FSA Simplification Plan update

December 2007

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Introduction

The scope of this Simplification Plan

In December 2006 we published a Simplification Plan that outlined how we have improved – and planned to continue to improve – the regulation of the financial services industry.[1] The Simplification Plan followed a series of publications in 2006 related to better regulation – two studies of the costs of regulation (including administrative burdens), one on the benefits of regulation and an update to our Better Regulation Action Plan.[2]

Many of our stakeholders will know we publish our Business Plan each February (for the following financial year, April to March) and our Annual Report each June (for the year before). We believe it would be sensible to combine our simplification reporting with our annual accountability cycle – a forward-looking statement of simplification initiatives with the Business Plan and a review in the Annual Report of the simplification we have delivered. Linking our presentation of simplification work to our corporate planning process will be more efficient and enable us to give a more complete picture of our work. It will also enable stakeholders to see how we are meeting our statutory objectives and Principles of Good Regulation (contained in the Financial Services and Markets Act 2000 (FSMA)).

One year on, this update to the 2006 Simplification Plan reflects the latest position on each of these initiatives and main incoming burdens. We will identify further simplification measures and incoming burdens in our Business Plan in February 2008.

The Treasury has also published a revised Simplification Plan, with measures relating to financial services, on its website.[3]

More principles-based regulation

The initiatives in this Plan reflect a mix of domestic initiatives and work brought about by the implementation of various European directives.

Running through the Plan is the theme of more principles-based regulation. We are committed to moving regulation, where possible, away from detailed rules and towards a more principles-based approach. We believe this can produce better outcomes for both consumers and the financial services industry by encouraging a keen focus on how best to act in a particular situation, rather than simply following a more mechanistic approach. The shift towards a more principles-based approach will be an ongoing process.

In April 2007 we published a strategy paper[4] setting out our approach to more principles-based regulation and identifying the actions that would support this transition.

Key deliverables

This year we have delivered several significant policy changes, in particular in the direction of more principles-based regulation. Of course, different types of firm will be affected in different ways.

For instance, firms operating in the retail area have seen a major overhaul of the requirements on their business. There have been substantial reforms to the conduct of business regime, financial promotions rules, complaint handling requirements, and training and competence rules. We have sought wherever possible to articulate requirements in the least prescriptive, most outcome-focused way, to give firms the flexibility to deliver the regulatory outcomes we require in ways that are best suited to their circumstances.

Retail and wholesale firms have also seen major revisions of the data they report to us regularly. Introducing the Capital Requirements Directive (CRD) has led to a fundamental change in the way some banks, building societies and investment

1 www.fsa.gov.uk/pubs/other/simplify_plan.pdf
2 www.fsa.gov.uk/pages/Library/Communication/PR/2006/061.shtml
3 www.hm-treasury.gov.uk
4 www.fsa.gov.uk/pubs/other/principles.pdf

firms calculate their regulatory capital and measure the risks that need to be covered. We used the implementation of the CRD as an opportunity to revise all our reporting requirements for these sectors. Overall, the net change in the amount of data we will collect in future represents a 45% reduction for banks, a 25% reduction for building societies and a 55% reduction for securities firms. Investment management firms, on the other hand, will see an average 410% increase, reflecting the relatively light-touch reporting burden under their previous regulatory regimes.

Separately, we have reviewed the Complaints Return and the Retail Mediation Activities Return (RMAR). Most of our regulated firms complete the Complaints Return and we have proposed an overall reduction of 80% in the amount of data collected. The RMAR is submitted by around 20,000 firms which act as mortgage, general insurance and retail investment intermediaries. We proposed a net 30% reduction in the amount of data collected.

Implementing EU requirements

When we implement new EU measures, we do not impose any more requirements additional to a directive without making a clear cost benefit case. In taking forward the measures and reviews outlined in this document we will always consider carefully whether extra requirements are justified.

At the 2005 Pre-Budget Report, the government set up a review to look at the whole process by which EU legislation is given effect in the UK, from transposition (writing EU legislation into national law) to enforcement. The review, led by Neil Davidson QC, Advocate General for Scotland, aimed to identify – and consider ways to simplify – any unnecessary burdens created by over-implementation, and reported with recommendations to the government at the end of 2006. We worked with the review team to explain our approach and the decisions taken in some specific policy areas.

The reviews – contained within this plan – of the close links requirements and insurance conduct of business rules are taking into account the results of the Davidson Review.

The international agenda remains a very high priority for us. We continue to invest significant amounts of time and effort – particularly at senior management level – in influencing the international debate. Europe continues, of course, to play a pivotal role in shaping the development of the regulatory landscape. We work hard to steer both the overall style and direction of relevant European legislation and matters of substance on individual initiatives, such as Solvency 2.

We believe strongly that the Lamfalussy committees offer the best prospect of achieving cost-effective regulatory convergence in the EU. We are active in pushing forward convergence in areas such as peer review and EU-wide training. We have also taken every opportunity to promote better regulation within the EU institutions, both in general terms and in our comments on specific areas such as mortgages. With the Treasury we have recently published a Discussion Paper contributing to the ongoing debate on the future of regulation and supervision of financial markets in the EU.[5]

Your input

We will continue to look actively and imaginatively for ideas and opportunities for review and encourage you to offer further thoughts and suggestions.

We respond to queries submitted through the Better Regulation Executive portal at www.betterregulation.gov.uk . We also have a Better Regulation inbox to which you can use to send us feedback and comments directly at betterregulation@fsa.gov.uk

5 www.hm-treasury.gov.uk/media/4/0/fin_lamfaulssy071107.pdf

Simplification Measures Table

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Initiative delivered/ scheduled for delivery					
Anti-money laundering rules	Policy / admin	In August 2006 we deleted our existing detailed rules entirely, replacing them with high-level requirements for firms to have their own risk-based controls.	All firms will have greater flexibility in meeting their regulatory requirements in the way that best suits them, so the burden is more proportionate to the risk.	These legal requirements account for £254.3m of administrative burden on firms. Our requirements formed part of the overall legal requirements. Firms will still be required to comply with non-FSA statutory requirements and to manage their risks effectively. Respondents to our consultation indicated that they expected to benefit from long-term savings because of increased flexibility.	Detailed rules were deleted with effect from 31 August 2006.
Training and competence rules	Policy / admin	We have consulted on and finalised the rules for a much simpler, more principles-based and MiFID-compliant Training and Competence (T&C) regime. The new T&C regime consists of: • a new high-level competence requirement for all UK authorised firms; and • a new, much shorter T&C sourcebook for retail business only.	The new high-level competence requirement is based on the MiFID competence requirement. The new T&C sourcebook is for retail firms only. It is simpler and more user-friendly and is approximately one-third of the size of the previous sourcebook. It contains a small number of (exam-related) rules and a modest amount of more focused guidance. Under the new regime, all UK authorised firms can benefit from greater flexibility in meeting their regulatory requirements in the way that best suits them, so the burden is more proportionate to the risk.	Training and competence record requirements account for £38.7m of administrative burdens. Disapplying the detailed T&C requirements for wholesale firms reduces their admin burden and is not expected to result in significant extra costs. Retail firms now have more flexibility in the way they comply with the competence requirements. (They are not subject to any new requirements or obligations, so no significant costs are expected to arise from the new regime.)	The new T&C regime came into force on 1 November 2007.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Significant management function reporting requirement	Admin	We have deleted the requirement on firms to give us the name of every individual approved to perform a significant management controlled function and brief details of their job every year.	Firms will benefit from not having to report this piece of information to us each year.	Estimated yearly saving of £2.2m administrative burden.	Deleted 6 May 2006.
Reform of the Approved Persons regime	Policy / admin	In November we completed the implementation of our reform of the Approved Persons regime with the merging of the significant management functions, systems and control functions and customer functions into three overarching functions. This followed our deletion of the sole trader function in February 2007.	All firms will benefit from a more streamlined approach to approved persons with fewer administrative burdens.	Estimated annual savings of £1mn in administrative burdens for firms.	The sole trader function was deleted with effect from 1 February 2007; the other changes to the regime were effected from 1 November 2007.
Improved application packs	Admin	Our 'build your own' application packs now cover more than 99% of applicants. As a result of this approach information is easier to find and we have also improved the layout of the forms.	The 'build your own' approach ensures firms are only asked questions relevant to their business.	The administrative burdens relating to the Authorisation application pack were estimated at £14.8m. Applicants still have to complete application packs, but the forms and process are now more navigable. Total costs savings of improved navigability are difficult to quantify.	We launched the final forms in November 2007.
Regulatory reporting for insurers	Admin	We have revised the annual financial returns for insurance companies and certain friendly societies.	The returns are simpler to complete. We have introduced materiality criteria for reporting business, which will help smaller firms.	Estimated yearly administrative-burden saving for the life insurance industry of £1.24m and £200,000 for the general insurance industry.	Returns took effect from the first quarter 2006.

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Prudential changes for insurers	Policy / admin	Following work with the industry since early 2006, we began consultation in September, via CP06/16, on two sets of proposals. The first were changes to life insurers' regulatory reserving and capital requirements which would have the practical effect of removing a number of areas of super-equivalence from our current regime. The second proposal set out a number of sub-principles for insurers to apply in their Individual Capital Assessments (ICA). The feedback we have received shows respondents' significant support for our proposals.	Life non-profits firms are able to introduce a degree of economic realism into their reserving calculations. Life with-profits firms would have lower capital requirements under our proposals. Our ICA sub-principles will give insurers greater clarity about our expectations for an ICA.	We estimate the proposals to remove super-equivalence in life insurers reserving and capital requirements would free up around £4bn of industry capital (saving the industry around £140m a year). The sub-principles are designed to give the industry greater clarity on our expectations for ICAs, and so would help firms undertake this assessment.	Policy Statement issued in December 2006 with final rules.
Small firms audit requirement	Policy / admin	We have consulted on proposals to remove the statutory audit requirement for the small firms we authorise, and their Appointed Representatives. We have worked with BERR (formerly the DTI) to implement this through the Companies Act. We have amended our rules to enable firms that are able to benefit from this audit exemption to submit un-audited financial reports to the FSA and to use un-audited figures in their capital resources calculation.	Around 3,200 small firms and 1,490 Appointed Representatives will not incur the time, cost and expense of a statutory audit. This will apply to small firms with financial years ending on or after 31 December 2006.	Estimated yearly administrative-burden savings of £12.9m.	Consultation closed on 6 June 2006; policy statement published 28 July 2006.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Reforming conduct of business regulation (COB)	Policy / admin	COB rules have been overhauled as part of the move to a more principles-based approach to regulation and to implement the Markets in Financial Instruments Directive (MiFID).	The new rules are easier to understand, comply with and amend. Detailed rules have only been retained or created where they are required by Europe or are the only way to achieve specific outcomes. This impacts firms carrying on investment business and others doing business within the scope of the current COB sourcebook.	We published a full cost benefit analysis (CBA) in CP06/19, which also considered the effect of MiFID implementation and other policy changes in the Consultation Papers. This has been a flagship project in our move towards more principles-based regulation. The new Conduct of Business sourcebook (COBS) moves away from reliance on detailed prescriptive rules and is about half the length of the old rulebook. It gives firms the flexibility to achieve the regulatory outcomes necessary in a way that suits them best.	COBS came into force on 1 November 2007
Complaints handling and dispute resolution	Policy / admin	Alongside reforming COB requirements we have made changes to the Dispute resolution: complaints sourcebook (DISP).	The changes affect most firms. The changes are designed to promote a new module which has fewer, more focused rules which remove some prescription while focusing more clearly on firms' central obligation to treat customers fairly. In the process, we implemented the MiFID requirement.	A full CBA has been published with the consultation (CP 06/19). Some aspects of the changes increase costs, but overall we estimate that the package of measures will produce yearly admin burden savings for firms of over £4.5m.	The made rules were set out in PS07/9 in July 2007, and these rules came into force from 1 November 2007.

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Financial promotions and other communications	Policy / admin	Alongside reforming COB requirements, we undertook a fundamental review of the financial promotions rules relevant to investment business. The financial promotion rules relevant to mortgages and general insurance (in the Mortgages and Home Finance Conduct of Business and Insurance Conduct of Business modules of the Handbook) will be reviewed later. The Treasury will be undertaking a separate review looking at the scope of the Financial Promotion Order – details are in their Simplification Plan.	This affects most firms doing business within the scope of the previous COB sourcebook. The rules are simpler, less detailed and more principles based. They give firms greater flexibility when communicating promotions, while focusing on the key requirement to be fair, clear and not misleading.	We published a full CBA in the consultation paper CP06/20. These changes were introduced in parallel to COBS reforms (see above). They also move away from reliance on detailed prescriptive rules and give firms the flexibility to achieve the regulatory outcomes necessary in a way that suits them best.	The new rules came in to effect from 1 November 2007 (with a 12-month transitional period for certain types of non-MiFID business).
Pricing of collective investment schemes	Admin	We have consulted on whether to allow fund managers greater flexibility to adopt single or dual pricing of units in authorised Collective Investment Schemes (CIS).	Fund managers will be able to judge for themselves which pricing method best meets the needs and expectations of their investors.	Any one-off or ongoing compliance costs to authorised fund managers or other authorised persons will be of minimal significance. Against this, we estimate one-off admin burden savings from not converting dual-priced Authorised Unit Trusts to single pricing of around £13m.	Consultation closed on 21 July 2006. Implementation from February 2007 as part of the new rules for CIS.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Regulatory reporting for credit institutions and certain investment firms	Admin	We have overhauled reporting requirements for these firms. This has ensured that reporting is risk based and proportionate, as well as implementing the Capital Requirements Directive (CRD) and MiFID.	Around 5,300 firms are affected and the impact will vary considerably across them. The CRD represents a fundamental change in the way credit institutions and the investment firms affected by it calculate their regulatory capital, enabling them to take a more risk-based approach. So financial reporting requirements relating to CRD are more complex than previously, particularly for investment firms. See also table below of incoming regulatory burdens relating to the CRD.	Our post-consultation impact analysis shows the average volume of data reported by banks will reduce by 45%, building societies will reduce by 25% and securities firms will reduce by 55% (all subject to the CRD). CRD investment management firms will see a 410% increase in the average volume of data reported. Overall, the proportion of our future reporting requirements directly attributable to the CRD is over 30% for banks and building societies and 80% for securities and investment management firms. Our impact analysis shows that non-CRD securities firms will see a 77% reduction in the average volume of data reported and investment management firms a 28% increase. The increase in the volume of data for both CRD and non-CRD investment management firms reflects the under reporting required of these firms under their previous regulatory regimes. See Consultation Paper 06/11 and Policy Statement 07/1 (for the impact analysis of reporting changes).	Implementation in phases starting from 1 January 2008.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Investment entities listing rules	Policy	We have proposed changing the Listing Rules for investment entities to introduce greater flexibility and a more principles-based approach while maintaining an appropriate degree of investor protection.	Investment entities will be able to employ a wider range of investment strategies to list in the UK. Once an entity is listed, ongoing disclosure obligations would be simplified.	It is difficult to quantify the benefit to firms and consumers of this liberalisation. This proposal focuses on the investment strategies that investment entities can use (the changes will be policy savings rather than administrative). However, the overall effect is deregulatory. See CPs 06/4, 06/21 and 07/12 for a full CBA.	An interim regime came into effect at end-September 2007 and the final regime will come into effect in March 2008.
Flexibility for a wider-range of retail investments	Policy	We consulted on widening the range of funds that can be marketed to retail investors to include new authorised funds of hedge funds.	Firms will be able to give consumers greater choice.	It is difficult to quantify the benefit to firms and consumers of this liberalisation. This proposal focuses on the funds that firms can market so changes in administrative burdens are likely to be limited. See CP 07/6 for a full CBA.	Consultation finished in June 2007. However, there are a number of taxation issues involved in operating such a regime. The Treasury is currently considering these issues. A Discussion Paper was issued in October, with a deadline of 9 January 2008 for responses. We have delayed publishing our proposals until the situation is clearer, which is likely to be early in 2008.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Reviewing the RMAR, MLAR and the Complaints Return	Admin	Firms have been submitting the Retail Mediation Activities Return (RMAR), Mortgage Lending & Administration Return (MLAR) since July 2005, and the Complaints Return since October 2002. We have consulted on changes to the Complaints Return and the RMAR in CP07/17 and have published a policy statement.	Using the findings from independent market research on RMAR we commissioned, we are improving our Firms Online website to include further illustrations and help. Our review of the effectiveness of these returns as a supervisory tool showed that we are able to make an overall reduction in the volume of data required in both the Complaints Return and the RMAR. This simplification benefits all firms other than those exempt from the Dispute Resolution: Complaints Sourcebook. Banks and building societies, which represent 85% of the mortgage market, have only been submitting the MLAR from April 2007. So we have deferred our effectiveness review of the MLAR and any changes to the data will be subject to consultation in 2008/09.	We have implemented a net reduction of 80% in the volume of data collected by the Complaints Return. Cost benefit analysis (CBA) in the consultation estimates a net annual administrative decrease of £100,000 in costs to firms. The one-off incremental cost for firms of implementing the changes is estimated to be £500,000 covering 4,500 firms who report complaints in this return. We are proposing a net reduction of 30% in the volume of data collected by the RMAR. CBA estimates an overall yearly administrative decrease of £370, 000. One-off incremental cost for firms of implementing the changes is estimated to be minimal, covering the approximate 16,000 firms who complete this return. See CP 07/17 for a full CBA.	We will implement more improvements to the help provided through our Firms Online website on the RMAR by the end of 2007. Implementation of revised RMAR will be from 1 October 2008. Implementation of the revised Complaints Return from 1 August 2009.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Reinsurance Directive Implementation	Policy / admin		A minimum level of harmonised prudential supervision of reinsurance across the EU. Introduction of a separate fit-for-purpose regime for Insurance Special Purpose Vehicles (ISPVs). Primarily pure reinsurers and users of ISPVs affected.	**FSA Rules** Reduced capital requirements and technical provisions will release estimated capital of £730m (cost saving £25m a year) Minimal one-off policy costs associated with reinsurers updating their I.T. systems. **Treasury Legislation** Impact assessment in the Treasury's consultation on proposals to implement the Reinsurance Directive on passporting, transfers of business and other amendments identifies further benefits of £0.6m offset by costs of £0.2m.	**FSA Rules** Prudential rule changes came into effect on 31 December 2006 **Treasury Legislation** A twelve-week consultation on changes to FSMA and regulations made under it was published on the Treasury's website in July 2007. Consultation closed on 17 October 2007. The implementation deadline was 10 December 2007.
Initiatives open for consultation					
Review of group capital requirements	Policy	We have reviewed our policy on requiring firms to calculate capital requirements at solo level and on deducting firm's investments in their subsidiaries and whether or not we should change this approach. This has included a fundamental review of the interaction of our solo and groups capital regimes for banks and investment firms.	We have published the findings of our review in the form of a Discussion Paper (DP 07/5), for comment by firms and their trade associations.	It is too early to assess the outcome of the review, as it will depend on responses to the issues raised in the DP.	Comment period for the DP runs to end December 2007, and we will publish a Feedback Statement at the end of the first quarter of 2008.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Review of general insurance conduct of business regulation	Policy / admin	We are reviewing the new regime for general insurance conduct of business regulation.	Proposals were published in June 2007 (CP07/11) for simplification or removal of many detailed rules while retaining key consumer protections	CBA published in June 2007 in CP07/11. Some continuing cost savings for firms are expected from removing detailed rules, but we cannot reliably quantify these. For general insurance business such as household, motor or pet policies this means moving to principles and high-level rules, except where detailed provisions are required by European Union Directives or in a small number of cases where they are the only practicable way to protect consumers. This will mean more flexibility for firms. For protection products (Payment Protection Insurance, critical illness cover, income protection and term assurance), we are proposing a small number of additional rules carefully targeted to improve selling practices in areas where consumers are losing out.	Decisions on rule changes are planned for Q4 2007.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Simplifying the Handbook – consolidating regulation					
Dismantling the Authorisation Manual	Admin	We have deleted the entire Manual and provided a derivations and destinations table to show where the material is now covered.	We have removed around 140 pages of Handbook text.	The administrative burdens relating to the old Authorisation application pack were estimated at £14.8m. Applicants still have to complete application packs, but the forms and process are now more navigable. Total costs savings of improved navigability are difficult to quantify.	Manual deleted December 2006
Review of the Enforcement and the Decision making manuals	Admin	A consultation on proposals for changes to the respective manuals and for much of the revised enforcement text to be incorporated in a new Enforcement Guide, positioned outside our Handbook.	The aim is to streamline the manuals and to revise them, where appropriate, to take account of policy developments and matters arising from enforcement case experience.	By way of summary, the CBA in CP07/2 noted that there would be minimal effect on direct and compliance costs, and that what costs there were (e.g. for training and familiarisation) would be one-off, whereas there would be ongoing benefits from cost savings arising from the revisions to our decision making procedures and from the streamlining and clarification of our enforcement material. In terms of indirect costs, the CBA identified that there may be some initial uncertainty about the implications of the proposals, but that we considered our practice in this area should reassure firms, and that any economic cost flowing from the uncertainty was likely to be small and short term.	We published our final proposals (in PS07/12) on 27 July. Decision Procedure and Penalties Manual (DEPP) and Enforcement Guide (EG) came into force on 28 August.
Review work					
Review of mortgage regulation	Policy / admin	We are reviewing the effectiveness of the new mortgage regime for mortgage regulation.	We will report on the extent to which the regime is delivering the intended outcomes for consumers.	It is too early to assess the second stage of the review.	Feedback of initial findings published in September 2006. The review is now onto its second stage which will be reporting in the first quarter of 2008.

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Review of depolarisation	Policy / admin	We are reviewing the new depolarisation regime.	This review will assess the effectiveness of the depolarisation regime in achieving the objectives laid down for it, principally, to improve consumer access to a wider range of good value products. Part of this will include a Document Disclosure Review, to assess the menu and Initial Disclosure Document (IDD) against MiFID.	The review is under way. However, in May, we published the results of research that formed part of the Benefits of Regulation study, which failed to find consistent evidence that the Menu had achieved its objectives. As a result, the rules requiring firms to give out the menu and IDD have been replaced with rules copied out from MiFID. The documents have been placed in guidance as a way of meeting Directive requirements and firms have the freedom to use them or develop their own disclosure documents to meet those requirements. We are continuing with the Document Disclosure Review and any new rules will be in place by the end of June 2008.	We published a further statement on review of the Menu and IDD in our October CP on Reforming conduct of business regulation. Any rule changes to be in place by end June 2008.
Review of the client asset regime	Policy / admin	We will be reviewing the client asset regime	We will examine any opportunities for reducing the burden of the audit provisions set out in our Handbook as part of this review.	It is too early to assess the outcome of the review.	Review in 2007/08
Review of close links	Admin	These are requirements on firms to disclose to us certain types of relationships they have with other people and companies to enable us to assess whether those links are likely to prevent the effective supervision of that firm.	We are reviewing these requirements and – within the constraints of European law – examining whether there are any opportunities for reducing the burden on firms. We are also liaising with the Treasury on their review of FSMA's requirements on close links where these currently apply to firms not subject to directive requirements in this area, as any change will result in changes to our Handbook.	It is too early to assess the outcome: we shall be consulting in the usual way once we and the Treasury have completed our reviews.	CP before the end of 2007, but dependent on completion of the Treasury review.

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Ongoing improvements / business as usual					
Better regulation of firms jointly authorised by FSA and OFT	Policy / admin	We published a Joint Action Plan with the Office of Fair Trading (OFT) in April 2006. This set out a wide-ranging programme of work to reduce the administrative burden on firms, improve the way in which we make information available to consumers and deliver risk-based regulation.	We will improve the way we deal with our jointly regulated firms. This will help us deliver benefits to firms, consumers and to the economy as a whole.	Industry compliance costs should fall.	We have published two updates on our joint work with the OFT (November 2006 and July 2007). In addition, they have published a 'Statement of responsibilities' which helps clarify the different regulatory remits of each organisation. This programme of work continues as 'business as usual'.
FSA service standards and measuring customer satisfaction	Admin	This has affected all firms authorised since 2003. We have set ourselves a range of measurable service standards to judge our interaction with firms and we will publish our performance against them every six months. We also measure the quality of the service we provide by engaging an independent research company to survey and track customer satisfaction.	Many of our service standards – and all of the transactions we measure for customer satisfaction – relate to administrative burdens. Our approach helps to make us easier to do business with and minimises the amount of time and effort firms have to spend dealing with us. We also use the feedback we receive through this to constantly improve and streamline our processes. This impacts most regulated firms at some point.	Administrative burdens totalling £49m a year are impacted by this work. The benefits are not possible to quantify in terms of annual savings to firms.	Ongoing.
'Personal' and 'Focus on' Handbooks	Admin	Using technology, we have further improved the accessibility of our rules and guidance. These two new features enable firms to create, by answering ten questions, a bespoke Handbook with just the detail relevant to them.	Firms spend less time trying to understand the regulatory requirements relevant to them.	It is not possible to quantify the annual saving to firms.	Made available in April 2006.

Table of principal incoming burdens (from September 2005)

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
European requirements					
Transparency Directive (TD)	Policy / admin		Implementation of TD achieved maintaining high standards of regular financial reporting, major shareholding disclosure, and information dissemination and storage. Appropriate protection and information for investors secured whilst maintaining the competitive position of UK's capital markets.	The directive covers areas where the UK already has existing requirements. Stakeholders have expressed a preference for retaining the majority of super-equivalent existing provisions. So, except for the removal of the requirements for issuers to publish half-yearly reports in a newspaper or send them to shareholders, the cost savings are expected to be minimal, given the wide scope and detailed nature of the TD minimum requirements. CP06/4 contained a CBA of our proposals for implementing the TD. We have amended the CBA in light of responses to the CP and changes to draft Level 2 Directive. We have produced one further CP on a TD related issue, disclosure of Contracts for Differences (CP07/20) in November 2007. Depending on which option is implemented, holders and writers of CfDs may face (modest) extra costs.	Implemented in January 2007.

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Capital Requirements Directive (CRD)	Policy / admin		We implemented the CRD [and revised Basel Framework] in a manner that promotes a regulatory capital framework for banks and investment firms. It is also more risk-sensitive and gives appropriate incentives to good risk management practices. We have sought to adopt a 'copy-out' approach to implementation, providing additional rules or guidance only where there is a clearly justified case for going beyond the requirements of the directive. As indicated in the Simplificaiton Measures table (above) our overhaul of reporting requirements for banks, building societies, securities firms and investment management firms included taking account of the impact of the CRD.	CP 05/3 contained an independent high-level study of the economic impacts and cost benefit analysis of the CRD. This showed that our implementation of the CRD was expected to have positive benefits on the financial system as a whole. CP06/3 contains an independent analysis of the incremental non-capital compliance costs arising from the introduction of the CRD. In those areas where we are 'super-equivalent' to the directive, we have undertaken specific cost-benefit analysis and consulted extensively, both formally and informally with the types of firms most closely affected. Our reporting cost benefit analysis estimated an annual administrative burden increase of £5mn. Firms sampled highlighted that the new data required more processes to collate and verify the data due to the greater complexity of the CRD. For investment firms we did not carry forward the historic requirement for firms to provide us with an annual financial return, an annual reconciliation to the year end return and an auditors report. We estimated this saved firms £3.55mn per annum. For non-CRD investment firms the estimated annual administrative burden on data reporting was an increase of £200,000. We have since brought these firms in line with CRD investment firms and removed the need for returns to be routinely audited reducing the administrative burden by an estimated net £2.4mn per annum. We are also planning to remove for these firms the need for annual financial returns and the reconciliation requirements which we estimate will further reduce the annual administrative burden by an estimated £1.4mn per annum.	Policy Statement 06/6 published on 28 July 2006. FSA Board made final rules in October and November 2006 Optional implementation from 1 January 2007 [for firms choosing the simpler approaches] and 1 January 2008 [for those firms that have not yet implemented and those firms choosing the advanced approaches]. Implementation of reporting changes in phases starting from 1 January 2008.

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Markets in Financial Instruments Directive (MiFID)	Policy / admin		Together with the Treasury, we approached the implementation of MiFID in a pragmatic and cost-effective way. We implemented the MiFID requirements in a way that makes sense for UK markets, both wholesale and retail, in line with the statutory objectives and principles of good regulation set out in the Financial Services and Markets Act 2000 (FSMA). In particular we adopted 'intelligent copy-out' of the MiFID text to avoid placing any unintended additional obligations on firms. We consulted fully on a limited number of proposals to retain existing, national measures to protect consumers or promote clean markets that go beyond MiFID's requirements by appropriate market failure analysis (MFA) and CBA. We managed the implementation of MiFID as part of the radical simplification of our Conduct of Business Sourcebook and our move to more principles-based regulation.	We included CBA on all of our implementation proposals, which were set out in four consultation papers. We also published our assessment of the overall impact of MiFID in November 2006. This concluded that while there were significant areas of cost, benefits could also arise from the streamlining and extension of the EU passport for financial services. Many of the requirements of MiFID are likely to be in practice quite similar to our existing regime. However, we do not underplay the significance of one-off costs for firms in reviewing and making changes to systems and procedures that MiFID may entail.	MiFID came into force on 1 November 2007. We published CP06/9 on Organisational systems and controls in May 2006 and CP06/14 on Implementing MiFID for Firms and Markets in July 2006. We published our CPs on Reforming Conduct of Business Regulation and Financial promotion and other communications at the end of October 2006 (see above).

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3rd EU Money Laundering Directive	Policy / admin	The 2007 Money Laundering Regulations, which comes into effect on 15 December 2007, will implement the EU's Third Money Laundering Directive. We will become the competent authority for firms we currently regulate, and some additional firms (see the section on scope changes below). There will be some change to authorised firms' anti-money laundering obligations. We will consider compliance with these new obligations as part of our routine supervision of authorised firms.	This implements the requirements of the EU's latest anti-money laundering directive, which was intended to bring EU countries up to international standards.	Supervising authorised firms' compliance with the Money Laundering Regulations will become part of our business-as-usual supervision: cost implications of this for the FSA are minimal. We will incur extra costs when supervising new businesses.	The directive must be implemented by 15 December 2007.

Title / Policy / Initiative	Nature of burden	Description of simplification measure	Outcomes (including sector/s to benefit)	Estimated cost savings and CBA status where applicable	Delivery
Solvency 2 Directive	Policy / admin		Life insurers Non-life insurers Reinsurers Consolidation of existing Solvency 1 suite of directives (including life, non-life, reinsurance and insurance groups) and complete re-write of prudential requirements. Move to a three pillar framework (based on appropriate adaptation of CRD framework), aiming to achieve greater transparency and risk-sensitivity of capital requirements. Modernisation of outdated approach to allow better recognition of derivatives and other risk-mitigants and foster a greater focus on risk-management. As our current domestic regime has super-equivalences to compensate for shortcomings of current Solvency 1 directives, Solvency 2 should help level the European playing field. In addition, we will no longer need to require firms to comply with outmoded directive requirements and a more risk-sensitive domestic regime.	Technical provisions standard expected to be broadly neutral for life firms, and to result in reduced provisions for non-life firms (10-15% lower than currently). Solvency Capital requirements remain uncertain until after QIS 3, though we are aiming for a calibration consistent with our current domestic regime. Firms will incur systems costs on implementation. Firms will have option (subject to regulatory approval) to use their own models to calculate required Pillar 1 capital in place of standard formula. We look to reduce burdens for cross-border groups by moving to lead supervisor model and reducing duplicative regulatory reporting to different supervisors.	Commission's Impact Assessment (IA) published 10 July 2007 Implementation expected 2012/13.

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Acquisitions Directive	Policy / admin	This directive amends the procedural rules and evaluation criteria for the assessment of acquisitions and increases in shareholdings in the financial sector. In parallel, the Treasury has also proposed changes to the non-directive domestic regime which we expect to be implemented alongside the directive driven changes.	The directive introduces changes across the securities, insurance and banking sectors. The proposal aims to reduce the potential for abuse of the existing European regime by supervisory authorities to protect national interests and introduce a more efficient, simpler and more transparent process.	We do not envisage a significant ongoing cost impact; there will be transitional costs associated with adjusting to the new regime, redeveloping controllers forms etc. One of the main aims of the reforms introduced by the directive is an increased level of cross-border consolidation across the EU, which should encourage increased competition.	The directive entered into force on 21 September 2007 and must be implemented across the EU by 21 March 2009. this will largely require changes to FSMA, although FSA guidance will also need to be revised to reflect the new FSMA requirements.
8th Company Law Directive and Company Reporting Directive	Policy/ admin	The FSA has agreed to implement certain provisions from these Directives requiring issuers whose shares are traded on a regulated market to: have an audit committee, make an annual corporate governance statement and use an auditor on a register approved by the Financial Reporting Council.	The Directives are intended to enhance confidence in companies' corporate governance and financial statements. The FSA's approach is to implement on a directive minimum basis in line with the Government's requirements.	BERR's Regulatory Impact Assessment suggests that the audit committee requirement could have a one-off cost of £2.9million and on-going costs of up to £4.3 million for all listed companies. Other costs will be small/negligible.	CP to be published December 2007 for implementation in June 2008.
Changes to FSA scope					
The regulation of personal pension schemes including Self-Invested Personal Pensions (SIPPs)	Policy / admin		Extends the range of firms that can set up and run personal pension schemes. Regulation will extend FSA protection to members of all personal pension schemes, including SIPPs.	HM Revenue & Customs and the Treasury published their full Regulatory Impact Assessment (RIA) in June 2006. We included our CBA in CP06/5 published in April 2006.	The Treasury laid the Statutory Instrument amending the Regulated Activities Order (RAO) before Parliament in June 2006. We published CP06/5 in April 2006, followed by a policy statement and final rules (PS 06/7) in September 2006. The SIPPs regime came into force on 6 April 2007.

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3rd Money Laundering Directive scope changes	Policy / admin	From 15 December 2007, we will take responsibility for supervising the money laundering controls of financial institutions such as leasing companies, safe deposit services, share registrars and commercial lenders. We have been given powers to supervise and register these businesses under the 2007 Money Laundering Regulations.	This implements the requirements of the EU's latest anti-money laundering directive. These businesses will have their procedures for combating money laundering and the finance of terrorism monitored for the first time.	We will incur costs as a result of supervising these new businesses. Newly-registered businesses will need to pay a one-off registration fee and a fee each year after that to cover these costs.	The directive must be implemented by 15 December 2007. Businesses that will need to register with us will have six months from 15 December to do so.
Regulation of home reversion and home purchase plans	Policy / admin	This brings home reversion plans and Ijara home financing arrangements within the scope of FSA regulation. ('Ijara' arrangements are one of the two main forms of home financing arrangements that are acceptable to Islamic consumers).	Regulation will extend our protections to consumers of these products. Introducing regulation may bolster consumer confidence in these products and provide a context in which more firms are prepared to enter these markets, thereby adding to competition (especially in the home reversion market).	In September 2006, the Treasury indicated that the total costs to industry (about 60 home reversion providers and intermediaries and 4 Ijara product providers) are: (Admin one-off) £1.8m (Admin ongoing) £70K (Policy ongoing) £340K These costs take account of the CBA of the draft rules which we consulted on between April – July 2006.	The secondary legislation was approved by Parliament on 24 October 2006. Final FSA rules (and Policy Statement) were published on 30 October and we opened our doors for authorisation applications on 6 November. The regimes came into force on 6 April 2007.

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Implementation of the Dormant Bank and Building Society Accounts Bill	Policy / admin	Subject to any changes made following the Parliamentary debate, reclaim funds managing dormant bank and building society deposits will be brought within the scope of FSMA through a new regulated activity. When a bank or building society passes unclaimed accounts to a reclaim fund, its liability to repay the balance to the customer would be transferred to the fund. The key statutory responsibilities of a reclaim fund would be to: invest its assets prudently; repay any depositors who 'wake-up' the balance in their account including any interest owed; and distribute any surplus assets to charity through the Big Lottery Fund.	Government's proposals are intended to facilitate the reinvestment of unclaimed bank and building society deposits in charitable causes, while ensuring that depositors continue to be able to reclaim their money at any point in the future.	HMT published their Regulatory Impact Assessment alongside the Bill in November 2007.	The Bill was introduced in the House of Lords on 7th November 2007. Following the completion of the Parliamentary process we will need to consult on our approach to the prudential regulation of reclaim funds. The Banking Code will also need to be amended to address customer related issues specific to reclaim funds.
Other incoming requirements					
Common platform (see CP06/9) high level systems and controls for non-MiFID / CRD firms: **(i) other than insurers, managing agents and the Society of Lloyd's** **(ii) insurers, managing agents and the Society of Lloyd's**	Policy / admin	(i) and (ii) To deliver a single set of high-level provisions for oversight and control responsibilities applicable to all firms flexibly and proportionately as to their size of business.	(i) The common platform to be extended predominantly as guidance, though the substance of existing rules will be carried forward with unchanged status. (ii) Solvency 2 will be the main driver of a future updating of the common platform for these firms.	(i) Except for outsourcing and management of conflicts of interest – where there are good arguments for extending proportionately the MiFID-driven common platform provisions – the general result will be clearer provisions imposing no significant new burdens. A CBA exercise confirmed this. (ii) The relevant CBA work is now likely to take place in 2009.	(i) CP was published in December 2007. (ii) CP planned in 2009.

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