) 9.37	reps	Forms 90 - 94 re general insurance business in EEA States <i>Assume 30% of medium and n/a small insurers.</i>	222	145	99.6%
524	SUP 16.7.10	reps	EEA bank returns - EEA banks only <i>Liquidity returns. Costs overestimated by only EEA bank respondent including costs of monitoring liquidity which is not an admin burden. Estimates for medium and small firms based on large firm response.</i>	192	123	99.6%
539	SUP 16.6.4	reps	Overseas regulators and organogram from Banks and ELMIs <i>De minimis unit costs per bank.</i>	187	122	99.7%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
568	MCOB 4.6.11	recds	Where a distance mortgage mediation contract is cancelled, a copy of the cancellation notice must be kept <i>No responses - estimated. Assume not a high volume occurrence. Say for large firms 500 p.a. @ £10 each, medium 200 p.a. and small 25 p.a..</i>	184	125	99.7%
75	COB 11.8.7	recds	Record of investment advice received by trustees from advisers <i>Estimated de minimis cost of storing this information.</i>	158	108	99.7%
63	COB 7.9	recds	If firm lends to private customers, records of the financial assessment before lending <i>Assume applicable to only a small proportion (say 20%) of brokers. No specific responses on this - estimated.</i>	150	103	99.8%
230	IPRU (FSOC) 5.2	reps	Friendly societies FSC2 (Triennial) applicable to non-directive unincorporated societies <i>Based on one positive response out of three.</i>	150	105	99.8%
380	SUP 15.5	misc	Change of name or address <i>Estimated to require 1 hour of admin time.</i>	127	87	99.8%
307	PRU 9.3.52A	recds	Record of reason for differences in accounts re occ pens schemes	88	62	99.8%
313	PRU 3.2	recds	Records of credit exposures and credit decisions	81	55	99.8%
318	PRU 7.4	recds	Records of methods used to establish mathematical reserves <i>Estimated - minimal time/cost.</i>	78	54	99.8%
556	SUP 10.12.13	regtrs	Withdrawal of application for approval to confirm a controlled function <i>2 hrs management time - estimated.</i>	73	51	99.9%
632	COB 2.2.20A	recds	Records of soft commission agreements <i>Assume 20% of wholesale firms have soft commission arrangements, costs estimated.</i>	72	49	99.9%
559	SUP 10.13.14	regtrs	Update to approved person's details <i>2hrs manager time estimated.</i>	69	48	99.9%
101	COLL 6.6.7	misc	Notification of breach of capital limits <i>3 respondents out of 7 said n/a. Assume once every 2 years.</i>	55	38	99.9%
538	SUP 16.7.83	reps	Financial conglomerate regular returns <i>Responses did not seem consistent, but only 12 firms in population so probably not very significant.</i>	52	31	99.9%
375	SUP 15.3	misc	Catch all notification requirement <i>Assume minimal cost per item, numbers estimated from supervisor survey.</i>	de-min	de-min	99.9%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
170	GEN 1.3	misc	Notification of emergency <i>Assume minimal cost per item, numbers estimated from supervisor survey.</i>	de-min	de-min	99.9%
382	SUP 15.8	misc	Miscellaneous notifications re special products/services <i>Based on supervisor survey and estimates for unit costs.</i>	de-min	de-min	99.9%
123	COMP 13.3.1	misc	Notify FSCS of exemption from compensation levy <i>De minimis numbers confirmed in supervisor survey.</i>	de-min	de-min	99.9%
124	COMP 13.3.4	misc	Notify FSCS of loss of exemption <i>De minimis numbers and costs.</i>	de-min	de-min	99.9%
533	SUP 16.7.57	reps	Lloyd's members' adviser returns <i>Estimated.</i>	de-min	de-min	99.9%
73	COB 11.6	misc	Delegation to Permitted Third Party <i>Consultant's estimate.</i>	de-min	de-min	100.0%
17	CASS 4.3	misc	Misc client money notifications to FSA <i>Grossed up averages for wholesale banks' misc notifications.</i>	de-min	de-min	100.0%
228	IPRU(FSO C) 5.1	reps	Non-directive, incorporated friendly society returns FSC1 and FSC3 (Triennial re general business) <i>Proportion estimated as not all Friendly Societies have general business.</i>	de-min	de-min	100.0%
99	COLL 6.5	regtrs	Notices of changes or winding up of a CIS <i>Assume two hours manager time and an hour admin time to prepare notification. Minimal occurrence per supervisor.</i>	de-min	de-min	100.0%
305	PROF 7.1	misc	Notify FSA of name of firm <i>Use SFD rate for admin notifications.</i>	de-min	de-min	100.0%
312	PRU 3.1	recds	Records of stress tests for major risks <i>Estimated as minimal cost per unit, say 1 hour admin time to file the information. Assume only applicable to large and medium firms.</i>	de-min	de-min	100.0%
535	SUP 16.7.65	reps	Electronic money issuers regular returns <i>Only 4 firms and estimated to be less than £5k each.</i>	de-min	de-min	100.0%
156	ELM 3.5.21	misc	Electronic money issuers large exposure notifications <i>Only 4 firms.</i>	de-min	de-min	100.0%
257	IPRU(INV) 5.7	misc	Derogation from consolidated supervision <i>1 hour management time estimated for small number of firms.</i>	de-min	de-min	100.0%
92	COLL 5.2	misc	Provision of risk management process <i>Assume once per annum on average.</i>	de-min	de-min	100.0%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
493	IPRU(INV) 8.1.24	misc	Credit Union notification of significant matters <i>De minimis unit cost with very small numbers based on supervisor survey.</i>	de-min	de-min	100.0%
246	IPRU(INV) 2.4.3	misc	Notifications re bonding for client money <i>Fairly rare occurrence.</i>	de-min	de-min	100.0%
80	COLL 3.2.8	misc	UCITS Obligations <i>No specific info - assume rate of 0.2 i.e once every 5 years per firm and 1hr admin, 1hr senior mgt time.</i>	de-min	de-min	100.0%
132	CRED 14.10	reps	Credit union to send copy accounts to FSA <i>De minimis admin cost to post accounts.</i>	de-min	de-min	100.0%
536	SUP 16.7.67	reps	UCITS management company reg returns <i>De minimis - only one UCITS management company identified.</i>	de-min	de-min	100.0%
223	IPRU (BSOC) 7.7	misc	Building society pre-notification of large exposures (exceeding 20% of own funds) to FSA <i>No positive responses - assume 30% proportion and estimate unit cost.</i>	de-min	de-min	100.0%
254	IPRU(INV) 5.5.1	misc	Misc financial notifications for ISD firms <i>Number of notifications small from supervisor survey.</i>	de-min	de-min	100.0%
387	SUP 15.9	misc	Notifications for members of financial conglomerates <i>Estimated rates.</i>	de-min	de-min	100.0%
377	SUP 15.4	misc	Notifiable persons (CEO etc) <i>Cost estimate similar to that for approved persons as the form is more or less the same. However, the volume is estimated at about 20 overseas firms p.a. notifying.</i>	de-min	de-min	100.0%
74	COB 11.7.1	recds	Records of written delegation of a Permitted Third Party <i>De minimis incremental cost.</i>	de-min	de-min	100.0%
392	SYSC 3A.4	misc	Notification by insurers of major events eg invocation of contingency <i>Estimated.</i>	de-min	de-min	100.0%
205	IPRU (BANKS) TL 2	misc	Incremental capital on trading book <i>Based on supervisor survey results.</i>	de-min	de-min	100.0%
247	IPRU(INV) 5.2.5	misc	Notification re bonds <i>Number of notifications small from supervisor survey.</i>	de-min	de-min	100.0%
212	IPRU (BSOC) 2.9	misc	Notification of controllers <i>Same as admin changes (execs, controllers etc).</i>	de-min	de-min	100.0%
130	CRED 10.2.1	misc	Submit lending policy <i>Based on supervisor survey.</i>	de-min	de-min	100.0%

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141	CRED 7.3.10	misc	Financial risk management statement version 2 credit unions only <i>Based on supervisor survey.</i>	de-min	de-min	100.0%
142	CRED 9.2.3	misc	Liquidity management policy statement version 2 credit unions only <i>Based on supervisor survey.</i>	de-min	de-min	100.0%
127	COMP 14.4.5	misc	Termination of top-up cover <i>Confirmed as a very rare occurrence.</i>	de-min	de-min	100.0%
270	LLD 4.3	reps	Quarterly report on capacity transfer <i>Based on Lloyd's estimate.</i>	de-min	de-min	100.0%
269	LLD 3.3	reps	Quarterly report on Central Fund <i>Based on Lloyd's estimate.</i>	de-min	de-min	100.0%
202	IPRU (BANKS) CM 23	misc	Notification of reliance on specific commodities model (Chap CM) <i>Very specialist rare occurrence for firms with commodities models.</i>	de-min	de-min	100.0%
220	IPRU (BSOC) 6.2.2	misc	Submit lending policy statement <i>De minimis cost of posting policy statement.</i>	de-min	de-min	100.0%
216	IPRU (BSOC) 4.2	misc	Financial risk management policy <i>De minimis cost of posting policy statement.</i>	de-min	de-min	100.0%
245	IPRU(INV) 13.6.2	misc	Large exposure notifications <i>Supervisor survey.</i>	de-min	de-min	100.0%
137	CRED 17.6.9	misc	Credit union change in contact for complainants <i>1 hour estimated - low occurrence.</i>	de-min	de-min	100.0%
136	CRED 17.6.8A	misc	Credit union notification of intention to stop submitting complaints report in electronic format <i>1 hour estimated for low occurrence.</i>	de-min	de-min	100.0%
226	IPRU (BSOC) 9.2.8	misc	Building societies to submit copy of corporate plan <i>Four types of policy statement split equally.</i>	de-min	de-min	100.0%
162	ELM 8.7.1	reps	Form ELM-SI <i>No responses however only 4 ELMI firms therefore de-minimis cost.</i>	de-min	de-min	100.0%
225	IPRU (BSOC) 9.2.1	recds	Documented system of control	de-min	de-min	100.0%
272	LLD 7.2	recds	Lloyd's member complaints records <i>Based on Lloyd's estimate.</i>	de-min	de-min	100.0%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
211	IPRU (BSOC) 2.6	misc	Building society notification to FSA concerning issues of capital <i>Few issues of capital (sub debt/PIBS) therefore rare occurrence.</i>	de-min	de-min	100.0%
217	IPRU BSOC Chapter	misc	Building societies to submit liquidity policy statement to FSA <i>Four types of policy statement split equally.</i>	de-min	de-min	100.0%
126	COMP 14.2.1	misc	Election to receive top-up cover <i>There have only been 5 such notifications since N2 and 3 were carried over from a previous scheme.</i>	de-min	de-min	100.0%
209	IPRU (BSOC) 11.3	misc	Building society notification of material outsourcing	de-min	de-min	100.0%
248	IPRU(INV) 5.3.1	misc	FSA approval of subordinated loan <i>De minimis - rare occurrence - no positive responses on this.</i>	de-min	de-min	100.0%
155	ELM 2.5.5	misc	Notification of change of projections <i>Estimated - not significant as only 4 ELMIs and respondent had n/a.</i>	de-min	de-min	100.0%
520	ELM 8.7.2	misc	Notification that a small e-money certificate is no longer applicable using form ELM-SI <i>Estimated - not significant as only 4 ELMIs and one respondent had n/a</i>	de-min	de-min	100.0%
139	CRED 4.3.7	misc	Policies and procedures manual on request <i>Supervisor survey.</i>	de-min	de-min	100.0%
138	CRED 4.3.5	misc	Business plan on request <i>De minimis numbers from cost survey and supervisor survey.</i>	de-min	de-min	100.0%
273	LLD 7.4	reps	Report on complaints from members	de-min	de-min	100.0%
526	SUP 16.7.20	reps	Service company returns <i>Ignore - totally de-minimis (just send copy of accounts).</i>	de-min	de-min	100.0%
341	REC Schedule 2	misc	Notification requirements for recognised bodies <i>De minimis – ignore.</i>	de-min	de-min	100.0%
260	IPRU(INV) 8.1.23	misc	Misc notifications for credit unions <i>De minimis low volume occurrence.</i>	de-min	de-min	100.0%
157	ELM 4.4.6	misc	Change in expectations during promotion of electronic money scheme <i>Not significant as only 4 ELMIs.</i>	de-min	de-min	100.0%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
570	MCOB 5.4.19	recds	Where a key facts illustration (KFI) leads to a consumer applying for a mortgage, a copy of that KFI must be kept for one year. <i>Kept electronically - de-minimis additional cost.</i>	de-min	de-min	100.0%
381	SUP 15.6	misc	Change of overseas regulator <i>Use approx overall average for admin notifications plus "other".</i>	de-min	de-min	100.0%
66	COB 7.12	recds	Records of customer orders <i>There is a nil incremental cost here. Some firms responded with their IT costs which for some small brokers are outsourced so they quoted costs of production of customer orders. However, since the orders are produced and retained on the system anyway, there is no incremental cost arising from the rule. Nil incremental cost confirmed by other brokers.</i>	de-min	de-min	100.0%
571	MCOB 6.4.3	recds	A copy of mortgage offer document to be kept for a year. <i>Assume de minimis additional cost of record keeping.</i>	de-min	de-min	100.0%
572	MCOB 7.4.4 & 9.7.10R	recds	A copy of the start of contract disclosure made to the consumer must be kept for one year. <i>Minimal incremental cost.</i>	de-min	de-min	100.0%
574	MCOB 9.7.10	recds	This rule imposes the same requirements for lifetime mortgages as does MCOB 7.4.4.R for standard mortgages <i>Minimal incremental cost.</i>	de-min	de-min	100.0%
576	MCOB 11.3.4	recds	A firm must make and keep up-to-date a record of its responsible lending policy. When the policy is changed, a record of the previous policy must be kept for a year from the date of the change. <i>De minimis cost.</i>	de-min	de-min	100.0%
577	MCOB 13.3.9	recds	A record of a firm's dealings with an individual consumer demonstrating compliance with rules on arrears and repossessions must be kept for one year after the relevant payment shortfall has been cleared. <i>Assume no incremental cost - lenders in any event keep files on arrears cases and this imposes no additional admin burden.</i>	de-min	de-min	100.0%
575	MCOB 11.3.1	recds	A firm must keep a record to demonstrate that it has taken account of the customer's ability to repay and keep this for one year. <i>Minimal incremental cost.</i>	de-min	de-min	100.0%
569	MCOB 4.8.7	recds	For non-advised sales, a copy of any scripted questions used must be kept for one year. <i>Assume de-minimis additional cost for filing these details.</i>	de-min	de-min	100.0%
567	MCOB 3.10.1	recds	Requirement to keep, for one year, a record for any non-real time financial promotion communicated.	de-min	de-min	100.0%
566	ICOB 4.4.7	recds	Record keeping where a personal recommendation is made <i>Personal recommendations are system produced therefore there is a negligible incremental cost of retaining it on the system.</i>	de-min	de-min	100.0%

ID	Ref	Type	Title	Cost '000	SCM '000	Cum %
268	LLD 2.4	misc	Commencement of disciplinary proceedings	de-min	de-min	100.0%
267	LLD 2.3	misc	Notification of matters likely to be of material concern to FSA <i>De minimis.</i>	de-min	de-min	100.0%
565	MCOB 3.10.1	recds	Mortgage lenders records of non-real time financial promotions	de-min	de-min	100.0%
519	COB 8.1.14	recds	Retention of confirmation information despatched to a customer <i>Nil incremental cost since information despatched to customer is produced by the system from information on the system.</i>	de-min	de-min	100.0%
561	COB 10.7.6	recds	Requirement on operators of unregulated schemes to keep copies of periodic statements sent to unit holders. <i>Assume nil incremental cost as record would be by product of system producing statements.</i>	de-min	de-min	100.0%
560	COB 5.3.19A	recds	Record of suitability of product <i>Suitability letters are system produced therefore there is a nil additional cost of keeping the information on the system.</i>	de-min	de-min	100.0%
256	IPRU(INV) TABLE 5.2.3(3)(b)	audit	Verification report re interim profits in Tier 1 calculation <i>De minimis - rare occurrence.</i>	de-min	de-min	100.0%
250	IPRU(INV) 7.3.1	misc	Breach of limits <i>Only one UCITS management company.</i>	de-min	de-min	100.0%
261	LLD 15.1	reps	Lloyd's syndicate returns (included in general insurer returns) <i>Included in cost of general insurers returns since no responses from syndicates.</i>	de-min	de-min	100.0%
Total Cost				594,573	437,010	

"min" in Cost column signifies < £50,000 for whole industry.

"SCM" figures refer to costs calculated on the basis of standard wage rates as set out in the SCM (see paragraph 3.42 et seq)

*Burden Type: repts=regular reporting returns;
regtr=regulatory transactions;
misc=miscellaneous notifications;
recds=record keeping;
audit=special audit.*

Annex 2: Specification of firm populations

ID	Ref	Class	Title	Spec	Table	FirmsL	FirmsM	FirmsS
2	AUTH 3.9	2	Application for authorisation					
17	CASS 4.3	3	Misc client money notifications to FSA	CMStatus="Holds Client Money"	ClientMoney	121	353	1174
19	CASS 4.5	4	For firms managing client assets - records in respect of client mandates.	CMStatus="Holds Client Money"	ClientMoney	121	353	1174
23	COB 2.2.20	4	Records of payments made under soft commission arrangements	FirmCat=1;2;4;6;12;16;18;26;32;37;38;40 AND (Supervisor="WCC" OR SupDiv="WSF")		86	299	1476
25	COB 3.7	4	Records of non-real time financial promotions.	FirmCat=6;7;22;21;31 OR Type<> "O"	AUT_ICVC_OPS	196	531	5072
27	COB 4.1.16	4	Records of client classification (private, market counterparty etc) to be kept	Not IsNull([ISDSFA])		123	232	956
35	COB 5.1.6E	4	Records of range of products for each appointed representative	FirmCat=21		21	153	4604
63	COB 7.9	4	If firm lends to private customers, records of the financial assessment before lending	FirmCat=1;4;16;37;39;40 AND SupDiv <> "MAR"		99	423	1457
66	COB 7.12	4	Records of customer orders	FirmCat=1;4;16;37;39;40 AND SupDiv <> "MAR"		99	423	1457
67	COB 7.13	4	Records for personal account dealing	FirmCat=1;4;16;37;39;40 AND SupDiv <> "MAR"		99	423	1457
73	COB 11.6	3	Delegation to Permitted Third Party	True	AUT_ICVC_OPS	35	136	185
74	COB 11.7.1	4	Records of written delegation of a Permitted Third Party	True	AUT_ICVC_OPS	35	136	185
75	COB 11.8.7	4	Record of investment advice received by trustees from advisers	True	AUT_ICVC_OPS	35	136	185
79	COLL 2.1.1	2	Authorised fund applications					
80	COLL 3.2.8	3	UCITS Obligations	True	AUT_ICVC_OPS	35	136	185
92	COLL 5.2	3	Provision of risk management process	True	AUT_ICVC_OPS	35	136	185
96	COLL 6.4	4	Maintenance of register of unitholders	True	AUT_ICVC_OPS	35	136	185
99	COLL 6.5	2	Notices of changes or winding up of a CIS	True	AUT_ICVC_OPS	35	136	185

ID	Ref	Class	Title	Spec	Table	FirmsL	FirmsM	FirmsS
101	COLL 6.6.7	3	Notification of breach of capital limits	True	AUT_ICVC_OPS	35	136	185
104	COLL 6.9.11	2	Miscellaneous CIS notifications to FSA	True	AUT_ICVC_OPS	35	136	185
123	COMP 13.3.1	3	Notify FSCS of exemption from compensation levy	[FirmStatus]="Authorised"		411	1493	22299
124	COMP 13.3.4	3	Notify FSCS of loss of exemption	[FirmStatus]="Authorised"		411	1493	22299
125	COMP 13.6.11	1	Annual report on contribution groups and business re FSCS (Compensation Scheme)	[FirmStatus]="Authorised"		411	1493	22299
126	COMP 14.2.1	3	Election to receive top-up cover	[FirmStatus]="Eea Authorised"		47	1909	530
127	COMP 14.4.5	3	Termination of top-up cover	[FirmStatus]="Eea Authorised"		47	1909	530
130	CRED 10.2.1	3	Submit lending policy	[FirmCat]=13		1	10	556
132	CRED 14.10	1	Credit union to send copy accounts to FSA	[FirmCat]=13		1	10	556
136	CRED 17.6.8A	3	Credit union notification of intention to stop submitting complaints report in electronic format	[FirmCat]=13		1	10	556
137	CRED 17.6.9	3	Credit union change in contact for complainants	[FirmCat]=13		1	10	556
138	CRED 4.3.5	3	Business plan on request	[FirmCat]=13		1	10	556
139	CRED 4.3.7	3	Policies and procedures manual on request	[FirmCat]=13		1	10	556
141	CRED 7.3.10	3	Financial risk management statement version 2 credit unions only	[FirmCat]=13		1	10	556
142	CRED 9.2.3	3	Liquidity management policy statement version 2 credit unions only	[FirmCat]=13		1	10	556
149	DISP 1.5	1	Half yearly complaints report	[FirmStatus]="Authorised"		411	1493	22299
153	DISP 5.5	1	Annual report of relevant business for General Levy	[FirmStatus]="Authorised"		411	1493	22299
155	ELM 2.5.5	3	Notification of change of projections	[FirmCat]=17		0	0	4
156	ELM 3.5.21	3	Electronic money issuers large exposure notifications	[FirmCat]=17		0	0	4
157	ELM 4.4.6	3	Change in expectations during promotion of electronic money scheme	[FirmCat]=17		0	0	4
162	ELM 8.7.1	1	Form ELM-SI	[FirmCat]=17		0	0	4
170	GEN 1.3	3	Notification of emergency	[FirmStatus]="Authorised"		411	1493	22299
186	ICOB 5.7.1	4	Records of policy summaries and policy documents provided to customers	[FirmCat]=20;24		82	201	256

ID	Ref	Class	Title	Spec	Table	FirmsL	FirmsM	FirmsS
193	ICOB 7.7.1	4	Claims information to be kept for three years	[FirmCat]=20;24		82	201	256
202	IPRU (BANKS) CM 23	3	Notification of reliance on specific commodities model (Chap CM)	FirmCat=6;40		72	119	40
205	IPRU (BANKS) TL 2	3	Incremental capital on trading book	FirmCat=6;40		72	119	40
206	IPRU (BANKS) TS	3	Notification of changes to CAD1 model	FirmCat=6;40		72	119	40
207	IPRU (BANKS) TV	3	Notification of losses in excess of VAR model limits	FirmCat=6;40		72	119	40
209	IPRU (BSOC) 11.3	3	Building society notification of material outsourcing	[FirmCat]=7		22	38	3
211	IPRU (BSOC) 2.6	3	Building society notification to FSA concerning issues of capital	[FirmCat]=7		22	38	3
212	IPRU (BSOC) 2.9	3	Notification of controllers	[FirmCat]=7		22	38	3
216	IPRU (BSOC) 4.2	3	Financial risk management policy	[FirmCat]=7		22	38	3
217	IPRU BSOC Chapter 5	3	Building societies to submit liquidity policy statement to FSA	[FirmCat]=7		22	38	3
220	IPRU (BSOC) 6.2.2	3	Submit lending policy statement	[FirmCat]=7		22	38	3
223	IPRU (BSOC) 7.7	3	Building society pre-notification of large exposures (exceeding 20% of own funds) to FSA	[FirmCat]=7		22	38	3
225	IPRU (BSOC) 9.2.1	4	Documented system of control	[FirmCat]=7		22	38	3
226	IPRU (BSOC) 9.2.8	3	Building societies to submit copy of corporate plan	[FirmCat]=7		22	38	3
228	IPRU(FSOC) 5.1	1	Non-directive, incorporated friendly society returns FSC1 and FSC3 (Triennial re general business)	[EU]="NOTD" AND Not IsNull([Incorporated])	Fsocs	0	5	6
230	IPRU (FSOC) 5.2	1	Friendly societies FSC2 (Triennial) applicable to non-directive unincorporated societies	[EU]="NOTD" AND IsNull([Incorporated])	Fsocs	0	2	142
234	IPRU(INS)	1	Realistic basis life firm mid-year realistic valuation	True	RealisticReporters	26	8	0

ID	Ref	Class	Title	Spec	Table	FirmsL	FirmsM	FirmsS
	9.3A							
237	IPRU(INV) 9.37	1	Forms 90 - 94 re general insurance business in EEA States	FirmCat=20		51	186	238
245	IPRU(INV) 13.6.2	3	Large exposure notifications	Left([ISDPIA],1)="A"	ISDStatus	4	48	98
246	IPRU(INV) 2.4.3	3	Notifications re bonding for client money	FirmCat=5		1	5	697
247	IPRU(INV) 5.2.5	3	Notification re bonds	[FirmCat]=16		49	270	985
248	IPRU(INV) 5.3.1	3	FSA approval of subordinated loan	[FirmCat]=16		49	270	985
250	IPRU(INV) 7.3.1	3	Breach of limits	Type="U"	AUT_ICVC_OPS	0	0	1
254	IPRU(INV) 5.5.1	3	Misc financial notifications for ISD firms	[FirmCat]=16		49	270	985
257	IPRU(INV) 5.7	3	Derogation from consolidated supervision	[FirmCat]=16		49	270	985
260	IPRU(INV) 8.1.23	3	Misc notifications for credit unions	FirmCat=13		1	10	556
261	LLD 15.1	1	Lloyds syndicate returns (included in gen insurer returns)	[FirmCat]=24		31	15	18
263	LLD 15.10	1	Lloyds Global Accounts	[FirmCat]=23		1	0	0
267	LLD 2.3	3	Notification of matters likely to be of material concern to FSA	[FirmCat]=23		1	0	0
268	LLD 2.4	3	Commencement of disciplinary proceedings	[FirmCat]=23		1	0	0
269	LLD 3.3	1	Quarterly report on Central Fund	[FirmCat]=23		1	0	0
270	LLD 4.3	1	Quarterly report on capacity transfer	[FirmCat]=23		1	0	0
272	LLD 7.2	4	Lloyds member complaints records	[FirmCat]=23		1	0	0
273	LLD 7.4	1	Report on complaints from members	[FirmCat]=23		1	0	0
285	MCOB 4.7.17	4	Records of customer recommendations to be maintained	Left([RAG],1)="5"	RAGS	6	35	167
305	PROF 7.1	3	Notify FSA of name of firm	FirmCat=5		1	5	697

ID	Ref	Class	Title	Spec	Table	FirmsL	FirmsM	FirmsS
307	PRU 9.3.52A	4	Record of reason for differences in accounts re occupational pension schemes	[FirmStatus]="Authorised"		411	1493	22299
312	PRU 3.1	4	Records of stress tests for major risks	[FirmStatus]="Authorised"		411	1493	22299
313	PRU 3.2	4	Records of credit exposures and credit decisions	[FirmStatus]="Authorised"		411	1493	22299
318	PRU 7.4	4	Records of methods used to establish mathematical reserves	FirmCat=20;22		100	271	410
342	SUP 8.3.3	2	Application for Rules Waiver					
344	SUP 10.12.2	2	Application for approval of approved persons in controlled functions	[FirmStatus]="Authorised"		411	1493	22299
366	SUP 11.6.4	2	Notification that the change in control has taken place					
367	SUP 12.7.1	2	Notification of appointment of an appointed representative					
370	SUP 13.5.1	2	Applications re business in EEA Member States (Passporting)					
375	SUP 15.3	3	Catch all notification requirement	[FirmStatus]="Authorised"		411	1493	22299
377	SUP 15.4	3	Notifiable persons (CEO etc)					
380	SUP 15.5	3	Change of name or address	[FirmStatus]="Authorised"		411	1493	22299
381	SUP 15.6	3	Change of overseas regulator					
382	SUP 15.8	3	Miscellaneous notifications re special products/services	[FirmStatus]="Authorised"		411	1493	22299
387	SUP 15.9	3	Notifications for members of financial conglomerates	SupDiv="MRG"		133	206	47
390	SYSC 2.2	4	Records of apportionment of responsibilities	[FirmStatus]="Authorised"		411	1493	22299
392	SYSC 3A.4	3	Notification by insurers of major events eg invocation of contingency	FirmCat=20;22		100	271	410
395	TC 2.4.9 G	4	Training and competence record requirements	Num>0	qryCompetentPersons	219	680	7252
493	IPRU(INV) 8.1.24	3	Credit Union notification of significant matters	FirmCat=13		1	10	556
518	SUP 6.3.15	2	Application for variation of permission ("VOP")	[FirmStatus]="Authorised"		411	1493	22299
519	COB 8.1.14	4	Retention of confirmation information despatched to a customer	FirmCat=1;4;16;37;39;40 AND SupDiv <> "MAR"		99	423	1457

ID	Ref	Class	Title	Spec	Table	FirmsL	FirmsM	FirmsS
520	ELM 8.7.2	3	Notification that a small e-money certificate is no longer applicable using form ELM-SI	[FirmCat]=17		0	0	4
523	SUP 16.7.7	1	Banking BSD returns	FirmCat=6;40		72	119	40
524	SUP 16.7.10	1	EEA bank returns - EEA banks only	[FirmStatus]="Eea Authorised" AND FirmCat=6;40		45	40	13
525	SUP 16.7.16	1	Building society returns	[FirmCat]=7		22	38	3
526	SUP 16.7.20	1	Service company returns	[FirmCat]=36		3	1	13
527	SUP 16.7.24	1	Securities and futures firms regular returns	Not IsNull([SDSFA])	ISDStatus	123	232	956
530	SUP 17.7.30	1	For investment firms which are sole traders/partnerships - solvency statement requirements	(Not IsNull([SDSFA])) AND [ISD]=True	ISDStatus	96	180	640
531	SUP 16.7.36	1	Investment management firm regular returns	[FirmCat]=16		49	270	985
533	SUP 16.7.57	1	Lloyds members' adviser returns	[FirmCat]=25		0	3	10
534	SUP 16.7.63	1	Credit union regular returns	[FirmCat]=13		1	10	556
535	SUP 16.7.65	1	Electronic money issuers regular returns	[FirmCat]=17		0	0	4
536	SUP 16.7.67	1	UCITS management company reg returns	Type="U"	AUT_ICVC_OPS	0	0	1
537	SUP 16.7.77	1	RMAR Returns - GI intermediaries	Left(RAG,1)="9"	RAGS	44	377	14048
538	SUP 16.7.83	1	Financial conglomerate regular returns	True	FinancialConglome rates	11	1	0
539	SUP 16.6.4	1	Overseas regulators and organogram from Banks and ELMIs	FirmCat=6;17;40		72	119	44
540	SUP 16.6.6	1	Quarterly compliance reports from AUTs, ICVC depositaries and OPS firms (pricing errors etc) quarterly	True	AUT_ICVC_OPS	35	136	185
541	SUP 16.8.3	1	Persistence reports for life insurers and friendly societies	[FirmCat]=22		49	85	172
542	SUP 16.9.1	1	Appointed representatives annual report	True	NumAppReps	133	301	2079
543	IPRU (BANKS) LE 1.1	3	Notifications re large exposures (pre and post)	FirmCat=6;40		72	119	40
544	SUP 6.4.1	2	Cancellation of permission					

ID	Ref	Class	Title	Spec	Table	FirmsL	FirmsM	FirmsS
546	DISP 1.5.1	4	Making and retaining records of complaints	[FirmStatus]="Authorised"		411	1493	22299
548	SUP 16.7.77A	1	MLAR return for mortgage lenders (not banks or building societies)	Left(RAG,1)="5" AND FirmCat<>6 AND FirmCat<>40 and FirmCat <>7	RAGS	6	33	167
549	SUP 16.7.77	1	RMAR Returns - Financial Advisors	Left(RAG,1)="7"	RAGS	45	260	3545
550	IPRU (INS) 9	1	General Insurers annual returns	[FirmCat]=20;24		82	201	256
551	IPRU (INS) 9	1	Life Insurers annual returns	[FirmCat]=22		49	85	172
552	ML 7.3.2	4	Money laundering -records of evidence customer identity etc	[FirmCat]<> 19 AND [FirmCat]<> 20 AND [FirmCat]<> 29 AND [FirmCat] <> 30		353	1006	8522
553	ML 4.3.2	1	Money laundering reporting to NCIS	[FirmCat]<> 19 AND [FirmCat]<> 20 AND [FirmCat]<> 29 AND [FirmCat] <> 30		353	1006	8522
554	ML 7.3.3	4	Money laundering staff training	[FirmCat]<> 19 AND [FirmCat]<> 20 AND [FirmCat]<> 29 AND [FirmCat] <> 30		353	1006	8522
555	SUP 16.11.3	1	Product sales data	FirmCat=7;22;31 OR Not IsNull(AUT_ICVC_OPS.FRN)	AUT_ICVC_OPS	110	274	442
556	SUP 10.12.13	2	Withdrawal of application for approval to confirm a controlled function	[FirmStatus]="Authorised"		411	1493	22299
559	SUP 10.13.14	2	Update to approved person's details	[FirmStatus]="Authorised"		411	1493	22299
560	COB 5.3.19A	4	Record of suitability of product	FirmCat=21		21	153	4604
561	COB 10.7.6	4	Requirement on operators of unregulated schemes to keep copies of periodic statements sent to unit holders.	True	AUT_ICVC_OPS	35	136	185
562	ICOB 4.2.14	4	Records kept by intermediary of insurance companies dealt with.	[FirmCat]=19		7	143	9918
565	MCOB 3.10.1	4	Mortgage lenders records of non-real time financial promotions	Left([RAG],1)="5"	RAGS	6	35	167
566	ICOB 4.4.7	4	Record keeping where a personal recommendation is made	[FirmCat]=19		7	143	9918
567	MCOB 3.10.1	4	Requirement to keep, for one year, a record for any non-real time financial promotion communicated.	Left([RAG],1)="5"	RAGS	6	35	167
568	MCOB 4.6.11	4	Where a distance mortgage mediation contract is cancelled, a copy of the cancellation notice must be kept for three years.	Left([RAG],1)="5"	RAGS	6	35	167

ID	Ref	Class	Title	Spec	Table	FirmsL	FirmsM	FirmsS
569	MCOB 4.8.7	4	For non-advised sales, a copy of any scripted questions used must be kept for one year.	Left([RAG], 1)="5"	RAGS	6	35	167
570	MCOB 5.4.19	4	Where a key facts illustration (KFI) leads to a consumer applying for a mortgage, a copy of that KFI must be kept for one year.	Left([RAG], 1)="5"	RAGS	6	35	167
571	MCOB 6.4.3	4	A copy of mortgage offer document to be kept for a year.	Left([RAG], 1)="5"	RAGS	6	35	167
572	MCOB 7.4.4 & 9.7.10R	4	A copy of the start of contract disclosure made to the consumer must be kept for one year.	Left([RAG], 1)="5"	RAGS	6	35	167
574	MCOB 9.7.10	4	This rule imposes the same requirements for lifetime mortgages as does MCOB 7.4.4.R for standard mortgages	Left([RAG], 1)="5"	RAGS	6	35	167
575	MCOB 11.3.1	4	A firm must keep a record to demonstrate that it has taken account of the customer's ability to repay and keep this for one year.	Left([RAG], 1)="5"	RAGS	6	35	167
576	MCOB 11.3.4	4	A firm must make and keep up-to-date a record of its responsible lending policy. When the policy is changed, a record of the previous policy must be kept for a year from the date of the change.	Left([RAG], 1)="5"	RAGS	6	35	167
577	MCOB 13.3.9	4	A record of a firm's dealings with an individual consumer demonstrating compliance with rules on arrears and reposessions must be kept for one year after the relevant payment shortfall has been cleared.	Left([RAG], 1)="5"	RAGS	6	35	167
626	CASS 2.6.15	4	Client asset records	FirmCat=6;40;16		121	389	1025
627	CASS 3.2.2	4	Client assets held as collateral	CMStatus="Holds Client Money"	ClientMoney	121	353	1174
629	SUP 16.4.5	1	Annual Controllers Report	[FirmStatus]="Authorised"		411	1493	22299
630	SUP 16.5.4	1	Annual Close Links Report	[FirmStatus]="Authorised"		411	1493	22299
631	ML 7.3.4	4	Money laundering - records of transactions	[FirmCat]<> 19 AND [FirmCat]<> 20 AND [FirmCat]<> 29 AND [FirmCat] <> 30		353	1006	8522
632	COB 2.2.20A	4	Records of soft commission agreements	FirmCat=16;38;37;16		70	373	1277
633	SUP 10.9.8	1	Annual report on significant management functions	[FirmStatus]="Authorised"		411	1493	22299

Annex 3: Supervisor Survey

56 supervisors, covering all types of firm, were asked to participate in an online survey with the following objectives:

1. Establish the number of “miscellaneous notifications” coming into the FSA from firms (type 3 burdens);
2. Get the supervisors’ views on whether or not, in their opinion, the costs of preparing any of these communications was likely to be material;
3. Whether they were aware of any recent regulatory changes resulting in firms incurring large costs – both one-off and ongoing - on new systems.

In addition, the supervisors were asked to review the e-mail questionnaires for completeness and validity and point out any inappropriate proposed members of the random sample that might give unrepresentative results (due to merger, takeover, cancellation of authorisation or other similar factors).

The results of the survey demonstrated what was suspected initially, namely that all of the type 3 notifications

- a) Are relatively few in number;
- b) Are de-minimis in terms of unit costs.

The results are set out below. For each type of notification we have calculated the average number received per annum per firm based on the total number of firms supervised by the individual supervisor. This was then used as a basis to estimate the total number for all similar firms in the various categories set out below.

Dept	Num	Catch all provisions eg emergencies (GEN 1.3), contingency (SYSC 3A.9), SUP 15.3 etc	Large exposure notifications (pre and post event)	Breach of capital limits	Notifications re Compensation Scheme (eg COMP 13.3.1)	Notification of material outsourcing or delegation to PTP	Receipt of policy statements (liquidity, lending, risk management etc) and business plans	Administrative (change of name, address, executives etc)	Bank notifications re internal models (CAD or market risk)	Other - please specify details
1	2	3	4	5	6	7	8	9		
Credit unions	567	3	3	40	0	0	60	0	0	20
Credit union average	0.222	0.005	0.005	0.07	0	0	0.11	0	0	0.04
Large Insurers	34	1	0	0	0	2	6	0	0	5
Large Insurers	33	40	1	3	0	2	0	70	0	0
Large Insurers	36	0	0	0	0	0	0	0	0	0
Large Insurers	54	0	0	0	0	3	5	8	0	50
Large Insurers	1.248	0.261	0.006	0.02	0	0.04	0.07	0.5	0	0.35
Large Banks	9	1	0	0	0	1	2	10	0	0
Large Banks	38	20	20	0	10	10	10	70	10	100
Large Banks	25	10	15	1	0	6	20	50	10	100
Large Banks	23	20	10	0	0	2	36	30	3	0
Large Banks	22	0	50	0	1	4	1	1	4	0
Large Banks	11	0	10	0	0	5	20	20	0	0
Large Banks	3	20	16	20	16	20	16	0	16	0
Large Banks	6.237	0.542	0.924	0.16	0.21	0.37	0.8	1.38	0.33	1.53
MRGD AVERAGE	3.517	0.389	0.424	0.08	0.09	0.19	0.4	0.9	0.15	0.89
Medium insurers	30	2	0	0	0	0	0	2	0	5
Medium retail firms	3	0	0	0	0	0	3	3	0	0
Medium retail firms	18	0	0	0	0	1	12	10	6	0
Medium retail firms	14	50	0	2	1	1	5	2	0	0
Medium retail firms	19	50	4	0	0	2	3	5	1	0

Medium retail firms	1	0	1	1	2	1	8	4	0	0
Medium retail firms	18	0	1	0	0	0	4	4	0	0
Medium retail firms	52	1	2	0	0	1	50	2	0	20
Medium retail firms	10	5	0	0	1	1	2	3	0	0
Medium retail firms	19	0	0	1	0	0	0	2	0	0
Medium retail firms	9	1	1	0	0	1	3	10	0	0
Medium retail firms	8	0	0	0	0	0	15	6	0	0
Medium retail firms	120	5	25	1	0	1	15	20	25	0
Medium retail firms	17	0	0	0	0	0	0	2	0	0
Medium retail firms	7	0	0	0	0	1	2	1	0	2
Medium retail firms	15	0	0	2	0	0	1	1	0	2
Medium retail averages	1.276	0.339	0.103	0.02	0.01	0.03	0.37	0.23	0.1	0.07
Small firms division	22000	0	277	1261	0	0	0	8766	0	0
	0.468	0	0.013	0.06	0	0	0	0.4	0	0
Wholesale Banks	60									
Wholesale Banks	14	0	3	0	4	2	3	5	5	2
Wholesale Banks	27	0	4	0	1	3	6	6	0	0
Wholesale Banks	17	0	0	0	0	0	0	2	0	0
Wholesale Banks	25	3	4	2	0	2	10	8	7	0
	0.573	0.021	0.077	0.01	0.03	0.05	0.13	0.15	0.08	0.01
Wholesale Firms	17	0	0	1	0	0	0	5	0	0
Wholesale Insurance	8	1	2	0	0	0	0	0	0	0
Wholesale Insurance Department	5	0	0	0	0	0	1	2	0	0
Wholesale insurance run-off	3	0	0	0	0	1	3	3	0	5
	0.727	0.03	0.061	0.03	0	0.03	0.12	0.3	0	0.15
wholesale investment banks	22	0	2	0	0	0	10	12	12	12
Wholesale Investment Banks	27	3	6	1	0	0	6	12	3	4
Wholesale Investment Banks	10	0	6	0	0	0	0	6	2	0
Wholesale Investment Banks	50	0	5	0	0	6	5	6	0	0
Wholesale Investment Banks	4	0	150	0	0	0	1	3	3	0
	2.442	0.027	1.496	0.01	0	0.05	0.19	0.35	0.18	0.14
Wholesale Investment firms	12	12	6	0	6	4	20	10	0	12
Wholesale investment firms	55	2	9	4	1	2	10	11	0	0
Wholesale Investment Firms	63	220	1	3	33	1	4	12	6	0
Wholesale Investment Firms	17	0	1	2	2	0	7	3	0	0
Wholesale Investment Firms	29	0	0	0	1	0	10	2	0	0
	2.369	1.33	0.097	0.05	0.24	0.04	0.29	0.22	0.03	0.07

OVERALL AVERAGE **0.54** **0.02** **0.03** **0.06** **0.00** **0.00** **0.02** **0.39** **0.00** **0.01**

Annex 4: NOP Telephone Survey

NOP was requested to append additional questions to a regular telephone survey which provides feedback from FSA-regulated firms on the regulatory transaction processes.

Eight processes were selected as representing the highest volume, most costly processes. The processes were:

- Authorization
- Cancellation of authorization
- Rule waiver
- Variation of permission
- Application to trade in other member states ("passporting")
- Authorisation of collective investment schemes
- Notification of change of control
- Approved person notifications

A sample of firms which had recently carried out one of the above transactions was contacted. The following questions were added to the telephone survey as follows:

1. Whether external advisors were used as part of the application/process. Results were classed in terms of:
 - a. Compliance consultant
 - b. Accountant
 - c. Legal advisor
 - d. Other
2. The cost of employing the external advisors (if applicable)
3. An estimate of the number of man-hours spent by each of the following staff grades (or equivalent):
 - a. Executive director;
 - b. A direct report to an executive director for example, a compliance officer, divisional director or senior manager;
 - c. Manager;

d. Administrative staff.

4. Which grade of staff did the most work.
5. An estimate of the overall cost of the process to the firm.

Processing the data

A reasonable number of responses was obtained:

Process	Number of Responses
Authorization	106
Cancellation of authorization	110
Rule waiver	66
Variation of permission	110
Application to trade in other member states ("passporting")	88
Authorisation of collective investment schemes	22
Notification of change of control	95
Approved person notifications	110

The data were reviewed to try to ensure consistency. For example, using our standard hourly rates for different grades of staff we checked the firms' overall estimates of cost. In many cases this differed or the staff hours were not given or the overall cost estimate was not given.

To correct for the above we decided to adopt the following procedure:

- In cases where no overall cost was given, we calculated it using our own staff rates;
- In cases where the overall cost differed from our estimate we used the average of the two;
- Where no staff hours were given we used the overall cost estimate.

Results

We calculated the following mean values for the cost, together with the upper and lower 95% confidence points. The confidence intervals were wide due to the high

standard deviations of the samples. This is not unexpected given the high degree of diversity between the size and nature of the firms regulated by the FSA, but it makes reliable estimation more difficult.

	Mean	Lower	Upper
Cancellation	1,776	921	2,632
Change of Control	2,159	1,455	2,864
CIS*	29,333	<0	62,298
Corp Auth*	7,794	6,310	9,278
Individual	3,945	1,674	6,216
Passport	1,669	707	2,632
VOP	2,189	575	3,803
Waiver	2,741	1,076	4,406

The mean values have been incorporated into the database and used as the basis of the calculation for these processes.

For some of these items we determined that the degree of variation was unacceptably high. In those cases we *stratified* the sample into a number of bands comprising ranges of cost and estimated the averages, and *grossed up* the bands separately.

For processes such as authorization, variations of permission and rule waivers, this stratification corresponded to the broad diversity of such applications. For example, authorization covers not only the relatively straightforward and comparatively cheap process for small retail intermediaries, it also covers the much longer, complex and costly procedures needed to obtain authorization for a bank or securities firm.

Annex 5: Staff and Management Costs

The following table sets out the hourly rates we have used in computing the overall costs of the time reported by firms.

The figure used is in the “Hourly Rate” column. For comparison we have also set out the median hourly rates of pay reported by the Office for National Statistics Annual Survey of Hours and Earnings (2005) which is the figure recommended in the SCM.

These figures differ considerably, but we considered the rates actually used to be more reflective of conditions in the financial services market, especially relating to the salaries of staff employed in larger firms.

Title	Hourly Rate	Notes	SCM	SCM Ref
Large firm board	2775.00	Assume non-exec 60hrs p/a @ £20,000pa ~ £300 p/hr Assume 8 non-executive directors + 4 executive directors ~£2,775	536.40	12 @ 46.95
Large firm executive director	93.75	Average £150,000 p.a.	46.95	1112
Large firm senior manager	62.50	Average £100,000 = £62.50 (1600 hr year)	24.68	1131
Large firm manager	37.5	£60,000	17.87	2421
Large firm admin	15.00	£24,000	7.54	4150
Small/Med firm director/partner	62.50	£100,000	46.95	1112
Small/Med firm manager	25.00	£40,000	17.87	2421
Small/Med firm admin	10.00	£16,000	7.54	4150
External professional advisory charges	250.00			
Overhead Rate	0.30	Prescribed by SCM		

A standard overhead rate of 30% was added to all these costs in accordance with the SCM.

We have shown the comparative SCM-based cost estimates alongside the estimates based on the hourly rates shown above in Annex 1.