

FINAL REPORT

Measurement data and analysis

As specified in the specific contracts 5&6 on Modules 3&4

under the Framework contract n° ENTR/06/061

Report on the Financial Services Priority Area

EU PROJECT ON BASELINE MEASUREMENT AND
REDUCTION OF ADMINISTRATIVE COSTS

25 June 2009

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Executive Summary

The European Commission has embarked on an ambitious 'Better Regulation' exercise aimed at a reduction of the administrative burden for European business by 25% by 2012. A key part of its Action Programme consists of measuring the administrative cost for business of meeting obligations to provide information under selected items of the EU legislation and the relevant national implementing legislation. A Consortium consisting of Capgemini, Deloitte and Ramboll Management was engaged by the European Commission to carry out the measurement.

The Standard Cost Model (SCM) that has been used for this measurement is a method for determining the administrative costs for business imposed by regulation. The SCM method is a way of breaking down regulation into a range of manageable components that can be measured. The SCM neither addresses nor questions the policy objectives of each piece of regulation. As such, the measurement and analysis focus only on the administrative activities that must be undertaken in order to comply with regulation, not on the benefits that accrue from the legislation.

This document is the Final Report on the measurement of the Financial Services PA. Its results are based on measurements conducted in six Member States, namely Italy, Lithuania, Luxembourg, Poland, Slovenia and Spain, together with existing data from four Member States – Austria, Denmark, Germany and the Netherlands – that had previously conducted baseline measurements.

This report presents:

- The results of the measurement
- Cost data for all 27 Member States as input for the prioritisation and analysis of future simplification work
- analysis of the measurement data; and

- First suggestions collected during interviews and workshops on how to reduce the administrative burden for business arising from the Information Obligations identified¹.

The Directives in scope for the Priority Area Financial Services are:

Table 1: Legislation in scope for the Financial Services Priority Area

EU Legislation
Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance.
Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions.
Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions.

This project focuses specifically on the administrative burden related to the taking up, pursuit and reporting to competent authorities of credit institutions and life assurance undertakings as well as on the administrative burden related to the capital adequacy obligations with which credit institutions and investment firms must comply.

Main findings in the Financial Services Priority Area

- On the basis of three Directives in scope, a total of 49 EU Information Obligations (IOs) and four "Possibilities Stated in the EU Legal Act" have been identified;
- The transposition of the 49 EU requirements identified resulted in 1234 national Information Obligations. Moreover, 74 "Possibilities Stated in the EU Legal Act" and 37 "Possibilities not stated in the EU Legal Act" have been identified;
- The overall administrative cost for the Financial Services Priority Area for the selected legislation is estimated at a total of €1,357 million EU-wide;
- Of the €1,357 million due to EU IOs and Possibilities, 53% (ca. €715 million) has been classified as administrative burden;
- Of the €1,357 million of administrative costs, 99.4% (€1,350 million) stem from EU requirements, whereas 0.6% (€7.5 million) is due to national obligations

¹ During the interviews and workshops with business and experts, several initial simplification ideas were collected. A structured and detailed analysis of possible reduction measures is being conducted as part of Module 5. Thus, this report only contains a summary of the suggestions gathered during the measurement phase and does not represent a final list of simplification suggestions.

going beyond EU requirements.

- Five IOs — “Provision of information to the policy holder”, “Proof of internal review”, “Keeping a trading book”, “Reporting to competent authorities on compliance with rules”, and “Public disclosure of information by credit institutions” — alone account for €1,310 million of administrative costs, representing 96.5% of the total administrative cost arising from EU IOs.

Table 2: Administrative costs and administrative burdens per EU legislation

EU Legislation	Admin. Cost (€ x 1,000)	Share of total (%)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	506,933.90	37	382,377.10	75
Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	416,821.10	31	203,740.80	49
Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	433,965.40	32	129,125.30	30
Total	1,357,720.40	100	715,243.10	53

This Table is based on data compiled by the Consortium.

Of the three Directives in scope, the most burdensome piece of legislation is Directive 2002/83/EC concerning life assurance, with over €380 million administrative burden. This piece of legislation accounts for 53% of the estimated overall administrative burden for the Financial Services Priority Area.

The Table below shows the total administrative cost of the 10 most burdensome EU IOs.

Three Information Obligations (IOs), namely “Provision of information to the policy holder”, “Proof of internal review” and “Keeping a Trading Book” — alone account for over €1 billion of administrative costs, representing almost 80% of the total administrative cost caused by the EU IOs in scope. In terms of administrative burden, the first two IOs concentrate €530 million of administrative burden (which represents 74% of the administrative burden

identified for the PA Financial Services). The IOs stem from Directive 2002/83/EC, 2006/48/EC and Directive 2006/49/EC respectively.

Table 3: Total administrative costs for the 10 most burdensome EU IOs divided by EU Requirements and national obligations going beyond EU Requirements

EU Requirement	EU Legislation	Article No.	EU Requirement	National obligation going beyond EU requirements		Total	Total Admin. Burden	
				Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
			Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
1. Provision of information to the policy holder	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 36 par. 1; Art. 36 par. 2; Art. 36 par. 3	494,433.40	0	0	494,433.40	370,825.10	75
2. Proof for internal review	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 123	318,569.80	0	0	318,569.80	159,284.90	50
3. Keeping a trading book	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 11 par. 1	262,748.70	0	0	262,748.70	0	0
4. Reporting to competent authorities on compliance with rules	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 35 par. 1; Art. 35 par. 2; Art. 35 par. 3; Art. 35 par. 4	168,365.90	0	0	168,365.90	126,274.40	75
5. Public disclosure of information by credit institutions	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 145; Art. 146; Art. 147; Art. 148; Art. 149; Art. 72	66,665.80	0	5.7	66,671.50	16,667.90	25
6. Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 84; Art. 112 par. 3	6,497.60	0	0	6,497.60	4,873.20	75

EU Requirement	EU Legislation	Article No.	National obligation going beyond EU requirements		Total	Total Admin. Burden		
			EU Requirement	Possibility stated in the EU Legal Act		Possibility not stated in the EU Legal Act	Admin. Cost (€ x 1,000)	Share of Admin. Cost (%)
			Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)		Admin. Cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
7. Application for authorisation for the taking up of the business of credit institutions	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 6; Art. 7; Art. 12	5,204.80	0	4.2	5,209.00	5,209.00	100
8. Submission of information for supervision purposes	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 13 par. 2	4,895.80	0	93	4,988.70	4,988.70	100
9. Reporting of results of the verification of compliance with rules on the level of own funds	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 74 par. 2	3,449.00	0	49.3	3,498.30	2,623.70	75
10. Application for authorisation for taking up or expanding the business of life assurance	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 4; Art. 51; Art. 6 par. 1(c); Art 6 par. 2; Art. 6 par. 4 ; Art. 7; Art. 8	3,425.60	0	1	3,426.60	3,426.60	100

This Table is based on data compiled by the Consortium.

The IO “Provision of information to the policy holder” is very costly due to the large population of new policy contracts per year within the EU. In addition to the initial policy conditions, both general and special, the policy holder must also receive information about changes throughout the term of the contract and yearly information on the state of bonuses. The average time needed to compile a new life insurance contract is usually less than 20 minutes. However, in Italy, an average time of 55 minutes was reported by the interviewees. Italian law requires life assurance companies and intermediaries to seek information from consumers in order to assess their insurance needs and risk tolerance, before giving advice².

² The Italian requirement is in our opinion comparable to the ‘suitability test’ requirements when providing investment advice according to the Markets in Financial Instruments Directive (MiFID). The time measurement in Italy provides as such a good basis for information should the MiFID level playing field be extended to insurance products.

The IO “Proof of internal review” requires credit institutions to have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis, the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. This definition process is part of the Second Pillar of Basel II and is called the “Individual Capital Adequacy Assessment Process” (ICAAP). The ICAAP is subject to regular internal review and is part of the dialogue with the regulator and a Supervisory Review Process (“SREP”). Being recently implemented, this IO has not been fully experienced by businesses in all Member States yet. The requirements in this IO are perceived to create a complex and long process, requiring significant involvement from senior management. Although the IO makes a difference between a) the measurements and calculations necessary to define an adequate level of capital, and b) the preparation of a file in order to demonstrate a proof of internal review of the capital adequacy, financial institutions consider this as one single effort.

The IO “Keeping a trading book” is applicable to all credit institutions and investment firms which are required to collect data on trading intent on the basis of the strategies, policies and procedures set up and to establish and maintain systems and controls to manage the trading book. Although the overall administrative costs linked to this IO are high (i.e. over €250 million), these costs are perceived as 100% business-as-usual costs, as credit institutions and investment firms typically need to set up a trading book to monitor the evolution of their core business.

In Chapter 3, the 10 most burdensome IOs are analysed further.

The simplification potential for the above-mentioned IOs and other IOs is currently being investigated in Module 5.2 of the programme. Our work, however, gave an insight towards general simplification suggestions which are applicable for the Financial Services industry as a whole. Simplification ideas are listed in Chapters 3 and 4.

With these preliminary suggestions, the baseline measurement data, the analysis of the processes implemented by businesses to comply with the IOs and different ways of handling the IOs across Member States, the report is a good basis for the work that the

Consortium is currently performing for identifying, analysing and prioritising suggestions for reducing the administrative burdens linked to the IOs in scope of this measurement.

1. Introduction

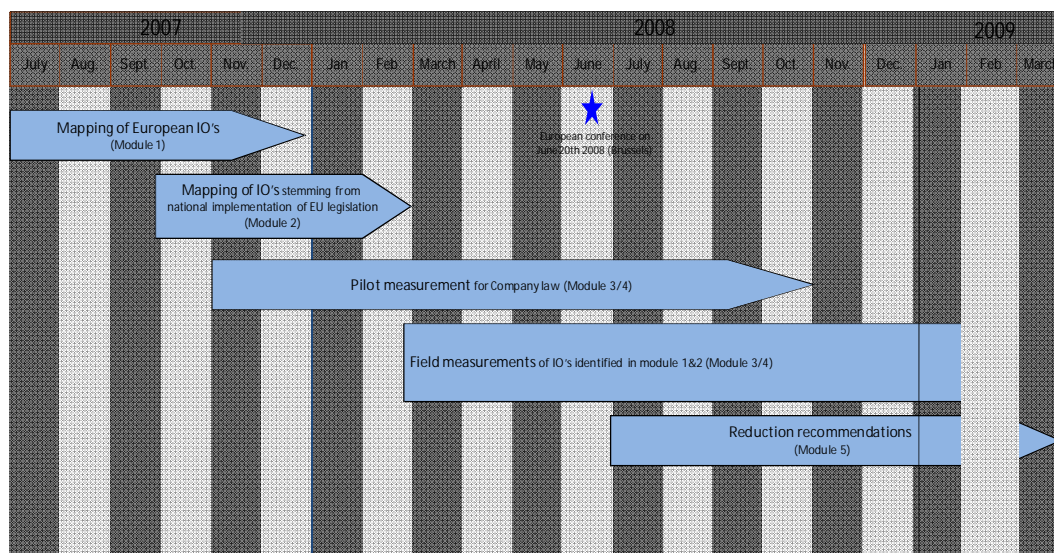
The “EU Project on baseline measurement and reduction of administrative costs” covers Information Obligations (IOs) stemming from 42 Community legislative acts³ and from the related national transposition acts, grouped into 13 Priority Areas (PAs):

- Agriculture and Agricultural Subsidies
- Annual Accounts/Company Law
- Cohesion Policy
- Environment
- Financial Services
- Fisheries
- Food Safety
- Pharmaceutical Legislation
- Public Procurement
- Statistics
- Tax Law (VAT)
- Transport
- Working Environment/Employment Relations.

The Project uses the EU Standard Cost Model (SCM) methodology and is structured in five modules, as shown in the following Figure:

³ See http://ec.europa.eu/enterprise/admin-burdens-reduction/docs/42_LegislativeActs.pdf.

Figure 1: Project structure and timelines



Source: Capgemini/Deloitte/Ramboll Management.

As the Figure above shows, the first step was to map the IOs (Modules 1 & 2). The focus was both on the IOs stemming directly from EU legislation and on those stemming from the national implementation of EU legislation. Moreover, the “over-implementation” (or “gold-plating”) of an EU legal Act at national level, in terms of additional IOs or procedural requirements, amended frequency, or population (i.e. coverage) – the so-called national obligations going beyond EU Requirements – was also documented, as it could lead to an increase in administrative costs linked to the provisions of the EU legislation.

The next phase was to determine the administrative costs resulting from the EU IOs and national obligations going beyond EU requirements (Modules 3 & 4 respectively) through interviews and workshops, along with estimates made by experts. Data was collected in a sample of businesses in six Member States (the ‘measurement countries’) and supplemented by existing data from Member States having already undertaken SCM measurements (the ‘baseline countries’)⁴. Based upon this dataset, the administrative cost for the remaining EU Member States (the ‘extrapolation countries’) was estimated through extrapolation. National obligations going beyond European requirements were measured in all countries where they occur as they are specific to each Member State (MS).

⁴ European Commission Communication, 24 January 2007, *Action Programme for Reducing Administrative Burdens in the EU* – COM (2007)23 final.

The current work within this project focuses on the development of reduction proposals to reach the European Commission's goal of a 25% reduction in administrative burdens by 2012 (Module 5).

The current report covers the results of the work undertaken for Modules 3 and 4 for the Financial Services Priority Area. More specifically, it contains:

-
- In Section 2: an overview of the Financial Services Priority Area framework. This Section presents the characteristics and objectives of the Priority Area, the chosen measurement approach as well as the high level findings of the mapping and measurement phase;
- In Section 3: an analysis of the legal acts and the most burdensome IOs in scope;
- In Section 4: An outlook on the next phase;
- In the Annexes: A listing of methodological challenges faced in the Priority Area, and additional information relating to mapping and measurement.

It does not include a detailed description of the Action Programme for Reducing Administrative Burdens in the EU or of the underlying methodology followed by the Consortium. The main report on the Measurement data and analysis as specified in the specific contracts 5&6 on Modules 3&4 under the Framework Contract n° ENTR/06/61 presents both of these together with the overall results of 13 mainstream Priority Areas.

2. Financial Services Priority Area Framework

This section sets the scene for the detailed presentation of the results of the data collection in the sections which follow. This section contains:

- An introduction to the Directives in scope
- A summary of the general methodological concept and the measurement approach chosen in the Priority Area; and
- An overview of the high-level findings of the mapping phase and the measurement results.

2.1 Characteristics and Objectives of the Priority Area

Financial markets are crucial to the functioning of modern economies. The more integrated they are, the more efficient the allocation of capital and long-run economic performance will be. Completing the single market in financial services is thus a crucial part of the European Commission's objective to achieve more and better jobs in a more dynamic, innovative and attractive Europe.

As this report is being written, the challenges facing the global financial services industry continue to increase. National governments have taken unprecedented actions, and are stepping in with stabilisation efforts. Major government-sponsored entities and financial institutions have been effectively nationalised.

The situation continues to evolve and financial markets are reacting strongly as takeovers, bailouts, and other major changes continue to take place at the industry's most venerable financial institutions. Also, credit, liquidity, and capital remain in short supply. The overriding message from this escalating credit and liquidity crisis is that no one is immune.

As the European Council noted recently: "All these recent events have accelerated the need to strengthen the supervision of the European financial sector, particularly cross-border groups, and to implement urgently the ECOFIN Council's roadmap, and the speeding up of

work to strengthen the rules on stability, including work on the Capital Requirements Directive.”⁵

2.1.1 Scope

The following Directives are within the scope of this project:

Financial Services
Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance.
Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions.
Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions.

Directive 2002/83/EC on life assurance

This Directive recasts a number of pre-existing directives in force into one single act. It replaces all the directives adopted in the area of life insurance since 1979 and includes the provisions relating to supervision, the solvency of insurance undertakings and the freedom to provide life-assurance services in the EU.

Directive 2006/48/EC relating to the taking up and pursuit of the business of credit institutions

This Directive lays down rules concerning the taking up and pursuit of the business of credit institutions, their extension of activity as well as their prudential supervision and disclosure.

Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions

This Directive aims to ensure the consistent application of the new international guidelines for capital requirements adopted by the Basel Committee on Banking Supervision ("Basel II") in June 2004. It lays down the capital adequacy requirements applying to investment firms and credit institutions, the rules for their calculation and the rules for their prudential supervision.

2.1.2 Target groups affected by the legislative acts

The target groups affected by these Directives are life assurance undertakings, credit institutions and investment firms.

⁵ Brussels European Council - 15 & 16 October 2008 – Presidency Conclusions.

- Life assurance undertakings are undertakings which have an official authorisation in accordance with Article 4 of Directive 2002/83/EC to perform life assurance activities, annuities and supplementary insurances (cf. Art. 1, 2 of Directive 2002/83/EC);
- Credit institutions are undertakings that receive deposits or other repayable funds from the public and that grant credits for their own account; or which are electronic money institutions within the meaning of Directive 2000/46/EC (cf. Art. 4 of Directive 2006/48/EC).
- Investment firms are legal persons whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis, excluding credit institutions, certain local firms and firms which are only authorised to provide the service of investment advice and/or receive and transmit orders from investors without holding money or securities belonging to their clients and which for that reason may not at any time place themselves in debt with those clients (cf. Art. 3(1)(b) of Directive 2006/49/EC and Art. 4(1)(1) of Directive 2004/39/EC).

2.2 Measurement Approach chosen for PA Financial Services

The methodology used during this project is based on the revised EU SCM Manual submitted as part of the final Module 1 report in mid-February 2008. In the following a short introduction to the main characteristics of the general measurement approach as well as the approach chosen within the Financial Services Priority Area is given. For more information on the methodology please see the main report⁶ and/or the adapted EU SCM Manual.

⁶ Main Report on the Measurement data and analysis as specified in the specific contracts 5&6 on Modules 3&4 under the Framework Contract n° ENTR/06/61 - for delivery 5 March 2009.

2.2.1 General Methodological Concepts

The EU Standard Cost Model (EU SCM) breaks down administrative costs imposed by legal acts into components that can be assessed with reasonable accuracy⁷. Thanks to this analytical approach, it is possible to:

- a) locate the most costly obligations and the greatest reduction opportunities,
- b) formulate reduction proposals, and
- c) determine at which level reduction measures should be adopted.

The EU SCM methodology neither addresses nor questions the policy objectives of each piece of legislation. As such, the measurement focuses only on the administrative activities that must be undertaken in order to comply with legislation and not on whether the legislation itself is reasonable or not.

While the methodology may also be applied to civil society and the public and private sectors, this project focuses exclusively on the administrative costs for business.

Thus, administrative costs are defined as the costs incurred by enterprises in meeting legal Information Obligations. An Information Obligation (IO) is a legal obligation placed on businesses to provide information on their activity or production, either to public authorities or to private parties⁸. Every IO has attributes that describe the:

- Content of the data required or “data requirement” (what must be provided)
- Target group (who must provide it), and
- Frequency (when it must be provided).

Information Obligations stemming from EU legislation are labelled EU IOs (or EU Requirements), while IOs stemming from national implementation are called national IOs.

Some EU legislative acts also mention the possibility for Member States to ask for additional information [an example of “Possibility Stated in the EU Legal Act” for the Financial Services Priority Area is Article 110(3) under Directive 2006/48: “Member States

⁷ The SCM does not aim at producing statistically valid results, but rather estimates (i.e. figures based on relatively small samples or expert judgment). Considering the level of detail and the number of parameters involved, conducting statistic measurements would not be cost-efficient.

⁸ These private parties are usually consumers and/or other businesses.

may require credit institutions to analyse their exposures to collateral issuers for possible concentrations and where appropriate take action or report any significant findings to their competent authority"]. Such Possibilities Stated in the EU Legal Act are not to be understood as EU requirements insofar as Member States are not obliged to ask for that information. Nevertheless such Possibilities Stated in the EU Legal Act were documented by the Consortium as they often pave the way for additional legislative requirements introduced at national level.

In many cases the possibility for Member States to ask for additional information also exists even though it is not stated in the EU legal text⁹. Documenting cases of national obligations going beyond what the EU requires has, however, been part of the screening of national IOs.

Together, the "Possibilities Stated in the EU legal act" and the "Possibilities not stated in the EU legal act" are called "National obligations going beyond EU Requirements".

When analysing the administrative costs, a distinction should be made between information that would be collected and processed by businesses even in the absence of the legislation and information that is solely collected because of a legal obligation. The former are called "business-as-usual" (BAU) costs¹⁰, the latter "administrative burdens". Added together the administrative burdens and business-as-usual costs constitute the administrative costs. Having quantitative figures on the business-as-usual costs is of crucial importance for the Commission in the light of its reduction target, which is expressed in terms of administrative burdens (not administrative costs).

The objective of Modules 1 and 2 was to carry out a preparatory analysis of the EU and national legislation to form the foundation for the field measurements of administrative costs in the 27 European Member States. Within Module 1 and 2, the IOs stemming directly

⁹ As a general principle, Member States have the right to legislate on any issues as long as "Possibilities not Stated in the EU Legal Act" do not contradict EU law.

¹⁰ A description on how the BAU costs were calculated can be found in the Main Report.

from EU legislation in scope as well as any national obligations going beyond the EU Requirements in scope of this project were identified and registered¹¹.

In Module 3 and 4 different approaches were used to collect and calculate the information needed to determine the administrative costs at the EU level as well as at the national level. The remainder of this section presents a brief overview of these approaches and the underlying rationales.

Experience from all previous SCM measurements shows that the top 20% most burdensome IOs in any given area will represent 80% of the costs. Following this principle, an initial assessment of population and cost parameters was conducted and an estimation produced of the expected administrative costs for each EU IO.

To prioritise the EU IOs, an expert assessment was carried out of the following:

- Expected number of businesses concerned/number of occurrences
- Complexity of the business process that businesses implement to comply with the IO (time spent).

The purpose of the prioritisation was to select those IOs which had the highest estimated cost. The ranking on the priority list, i.e. if the IOs belonged to the top 20% or the remaining 80% of estimated costs, determined the manner in which data was collected. The 20% most burdensome IOs within each Priority Area were designated as Prioritised IOs and earmarked for in-depth analysis and measurement through workshops and interviews. The remaining 80% for each Priority Area were marked as Non-prioritised IOs and were costed through telephone interviews and expert assessments. In this way, the resources were predominantly concentrated on collecting data on the most costly IOs.¹² The demarcation between Prioritised IOs and Non-prioritised IOs was made at Priority Area level only and not at overall project level, as to have done the latter would have led to some of the less burdensome Priority Areas having only Non-prioritised IOs.

¹¹ For more information on Module 1 and 2, please see first edition of the adapted EU SCM manual and the Final Report for Module 1 and 2.

¹² In a few cases the data collection showed that non-prioritised IOs were more cost intensive than prioritised IOs. Due to the iterative process in the project and the time and resource constraints, this had to be accepted without changing the data collection approach.

The IOs selected for interviews and workshops were clustered in groups that could logically be covered by interviews at about the same time, most often because they involved the same target group and administrative tasks that the same employee type usually performs. The result was a list of several groups of IOs known as “campaigns”.

EU IOs were measured in a sample of six Member States. The data collected in the six measurement countries supplemented with data from existing measurements on the EU IOs from the baseline countries were extrapolated to similar IOs in the other countries and aggregated to the EU level.

The extrapolation exercise consisted of predicting cost and can basically be understood as generating the best estimates of the administrative activities conducted by businesses in a country where data has not been collected, based on data from other countries where data was collected. The SCM does not aim at producing statistically valid results, but rather estimates (i.e. figures based on relatively small samples or expert judgment). Considering the level of detail and the number of parameters involved, conducting statistical measurements would not have been cost-efficient.

The selection of Member States for measuring the prioritised IOs was based on the following criteria:

- Population of the countries
- Spread of geographic location
- Duration of EU Membership
- If/when legislation is applicable; and
- Implementation of Possibilities Stated in the EU Legal Acts.

The purpose of using the selection criteria was to guarantee that the results represented different population/country sizes within the EU. Furthermore, it ensured that the data collection covered different geographical regions (geographically and in terms of the historical development of the EU). Lastly, the selection criteria were designed to ensure that the Member States chosen for data collection had transposed the legislation. Combined, the selection criteria ensured a sound foundation for the extrapolation.

One of the requirements of the EU project on baseline measurement and reduction of administrative costs was to follow a 'full Member State coverage measurement approach'. Thus Member States which were relatively less important in terms of size were also part of the measurement. As a result, the sample selected is not always representative for each Priority Area. Further studies would be needed to achieve fully representative results.

When data collection was carried out, the results were summarised for each business interviewed. These empirical results were then standardized with the objective of providing a single estimate for a normally efficient business to complete each administrative activity required to comply with a given national IO.

By combining the data collected from the workshops, face-to-face interviews and telephone interviews, a qualitative assessment was made of the resources a business devotes to each cost parameter related to fulfilling an IO. More specifically, an assessment was conducted on internal time spent and employee type per activity, consultancy costs, and costs of equipment. The goal of the standardisation is not to average the cost data obtained through the workshops and interviews, but to get a plausible result for a normally efficient business for each IO. The normally efficient business is defined as a business within the target group that perform administrative activities required by the IO neither better nor worse than may reasonably be expected.

2.2.2 Measurement Approach chosen for the Priority Area Financial Services

2.2.2.1 Prioritisation

Out of the 49 EU IOs and 4 "Stated Possibilities in the EU Legal Act" mapped for the Financial Services Priority Area, 19 were identified as prioritised, as they appeared to cover the main part of the costs generated by the Financial Services Information Obligations.

The prioritisation of each IO was based on preliminary data and the expected number of occurrences and the complexity of the IO. All IOs with high priority and some of the IOs with medium priority were addressed specifically in the interviews and workshops with businesses. For the other IOs, the administrative costs were assessed by holding interviews with experts. As highlighted in Table 4 (see further below), *** indicates high priority; ** indicates medium priority; * indicates low priority.

The prioritised Information Obligations (IOs) of Directive 2002/83/EC are:

1. "Notification of change in the conditions for branch establishment" [Article 40 (6)]
2. "Notification to authorities when establishing a branch in another Member State" [Article 40 (1) (2) (6)]
3. "Provision of information to the policy holder" [Article 36 (1) (2) (3)]
4. "Setting up of financial recovery plan" [Articles 38 (1) and 37 (2)]
5. "Submission of short-term finance sheet for approval by public authorities" [Article 37 (3)]
6. "Application for authorisation for taking up or expanding the business of life assurance [Articles 4; 51; 6 (1c) (2) (4); 7 and 8].

The prioritised Information Obligations (IOs) of Directive 2006/48/EC are:

1. "Proof of internal review" [Article 123]
2. "Requesting permission to calculate risk-weighted exposure using the internal ratings based approach" [Articles 84 and 112 (3)]
3. "Record of the grounds advanced for being checked by public authorities" [Article 110 (2)]
4. "Reporting of exposures exceeding the legal limits" [Article 111 (4)]
5. "Cooperation in review by competent authorities of risk assessment procedures" [Articles 123 and 124]
6. "Application for authorisation for the taking up of the business of credit institutions" [Articles 6, 7 and 12]
7. "Cooperation with on-the-spot inspections by financial authorities" [Article 137 (2)]
8. "Notification to authorities (of Home Member State) when establishing a branch in another Member State" [Articles 25 (1)(2) and 26 (3)].

The prioritised Information Obligations (IOs) of Directive 2006/49/EC are:

1. "Reporting to competent authorities on compliance with rules" [Article 35 (1-4)]
2. "Reporting on transfer done to deliberately avoid the additional capital requirements" [Article 32 (1)]
3. "Application for authorisation to exceed the large exposure limits" [Article 45 (1)d]
4. "Notification of risks undermining financial positions to the authorities" [Article 23]
5. "Keeping a trading book" [Article 11 (1)].

During the measurement phase, however, we established that a number of prioritized IOs rarely occurred. This caused additional difficulty to measure the administrative burden related to these IOs. These IO are:

- "Submission of short-term finance sheet for approval by public authorities" [Article 37 (3)]
- "Setting up of financial recovery plan" [Articles 38 (1) and 37 (2)]
- "Notification of change in the conditions for branch establishment" [Article 40 (6)]
- "Application for authorisation for taking up or expanding the business of life assurance" [Articles 4; 51; 6 (1c) (2) (4); 7 and 8]
- "Reporting on transfer done to deliberately avoid the additional capital requirements" [Article 32 (1)]
- "Application for authorization to exceed the large exposure limits" [Article 45 (1) (d)]
- "Notification of risks undermining financial positions to the authorities"[Article 23]
- "Requesting permission to calculate risk-weighted exposure using the internal ratings based approach" [Articles 84 and 112 (3)]
- "Application for authorisation for the taking up of the business of credit institutions" [Articles 6, 7 and 12].
-

For further information on this, please refer to section 5.1.1.

2.2.2.2 Segmentation

It was expected that the same IO would be handled differently according to the market orientation of a financial institution (i.e. whether it focuses exclusively on the local market or, in contrast, whether it has cross-border activities). Therefore, two main segments were defined:

- The "local financial institutions" segment refers to financial institutions that are located and registered in one Member State and that do not have cross-border activities. Regional savings banks or cooperative banks were typically covered under this segment. This segment covers most of the small size financial institutions;
- The "international financial institutions" segment refers to financial institutions that have business activities in more than two Member States. Both parent companies and subsidiaries were covered under this segment, depending on the national financial services market structure.

The following segments were defined for the IOs that were measured in the interviews:

Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance:

- Local assurance undertakings with no branches in other Member State (MS)
- Multinational assurance undertakings.

Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions:

- Local credit institutions with no branches in other MS
- Multinational credit institutions.

Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions:

- Local investment banks with no branches in other MS
- Multinational investment banks.

In several measurement countries, however, and in particular in Slovenia, and Lithuania, the number of local and multinational credit institutions, investment firms or life assurance companies is quite low.

2.2.2.3 Data collection

Following prioritisation and segmentation, relevant interviewees and experts were selected and recruited for the data collection phase. For the Financial Services Priority Area, the data collection method chosen was face-to-face interviews (with an upfront information package sent to the interviewee) and if needed follow-up interviews, either face-to-face or by phone. More details on the specifics and challenges as to why we used this particular data collection method are provided in section 5.

It is worth mentioning here that due to the high importance of IT for the financial services industry, costs related to IT investments were treated with care. Indeed, one single IT investment for a banking or assurance entity is usually used for a variety of tasks and is

hardly ever dedicated to the completion of one single IO. The prudent delimitation of the business process to be measured ensured that double-counting of costs was avoided.

2.2.2.4 Campaigns

Based on the above mentioned parameters, we defined six campaigns (i.e. logical groupings of IOs that can be covered by interviews or workshops) for the Financial Services Priority Area. The campaigns were established based on the target groups identified (life assurance undertakings, credit institutions and investment firms) and on the distinction of local or a multinational financial institution. The Table below provides an overview of the IOs sub-divided per campaign.

Table 4: Overview of campaigns for the Financial Services Priority Area

Campaign 1: Seeking authorization, keeping records for audit or inspection purposes and calculating exposures (local credit institutions)	
1	***Proof of internal review
2	***Requesting permission to calculate risk-weighted exposure using the internal ratings based approach
3	***Record of the grounds advanced for being checked by public authorities
4	***Reporting of exposures exceeding the legal limits
5	***Cooperation in review by competent authorities of risk assessment procedures
6	***Application for authorisation for the taking up of the business of credit institutions
Campaign 2: taking up or expanding credit institution business (multinational credit institutions)	
1	***Application for authorisation for the taking up of the business of credit institutions
2	***Proof of internal review
3	**Cooperation with on-the-spot inspections by financial authorities
4	***Requesting permission to calculate risk-weighted exposure using the internal ratings based approach
5	**Record of the grounds advanced for being checked by public authorities
6	***Reporting of exposures exceeding the legal limits
7	**Cooperation in review by competent authorities of risk assessment procedures
8	*Notification to authorities (of Home Member State) when establishing a branch in another Member State
Campaign 3: Seeking authorization and reporting for investment firms (local investment banks)	
1	***Reporting to competent authorities on compliance with rules
2	***Reporting on transfer done to deliberately avoid the additional capital requirements
3	***Application for authorization to exceed the large exposure limits
4	***Notification of risks undermining financial positions to the authorities
5	***Keeping a trading book
Campaign 4: Seeking authorization and reporting for investment firms (multinational investment banks)	
1	***Reporting to competent authorities on compliance with rules
2	***Reporting on transfer done to deliberately avoid the additional capital requirements
3	***Application for authorization to exceed the large exposure limits
4	***Notification of risks undermining financial positions to the authorities
5	***Keeping a trading book
Campaign 5: Taking up or expanding business and financial recovery for life assurances (local assurance undertakings)	
1	***Submission of short-term finance sheet for approval by public authorities
2	***Provision of information to the policy holder
3	***Setting up of financial recovery plan
4	***Application for authorisation for taking up or expanding the business of life assurance
Campaign 6: Taking up or expanding business and financial recovery for life assurances (multinational assurance undertakings)	
1	*Notification of change in the conditions for branch establishment
2	*Notification to authorities when establishing a branch in another Member State
3	***Provision of information to the policy holder
4	***Setting up of financial recovery plan
5	**Submission of short-term finance sheet for approval by public authorities
6	***Application for authorisation for taking up or expanding the business of life assurance

By Capgemini/Deloitte/Ramboll Management.

2.2.2.5 Countries where measurement took place

On the basis of the various parameters mentioned above, the Member States chosen for measurement were Italy, Lithuania, Luxembourg, Poland, Spain and Slovenia. In Poland however, the Consortium had difficulties gathering measurement data for the campaigns 1 to 4. Existing data from Sweden was used as a basis for extrapolation, covering for the lack of

measurement data in Poland.

In addition to data from the six measurement countries and Sweden, data from countries with existing measurements were also used (the so-called baseline countries). Those countries are: Austria, Denmark, Germany and the Netherlands. It has not been possible to re-use existing measurement data from the UK authorities, as existing cost data stemming from the analysis of the Financial Services Authority Rulebook focused on different information requirements or separate requirements being bundled together. More information is provided under 2.4.3.3.

2.3 High-Level Findings of the EU and National Mapping in the Financial Services Priority Area

The following section summarises the main findings of the EU and national mapping in Priority Area Financial Services which resulted from the work done during Module 1 on the identification and classification of EU IOs and the Possibilities Stated in the EU Legal Act, followed by the identification of national IOs transposing EU legislation as well as the linking of EU IOs and national IOs in Module 2. The full results of this were presented in the final reports on Modules 1 and 2 of the EU project on baseline measurement and reduction of administrative costs¹³.

2.3.1 Main Results of the EU Mapping

The Table below provides an overview of EU IOs and Stated Possibilities per Directive.

Table 5: Total number of EU IOs and “Possibilities Stated in the EU Legal Acts” within the Financial Services Priority Area

EU Legislation	Total No. of EU IOs	Total number of Possibilities Stated in the EU Legal Acts	Total
Directive 2002/83/EC on life assurance	19	0	19
Directive 2006/48/EC relating to the taking up and pursuit of the business of credit institutions	19	4	23
Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions	11	0	11
Total	49	4	53

This Table is based on data compiled by the Consortium.

¹³ For the details of the mapping please refer to the reports on Modules 1 and 2.

In addition to the abovementioned 19 prioritised EU IOs, the following 30 non-prioritised EU IOs and 4 Possibilities Stated in the EC legislation were identified:

In Directive 2002/83/EC:

1. "Notification to the authority of the amount of premiums" [Article 49]
2. "Application to benefit from joint advantages" [Article 56 (1) (2)]
3. "Notification to authorities of the names of shareholders, members and sizes of holdings" [Article 15 (3)]
4. "Submission of documents requested by authorities to assure compliance with legal provisions" [Article 46]
5. "Notification to authorities of intention to hold or dispose a qualifying holding" [Article 15 (1) (2)]
6. "Notification by assurance undertakings of any acquisition/disposal of qualifying holdings in their capital" [Article 15 (3)]
7. "Provision of information to public on calculation methods of technical provisions" [Article 20 (2)]
8. "Submission of information for supervision purposes" [Article 13 (2)]
9. "Production of an annual account" [Article 13 (1)]
10. "Notification of malfunctioning of assurance undertakings" [Article 17]
11. "Submission of information on existing links between assurance undertaking and other natural or legal persons" [Article 6 (2)]
12. "Supervision of branches established in another Member State" [Article 11]
13. "Notification of intention to carry out business" [Article 41].

In Directive 2006/48/EC:

1. "Notification of cross-border provision of credit services in another Member State" [Article 28 (1)]
2. "Reporting by companies on qualifying shareholdings" [Article 21(1) (second sentence)]
3. "Information of intention to hold or dispose a qualifying holding" [Articles 19; 20; 21]
4. "Notification of malfunctioning of credit institution" [Article 53]

5. "Reporting of results of the verification of compliance with rules on the level of own funds" [Article 74 (2)]
6. "Disclosure of non-contractual support and its regulatory capital impact" [Article 101]
7. "Reporting of large exposures to competent authorities" [Article 110 (1)]
8. "Keep a track record of significant transactions between parent company and subsidiary other than large exposures" [Article 138 (2)]
9. "Public disclosure of information by credit institutions" [Articles 145; 146; 147; 148; 149]
10. "Notification by credit institutions of acquisitions/disposals of qualifying holdings in their capital" [Article 21 (2) (first sentence)]
11. "Application for individual authorisation to the incorporate subsidiaries in certain calculations" [Article 70 (1)(2)]

In Directive 2006/49/EC:

1. "Reporting of overall exposures to individual clients and groups of connected clients" [Article 30 (2)]
2. "Reporting of exceeding limits regarding exposures to clients or groups of connected clients" [Article 31 (e)]
3. "Notification of exceeding limits set by internal strategy" [Article 45 (2)]
4. "Reporting of cases where counterparties default on their obligations" [Article 35 (5)]
5. "Notification of exceeding limits regarding trading book business to the authorities" [Article 18 (4)]
6. "Notification of repayment of subordinated loan capital to the authorities" [Article 13(3)].

The following "Stated Possibilities" were identified in Directive 2006/48/EC:

1. "Periodical reporting on activities in host Member State (MS) to authorities of host MS" [Article 29]
2. "Information on specific monitoring of exposures of more than 20% of own funds" [Article 111 (2)]
3. "Provision of written explanation on rating decision to small or medium-sized

enterprises and other corporate applicants” [Article 145 (4)]

4. “Report significant findings on large exposures to collateral issuers” [Article 110 (3)].

2.3.2 Main Results of the National Mapping

The Table below provides an overview of the identified Information Obligations, “Possibilities Stated in the EU legal acts” and “Possibilities not stated in the EU legal act” per country.

Table 6: Total number of EU IOs and Possibilities per Member State for the Financial Services PA

Country	EU Requirements				National Obligations going beyond EU Requirements		Total No. of national IOs
	No. of EU Requirements Identified	No. of EU Requirements not transposed	No. of EU Requirement transposed in MS	No. of National IOs transposing EU Requirements	Possibilities stated in the EU Legal Act	Possibilities not stated in the EU Legal Act	
					No. of Possibilities stated in EU Legal Act	No. of Possibilities Not stated in EU Legal Act	
Austria	49	6	43	44	1		45
Belgium	49	17	32	32	1		33
Bulgaria	49	3	46	51	4	5	60
Cyprus	49	11	38	38	3	2	43
Czech Republic	49	3	46	46	4	1	51
Denmark	49	0	49	87	4	17	108
Estonia	49	7	42	42	4		46
Finland	49	2	47	47	4		51
France	49	7	42	41	1		42
Germany	49	4	45	84	2	2	88
Greece	49	30	19	19	0	3	22
Hungary	49	9	40	41	3		44
Ireland	49	4	45	46	2	1	49
Italy	49	14	35	37	1	1	39
Latvia	49	8	41	48	3		51
Lithuania	49	4	45	47	3		50
Luxemburg	49	3	46	46	4		50
Malta	49	13	36	35	2		37
the Netherlands	49	0	49	50	4		54
Poland	49	3	46	46	4		50
Portugal	49	6	43	41	4		45
Romania	49	3	46	47	3		50
Slovakia	49	7	42	48	2	4	54
Slovenia	49	4	45	47	2	1	50
Spain	49	9	40	39	3		42
Sweden	49	12	37	36	2		38
United Kingdom	49	0	49	49	4		53
TOTAL		189	1134	1234	74	37	1345

This Table is based on data compiled by the Consortium.

The EU IOs identified in the Directives in scope for the Financial Services Priority Area have resulted in 1234 national IOs transposing EU requirements, 37 “Possibilities not stated in the EU legal act” and 74 “Possibilities Stated in the EU legal acts”. Denmark and Germany, which are both Baseline Countries, show a higher number of national IOs. This is mainly driven by the structure and the segmentation in the existing data in those countries. It is in other words not necessarily due to different “transposition behaviour” in these countries.

As highlighted in the Module 2 report, a number of EU IOs [mainly stemming from the recently adopted Directives 2006/48 and 2006/49] were not (yet) transposed in some Member States on 9 July 2007 – the set baseline date for our EU SCM project. As a consequence, these IOs were not mapped but documented by the respective project country teams as “missing IOs”. We received confirmation from the national contact point or line ministry for most of them. Section 5.1.2 and Table 26 provide an overview of the IOs not transposed by Member State.

The Table below gives an overview of how “Possibilities not stated in the EU legal act” spread across Member States and legislative acts.

Table 7: “Possibilities not stated in the EU Legal Act” per country for the Financial Services PA

Country	Directive 2002/83	Directive 2006/48	Directive 2006/49
Bulgaria	3		2
Cyprus	2		
Czech Republic	1		
Denmark	17		
Germany	2		
Greece	3		
Ireland		1	
Italy	1		
Slovakia		4	
Slovenia		1	
Grand Total	29	6	2

This Table is based on data compiled by the Consortium.

Most “Possibilities not stated in the EU Legal Act” are of the content type – i.e. the national IO requires more information than the EU IO prescribes. Only a few Possibilities not stated are related to a different reporting frequency or target group (e.g. a different sector or a lower threshold). The majority of the “Possibilities not stated in the EU Legal Act” relate to Directive 2002/83/EC. A description of the nature of “Possibilities not stated in the EU legal act” (content, frequency, or target group) per Member State can be found in 5.2.

2.4 High-Level Findings of the Measurement in the Financial Services Priority Area

The following section presents the total administrative costs and administrative burdens in the Financial Services Priority Area. This is followed by a differentiated analysis by legal act and by Member State as well as an overview of the most burdensome IOs. This will form the basis for the detailed analysis in the next Chapter.

The total administrative costs for the Financial Services Priority Area is

€1,357,720,386

47.3% of these costs are considered as business-as-usual.

Therefore, the administrative burden amounts to ca. €715m (52.7%)
for the Financial Services Priority Area for the selected legislation.

2.4.1 Administrative costs and administrative burdens per EU legislation

The 42 pieces of legislation in the 13 Priority Areas chosen for the measurement exercise within the Action Programme are believed to account for over 80% of the administrative burden of EU origin¹⁴. Yet, as expected, within this group large differences in the costs per legal act were to be found. The next section contains an analysis of the administrative costs and burdens stemming from the legal acts in scope of the Financial Services Priority Area.

The Figure below presents the overall administrative burden for the Priority Area Financial Services for the three Directives in scope.

¹⁴ Commission Working Document, 30 January 2008, COM(2008) 35 final, Reducing administrative burdens in the EU 2007 progress report and 2008 outlook, p.3.

Table 8: Administrative costs and administrative burdens per EU legislation divided by EU requirements and national obligations going beyond EU requirements

EU legislation	EU Requirement	National obligation going beyond EU Requirements		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. Cost	Share of Admin. Cost (%)
	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	506,708.6	0	225.3	506,933.9	382,377.1	75
Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	409,645.3	4,051.9	3,123.9	416,821.1	203,740.8	49
Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	433,810.7	0	154.8	433,965.4	129,125.3	30
Total	1,350,164.6	4,051.9	3,504.0	1,357,720.4	715,243.2	53

This Table is based on data compiled by the Consortium.

Administrative burden related to EU requirements

Of the three Directives in scope, the most burdensome piece of legislation is Directive 2002/83/EC. This piece of legislation accounts for 53% of the overall administrative burden (i.e. €382 million) in scope for the Financial Services Priority Area. It is worth noting here that the IO "Provision of information to policy holder" alone accounts for over half of the entire Priority Area's administrative burden. Only 25% of the total administrative cost of the Directive 2002/83/EC is perceived to be a business-as-usual cost.

Directive 2006/48/EC follows as the second most burdensome legislative act, with an administrative burden of over €200 million (i.e. representing 28% of the overall Priority Area's burden). Its estimated administrative cost is ca. €417 million.

Directive 2006/49/EC, while showing a comparable level of administrative cost to that of Directive 2006/48/EC (i.e. ca. €430 million), results in a lower administrative burden overall (ca. €130 million, which equals 18% of the Priority Area's burden). This is mainly driven by the fact that the costs stemming from the IO "Keeping a Trading Book", which ranks third in the list of most costly IOs, are perceived as 100% business-as-usual costs.

The administrative burden related to EU requirements is mainly concentrated around the following IOs:

For Directive 2002/83/EC:

- "Provision of information to the policy holder"
- "Submission of information for supervision purposes"
- "Application for authorisation for taking up or expanding the business of life assurance"; and
- "Notification to authorities when establishing a branch in another Member State".

These four IOs (bearing in mind the disproportionate weight of the IO "Provision of information to the policy holder") account for €380 million of administrative burden (i.e. 53% of the whole Priority Area's identified burden).

For Directive 2006/48/EC:

- "Proof for internal review"
- "Public disclosure of information by credit institutions"
- "Application for authorisation for the taking up of the business of credit institutions"
- "Requesting permission to calculate risk-weighted exposure using the internal ratings based approach"
- "Cooperation in review by competent authorities of risk assessment procedures".

These five IOs account for €192 million of administrative burden (i.e. 27% of the whole Priority Area's identified burden).

For Directive 2006/49/EC:

- "Reporting to competent authorities on compliance with rules"
- "Reporting of overall exposures to individual clients and groups of connected clients".

These two IOs account for €128 million of administrative burden (i.e. 18% of the whole Priority Area's identified burden).

Administrative burden related to national obligations going beyond EU requirements

Possibilities stated in the EU Legal Act

The four Possibilities Stated in Directive 2006/48/EC were recorded in the following Member States:

Table 9: Mapping of the four Possibilities stated in Directive 2006/48

Member State	Report significant findings on large exposures to collateral issuers	Provision of written explanation on rating decision to Small or Medium Enterprises and other corporate applicants	Periodical reporting on activities in host Member State (MS) to authorities of host MS	Information on specific monitoring of exposures of more than 20% of own funds
	Article 110(3)	Article 145(4)	Article 29	Article 111(2)
AT			X	X
BE			X	
BG	X	X	X	X
CY	X	X	X	
CZ	X	X	X	X
DE	X		X	
DK	X	X	X	X
EE	X	X	X	X
ES	X		X	X
FI	X	X	X	X
FR		X		
HU	X	X	X	
IE	X			X
IT				X
LT	X	X	X	
LU	X	X	X	X
LV		X	X	X
MT			X	X
NL	X	X	X	X
PL	X	X	X	X
PT	X	X	X	
RO	X		X	X
SE			X	X
SI		X	X	
SK		X	X	
UK	X	X	X	X
Total	17	17	23	17

This Table is based on data compiled by the Consortium.

The four Possibilities Stated in Directive 2006/48/EC account for €3.6 million administrative burden (€4 million in terms of administrative cost), which represents 1% of the total burden of the Financial Services Priority Area.

The Possibility “Information on specific monitoring of exposures of more than 20% of own funds” represents half (i.e. €1.8 million) of the burden stemming from the Possibilities stated in Directive 2006/48/EC, followed by the Possibility “Periodical reporting on activities in host Member State to authorities of host Member States”, with €1.2 million administrative burden. The other two Possibilities “Report significant findings on large exposures to collateral issuers” and “Provision of written explanation on rating decision to Small or Medium Enterprises and other corporate applicants” merely concentrate 17% of the overall administrative burden resulting from Stated Possibilities.

Possibilities not stated in the EU Legal Act

Possibilities not stated in the EU Legal Act account for an administrative cost of €3.5 million. In general terms, the majority of the Possibilities not stated in the EU Legal Acts only require a marginal additional work effort from entities, which explains the relatively low cost overall. Denmark, a Baseline Country, concentrates almost half of the number of possibilities not stated mapped (i.e. 17 out of 37) across the EU¹⁵ and also most of the costs (under the IO “Cooperation in review by competent authorities of risk assessment procedures” and the IO “Production of an annual account”)¹⁶.

2.4.2 Administrative costs stemming from EU IOs of international origin

A number of the EU IOs identified in the EU legislation stem ultimately from international regulation, which has been transposed in EU legislation by the Directives and Regulations in scope of the project. Each EU IO was analysed in relation to any relevant international

¹⁵ The possibilities non-stated which have been retained for Denmark under this project were categorised in the Danish government database as being of “type C” under the SCM methodology, i.e. information obligations/data requirements that are exclusively a consequence of rules formulated at national level. Such a mapping was validated by the Danish authorities.

¹⁶ While (as mentioned above) the majority of the possibilities not stated in the EU Legal Acts usually require a marginal additional work effort from companies, a data requirement mapped under the IO “Cooperation in review by competent authorities of risk assessment procedures” for Denmark – related to the provision of extra information upon request and possible on-site inspections – reportedly requires a comparatively heavier work effort (ca. 25 person days). “P” under this IO is therefore the main cost driver. When compared to the other Member States, this discrepancy in the required workload explains the overall relative weight of Denmark.

regulation. In cases where legally binding international regulation had a similar content to the EU IO, the EU IO was categorised as an EU IO of international origin.

For the Financial Services Priority Area, the Revised Basel II Accord was translated into the two Directives 2006/48/EC (recast of the EU Banking Directive) and 2006/49/EC (recast of the EU Capital Adequacy Directive), which are both in scope of our project. Even though some amendments were introduced at EU level, the EU texts nonetheless follow most of the Basel Committee's recommendations.

The concept of IOs of International origin, however, does not apply to the Directive 2002/83 on life assurance.

2.4.3 Administrative costs and administrative burdens per Member State

The project offers the opportunity to identify differences in transposing and administering IOs at national level and thus obtain an insight into factors determining the level of administrative costs. This is important in identifying good practice and in learning how the costs for businesses can be reduced.

The next section presents a first overview of the administrative costs and burdens per Member State.

2.4.3.1 Different methodological approaches

When comparing costs at national level it is essential to recall that the data were collected in three different ways within this project:

- Measurement in six measurement countries
- Re-use of existing data in the so-called baseline countries
- Extrapolation to other Member States of the cost data collected (extrapolation countries).

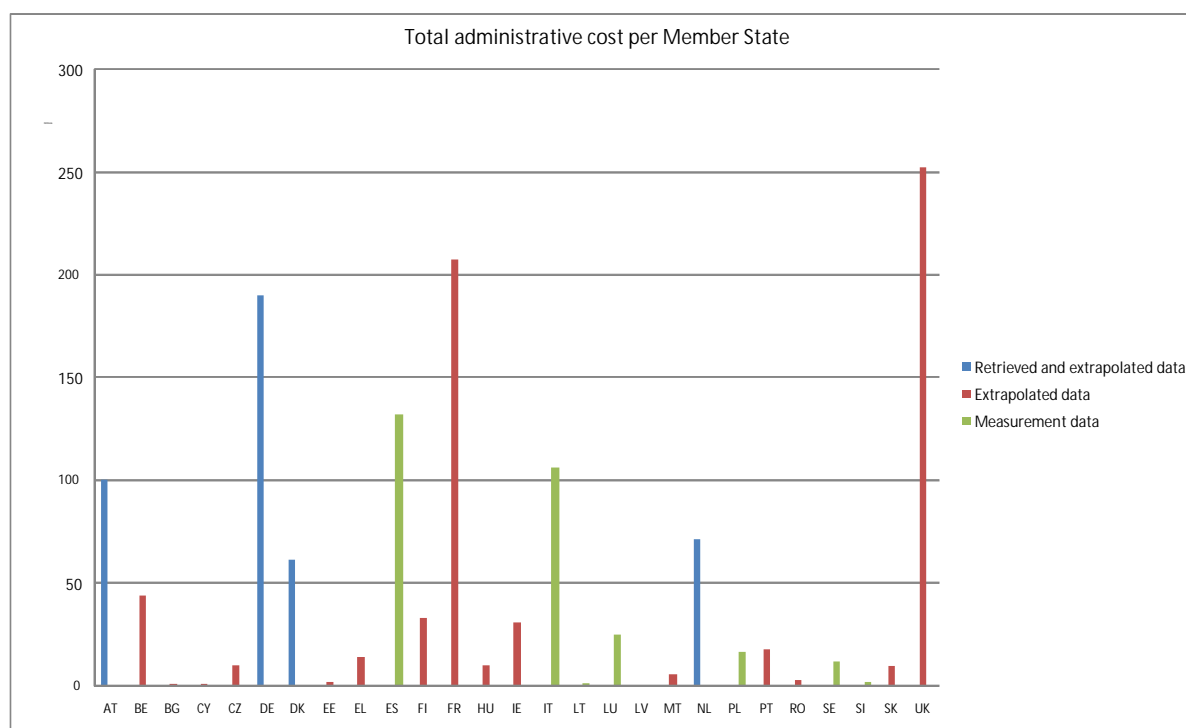
The combination of these three different approaches within the project creates special challenges when comparing data (i.e. baseline countries which have conducted measurements in the past have chosen different methodological approaches which reduces

the comparability of their results). This has to be borne in mind when reading the following data comparisons.

The extrapolated costs are naturally less precise and less detailed than the measured costs. Analyses of specific legislative requirements should therefore only be based on data from countries that were measured. However, the indicative total impact of EU legislation can be assessed using the extrapolated costs.

The Figure shows an overview of the total administrative cost by Member State¹⁷.

Figure 2: Total administrative costs per Member State



By Capgemini/Deloitte/Ramboll Management.

The countries with the highest administrative costs are:

- UK
- France
- Germany

¹⁷ The phenomenon of the “missing IOs” (cf. Table 6, Section 5.1.2 and Table 26 for further details) should be born in mind when comparing administrative costs across Member States. Costs deriving from these missing IOs are not integrated in the overall calculations. For instance, Italy (a measurement country) has 14 missing IOs; Greece (an extrapolated country), 30; and Austria (a Baseline country), 6.

- Spain
- Italy.

Cost differences in the extrapolation countries can be largely explained by the following factors:

- Number of financial institutions in the country to whom the IO is applicable
- Number of occurrences: how many times does an IO take place
- Wage rate
- Differences in supervisory approach (e.g. frequency requirements etc.).

All in all, a general finding across Member States (MS) is that the main drivers of costs at national level are populations and the wage level. The Table below shows the tariffs (€ per hour) per employee type and country incl. 25% overhead. In the last column the average tariff of the MS is presented. The lowest average tariff is found in Bulgaria with €2. The highest average tariff is found in Denmark with €34. Ten Member States have an average tariff level in the range €1-10. Five Member States are in the range €10-20; 10 other are in the range €20-30. And only two Member States have an average tariff level above €30. These differences naturally have a high impact on the total cost calculated for the individual Member States.

Table 10: Tariffs (€ per hour) per employee type and country incl. 25% overhead

Member State	1: Legislators, senior officials and managers	2: Professionals	3: Technicians and associate professionals	4: Clerks	5: Service workers and shop and market sales workers	6: Craft and related trades workers	7: Plant and machine operators and assemblers	8: Manual workers (agricultural and fisheries)	9: Elementary occupations	Average
Austria	52	39	29	22	16	19	20	18	15	25
Belgium	51	35	27	23	19	15	21	22	20	26
Bulgaria	3	2	2	1	1	2	2	1	1	2
Cyprus	32	20	16	10	9	12	11	11	9	14
Czech Rep.	12	8	6	5	4	5	5	5	4	6
Denmark	52	45	38	28	23	32	31	29	25	34
Estonia	7	7	5	4	3	4	4	4	3	5
Finland	45	35	27	21	18	22	22	21	19	26
France	51	47	27	21	20	21	21	21	18	27
Germany	46	43	31	25	17	22	22	20	18	27
Greece	27	21	15	12	10	13	12	11	9	14
Hungary	12	8	6	5	4	5	5	4	3	6
Ireland	50	46	33	25	20	26	22	22	20	29

Member State	1: Legislators, senior officials and managers	2: Professionals	3: Technicians and associate professionals	4: Clerks	5: Service workers and shop and market sales workers	6: Craft and related trades workers	7: Plant and machine operators and assemblers	8: Manual workers (agricultural and fisheries)	9: Elementary occupations	Average
Italy	61	59	25	20	16	15	15	15	15	27
Latvia	6	6	5	4	2	3	4	3	3	4
Lithuania	7	6	4	3	3	4	4	3	2	4
Luxembourg	57	42	34	28	18	21	21	20	17	29
Malta	17	13	11	9	7	8	8	8	7	10
the Netherlands	37	35	28	22	19	22	23	21	17	25
Poland	13	10	6	5	3	5	5	4	3	6
Portugal	31	19	14	10	6	6	7	6	6	12
Romania	10	6	4	4	2	3	3	3	2	4
Slovakia	8	5	4	3	3	3	4	3	2	4
Slovenia	18	19	12	10	7	8	7	7	6	11
Spain	37	24	19	13	12	13	13	12	9	17
Sweden	51	40	31	23	23	25	24	23	20	29
UK	53	50	37	24	20	27	23	22	19	30

This Table is based on data compiled by the Consortium.

In addition, the practical supervision of how financial institutions comply with provisions stated in Directives differs widely from one Member State to the other. In practice, at least 3 types of methods are used:

- In some countries, authorities keep a so-called "light touch": they ask for little information and don't perform regular on site inspections;
- In other countries, authorities rely on specific assessments performed by third parties, such as the statutory auditors; and
- In other countries, authorities request financial institutions to directly provide them with a large number of periodic reports.

The Table further below presents the administrative costs and administrative burdens for each of the 27 countries. The administrative costs are divided between EU Requirements and national obligations going beyond EU Requirements. The legal basis of the Information Obligations is described in the Directives in scope and the national transpositions of these Directives.

Table 11: Overview of total costs per Member State

Country	EU Requirement	National obligation going beyond EU Requirements		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
AT Retrieved and extrapolated data	99,906.3	40.9	0	99,947.2	54,441.2	54
BE Extrapolated data	43,726.4	21.5	0	43,747.9	31,126.6	71
BG Extrapolated data	798.7	10.9	157.8	967.4	557.1	58
CY Extrapolated data	1,029.6	0.0	0	1,029.6	210.8	20
CZ Extrapolated data	10,317.3	2.2	0	10,319.6	5,581.1	54
DE Retrieved and extrapolated data	189,811.8	105.3	1	189,918.1	98,625.6	52
DK Retrieved and extrapolated data	57,618.3	354.6	3,288.90	61,261.9	30,819.4	50
EE Extrapolated data	1,620.0	1.9	0	1,621.9	736.4	45
EL Extrapolated data	14,086.2	0.0	0	14,086.2	10,638.2	76
ES Measurement data	131,267.8	594.0	0	131,861.8	65,941.6	50
FI Extrapolated data	32,946.5	286.0	0	33,232.5	10,819.6	33
FR Extrapolated data	207,337.5	53.1	0	207,390.6	111,098.7	54
HU Extrapolated data	10,286.5	59.4	0	10,345.9	4,816.3	47
IE Extrapolated data	31,081.1	27.2	0	31,108.3	15,369.2	49
IT Measurement data	106,430.3	11.9	0	106,442.1	63,202.8	59
LT Measurement data	1,195.5	58.4	0	1,253.9	315.9	25
LU Measurement data	24,340.0	83.1	0	24,423.1	8,615.2	35
LV Extrapolated data	231.9	5.1	0	236.9	40.8	17
MT Extrapolated data	5,567.2	8.0	0	5,575.2	2,091.2	38
NL Retrieved and extrapolated data	70,766.5	131.3	0	70,897.8	48,779.3	69
PL Measurement data	16,429.4	182.0	0	16,611.4	4,327.2	26
PT Extrapolated data	17,954.9	50.8	0	18,005.7	9,559.3	53
RO Extrapolated data	2,809.6	19.4	0	2,829.0	1,315.1	46
SE Measurement data	9,798.0	1,693.1	0	11,491.1	8,779.0	76
SI Measurement data	1,590.3	22.5	1.3	1,614.1	893.6	55
SK Extrapolated data	9,239.7	3.3	55	9,297.9	5,418.4	58
UK Extrapolated data	251,977.3	226.0	0	252,203.4	121,123.1	48
Grand Total	1,350,164.5	4,051.9	3,504.0	1,357,720.4	715,243.1	53

This Table is based on data compiled by the Consortium.

In the sections below, the high-level results for the three groups of Member States will be explained:

- Measurement countries
- Baseline countries; and
- Extrapolation countries.

2.4.3.2 Measurement countries

The measurement of the IOs took place in six preselected Member States. As stated in section 2.2., the Member States chosen for measuring the prioritised IOs in the Financial Services Priority Area were:

- Italy
- Lithuania
- Luxembourg
- Poland(*)
- Slovenia
- Spain.

(*) In the course of the measurement process, the Polish team encountered difficulties to recruit credit institutions and investment firms to be interviewed. Following a joint meeting with DG MARKT and DG ENTR, it was agreed that the relevant campaigns related to credit institutions and investment firms would not be measured in Poland (i.e. Poland would therefore only measure the campaigns related to life insurance). As a compromise, it was decided that all possible existing data from Sweden would be used, as a complementary basis for extrapolation.

The Table below details the administrative cost for the measurement countries¹⁸.

¹⁸ Cf. footnote 17

Table 12: Administrative costs for the measurement countries

Country	EU Requirement	National obligation going beyond EU Requirements		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. Cost (€ x 1,000)	Admin. burden (€ x 1,000)
	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
Italy	106,430.3	11.9	0	106,442.1	63,202.8	59
Lithuania	1,195.5	58.4	0	1,253.9	315.9	25
Luxembourg	24,340.0	83.1	0	24,423.1	8,615.2	35
Poland	16,429.4	182	0	16,611.4	4,327.20	26
Slovenia	1,590.3	22.5	1.3	1,614.1	893.6	55
Spain	131,267.8	594	0	131,861.8	65,941.6	50
Sweden	9,798.0	1,693.1	0	11,491.1	8,779.0	76
Total	291,051.3	2,644.9	1.3	293,697.5	152,075.3	52

This Table is based on data compiled by the Consortium.

As the Table above shows, the administrative costs are very different in each of the measurement countries. By far the highest costs and burdens are in Spain and Italy, the lowest in Slovenia and Lithuania. This can be explained by three main factors:

1. The number of financial institutions in a country - of the six countries measured, Italy has the largest number of credit and investment institutions; in Slovenia and Lithuania the number of credit and investment institutions is very low;
2. The size of the life insurance market - the number of yearly, new life insurance contracts is the highest in Italy;
3. Wage tariff - for example, the wage tariff used for Italy is 10 times higher than the wage tariff used in Lithuania;
4. Differences in stages of implementation of legislation (see below).

When considering the administrative costs incurred by measurement countries, one can point out that:

- The IO with the largest administrative cost is "Proof of internal review", with ca. €130 million. Spain accounts for almost 70% of the costs identified for the measurement countries. Differences are due to different stages of implementation. Whereas in Lithuania some 45 person days were spent in average on this IO per entity (this IO has been implemented only recently in Lithuania - the business

process to comply with it may get more complex over time); in Spain, the IO "Proof of Internal Review" is well in place and entities have to be able to demonstrate, whenever the Bank of Spain requires it, that control is adequate and effective. For the largest banks, interviewees reported that inspectors from the Bank of Spain are permanently on-site to check compliance;

- The IO "Provision of information to the policy holder" accounts for ca. €75 million administrative cost for the measurement countries. Italy concentrates most costs. The population (Q) is defined by the number of new individual life insurance contracts per year, which in Italy is 250 times higher than in Lithuania. This is in combination with the difference in wages.

IOs where some measurement data have been excluded from extrapolation

When discovering differences in measurement data it is important to make sure whether the IOs reflect the same EU IO. Only for a few special cases it was decided not to use the measurement data for extrapolation (however the measurement was kept for the administrative cost calculation for the specific country) because it was obvious that the basis for measurement was different than in the other countries and that the measurement would over-estimate the cost for the total industry. It concerns the following IOs:

- IO "Provision of information to the policy holder": in Italy the scope of the requirement is much larger than in other countries and is as such not a basis for performing a comparable extrapolation (cf. 3.1.1 for more information);
- IO "Requesting permission to calculate risk-weighted exposure using the internal ratings based approach": the administrative cost reported for Spain is to be considered as an outlier amongst the measurement countries since the measurement does not only include the effort for "requesting permission" but includes also the effort to develop the internal models (cf. 3.2.4 for more information).

Moreover, observations with a time per occurrence ("P") greater than 100,000 minutes were also excluded from the basis for extrapolation, for modelling reasons.

2.4.3.3 Baseline countries

A central aspiration of the project was to learn from measurements, which had already been undertaken in Member States. These measurements were an important input as they constitute the current “state of play” in those countries which have already carried out work in the SCM field¹⁹. Existing measurements were reused whenever possible and efficient. This was mainly the case when complete baseline measurements were available for a Priority Area and where the methodology used in the baseline countries was comparable enough to the EU SCM not to distort the extrapolation approach.

The Table below gives an overview of the administrative costs in the baseline countries²⁰.

Table 13: Administrative costs for the baseline countries²¹

Country	EU requirement	National obligation going beyond EU Requirement		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burdens (€ x 1,000)	Share of Admin. Cost (%)
	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)		
Austria	99,906.3	40.9	0.0	99,947.2	54,441.2	54
Denmark	57,618.3	354.6	3,288.9	61,261.9	30,819.4	50
Germany	189,811.8	105.3	1.0	189,918.1	98,625.6	52
the Netherlands	70,766.5	131.3	0.0	70,897.8	48,779.3	69
Total	418,102.9	632.1	3,289.9	422,025	232,665.5	55

This Table is based on data compiled by the Consortium.

Germany has the largest number of credit institutions; twice as high as in Austria and significantly higher than in Denmark and the Netherlands.

The applicable wage tariff is more or less comparable for each of the baseline countries and should not be considered as a significant differentiator.

¹⁹ Wherever possible, data from the national baseline measurements was reused. However, where no comparable data was available the administrative costs were extrapolated. More specific information on the reuse of data from national baseline measurements is provided in the Annex ‘Challenges and constraints of reusing existing data from previous baseline measurements’.

²⁰ Cf. footnote 17

²¹ Not all data could have been retrieved from the existing measurements in the baseline countries. Therefore the missing data fields were compiled through extrapolation.

General comments on Baseline country data and on the retrieval exercise from national databases

Firstly, when analysing the data of the Baseline countries it appeared that there were many differences in the measurement values for a specific IO. Differences were mainly on P level (P = costs per occurrence), resulting in high differences in total costs for the IO on country level for the Baseline countries. Some differences on Q level (Q= the population to which the IO is applicable) were also identified. These variations cannot always be explained by differences in tariff or market size, and clearly show different measurement approaches between the Baseline countries. The IOs in the financial services area are complex and therefore more differences were expected in this area than in some other priority areas.

Secondly, not all IOs were covered by the existing measurements in all baseline countries. Irrespective of the final re-use of data, we provide below an overview of the matching exercise with existing national measurement databases.

Austria

Ps and Qs could be retrieved from the Austrian baseline measurement for 29 IOs (out of the 53 EU IOs in scope). The main reasons for non-matches include: different definitions of IOs, differences in methodology, and the non-transposition of possibilities in Austria. Besides, the segmentation of IOs is typically different.

Denmark

It was possible to match 29 EU IOs with national IOs contained in the Danish database. A reason for this situation is that a number of EU IOs were transposed after the Danish baseline measurement. Moreover, the Danish database has a somewhat different structure and often shows a very different segmentation approach.

Germany

For Germany, 33 EU IOs could be matched with IOs from the German baseline measurement. For 15 further EU IOs no matches could be identified at all; for some of them this is due to the following reason: the two Directives targeting banks and financial institutions (2006/48/EC and 2006/49/EC) were enacted in June 2006 while the mapping

of IOs within the German baseline measurement was finalised in the end of 2006. Thus, some IOs stemming from the mentioned Directives were transposed into German law after the mapping of the baseline measurement was finished and thus were not included in the measurement. This is especially the case for national IOs resulting from the German regulations 'Solvabilitätsverordnung' and the 'Großkredit- und Millionenkreditverordnung' which both came into force after the German mapping was finished. Furthermore, for five EU IOs no corresponding national IO was identified due to different reasons: two of these five are possibilities and the German legislator decided to not make use of them and transpose them into German law. Other two IOs were transposed after the EU baseline date and thus have not been mapped. And the last one is planned to be transposed not as IO but as a voluntary agreement. The Ps resulting from the German baseline measurement are mostly lower than in the measurement countries; this is especially the case for the IOs which have not been measured but simulated.

The Netherlands

It was possible to match 21 EU IOs with national IOs contained in the Dutch database. Due to incomplete datasets in the Dutch measurement (as the newly adopted law that incorporates all relevant IOs in financial supervision has not been subject to measurement yet), the amount of reusable data on Ps and Qs decreased. As a result, full data is only available for five IOs.

United Kingdom

It has not been possible to reuse existing measurement data from the UK authorities. After research made by the Consortium and discussion with the UK Financial Services Authority (FSA), the FSA confirmed that the scope of the 2006 study made by Real Assurance on the cost stemming from the FSA rulebook is not comparable to that of the current project. Very few matches were possible between EU and UK IOs. The FSA added that some of our EU IOs in scope represent genuinely new requirements or separate requirements that are bundled together within single handbook rule requirements and that, as a consequence, no valid cost data could be retrieved. Consequently, it was decided to include the UK in the extrapolated dataset.

IOs for which data from the baseline countries have been excluded

When discovering differences in baseline country data it is important to make sure whether the IOs in the baseline countries reflect the EU IO. It has been decided in a few exceptional cases not to use the data for the project, on grounds that the baseline input data suggested a different methodological approach to measure and cost the IO (e.g. difference in scope).

Most decisions have been agreed with national contact points. Additional analysis in cooperation with the European Commission has led to a few more changes in Baseline data. Where baseline country data was removed, the “gap” was filled by use of extrapolation.

It concerns the following IOs:

- IO “Keeping a trading book”: The overall administrative cost for Austria was very low (P level did not reflect the content of the IO requirements);
- IO “Provision of information to the policy holder”: a different methodological approach was used in Austria (different scope);
- IO “Reporting to competent authorities on compliance with rules”: For Denmark, the much larger Q level suggested a different measurement approach (together with a different choice of segmentation);
- IO “Proof of internal review”: it was assessed that the identified administrative cost did not reflect the structure and level of reporting requirements of the German banking market.

2.4.3.4 Extrapolation countries

As indicated above, the measurement was conducted in a sample of six Member States. The results from the measurement countries and the baseline countries were used to estimate the costs in countries where no measurement was undertaken²². This extrapolation process provided the indicative total costs for European businesses of complying with EC legislation.

²² The Consortium did however collect population data for all IOs for all 27 Member States.

The Table below shows the administrative costs for the extrapolation countries²³.

Table 14: Administrative costs for the extrapolation countries

Country	EU Requirement	National obligation going beyond EU Requirements		Total Admin. Cost	Total Admin. Burden	
		Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
Belgium	43,726.4	21.5	0	43,747.9	31,126.6	71
Bulgaria	798.7	10.9	157.8	967.4	557.1	58
Cyprus	1,029.6	0	0	1,029.6	210.8	20
Czech Republic	10,317.3	2.2	0	10,319.6	5,581.1	54
Estonia	1,620.0	1.9	0	1,621.9	736.4	45
Finland	32,946.5	286	0	33,232.5	10,819.6	33
France	207,337.5	53.1	0	207,390.6	111,098.7	54
Greece	14,086.2	0	0	14,086.2	10,638.2	76
Hungary	10,286.5	59.4	0	10,345.9	4,816.3	47
Ireland	31,081.1	27.2	0	31,108.3	15,369.2	49
Latvia	231.9	5.1	0	236.9	40.8	17
Malta	5,567.2	8	0	5,575.2	2,091.2	38
Portugal	17,954.9	50.8	0	18,005.7	9,559.3	53
Romania	2,809.6	19.4	0	2,829.0	1,315.1	46
Slovakia	9,239.7	3.3	55	9,297.9	5,418.4	58
United Kingdom	251,977.3	226	0	252,203.4	121,123.1	48
Total	641,010.4	774.8	212.8	641,998.0	330,501.9	51

This Table is based on data compiled by the Consortium.

The exercise of predicting cost through statistical modelling results in cost data with a different level of accuracy compared to the data collected through interviews. The extrapolated costs are for these reasons less precise and less detailed than the measured costs. Analyses of specific requirements should therefore only be based on data from countries that have been measured, whereas the total impact of EC legislation and of changes in legislation can be assessed using the extrapolated costs.

Whenever the extrapolation model gave rise to results that were not consistent with what might have been anticipated based on economic analysis, this was further discussed with DG Enterprise, with whom a basis for manual extrapolation was agreed.

The United Kingdom, the EU's main financial centre, concentrates 19% of the overall administrative costs of the Financial Services Priority Area, with over €250 million. France

²³ Cf. footnote 17

follows second, with an administrative cost of €200 million. For both Member States, population levels (both for the banking and insurance markets), account for their position in terms of costs.

Finland ranks as the tenth Member State in terms of administrative costs linked to financial services legislation, just after Belgium and well ahead Sweden. Although the wage rate for Finland is lower than Sweden's, the Finnish banking market is twice that of Sweden – this is an important variable to explain Finland's estimated costs and ranking. Ireland comes after Finland, mainly as a result of its large insurance market.

The lower costs identified for the other Member States (such as Czech Republic, Romania etc.) result from the relatively smaller size of their financial markets and also from the lower wage rate applied.

2.4.4 Administrative costs related to irritation potential of most burdensome EU IOs

The overall objective of the Action Programme is to achieve a reduction in administrative burdens of 25% by 2012. Previous SCM projects at national level have proved that reduction efforts will be seen as especially successful if the public authorities manage to lower the perceived burdens for businesses. Thus, two dimensions should be taken into account when analysing how burdensome an IO is:

1. Level of administrative burden
2. Level of irritation for businesses.

The extent to which business experience IOs as "irritating" was assessed based on the businesses' responses to the following six statements:

- The information/data that the authorities require from me is linked to the information/data that are available from my own business process;
- I understand why the authorities want this information/data from me;
- I understand why the authorities ask me for this information/data with this frequency;
- The authorities make sure that I have to deliver this information/data only once and not to different authorities;

- The amount of information/data that the authorities ask for is in line with the objectives of the IO;
- The request for information/data is so clear that every entrepreneur/employee is able to comply with the request.

The responses given to the six statements were subsequently transposed to a numerical value.

The collected data on the irritation level is, however, not conclusive. Thus any statements on the irritation score are indicative and no conclusions should be made on this basis at Priority Area or IO level. The main report on measurement data and analysis contains a high level overview of the irritation levels of all Priority Areas. It includes a thorough analysis on the total dataset.

Some remarks on the data collected for the Financial Services Priority Area:

While the IO "Provision of information to the policy holder" shows the highest administrative cost, it has a relatively low irritation factor. This implies that while the business process to comply with this IO can admittedly be streamlined, companies, overall, understand the reasoning behind the existence of such requirements.

The IO "Keeping a Trading Book", whilst being the third most costly IO, shows the lowest level of irritation as a level of 100% business-as-usual cost was identified for this IO.

The three IOs: "Proof of Internal Review", "Reporting to competent authorities on compliance with rules", and "Public disclosure of information by credit institutions" share a similar level of irritation. The reasons for this situation include the perceived unnecessary (or too extensive) reporting and different guidelines from regulators on the format or timing of reporting.

3. Legal Acts and the most burdensome IOs

As a general rule, a relatively small number of Information Obligations (IOs) represent the major part of the cost in any Priority Area and it is therefore worthwhile focusing on these. This section does that, relating each IO to the legal act from which it stems. The Table further below shows the total administrative cost for the most burdensome EU IOs and corresponding national IOs.

The ten most costly IOs within the Financial Services Priority Area are:

1. "Provision of information to the policy holder"
2. "Proof of internal review"
3. "Keeping a trading book"
4. "Reporting to competent authorities on compliance with rules"
5. "Public disclosure of information by credit institutions"
6. "Requesting permission to calculate risk-weighted exposure using the internal ratings based approach"
7. "Application for authorisation for the taking up of the business of credit institutions"
8. "Submission of information for supervision purposes"
9. "Reporting of results of the verification of compliance with rules on the level of own funds"
10. "Application for authorisation for taking up or expanding the business of life assurance".

Table 15: Total Administrative costs for the 10 EU IOs divided by EU IO and National Obligations going beyond EU Requirements

EU Requirement	EU Legislation	Article No.	EU Requirement Admin. Cost (€ x 1,000)	National obligation going beyond EU Requirements		Total Admin. Cost (€ x 1,000)	Total Admin. Burden	
				Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
				Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)			
1. Provision of information to the policy holder	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life	Art. 36 par. 1; Art. 36 par. 2; Art. 36 par. 3	494,433.40	0	0	494,433.40	370,825.10	75

EU Requirement	EU Legislation	Article No.	EU Requirement Admin. Cost (€ x 1,000)	National obligation going beyond EU Requirements		Total Admin. Cost (€ x 1,000)	Total Admin. Burden	
				Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
				Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)			
	assurance							
2. Proof for internal review	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 123	318,569.80	0	0	318,569.80	159,284.90	50
3. Keeping a trading book	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 11 par. 1	262,748.70	0	0	262,748.70	0	0
4. Reporting to competent authorities on compliance with rules	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 35 par. 1; Art. 35 par. 2; Art. 35 par. 3; Art. 35 par. 4	168,365.90	0	0	168,365.90	126,274.40	75
5. Public disclosure of information by credit institutions	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 145; Art. 146; Art. 147; Art. 148; Art. 149; Art. 72	66,665.80	0	5.7	66,671.50	16,667.90	25
6. Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit	Art. 84; Art. 112 par. 3	6,497.60	0	0	6,497.60	4,873.20	75

EU Requirement	EU Legislation	Article No.	EU Requirement Admin. Cost (€ x 1,000)	National obligation going beyond EU Requirements		Total Admin. Cost (€ x 1,000)	Total Admin. Burden	
				Possibility stated in the EU Legal Act	Possibility not stated in the EU Legal Act		Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
				Admin. Cost (€ x 1,000)	Admin. Cost (€ x 1,000)			
	institutions							
7. Application for authorisation for the taking up of the business of credit institutions	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 6; Art. 7; Art. 12	5,204.80	0	4.2	5,209.00	5,209.00	100
8. Submission of information for supervision purposes	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 13 par. 2	4,895.80	0	93	4,988.70	4,988.70	100
9. Reporting of results of the verification of compliance with rules on the level of own funds	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 74 par. 2	3,449.00	0	49.3	3,498.30	2,623.70	75
10. Application for authorisation for taking up or expanding the business of life assurance	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 4; Art. 51; Art. 6 par. 1(c); Art 6 par. 2; Art. 6 par. 4 ; Art. 7; Art. 8	3,425.60	0	1	3,426.60	3,426.60	100

This Table is based on data compiled by the Consortium.

The aggregated costs of the first five IOs account for 97% of the total administrative costs of the Financial Services Priority Area.

The IO “Provision of information to the policy holder” has the highest cost, which can be explained by the high number of new policy holders each year within the EU and the requirement to provide each of them with contractual details and information about the insurance firm.

The cost for the IO “Proof of internal review” is very high, because it concerns a long and complex process, with a requirement to have an internal review on a yearly basis. One should, however, take into account that the ICAAP²⁴ process has come into effect relatively recently and financial institutions are in various stages of implementation. Going forward the administrative cost and burden might change overtime (e.g. due to the learning curve for how to deal with this IO, both at financial institution and supervisor).

The IO “Keeping a trading book” is high since it is applicable to all credit institutions and investment firms. However, this obligation is perceived by the financial services sector as 100% business-as-usual since this IO relates directly to one of an entity’s core activities.

The IO “Reporting to competent authorities on compliance with rules” is high since it is applicable to all credit institutions and investment firms and requires those firms to collect information needed to prove to the competent authorities that they comply with the rules adopted in the EC Capital Adequacy Directive. Depending on the type of services provided by the financial institution, the frequency of this reporting varies.

The IO “Public disclosure of information by credit institutions” is applicable to all credit institutions, which are required to disclose information regarding their risk management objectives and policies, their own funds, their approach to assessing the adequacy of their internal capital, risk exposures, etc. The disclosure should be done at least on an annual basis. In view of common business practices to provide clear and concise information to public stakeholders, this obligation is considered to be 75% business-as-usual.

Despite the low occurrence of the IO “Requesting permission to calculate risk-weighted exposure using the internal ratings based approach”, the complexity of the business process to comply with the regulatory requirements (adaptation of the models to the

²⁴ ICAAP, or “Internal Capital Adequacy Assessment Process”. See section 3.2.1 for details.

national requirements, setting-up of internal processes, evidence on the sustainability of the models over time, interaction with the supervisor etc.) makes it a costly Information Obligation. To comply with this IO usually involves many different departments of a single credit institution.

To "Apply for an authorisation for the taking up of the business of credit institution" is usually a long process, during which the development of a programme of operations involves many staff resources. Moreover, irritation factors such as the difficult communication with the regulator (e.g. in order to ascertain the content or format of data to be provided) and waiting times account for another side of the burden.

The breadth of information and variety of documents to be submitted to a regulator under the IO "Submission of information for supervision purposes" explains the relative cost of this IO.

The need to check that the own funds must be at all times superior or equal to the sum of the capital requirements for credit risk and dilution risk in respect of all of business activities and the subsequent requirement to "Report the results of the verification of compliance with rules on the level of own funds" not less than twice each year is perceived as burdensome.

The burden linked to the business process implied by an "Application for authorisation for taking up or expanding the business of life assurance" is similar to that of an application in the banking sector, where the development of a scheme of operations holds the lion's share.

As the total administrative costs and burden are indicative because they include extrapolated data, the most burdensome IOs are analysed on the basis of the data collected in the six measurement countries only. In the section below, each of these IOs is described in detail in relation to the following topics:

- Explanation of the legal aspects of the IO
- Underlying steps in the business process
- Overview of the cost parameters
- Reasons why the IO is burdensome/irritating

- Segmentation (if applicable)
- Data requirements (if applicable)
- Demarcation between the burdensome IO and closely related IOs (if applicable)
- Business as usual costs
- Potential reduction measures.

The IOs are structured by legal act, and according to their respective administrative cost.

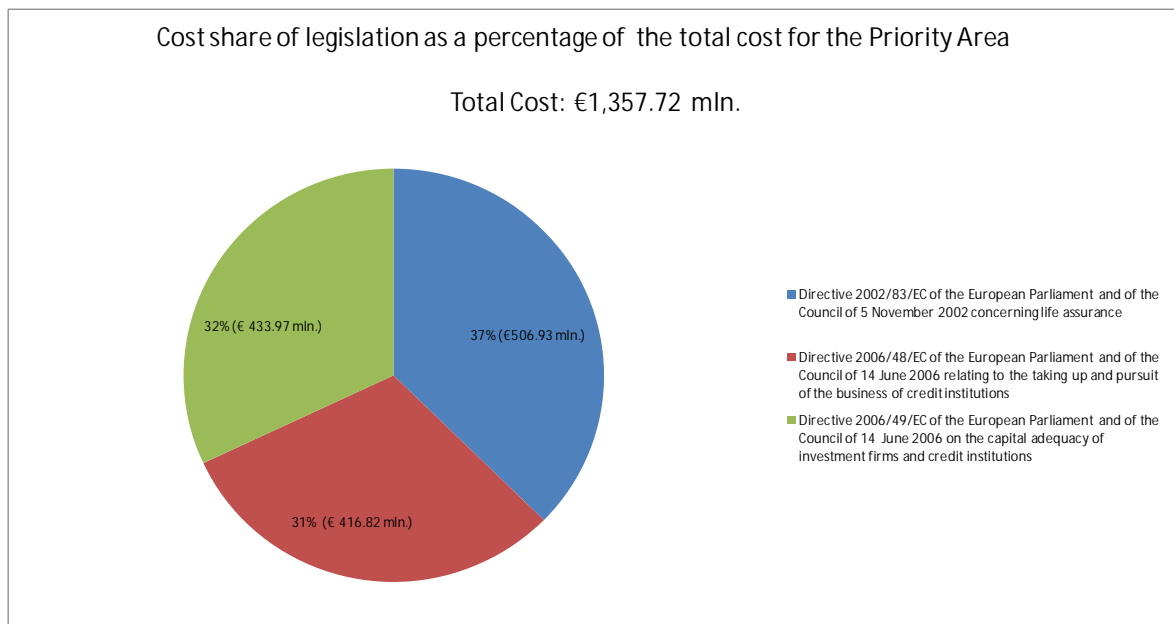
3.1 Directive 2002/83/EC

This Directive recasts a number of pre-existing directives in force into one single act. It replaces all the directives adopted in the area of life insurance since 1979 and includes the provisions relating to supervision, the solvency of insurance undertakings and the freedom to provide life-assurance services in the EU.

The Directive accounts for 37% (“€506.93 million”) of the total administrative cost for the Financial Services Priority Area, and represents 53% of the administrative burden for the area.

The Figure below provides an overview of the total cost of the Directive, related to the Financial Services Priority Area.

Figure 3: Size of Directive 2002/83/EC related to the total size of the Financial Services Priority Area



By Capgemini/Deloitte/Ramboll Management.

3.1.1 IO “Provision of information to the policy holder”

3.1.1.1 Characteristics of the IO

Article 36(1) of Directive 2002/83/EC stipulates that life assurance undertakings shall communicate the following information to the policy holder before the assurance contract is concluded (details are included in Annex III):

- Information about the assurance undertaking, such as name and legal form of the undertaking and address of the head office, the agency or branch concluding the contract;
- Information about the commitment, such as definition of each benefit and each option, term of the contract, means of payment of premiums and duration of payments, indication of the nature of the underlying assets for unit-linked policies, tax arrangements, arrangements for handling complaints etc.

As per Article 36(2), in addition to the policy conditions, both general and special, the policy-holder must receive the following information throughout the term of the contract (details are included in Annex III):

- Any change in the name of the undertaking, its legal form or the address of its head office and, where appropriate, of the agency or branch which concluded the contract;
- Any change in the policy conditions or amendment of the law applicable to the contract; and
- Every year, information on the state of bonuses.

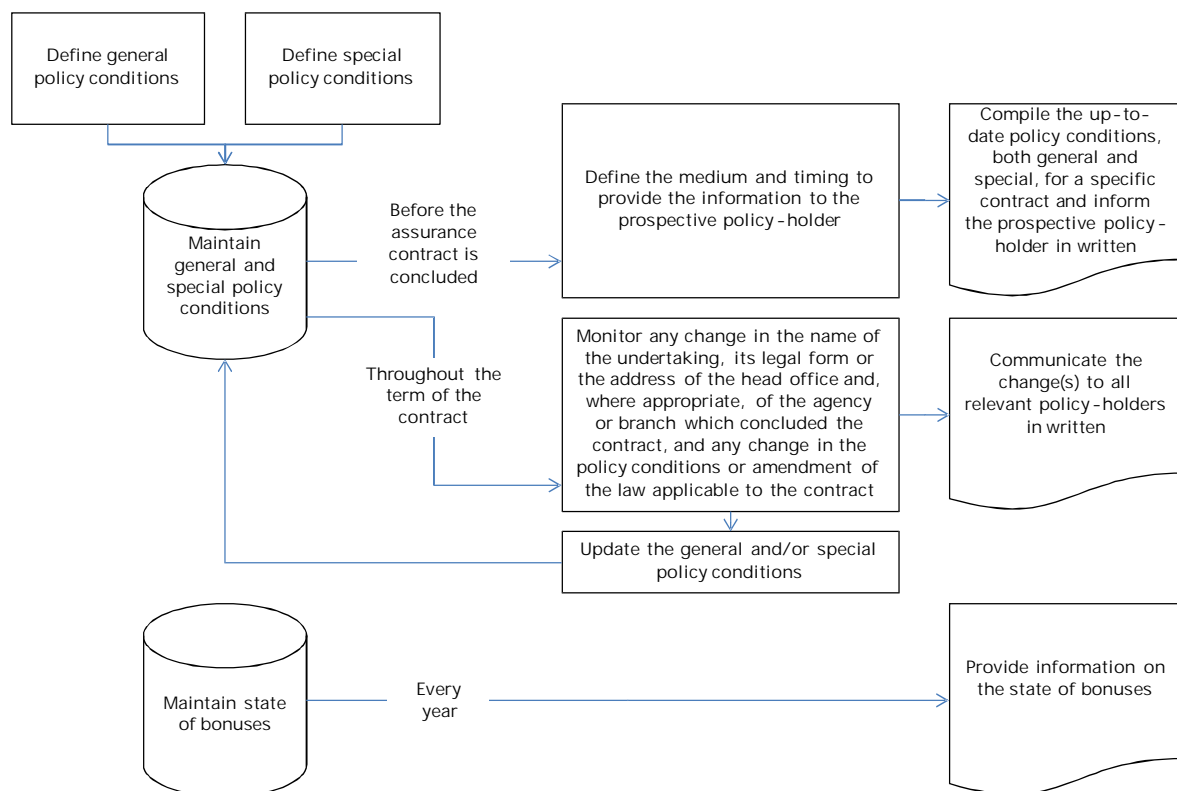
Article 36(3) states that Member State of the commitment may require assurance undertakings to furnish additional information only if it is necessary for a proper understanding by the policy holder of the essential elements of the commitment.

Annex III of the Directive clarifies that all information must be provided in a clear and accurate manner in writing in an official language of the Member State or in another language if the policy holder so requests and the law of the Member State so permits or the policy holder is free to choose the law applicable.

3.1.1.2 Process for complying with the IO

The Figure below explains the business process to comply with this IO.

Figure 4: Business process for the IO “Provision of information to the policy holder”



By Capgemini/Deloitte/Ramboll Management.

Before a new life insurance contract is concluded, the potential new policy holder needs to be informed of all general and specific policy conditions as well as information regarding the assurance company.

Throughout the term of a contract, the policy-holders must be informed of any relevant changes to the conditions of the contract, any amendments or changes regarding the information proper to the assurance company.

Every year, policy-holders must receive information on the state of bonuses.

3.1.1.3 Costs and explanatory variables

Below are the explanatory variables for the IO “Provision of information to the policy holder”.

Figure 5: Explanatory variables for “Provision of information to the policy holder”

Provision of information to the policy holder	
Basis for Q	The total number of new individual life insurance contracts per year (main source: Comité Européen des Assurances).
Basis for P	The average time needed to provide pre-contractual information related to a new life insurance contract.
Challenge	This IO relates to a ‘one-off’ event (information to be provided “before” the conclusion of a contract), an event-based P (occasional amendments to a contract) and a yearly Information Obligation (information on the state of bonuses).

By Capgemini/Deloitte/Ramboll Management.

Total population (Q) for this IO is ca. 38 million and represents the total number of new individual life insurance contracts per year (main source: Comité Européen des Assurances²⁵). This Q, which focuses only on the first part of the IO (i.e. information to be provided “before” the conclusion of a contract) was chosen because both interviewees and experts confirmed that the administrative cost for this IO is likely to concentrate on the time that a company needs to conclude a new contract with a policy holder, rather than on the time that it may occasionally need to amend the latter as, in such occasion, the process is largely automated.

Indeed, most changes made to an existing contract usually relate to minor contractual changes, such as a change in the address of the company. As a consequence, they are typically integrated in broader information packages sent to policy holders, such as the update on premiums which is IT-processed and sent to all policy holders once a year. Ad-hoc letters to report a significant change in the legal framework of a contract are reportedly very rare. The administrative burden linked to changes made to an existing life insurance contract is therefore marginal.

The internal time per occurrence (P) has been defined as the average time needed to compile a new life insurance contract. Measurement excludes sales/promotional related time and concentrates on the time spent to fulfil the obligation to provide pre-contractual

²⁵ Comité Européen des Assurances, CEA Statistics N° 29: « The European Life Insurance Market in 2005 », April 2007. URL : <http://www.cea.eu/uploads/DocumentsLibrary/documents/life.pdf>.

information to the policy holder-to-be (i.e. information delivered before the conclusion of a contract on the assurance undertaking and on the commitment).

The Table below provides a breakdown of the total administrative cost of the IO “Provision of information to the policy holder”. The Table indicates the total administrative cost and burden per entity per occurrence of the IO, the number of entities affected, the internal time spent per occurrence, the acquisition and external costs, the average wage tariff used and the total administrative cost per MS for the IO.

Table 16: Breakdown of administrative cost per country and per segment for the IO “Provision of information to the policy holder”

		Measurement Countries					
		IT	LT	PL	SI	ES	LU
Internal time per occurrence (minutes)	local financial institutions	55	1	1	3	20	5
	multinational financial institutions	55	2	3	1	20	5
Average hourly tariff (€)	local financial institutions	20	6	5	19	13	38.92
	multinational financial institutions	20	6	5	19	13	42
Equipment Cost per occurrence (€)	local financial institutions	0	2	1	0.5	0	0
	multinational financial institutions	0	1	1	1	0	0
Consulting Cost per occurrence (€)	local financial institutions	0	0	0	0	0	0
	multinational financial institutions	0	0	0	0	0	0
Dominant employee type	local financial institutions	Clerks	professionals	clerks	professionals	clerks	professionals
	multinational financial institutions	Clerks	professionals	clerks	professionals	clerks	professionals
No. of occurrences	local financial institutions	2,149,840	4,645	788,976	36,977	1,644,775	18,704
	multinational financial institutions	1,030,131	7,741	1,314,960	61,629	1,184,238	476,962
Total Admin. Costs per occurrence (€)	local financial institutions	18.33	2.05	1.08	1.29	4.33	2.95
	multinational financial institutions	18.33	1.24	1.25	1.32	4.33	3.15
Total Admin. Burden per occurrence (€)	local financial institutions	13.75	1.54	0.81	0.97	3.25	2.21
	multinational financial institutions	13.75	0.93	0.94	0.99	3.25	2.36
Total Cost	local financial institutions	39,413,733.33	9,522.25	854,724.00	47,761.96	7,127,358.33	55,116.32
	multinational financial	18,885,735.00	9,598.84	1,643,700.00	81,144.85	5,131,698.00	1,502,430.30

		Measurement Countries					
		IT	LT	PL	SI	ES	LU
	institutions						
Total Cost for all segments combined		58,299,468.33	19,121.09	2,498,424.00	128,906.81	12,259,056.33	1,557,546.62

This Table is based on data compiled by the Consortium.

With a total cost of €494 million, this IO ranks first in the list of most costly IOs. 25% of the cost is perceived as a business-as-usual cost: as such, the perceived burden of this Information Obligation relates to the obligation to provide pre-contractual information to a policy holder-to-be (i.e. information, which will be included again in the contract, if agreed on). Businesses do not see this IO as irritating as it is perceived, nonetheless, as a core element of the insurance business.

In the measurement countries, the time spent per contract to comply with this IO varies between 1 and 20 minutes, with the exception for Italy, which has an average time of 55 minutes. Germany, a baseline country²⁶, reports an internal time per occurrence of 15 minutes. Although there are legitimate reasons for the P for Italy (see below), we have decided to remove this data from the basis of extrapolation in order to avoid any quantitative distortion for the EU-27 picture. Time, otherwise, does not differ much across segments.

The difference in effort can be found in:

- (1) The explicit legal requirement for life insurance companies and intermediaries to seek information from consumers in order to assess their insurance needs and risk tolerance, before giving advice²⁷. The relevant supervisory authority may monitor compliance with these requirements. The latter practice is in our opinion comparable to the 'suitability test' requirements when providing investment advice according to the Markets in Financial Instruments Directive (MiFID). The time

²⁶ No data was available for Austria and the Netherlands.

²⁷ For instance, under Italian law, Law 675/1996 addresses the protection of private information of consumers; ISVAP Circular 533/D/2004 establishes guidelines for advertising, ethical behavior, training and various other matters relating to dealings with consumers on insurance; ISVAP Circular 551/D/2005 prescribes additional disclosure requirements for life insurance products; Circular 518/2003 deals with complaints management. Insurers and intermediaries are required by these laws to act with due skill, care and diligence and to treat consumers fairly. Hence the relatively more important internal time per occurrence for Italy.

measurement in Italy provides as such a good basis for information should the MiFID level playing field be extended to insurance products.

- (2) The structure of the national insurance market, as in some countries insurance companies normally use a network of in-house selling agents (like in Italy or Spain) whereas in other countries (typically smaller countries, such as Luxembourg) companies rely rather on a network of independent external selling agents, who are not employees of the assurance undertaking and therefore do not impact on the company's profits or payroll. Costs relating to independent external selling agents have been excluded from measurement, as they cannot be considered as outsourcing. This explains the time variations between, for example, Luxembourg and Spain.

In some instances, however, (we noted the case for Luxembourg) companies using a network of external agents may require that the latter prove to the insurance company that they have well explained the contract terms to the policy holder-to-be, who has to sign a document saying that the contract terms have been understood. In these circumstance, measurement took into consideration the time needed for the staff of the insurance company to check that this document has been filled in (in the case of Luxembourg, the insurance company reportedly needs ca. 1.5 minutes to check the document, on top of the 3.5 minutes to provide pre-contractual information).

- (3) The IT investment of the insurance company. In Lithuania, for example, the variation in the time per occurrence (i.e. a lower P for local insurance companies than for multinational ones) is reportedly related to the higher IT investment made by local entities. Likewise, the automated process in Poland to produce the relevant requirements leads to a relatively low level of internal time per occurrence. The same comes true for Slovenia, where multinational firms have lowered the requested time per occurrence by investing in electronic means.

3.1.1.4 First simplification suggestions

During the interviews and workshops with businesses and experts, several initial simplification ideas were collected. A structured and detailed collection and analysis of possible reduction measures is being during Module 5. Thus, this section only contains a

summary of the suggestions gathered and does not represent a final list of simplification suggestions nor does it represent the point of view of the Consortium.

- Businesses reported to us that the current Directive wording “before the assurance contract is concluded” is open for interpretation as it does not mention when precisely the new client should be informed. They called for the replacement of the current wording by a possible “at the latest at the time of the conclusion of the contract”. In addition, one suggested making a distinction between “essential information” and “other relevant information”. Information on “essential characteristics” of the policy and institution could be provided to policyholders before (i.e. at the time of) the conclusion of a contract; “other relevant information” should be provided on explicit request of the client. This would narrow the scope of this information obligation and would reportedly make more sense commercially speaking. Moreover, interviewees said they would welcome the explicit reference in the Directive of the possibility to provide the “other relevant” type of information by electronic means, which would be likely to lower overall administrative costs;
-
- Ad-hoc updates on changes throughout the terms of a contract could also be done electronically.

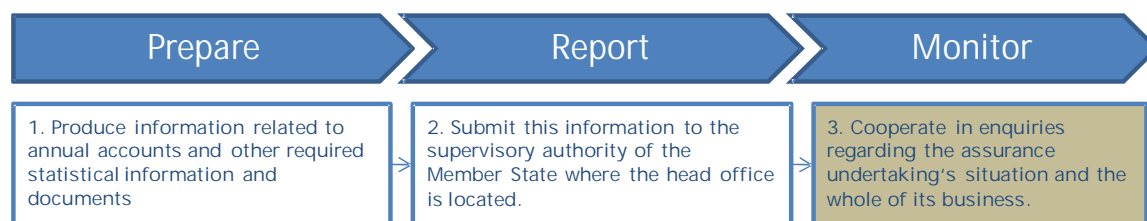
3.1.2 IO “Submission of information for supervision purposes”

3.1.2.1 Characteristics of the IO

Article 13(2) of Directive 2002/83/EC sets out the requirement for insurance undertakings with head offices within their territories to render periodically the returns, together with statistical documents, which are necessary for the purposes of supervision. Every competent authority will supervise the business of assurance undertakings with head offices within their territories, including business carried on outside those territories. Competent authorities will provide each other with any document and information that are useful for the purposes of supervision.

3.1.2.2 Process for complying with the IO

Figure 6: Process to comply with the IO “Submission of information for supervision purposes”



By Capgemini/Deloitte/Ramboll Management.

Note: the third step has been added for illustration purposes only but was not included in the definition of the IO.

In order to satisfy the IO requirements, the parent entity needs to produce annual accounts and collect other required information from within the group (e.g. on returns and on different statistical data).

This mostly consists of collecting existing data, rearranging and adjusting it for submission. Senior management needs to supervise and validate the final document before submission. The document is submitted to the supervisory authority of the Member State in which the parent entity is located.

3.1.2.3 Costs and explanatory variables

The explanatory variables for the IO “Submission of information for supervision purposes” are set out below.

Figure 7: Explanatory variables for “Submission of information for supervision purposes”

Submission of information for supervision purposes	
Basis for Q	Life insurance companies
Basis for P	The average time needed to collecting existing data, rearranging and adjusting it for submission.
Notes	This IO is a non-prioritised IO

By Capgemini/Deloitte/Ramboll Management.

This IO has been identified as a non-prioritised IO, and the methodology used to collect data for standardization of the activities differs from prioritised IOs.

Considering the relative non-complexity of this IO and the similarity of the business processes across Member States, information for this IO was gathered by means of expert assessments. When times were perceived to be similar across the measurement countries, experts recommended the use of a single standardised P value.

The Table below provides a breakdown of the total administrative cost of the IO “Submission of information for supervision purposes”. The Tables indicate the total administrative cost and burden per entity per occurrence of the IO, the number of entities affected, the internal time spent per occurrence, the acquisition and external costs, the average wage tariff used and the total administrative cost per Member State for the IO.

Table 17: Breakdown of the administrative cost per country for the IO “Submission of information for supervision purposes

		Measurement Countries					
		IT	LT	PL	SI	ES	LU
Internal time per occurrence (minutes)	non-segmented io	7,400	7,400	7,400	7,400	7,440	7,440
Average hourly tariff (€)	non-segmented io	59	4	10	19	24	32.84
Equipment Cost per occurrence (€)	non-segmented io	0	0	0	0	0	0
Consulting Cost per occurrence (€)	non-segmented io	0	0	0	0	0	0
Dominant employee type	non-segmented io	professionals	technicians, associate professionals	professionals	professionals	professionals	technicians, associate professionals
No. of occurrences	non-segmented io	71	13	32	8	86	53
Total Admin. Cost per occurrence (€)	non-segmented io	7,276.67	493.33	1,233.33	2,343.33	2,976.00	4,071.83
Total Admin. Burden per occurrence (€)	non-segmented io	7,276.67	493.33	1,233.33	2,343.33	2,976.00	4,071.83
Total Cost	non-segmented io	516,643.33	6,413.33	39,466.67	18,746.67	255,936.00	215,807.17

This Table is based on data compiled by the Consortium

With a total cost of €4.9m, this IO ranks eighth in the list of most costly IOs; none of the costs are perceived as business-as-usual, as businesses typically would not provide this set of information if they were not required to do so by law.

Based on expert interviews we estimated the time needed to comply with this IO to be 15 person days (it has to be noted, however, that this time estimate also includes interaction time with the supervisor). In addition to the expert assessment, data provided by the baseline countries was used as a basis for extrapolation. The Netherlands, one of the baseline countries, reported the highest workload related to this IO, i.e. 35 person days. This is mainly due to a relatively higher P but above all of a frequency set to 4, while other Member States generally have a frequency of 1.

The difference in total costs related to this IO does not, on the whole, stem from the time involved in satisfying the obligation, but from the number of companies that are affected by it, and also from the hourly tariff used to calculate the total administrative costs. Differences in the hourly tariff are important variables to explain the respective costs of the IO at a national level. For instance, where the predominant employee type is essentially the same (e.g. in Italy and Spain), hourly tariffs may diverge significantly (e.g. with a ratio of 2.5 to 1 in the case of Italy and Spain).

3.1.2.4 First simplification suggestions

As this IO has not been prioritised, no simplification suggestions have yet been determined.

3.1.3 IO “Application for authorisation for taking up or expanding the business of life assurance”

3.1.3.1 Characteristics of the IO

Article 4 of Directive 2002/83/EC states that any undertaking seeking to take up or expand [Article 6(2)] life assurance activities shall be required to apply for prior official authorisation.

The application for authorisation must be accompanied by a scheme of operations [Articles 6(1-c) and 7] setting out, inter alia: (a) the nature of the commitments which the assurance undertaking proposes to cover; (b) the guiding principles as to reinsurance; (c) the items constituting the minimum guarantee fund; (d) estimates relating to the costs of setting up the administrative services; and, for the first three financial years: (e) a plan setting out detailed estimates of income and expenditure; (f) a forecast balance sheet; and (g)

estimates relating to the financial resources intended to cover underwriting liabilities and the solvency margin.

An assurance undertaking seeking authorisation to extend its business to other classes or to extend an authorisation covering only some of the risks pertaining to one class shall, also, prove that it possesses the required solvency margin and guarantee fund [Article 6(4)].

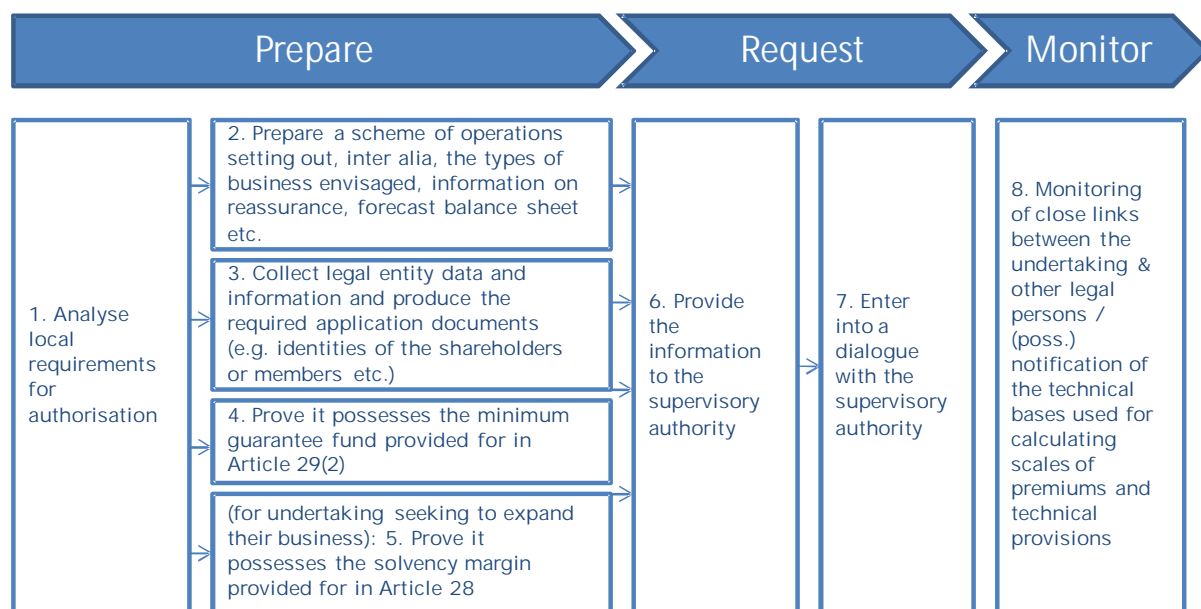
A few provisions related to conditions for obtaining the authorisation are set by the Directive:

- Article 6(2) states that where close links exist between the assurance undertaking and other natural or legal persons, the competent authorities shall grant authorisation only if those links do not prevent the effective exercise of their supervisory functions. The competent authorities shall require assurance undertakings to provide them with the information they require to monitor compliance on this matter on a continuous basis;
- Article 8 adds that the competent authorities of the home Member State shall not grant an undertaking authorisation to take up the business of assurance before they have been informed of the identities of the shareholders or members, direct or indirect, whether natural or legal persons, who have qualifying holdings in that undertaking and of the amounts of those holdings. The same authorities shall refuse authorisation if, taking into account the need to ensure the sound and prudent management of an assurance undertaking, they are not satisfied as to the qualifications of the shareholders or members;
- For the sole purpose of verifying compliance with national provisions concerning actuarial principles, Article 6(5) reads that the home Member State may require systematic notification of the technical bases used for calculating scales of premiums and technical provisions, without that requirement constituting a prior condition for an assurance undertaking to carry on its business.

Finally, Article 51 sets the principles and conditions of authorisation applied to branches established within the Community and belonging to undertakings whose head offices are outside the Community.

3.1.3.2 Process for complying with the IO

Figure 8: Business process to comply with the IO “Application for authorisation for taking up or expanding the business of life assurance”



By Capgemini/Deloitte/Ramboll Management.

The process for the application for the taking up or expanding of the business of life assurance is rather straightforward:

- A life assurance undertaking must familiarize with the local requirements in order to develop an application for permission to start the business;
- After obtaining the requirements, a life assurance undertaking must collect all necessary information and prepare the application;
- The collected information and application must be sent to the local supervisory authority;
- In respect of review done by competent authority, the data is adjusted, additional information is being provided and questions (if any) have to be answered by the life assurance undertaking; and
- Monitoring of compliance may apply.

In order to ease measurement, the IO “Application for authorisation for taking up or expanding the business of life assurance” was divided into four Data Requirements: (1) to submit a scheme of operations [Art. 6 & 7], (2) to provide the identities of shareholders

[Art.8], (3) information to monitor compliance on close links [Art. 6(2)], and (4) systematic notification of the technical bases [Art. 6(5)].

3.1.3.3 Costs and explanatory variables

The explanatory variables for the IO “Application for authorisation for taking up or expanding the business of life assurance” are set out below.

Figure 9: Explanatory variables for “Application for authorisation for taking up or expanding the business of life assurance”

Application for authorisation for the taking up of the business of credit institution	
Basis for Q	Estimated number of yearly applications for life assurance licence.
Basis for P	The average time needed to compile an application for authorisation

By Capgemini/Deloitte/Ramboll Management.

The Table further below provides a breakdown of the total administrative cost of the IO “Application for authorisation for taking up or expanding the business of life assurance”. The Table indicates the total administrative cost and burden per entity per occurrence of the IO, the number of entities affected, the internal time spent per occurrence, the acquisition and external costs, the average wage tariff used and the total administrative cost per Member State for the IO.

Table 18: Breakdown of the administrative cost per country for the IO “Application for authorisation for taking up or expanding the business of life assurance”

		Measurement Countries					
		IT	LT	PL	SI	ES	LU
Internal time per occurrence (minutes)	local financial institutions	20,325	14,430	64,080	12,900	157,440	not measured as occurrence = 0
	multinational financial institutions	20,910	14,430	63,840	13,540	132,480	2,320
Average hourly tariff (€)	local financial institutions	27.73	6	5.98	19	19.73	0
	multinational financial institutions	28.45	6	5.95	19	18.48	37.5
Equipment Cost per occurrence (€)	local financial institutions	0	0	0	0	0	0
	multinational financial institutions	0	0	0	0	0	0

		Measurement Countries					
		IT	LT	PL	SI	ES	LU
Consulting Cost per occurrence (€)	local financial institutions	25,000.00	0	2,500.00	4,000.00	0	0
	multinational financial institutions	50,000.00	2,500.00	2,500.00	0	0	12,000.00
Dominant employee type	local financial institutions	clerks	professionals	technicians, associate professionals	professionals	clerks	0
	multinational financial institutions	clerks	professionals	technicians, associate professionals	professionals	clerks	technicians, associate professionals
No. of occurrences	local financial institutions	8	4	3	2	4	0
	multinational financial institutions	2	3	4	2	4	5
Total Admin. Cost per occurrence (€)	local financial institutions	34,394.00	1,443.00	8,882.00	8,085.00	51,776.00	0
	multinational financial institutions	59,914.50	3,943.00	8,828.00	4,287.67	40,800.00	13,449.92
Total Admin. Burden per occurrence (€)	local financial institutions	34,394.00	1,443.00	8,882.00	8,085.00	51,776.00	0
	multinational financial institutions	59,914.50	3,943.00	8,828.00	4,287.67	40,800.00	13,449.92
Total Cost	local financial institutions	275,152.00	5,772.00	26,646.00	16,170.00	207,104.00	0
	multinational financial institutions	119,829.00	11,829.00	35,312.00	8,575.33	163,200.00	67,249.58
Total Cost for all segments combined		394,981.00	17,601.00	61,958.00	24,745.33	370,304.00	67,249.58

This Table is based on data compiled by the Consortium.

With a total cost of €3.4 million, this IO ranks tenth in the list of most costly IOs.

Time needed to comply with this IO varies greatly across Member States: difference in P can be first explained by the nature of the application for authorisation (i.e. whether the application concerns the launch of new business or an extension of existing business and whether or not support is provided by the parent company).

In Italy, Lithuania and Slovenia (whose respective P in person-days is ca. 43, 30 and 27), Q and P levels refer to an application to “extend” the business of life assurance, as all interviewed businesses in these countries were only familiar with this particular situation. P for an application to extend the business of life assurance is typically lower (i.e. companies mainly retrieve existing data and adapt them) than that to launch a new business, as the cases of Poland and Spain demonstrate. Luxembourg shows a particular situation where most of the work requested by the application to launch a new business is done by the parent company, hence the relatively low P for the multinational segment (this low P

corresponds to the review of the scheme of operations and dialogue with the national regulator).

To build an application for an authorisation to take up/expand the business of life assurance is a demanding process, where the effort mainly concentrates in the requirement to submit a scheme of operations²⁸. The development of such a scheme of operations usually accounts for 50% (as for Italy, Lithuania, Luxembourg, Poland) to 75% (as for Slovenia) of the overall time. The requirement to monitor and report links existing between the assurance undertaking and other natural or legal persons is reportedly the second most staff-intensive activity. The requirement to provide names of shareholders proves marginal in terms of time, but irritating over time.

Moreover, another important explanatory variable for the cost of an application is the involvement of law firms to assist the applicants. Local companies and companies of relatively smaller size usually hire lawyers, whose fees account for a large share of the overall cost per incidence. Consulting costs represent between 40% (for Lithuania) to 90% (for Luxembourg) of the overall cost per incidence.

All in all, national requirements reportedly reflect those set in the EU Directive. Some Member States, nonetheless, have reportedly added some additional requirements, which may prove time-consuming.

In the case of Poland, they include: a requirement to provide extensive information on the stock capital of the undertaking, or the requirement to supply judiciary profiles of core shareholders or members of the undertaking (which may prove a highly time-consuming activity where these people are nationals of another Member State). In last few years the scope of documentation regarding key employees has been reportedly constantly growing. Moreover, almost all applications sent to the regulator have been allegedly returned by the latter to the applicant for completion.

The same comes true for Spain. Again, the development of the scheme of operations accounts for the most time-intensive activity. The scope of the information is reportedly so

²⁸To develop a scheme of operations is one of the four Data Requirements identified for this IO.

large that the correction of documents – requested by the regulator – is normal practice. All in all, to get ready for an application to launch a life assurance business usually mobilises ca. four persons full-time for four months (see Spain's P). The large P, which may well capture the reality, was nonetheless removed from the basis of extrapolation in order to avoid any cost distortion for the EU-27 picture.

As mentioned above, Luxembourg appears as an atypical case, with a fairly small P (for the multinational segment) to comply with the requirements. In fact, due to the structure of the Luxembourg insurance marketplace (many multinational assurance companies are subsidiaries of foreign companies), most of the key documents to be provided by multinational assurance companies to the national regulator are reportedly compiled at headquarter level and then sent on to the local entity, which merely interacts with the national regulator to get the application finalised and agreed. The local segment was not measured otherwise, as no occurrence was identified for the baseline year.

The data of three baseline countries (Austria, Germany, and Denmark) were re-used on this IO. The different segmentation applied in Austria and Denmark makes it difficult to draw conclusive remarks. Germany, however, offers non-segmented data: 18,540 minutes (ca. 40 person days) – a P roughly similar to that of Italy – and consultancy fees amounting to €10,000.

0% of the costs of this IO are perceived as business-as-usual, as the burden relates to the information gathering and reporting on legal entity management, planned activities and financial data in the format requested by the national regulator.

A number of irritation factors were flagged during measurement, including: the disproportionate burden of the development of the scheme of operations, the difficult communication with the regulator (e.g. in order to ascertain the content or format of data to be provided), waiting times in the relationship with the regulator etc.

3.1.3.4 First simplification suggestions

Simplification suggestions raised during the interviews and workshops with businesses include:

- To provide clearer guidelines to companies wishing to launch an assurance business on the documents to be provided and their desired format.
-

As stated earlier, a structured and detailed collection and analysis of possible reduction measures is currently being conducted under Module 5.

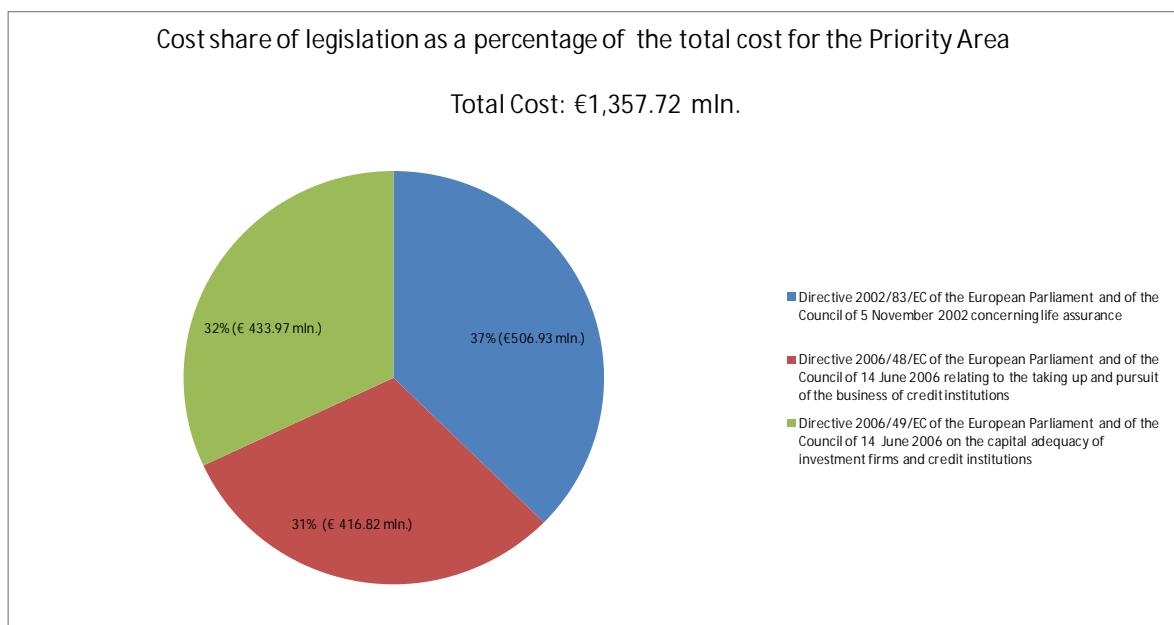
3.2 Directive 2006/48/EC

Directive 2006/48/EC lays down the rules concerning the taking up and pursuit of the business of credit institutions, and their prudential supervision.

The Directive accounts for 31% ("€416.82 million") of the total administrative cost for the Financial Services Priority Area, and represents 28% of the administrative burden for the Priority Area.

The Figure below provides an overview of the total cost of the Directive, related to the Financial Services area.

Figure 10: Size of Directive 2006/48/EC related to the total size of the PA



By Capgemini/Deloitte/Ramboll Management.

3.2.1 IO “Proof of internal review”

3.2.1.1 Characteristics of the IO

Article 123 of Directive 2006/48/EC stipulates that credit institutions shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. These are required to be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the credit institution concerned.

The obligation included in this IO is part of the Supervisory Review Process (SRP). Institutions should ‘own’, develop and manage their risk management processes• the ICAAP (Internal Capital Adequacy Assessment Process) belongs to the institution and supervisors should not dictate how it is applied. The task of the supervisory authority is to review and evaluate the ICAAP and the soundness of the internal governance processes within which it is used (Supervisory Review and Evaluation Process or SREP). The dialogue,

or the SREP-ICAAP interaction, between an institution and its supervisor is a key part of the supervisory review process.²⁹

3.2.1.2 Process for complying with the IO

Taking into account the nature and the level of risk a credit institution is exposed to, the following activities need to be performed in order to comply with the IO “Proof of internal review”:

It is required that a credit institution clearly defines its strategies and processes to assess and maintain adequate internal capital. This definition process is part of the Second Pillar of Basel II and is called the “Internal Capital Adequacy Assessment Process” (ICAAP).

The financial institution needs to prepare an ICAAP file, including a description of:

- The governance and objectives of the capital adequacy, approved by the Board
- The ICAAP-process
- The methodologies for risk identification and measurement
- The ICAAP-results, basis for conclusions regarding the capital adequacy
- The measurements taken to guarantee capital adequacy in the future
- Validation processes, activities and procedures to review the ICAAP.

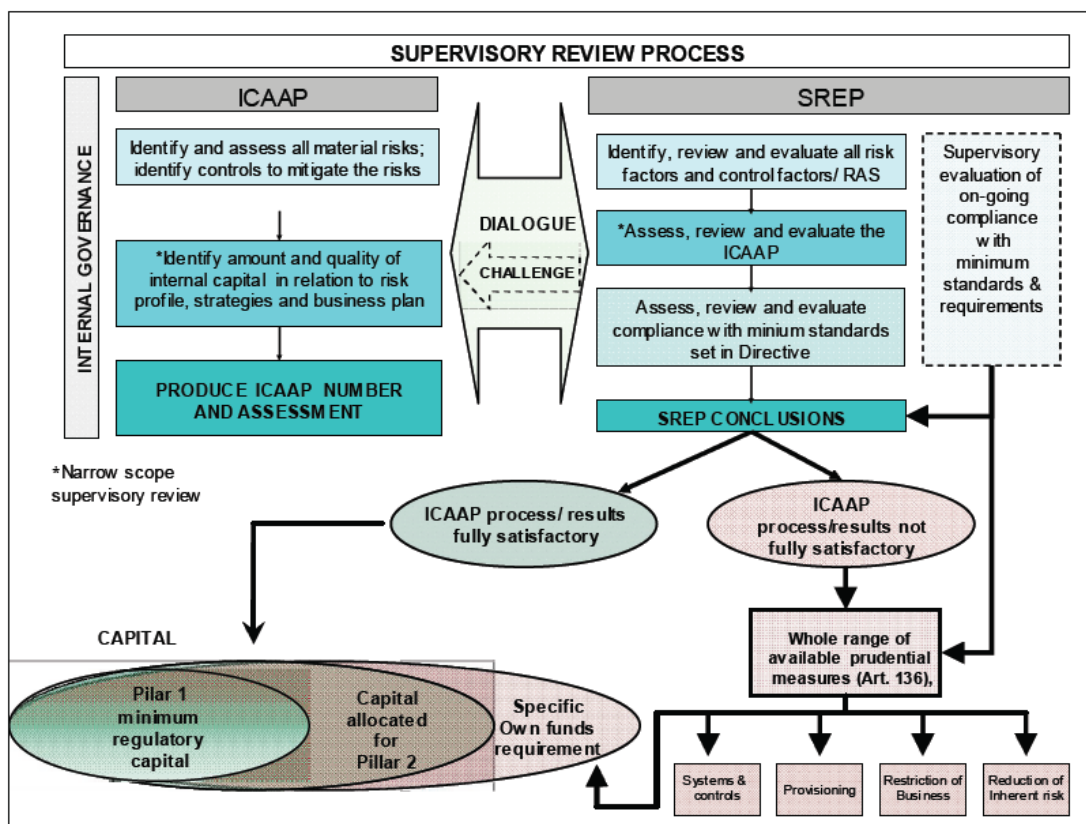
The ICAAP file is part of the dialogue with the regulator and is subject to a Supervisory Review and Evaluation Process (“SREP”).

The ICAAP covers (see Figure below):

- Risk management (identification of all the potential risks an institution is exposed to, assessment, monitoring, stress testing, etc.)
- Capital management (risk bearing capacity, risk appetite, own funds planning, etc.)
- Risk governance (roles and responsibilities, senior management and board of director’s oversight, etc.).

²⁹ Source: CEBS – 25 January 2006 - Guidelines on the Application of the Supervisory Review Process under Pillar2.

Figure 11: Description of ICAAP and the interaction with SREP



Source: CEBS – 25 January 2006 – Guidelines on the Application of the Supervisory Review Process under Pillar 2.

The process of complying with this IO is complex and time-consuming. The EU Directive places emphasis on the concept of proportionality, i.e. the ICAAP depends on banks' risk and complexity.

3.2.1.3 Costs and explanatory variables

The explanatory variables for the IO "Proof of internal review" are set out below.

Figure 12: Explanatory variables for "Proof of internal review"

Proof of internal review	
Basis for Q	Number of credit institutions.
Basis for P	The average time needed for the measurements and calculations necessary to define an adequate level of capital, and the preparation of a file in order to demonstrate a proof of internal

Proof of internal review

	review of the capital adequacy.
Challenge	<p>Since the ICAAP process has come into effect relatively recently and financial institutions are in various stages of implementation, one can expect that the administrative cost and burden might change overtime (e.g. due to the learning curve on the business process to deal with this IO, for both the financial institution and the supervisor; rework after supervisory review, etc).</p> <p>Data was not available for 8 Member States (e.g. Poland, Sweden etc.), due to missing IOs (because of non-transposition issues at the time of mapping – see Annex). Total cost of this IO is therefore based on data of 19 Member States.</p>

By Capgemini/Deloitte/Ramboll Management.

This IO is applicable to all credit institutions.

Although the IO makes a difference between a) the measurements and calculations necessary to define an adequate level of capital, and b) the preparation of a file in order to demonstrate a proof of internal review of the capital adequacy, financial institutions consider this as one single effort. The cost measurement should also be interpreted in that way.

Being recently implemented, this IO has not been fully experienced by businesses in all Member States yet. Variances in measurement reflect the various states of implementation of this IO at the time of measurement.

The Table below provides a breakdown of the total administrative cost of the IO "Proof of internal review".

Table 19: Breakdown of administrative cost per country and per segment for the IO "Proof of internal review"

		Measurement Countries					
		IT	LT	PL	SI	ES	LU
Internal time per occurrence (minutes)	local financial institutions	4,920	11,520	IO not transposed (see Annex)	129,600	739,200	42,750
	multinational financial institutions	24,440	30,240	n/a	134,400	760,800	150,000
Average hourly tariff (€)	local financial institutions	40	6	n/a	19	20.36	47.26

		Measurement Countries					
		IT	LT	PL	SI	ES	LU
	multinational financial institutions	27.86	6	n/a	18	20.16	42
Equipment Cost per occurrence (€)	local financial institutions	0	0	n/a	0	0	0
	multinational financial institutions	0	0	n/a	0	0	0
Consulting Cost per occurrence (€)	local financial institutions	0	0	n/a	0	0	0
	multinational financial institutions	85,000.00	0	n/a	0	0	0
Dominant employee type	local financial institutions	clerks	professionals	n/a	professionals	technicians, associate professionals	professionals
	multinational financial institutions	technicians, associate professionals	professionals	n/a	legislators, senior officials, managers	technicians, associate professionals	professionals
No. of occurrences	local financial institutions	514	15	n/a	13	176	3
	multinational financial institutions	265	62	n/a	13	176	110
Total Admin. Cost per occurrence (€)	local financial institutions	3,280.00	1,152.00	n/a	41,040.00	250,800.00	33,675.00
	multinational financial institutions	96,348.00	3,024.00	n/a	40,320.00	255,624.00	105,000.00
Total Admin. Burden per occurrence (€)	local financial institutions	1,640.00	576	n/a	20,520.00	125,400.00	16,837.50
	multinational financial institutions	48,174.00	1,512.00	n/a	20,160.00	127,812.00	52,500.00
Total Cost	local financial institutions	1,685,920.00	17,280.00	n/a	533,520.00	44,140,800.00	101,025.00
	multinational financial institutions	25,532,220.00	187,488.00	n/a	524,160.00	44,989,824.00	11,550,000.00
Total Cost for all segments combined		27,218,140.00	204,768.00	n/a	1,057,680.00	89,130,624.00	11,651,025.00

This Table is based on data compiled by the Consortium.

With a total cost of €318 million, this IO ranks second in the list of most costly IOs; 50% of the costs are perceived as business-as-usual, as it is necessary for a financial institution to closely follow-up risk management practices and capital adequacy in order to ensure its long-term viability. As mentioned above, the total cost of this IO is based on data for 19 Member States, due to non-transposition issues at the time of mapping.

If we exclude Spain (see below for clarification why Spain is to be excluded), the average internal time (P) to comply with the IO is 98 person days for local credit institutions and 176 person days for multinational credit institutions.

Measurement shows that the measurement country with the highest total costs is Spain (7 person years). In Spain, the IO "Proof of Internal Review" is well in place and entities have to be able to demonstrate, whenever the Bank of Spain requires it, that control is adequate

and effective. For the largest banks, interviewees reported that inspectors from the Bank of Spain are permanently on-site to check compliance. This constant presence of inspectors requires the continuous involvement of some lower skilled employees to accompany the inspectors and answer to their ad-hoc requests. Highly skilled employees or professionals are also involved on a regular basis.

Although this IO has only been implemented since the second half of 2007 (businesses therefore do not have a full picture of the business process yet), Slovenian credit institutions assessed that some six people are needed to work on this process full-time for a period of two months a year for local institutions, and eight persons full-time for a period of one month and a half for multinational institutions. It is reported that there is a lot of technical, non-administrative related work, among which activities to retrieve data.

In Italy, multinational institutions are more advanced (with an internal time almost five times higher) in the process of defining strategies and processes to assess and maintain adequate internal capital than local institutions. At the time of the interviews the deadline for submitting the relevant documents was still a couple of months ahead. Consequently, none of the institutions interviewed had fully completed the process at the time of measurement. This explains the current low time spent on this process. The size of these institutions and the need to have streamlined processes with their parent companies ahead of the national deadline reportedly explains this situation. Besides, multinational institutions usually recruit external consultants to assist them to build the requested strategies and processes. This (one-off) cost may, again, be used to streamline processes between parent company and subsidiaries.

In Luxembourg - interviews were also done long ahead of the submission deadline - local and multinational institutions are at different stages of preparation. In the context of the 2009 deadline, local institutions, due to their closer relationship with the national regulator, planned to submit a "mock" ICAAP report in September 2008. The time for multinational entities is based on an expert assessment.

Similarly, the recent implementation of this process in Lithuania makes it difficult to quantify the obligation in its entirety. The complexity of this IO depends on a bank size and its performing activities.

Slovenian banks started the ICAAP in the second half of last year, In local banks, on average 6 people were required to work on the ICAAP for about 2 months. In multinational banks, 8 people were involved for a period of 1.5 to 2 months. The retrieval of information required is perceived to be the most time consuming activity.

No data from existing measurements in baseline countries was used for this IO.

As stated above, given the status of implementation, it is likely that the total administrative cost related to this IO was underestimated at the time of measurement (the average cost per company for this IO is currently €55,000).

In contrast, according to the EU SCM methodology, "one-off costs" (i.e. costs that are only sustained once as businesses adapt to new or amended legislation coming into force) should normally not be taken into account. However, as there is no consistent picture across the EU on the state of implementation of this IO yet (resulting from diverging transposition timeframes and deadlines at national level etc.), it proved impossible to come up with an aligned picture, which could be analysed through the spectrum of the "one-off cost" principle. For instance, this principle would not apply for Spain (as it has been implementing this IO for over two years) while it would, to some extent, to Luxembourg (whose costs might decrease by 20% once the IO is fully implemented).

Overall, one might expect a positive learning effect to be reflected in a decrease of ICAAP review and updating time and a related decrease of costs over time. Reviews of the ICAAP are done at least once a year.

3.2.1.4 First simplification suggestions

During the interviews and workshops with businesses and experts, several initial simplification ideas were collected. A structured and detailed collection and analysis of possible reduction measures will be conducted during Module 5. Thus, this section only

contains a summary of the suggestions gathered and does not represent a final list of simplification suggestions nor does it represent the point of view of the Consortium.

- Some interviewees suggested that as ICAAP is the own responsibility of a credit institution, the latter should be allowed to decide on the date at which it provides the first ICAAP as well as its format.

3.2.2 IO “Public disclosure of information by credit institutions”

3.2.2.1 Characteristics of the IO

Articles 145 to 149 of Directive 2006/48/EC read that credit institutions shall publicly disclose information regarding:

- Risk management objectives and policies,
- Their own funds
- Approach to assessing the adequacy of its internal capital
- Exposure to counterparty credit risk
- Exposure to credit risk and dilution risk
- Information related to the calculating of capital requirements
- Exposures in equities not included in the trading book
- Exposure to interest rate risk on positions not included in the trading book
- Information regarding the calculation of risk weighted exposure amounts.

Credit institutions may omit one or more of the disclosures if the information is not regarded as material or if the information is regarded as proprietary or confidential [Art. 146(2)]. Information shall be regarded as proprietary to a credit institution if sharing that information with the public would undermine its competitive position. Information shall be regarded as confidential if there are obligations to customers or other counterpart relationships binding a credit institution to confidentiality.

Credit institutions shall adopt a formal policy to comply with the disclosure requirements and have policies for assessing the appropriateness of their disclosures, including their verification and frequency [Art.145(3)]. Competent authorities may also require credit institutions to use specific means of verification for the disclosures not covered by statutory audit.

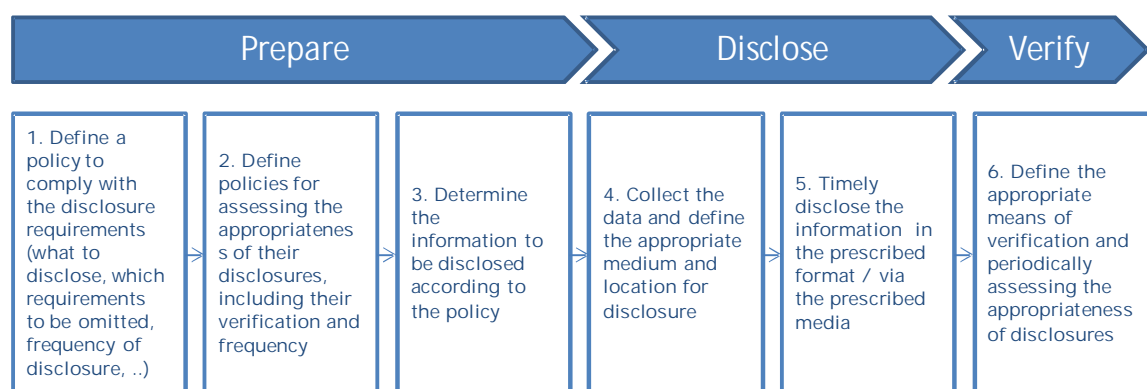
Publication of one or more disclosures shall be done at least annually or more frequently if the credit institution identified the need to publish some or all disclosures more frequently [Art. 147(1)]. Competent authorities may also require credit institutions to publish one or more disclosures more frequently than annually, and to set deadlines for publication [Art. 149].

Credit institutions may determine the appropriate medium, location and means of verification to comply effectively with the disclosure requirements [Art. 148(1)]. To the degree feasible, all disclosures shall be provided in one medium or location (if disclosures are not included in the financial statements, credit institutions shall indicate where they can be found). Competent authorities may also require credit institutions to use specific media and locations for disclosures other than the financial statements.

This IO was identified as a non-prioritised IO at the time of the prioritisation of the EU IOs in scope.

3.2.2.2 Process for complying with the IO

Figure 13: Business process to comply with the IO “Public disclosure of information by credit institutions”



By Capgemini/Deloitte/Ramboll Management.

This obligation refers to disclosing mainly information and data in relation to a credit institution’s exposures. To do this, complex calculations over the entities’ exposures are required, and that is usually achieved by means of an IT system. It is generally the same system that actually supports the entity’s entire financial activities.

The general process in order to comply with this IO consists in retrieving relevant data and proceeding to calculations (which includes parameterisation of the system in relation to the different calculations that are needed). This is in general performed by professionals. Once calculation is complete, data collected and newly produced are consolidated and dispatched in a predefined form which requires the validation of top management for dissemination. Information is then disclosed publicly in an electronic and/or paper format.

The Directive also provides the possibility for the credit institutions not to disclose certain information in certain instances. It sets as well the option for credit institutions to determine how often this data is disclosed. The national competent authority may, however, require credit institutions to publish one or more disclosures more frequently than annually, and to set deadlines for publication.

3.2.2.3 Costs and explanatory variables

The explanatory variables for the IO “Public disclosure of information by credit institutions” are set out below.

Figure 14: Explanatory variables for “Public disclosure of information by credit institutions”

Public disclosure of information by credit institutions	
Basis for Q	Number of credit institutions.
Basis for P	The average time needed to collect, compile and publicly disclose information in relation to a credit institution’s risk exposures.
Notes	This IO was identified as a non-prioritised IO.

By Capgemini/Deloitte/Ramboll Management.

This IO was identified as a non-prioritised IO, and the methodology used to collect data for standardisation of the activities differs from the prioritised IOs.

Information for this IO was gathered by means of expert assessments throughout measurement countries. Considering the non-complexity of the IO and the similarity of business processes to comply with it, we used a single standardised P value based on

expert assessment in the measurement countries and added Sweden’s data from previous measurement as an additional basis for extrapolation.

The Table below provides a breakdown of the total administrative cost of the IO “Public disclosure of information by credit institutions”. The Tables indicate the total administrative cost and burden per entity per occurrence of the IO, the number of entities affected, the internal time spent per occurrence, the acquisition and external costs, the average wage tariff used and the total administrative cost per Member States for the IO.

Table 20: Breakdown of administrative cost per country for the IO “Public disclosure of information by credit institutions”

		Measurement Countries						
		IT	LT	PL	SI	ES	SE	LU
Internal time per occurrence (minutes)	non-segmented IO	9,600	9,600	9,600	9,600	9,600	15,000	9,600
Average hourly tariff (€)	non-segmented IO	59	6	10	19	24	40	42
Equipment Cost per occurrence (€)	non-segmented IO	0	0	0	0	0	0	0
Consulting Cost per occurrence (€)	non-segmented IO	0	0	0	0	0	0	0
Dominant employee type	non-segmented IO	professionals	professionals	professionals	professionals	professionals	professionals	professionals
No. of occurrences	non-segmented IO	778	77	652	25	352	191	113
Total Admin. Cost per occurrence (€)	non-segmented IO	9,440.00	960	1,600.00	3,040.00	3,840.00	10,000.00	6,720.00
Total Admin. Burden per occurrence (€)	non-segmented IO	2,360.00	240	400	760	960	2,500.00	1,680.00
Total Cost	non-segmented IO	7,344,320.00	73,920.00	1,043,200.00	76,000.00	1,351,680.00	1,910,000.00	759,360.00

This Table is based on data compiled by the Consortium.

With a total cost of €66m, this IO ranks fifth in the list of most costly IOs; 75% of the costs are perceived as business-as-usual as the disclosure of information regarding their risk management objectives and policies, their own funds, their approach to assessing the adequacy of its internal capital, risk exposures, etc. is perceived as common business practices to provide clear and concise information to public stakeholders.

By means of interviews and expert assessments throughout measurement countries we noted similar practices among countries and we defined a single standardised P value of

20 person days. Sweden reported similar cost (30 person days) data from previous measurement. No data from baseline countries was re-used.

The difference in total costs related to this IO does not, on the whole, stem from the time involved in satisfying the obligation, but from the number of companies that are affected by it (and other differentiating parameters per country such as the hourly tariff used to calculate the total administrative costs).

3.2.2.4 First simplification suggestions

No simplification suggestions have yet been determined.

3.2.3 IO “Application for authorisation for the taking up of the business of credit institution”

3.2.3.1 Characteristics of the IO

Articles 6, 7 and 12 of Directive 2006/48/EC stipulate that credit institutions shall obtain authorisation before commencing their activities. The applications for authorisation must be accompanied by a programme of operations [Art. 7] setting out, inter alia, the types of business envisaged and the structural organisation of the credit institution.

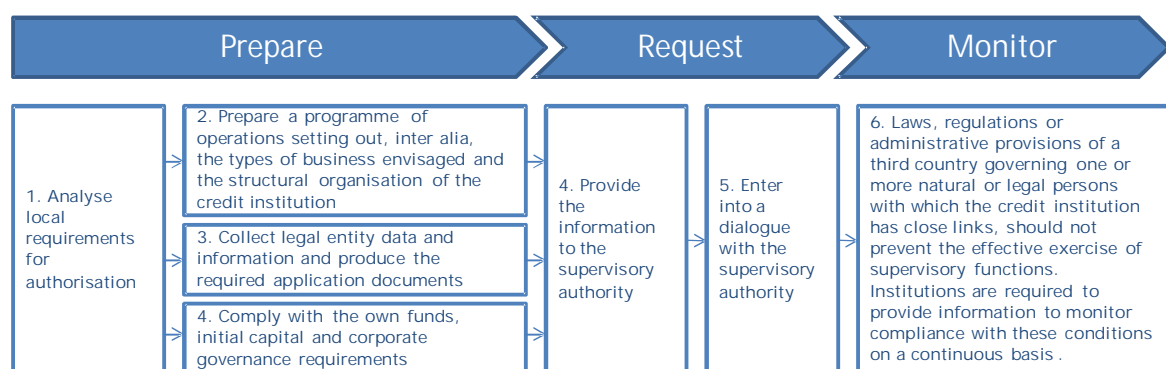
Credit institutions applying for authorisation shall comply with general conditions laid down by national law, and requirements defined by the competent authority:

- The credit institution must possess separate own funds and the initial capital should be at least €5 million [Art. 9(1)] (some specific exceptions are listed in the IO);
- There are at least two persons – of sufficiently good repute and sufficient experience to perform such duties – who effectively direct the business of the credit institution [Art. 11];
- Credit institution which are a legal person and which, under its national law, have a registered office shall have its head office in the same Member State as its registered office. Any other credit institution shall have its head office in the Member State which granted its authorisation and in which it actually carries on its business [Art. 11(2)];

- Credit institutions must inform competent authorities of the identities of the shareholders or members, whether direct or indirect, natural or legal persons, that have qualifying holdings, and of the amounts of those holdings [Art. 12(1)];
- The suitability of the shareholders or members should ensure sound and prudent management of the credit institution [Art. 12(2)];
- Where close links exist between the credit institution and other natural or legal persons, those links should not prevent the effective exercise of the competent authorities' supervisory functions. Laws, regulations or administrative provisions of a third country governing one or more natural or legal persons with which the credit institution has close links, or difficulties involved in the enforcement of those laws, regulations or administrative provisions, should also not prevent the effective exercise of their supervisory functions. Credit institutions are required to provide information to monitor compliance with these conditions on a continuous basis [Art. 12(3)].

3.2.3.2 Process for complying with the IO

Figure 15: Business process to comply with the IO “Application for authorisation for the taking up of the business of credit institution”



By Capgemini/Deloitte/Ramboll Management.

The process for the application for the taking up of the business of credit institutions is rather straightforward:

- A bank must familiarize with the local requirements in order to develop an application for permission to start the business;
- After obtaining the requirements, a bank must collect all necessary information and prepare the application;

- The collected information and application must be sent to the local supervisory authority; and
- In respect of review done by competent authority, the data is adjusted, additional information is being provided and questions (if any) have to be answered by the bank.

3.2.3.3 Costs and explanatory variables

The explanatory variables for the IO “Application for authorisation for the taking up of the business of credit institution” are set out below.

Figure 16: Explanatory variables for “Application for authorisation for the taking up of the business of credit institution”

Application for authorisation for the taking up of the business of credit institution	
Basis for Q	Estimated number of yearly application requests for credit institution licence.
Basis for P	The average time needed to compile an application for authorisation

By Capgemini/Deloitte/Ramboll Management.

The Q is based on a combination of expert estimates and official data on the number of new application requests per year. Depending on certain factors (size of the national market, maturity of the national market, number of actual applications in the baseline year etc.), occurrence can be very low or even equal to zero (as it is the case, for instance, for both segments in countries such as Latvia, Luxembourg, or Slovakia).

All the banks which have recently applied for an authorisation for the taking up of the business of credit institution agree this is a long process. The effort, however, is mainly content related (the development of a programme of operations accounts for more than 75% of the time). The administrative activities are mainly related to legal entity management (company registry, obtaining tax payer number, communicating the identities of the shareholders or members that have qualifying holdings, social security administration ...).

The Table below provides a breakdown of the total administrative cost of the IO “Application for authorisation for the taking up of the business of credit institution”. The Tables indicate the total administrative cost and burden per entity per occurrence of the IO, the number of entities affected, the internal time spent per occurrence, the acquisition and external costs, the average wage tariff used and the total administrative cost per Member State for the IO.

Table 21: Breakdown of the administrative cost per country for the IO “Application for authorisation for the taking up of the business of credit institution”

		Measurement Countries					
		IT	LT	SI	ES	SE	LU
Internal time per occurrence (minutes)	local financial institutions	25,850	61,020	not measured as occurrence = 0	88,319	57,600	not measured as occurrence = 0
	multinational financial institutions	not measured as occurrence = 0	4,930	21,600	88,319	57,600	not measured as occurrence = 0
Average hourly tariff (€)	local financial institutions	59	6	0	21.65	43.36	0
	multinational financial institutions	0	6	17.53	21.65	43.36	0
Equipment Cost per occurrence (€)	local financial institutions	0	0	0	0	0	0
	multinational financial institutions	0	0	0	0	0	0
Consulting Cost per occurrence (€)	local financial institutions	0	0	0	0	0	0
	multinational financial institutions	0	0	0	0	0	0
Dominant employee type	local financial institutions	professionals	professionals	0	technicians, associate professionals	professionals	0
	multinational financial institutions	0	professionals	professionals	technicians, associate professionals	professionals	0
No. of occurrences	local financial institutions	19	1	0	2	12	0
	multinational financial institutions	0	1	1	7	12	0
Total Admin. Cost per occurrence (€)	local financial institutions	25,419.17	6,102.00	0	31,871.68	41,626.67	0
	multinational financial institutions	0	493	6,310.25	31,871.68	41,626.67	0
Total Admin. Burden per occurrence (€)	local financial institutions	25,419.17	6,102.00	0	31,871.68	41,626.67	0
	multinational financial institutions	0	493	6,310.25	31,871.68	41,626.67	0
Total Cost	local financial institutions	482,964.17	6,102.00	0	63,743.37	499,520.00	0
	multinational financial institutions	0	493	6,310.25	223,101.78	499,520.00	0
Total Cost for all segments combined		482,964.17	6,595.00	6,310.25	286,845.15	999,040.00	0

This Table is based on data compiled by the Consortium.

Figure 17: Explanation for missing measurement data for “Application for authorisation for the taking up of the business of credit institution”

Application for authorisation for the taking up of the business of credit institution	
Luxembourg	In Luxembourg, occurrence in the year of reference = 0. No interviewed credit institution was able to provide reliable data, as their respective authorisation was granted decades ago and new applications for authorization were not expected in the near future.
Poland	Sweden acts as an additional measurement country as it was agreed that data, when available, would be gathered from Sweden instead of Poland for the campaigns 1 till 4.

By Capgemini/Deloitte/Ramboll Management.

With a total cost of €5.2, this IO ranks seventh in the list of most costly IOs; 0% of the costs are perceived as business-as-usual. It is to be noted however, that the interviewees were mainly referring to the burden related to the information gathering and reporting on legal entity management. The elaboration of a business plan and the internal management decision to apply for authorisation for the taking up of the business of credit institution is of course part of the business of managing a financial institution.

In Lithuania, Sweden and Spain the effort required to comply with this IO varies between 120 and 180 days.

In Spain, to compile a request for authorisation to launch a new banking business lasts some six months (with two persons working full-time for four months and one person working half-time for another two months).

In Italy, applications often refer to new banks which already belong to a banking group and have the intention to open, for example, an on-line bank, which explains the lesser effort (54 person days) required to prepare the application. Similarly, multinational banks in Lithuania are usually created on the basis of local entities being bought over: the new entity reportedly only needs some ten days of work to re-adapt the former license and have it agreed.

The measured effort in Slovenia is also low (i.e. 45 person days) since it excludes the time needed for developing the business plan.

Data from two baseline countries (Austria and Denmark) was re-used.

A number of irritation factors were flagged during measurement, including: the disproportionate burden of the development of the programme of operations, the poor communication with the regulator (e.g. in order to ascertain the content or format of data to be provided), waiting times in the relationship with the regulator etc.

3.2.3.4 First simplification suggestions

During the interviews and workshops with businesses and experts, several initial simplification ideas were collected. A structured and detailed collection and analysis of possible reduction measures is currently being conducted during Module 5. Thus, this section only contains a summary of the suggestions gathered and does not represent a final list of simplification suggestions nor does it reflect the point of view of the Consortium.

Although the procedure is complex in terms of information to be gathered and prepared, interviewees believe the process does not offer many opportunities for simplification as all agree that the opening a new bank is something that must be controlled by the national authority in a rigorous way.

Simplification suggestions raised include:

- To provide clearer guidelines to companies wishing to launch a banking business on the documents to be provided;
- Regarding the documents to be provided: interviewees pointed out that some of the information required takes quite some time to be collected and may not be in balance with the actual relevance of the information;
- Regarding the communication channel: a lot of documents are to be provided in hard copy without the possibility to send documents via electronic means.

3.2.4 IO “Requesting permission to calculate risk-weighted exposure using the internal ratings based approach”

3.2.4.1 Characteristics of the IO

Article 84 of Directive 2006/48/EC states that, if a credit institution wishes to use the internal ratings based approach to calculate its risk-weighted exposure, explicit permission shall be granted by the competent authority.

According to the Directive [Art. 84(2)], permission shall be given only if the competent authority agrees that the credit institution's systems for the management and rating of credit risk exposures are sound and implemented with integrity and, in particular, that they meet the standards in accordance with Annex VII, Part 4. Banks must therefore provide evidence, to the supervisory authority, that they are capable of meeting a set of minimum requirements, on an ongoing basis.

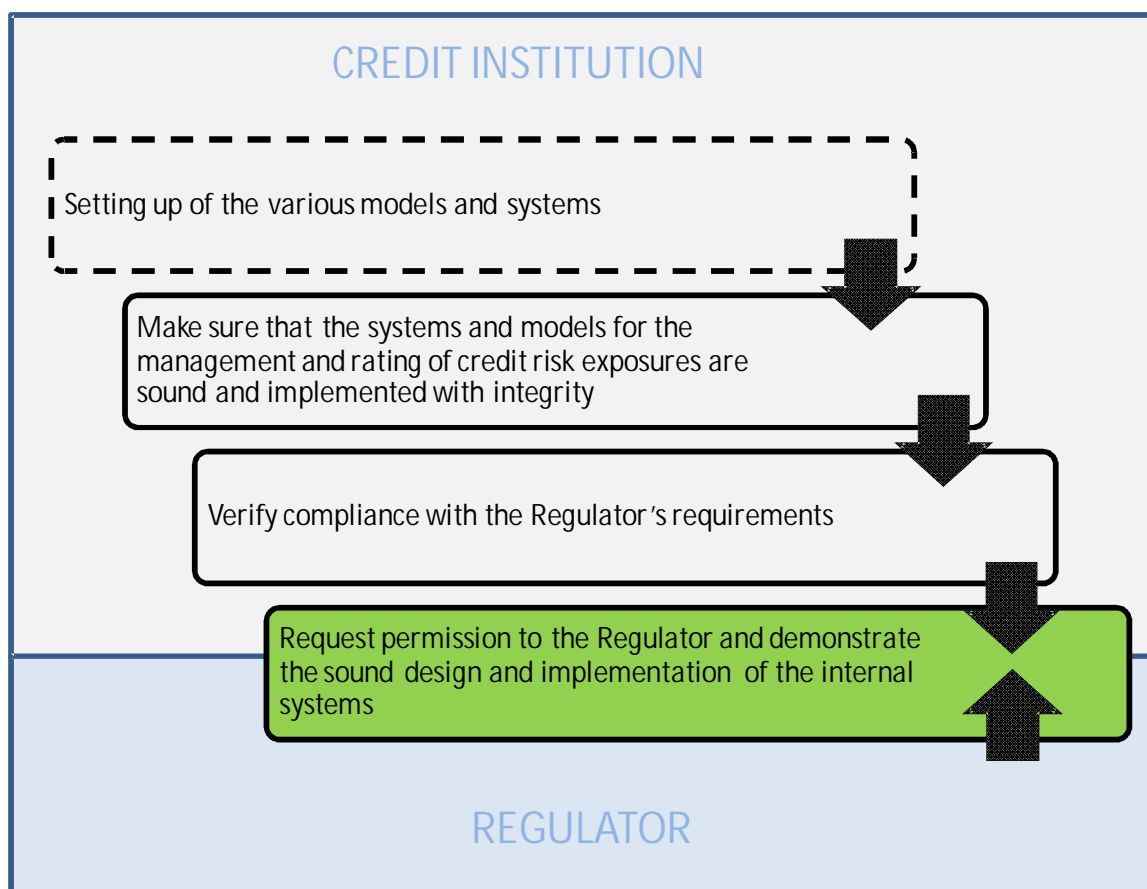
A 'rating system' comprises all of the methods, processes, controls, data collection and IT systems that support the assessment of credit risk, the assignment of exposures to grades or pools (rating), and the quantification of default and loss estimates for a certain type of exposure.

3.2.4.2 Process for complying with the IO

The Figure below shows the business process that a credit institution has to comply with in order to receive permission to use the internal ratings based approach to calculate the risk-weighted exposure.

The business process to comply with this IO is long and complex and involves many departments in the credit institution.

Figure 18: Process to comply with IO “Requesting permission to calculate risk-weighted exposure using the internal ratings based approach”



By Capgemini/Deloitte/Ramboll Management.

Prior to have to comply with this IO (see the dashed box in the Figure above), the entity that decides to use the Internal Ratings Based (IRB) approach needs to set up the various databases (client databases etc.), statistical framework etc. and to design a reporting system that proves its reliability in terms of calculation of their risk-weighted exposure. Large IT investments are usually needed.

Implementing such a system requires verifying its compliance with the authority's requirements and hence furnishing the proof of it to the latter.

At the time of the submission of the request to the regulator (i.e. the Information Obligation strictly speaking), documents normally accompanying the request usually deal with:

- The management and the carrying out of the project

- Qualitative and quantitative aspects of the System
- Information Systems
- Self-assessment processes and results.
-

These documents serve to demonstrate that the requirements are (or will be) met.

There is then intensive interaction between the regulator and the credit institution at the time of the regulator’s review. Overall, the credit institutions opting for an internal approach to credit and operational risk management for supervisory purposes must provide evidence to the regulator that they are able to meet a set of requirements on an on-going basis. This is where the administrative burden is usually concentrated.

After the evaluation period, the regulator decides whether the credit institution may or may not use the IRB method.

3.2.4.3 Costs and explanatory variables

The explanatory variables for the IO “Requesting permission to calculate risk-weighted exposure using the internal ratings based approach” are set out below.

Figure 19: Explanatory variables for “Requesting permission to calculate risk-weighted exposure using the internal ratings based approach”

Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	
Basis for Q	Estimate of the number of institutions which have started implementing this IO.
Basis for P	The average time required for requesting permission, excluding the effort needed to develop the internal models (except for Spain, cf. below)
Challenge	<p>Since the approval procedures for the IRB models have come into effect relatively recently, only a very limited number of companies have (started to) implement(ed) this IO. Moreover, at the time of measurement, usually only very large banking entities opt for these models.</p> <p>One can expect that the administrative cost and burden might</p>

Requesting permission to calculate risk-weighted exposure using the internal ratings based approach

change overtime (e.g. due to the learning curve for how to deal with this IO, both at financial institution and supervisor; rework after supervisory review, etc).

By Capgemini/Deloitte/Ramboll Management.

Only a very limited number of companies have (started to) implement(ed) this IO. We reckon that only large credit institutions may be willing to (or invited to) take the corporate decision to use the internal ratings based approach (mainly due to the large IT investments which are required ahead³⁰). Because of its low incidence, neither the Polish team nor the Slovenian team managed to interview the relevant entities. We then retrieved data from Sweden. As far as Italy and Lithuania are concerned, the IO was not mapped, as the IOs were not transposed at the time³¹.

Table 22: Breakdown of administrative cost per country and per segment for the IO “Requesting permission to calculate risk-weighted exposure using the internal ratings based approach”

		Measurement Countries					
		IT	LT	SI	ES	SE	LU
Internal time per occurrence (minutes)	local financial institutions	IO not transposed (see Annex)	IO not transposed (see Annex)	n/a (see explanation)	2,112,000	13,000	107,520
	multinational financial institutions	IO not transposed (see Annex)	IO not transposed (see Annex)	n/a (see explanation)	2,112,000	20,000	12,000
Average hourly tariff (€)	local financial institutions	n/a	n/a	n/a	19.5	40	46.69
	multinational financial institutions	n/a	n/a	n/a	19.5	40	42
Equipment Cost per occurrence (€)	local financial institutions	n/a	n/a	n/a	0	0	0
	multinational financial institutions	n/a	n/a	n/a	0	0	0
Consulting Cost per occurrence (€)	local financial institutions	n/a	n/a	n/a	0	0	0
	multinational financial institutions	n/a	n/a	n/a	0	0	0
Dominant employee type	local financial institutions	n/a	n/a	n/a	technicians, associate professionals	professionals	professionals
	multinational financial institutions	n/a	n/a	n/a	technicians, associate professionals	professionals	professionals
No. of occurrences	local financial institutions	n/a	n/a	0	2	1	1
	multinational financial institutions	n/a	n/a	2	5	4	22
Total Admin. Cost per	local financial institutions	n/a	n/a	0	686,400.00	8,666.67	83,664.00

³⁰ An interviewed company (large local credit institution) suggested IT implementation costs of €6-7 million.

³¹ As reported in the Module 2 report. The list of missing IOs is enclosed in the Annex of the current report.

		Measurement Countries					
		IT	LT	SI	ES	SE	LU
occurrence (€)	multinational financial institutions	n/a	n/a	11,077.81	686,400.00	13,333.33	8,400.00
Total Admin. Burden per occurrence (€)	local financial institutions	n/a	n/a	0	514,800.00	6,500.00	62,748.00
	multinational financial institutions	n/a	n/a	8,308.36	514,800.00	10,000.00	6,300.00
Total Cost	local financial institutions	n/a	n/a	0	1,372,800.00	8,666.67	83,664.00
	multinational financial institutions	n/a	n/a	22,155.62	3,432,000.00	53,333.33	184,800.00
Total Cost for all segments combined		n/a	n/a	22,155.62	4,804,800.00	62,000.00	268,464.00

This Table is based on data compiled by the Consortium.

The total estimated population (Q) for the EU is ca. 150 entities with, for example, 23 credit institutions in Luxembourg, 7 in Spain, and 38 in the United Kingdom in 2007³².

For local institutions, the reported internal time ranges from 27 person days in Sweden, 1 person year in Luxembourg (107,520 minutes) and almost 20 person years (2,112,000 minutes) in Spain. The administrative cost reported for Spain (€4,804,800) should, however, be considered as an outlier amongst the measurement countries. Indeed, the measurement does not only include the effort for “requesting permission” but includes also the effort to develop the internal models. The reasoning behind the decision to include all incurred costs as administrative costs for Spain is that the interviewed companies perceive they have been “strongly invited” by the national regulator to implement these models because of their size on the local banking market. Had this “indirect peer pressure” not taken place, the interviewed companies may not have switched to an IRB approach, at least in the short term, they report. Even though this interpretation could be legitimate, we have decided to exclude the cost data measured in Spain from the basis for extrapolation, in order not to distort the final EU cost data.

In Luxembourg, the person year of work accounts for some 20 meetings of a couple of days each with the regulator and 140 person days of internal work to prepare these meetings. Some other countries reported the need to go through a formal hearing with the regulator or detailed inspections.

The Table below provides a breakdown of the total administrative cost of the IO “Requesting permission to calculate risk-weighted exposure using the internal ratings based approach”. The Table indicates the total administrative cost and burden per entity per occurrence of the IO, the number of entities affected, the internal time spent per

³²The population figures mentioned here were retrieved from the annual reports of national financial services authorities.

occurrence, the acquisition and external costs, the average wage tariff used and the total administrative cost per Member State for the IO.

Figure 20: Explanation for missing measurement data for “Requesting permission to calculate risk-weighted exposure using the internal ratings based approach”

Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	
Poland	Sweden, acts as an additional measurement country, as it was agreed that for the campaigns 1 till 4, data, when available, would be gathered from Sweden instead of Poland.
Slovenia	Because of its low incidence, the Slovenian team did not manage to interview the relevant entities. Administrative costs for the segment “multinational institutions” were therefore extrapolated on the basis on the number of occurrences.
Italy	IO not transposed
Lithuania	IO not transposed

By Capgemini/Deloitte/Ramboll Management.

The total administrative cost of this IO is €3.5 million. Of the total costs, 25% are considered as business-as-usual costs, as this IO relates to a complex business process and reporting requirements prescribed by national regulators.

The identified internal time to comply with this IO looks much lower for multinational entities. As we consider the situation in Luxembourg (i.e. 12,000 minutes), the main factor of explanation is that subsidiaries of foreign companies in Luxembourg heavily rely on the internal rating models developed at group level. In such a case, the validation of the theoretical bases of the internal models is made by the regulator if the parent company; and the role of the host regulator is therefore limited to a sanity check of how these models are applied and managed at local level. Both national regulators reportedly cooperate on such occasions.

In any event, the costs incurred by this IO can be considered as “one-off-costs”, as they do not have to be repeated once the national regulator authorises the credit institution to use the IRB method.

3.2.4.4 First simplification suggestions

During the interviews and workshops with business representatives, interviewees raised a request to simplify documents to be submitted and reduce waiting time.

Secondly, businesses suggested that banking entities which follow an IRB approach and wish to replace an existing model should not go through another use testing period.

3.2.5 IO “Reporting of results of the verification of compliance with rules on the level of own funds”

3.2.5.1 Characteristics of the IO

Article 74(2) of Directive 2006/48/EC says that the calculations to verify the compliance of credit institutions with the obligations regarding the minimum level of own funds shall be carried out not less than twice each year.

The credit institutions shall communicate the results and any component data required to the competent authorities.

This is a non-prioritised IO. It was not mapped in Italy, Spain, and Lithuania³³.

3.2.5.2 Process for complying with the IO

The business process to comply with this IO involves:

- (1) To check that the own funds must at all times be more than or equal to the sum of the capital requirements for credit risk and dilution risk in respect of all of their business activities, for position risk, settlement and counter-party risk, for large exposures, for foreign exchange risk and for commodities risk, for operational risk etc.

- (2) To report to the relevant national authorities the results.

³³ This IO was not transposed in these countries at the time of mapping. See the list of missing IOs in annex.

Figure 21: Business process to comply with the IO “Reporting of results of the verification of compliance with rules on the level of own funds”



By Capgemini/Deloitte/Ramboll Management.

3.2.5.3 Costs and explanatory variables

The explanatory variables for the IO “Reporting of results of the verification of compliance with rules on the level of own funds” are set out below.

Figure 22: Explanatory variables for “Reporting of results of the verification of compliance with rules on the level of own funds”

Reporting of results of the verification of compliance with rules on the level of own funds	
Basis for Q	Population data is an estimate of the number of institutions to whom this is applicable.
Basis for P	The average time needed to collect, compile and report information in relation to the verification of compliance with rules on the level of own funds.
Notes	This IO was identified as a non-prioritised IO.

By Capgemini/Deloitte/Ramboll Management.

This IO was identified as a non-prioritised IO, and the methodology used to collect data for standardisation of the activities differs from the prioritised IOs.

Information for this IO was gathered by means of expert assessments across measurement countries. Considering the non-complexity of the IO and the similarity of business processes to comply with it, a single standardised P value based on expert assessment in the measurement countries was used.

The Table below provides a breakdown of the total administrative cost of the IO “Reporting of results of the verification of compliance with rules on the level of own funds”. The Table indicates the total administrative cost and burden per entity per occurrence of the IO, the

number of entities affected, the internal time spent per occurrence, the acquisition and external costs, the average wage tariff used and the total administrative cost per Member State for the IO.

Table 23: Breakdown of administrative cost per country for the IO “Reporting of results of the verification of compliance with rules on the level of own funds”

		Measurement Countries					
		IT	LT	ES	PL	SI	LU
Internal time per occurrence (minutes)	non-segmented io	IO not transposed (see Annex)	IO not transposed (see Annex)	IO not transposed (see Annex)	720	720	720
Average hourly tariff (€)	non-segmented io	n/a	n/a	n/a	6	12	34
Equipment Cost per occurrence (€)	non-segmented io	n/a	n/a	n/a	0	0	0
Consulting Cost per occurrence (€)	non-segmented io	n/a	n/a	n/a	0	0	0
Dominant employee type	non-segmented io	n/a	n/a	n/a	technicians, associate professionals	technicians, associate professionals	technicians, associate professionals
No. of occurrences	non-segmented io	n/a	n/a	n/a	1,304	50	230
Total Admin. Cost per occurrence (€)	non-segmented io	n/a	n/a	n/a	72	144	408
Total Admin. Burden per occurrence (€)	non-segmented io	n/a	n/a	n/a	54	108	306
Total Cost	non-segmented io	n/a	n/a	n/a	93,888.00	7,200.00	93,840.00
Total Cost for all segments combined		n/a	n/a	n/a	93,888.00	7,200.00	93,840.00

This Table is based on data collected by the Consortium.

Figure 23: Explanation for missing measurement data for “Reporting of results of the verification of compliance with rules on the level of own funds”

Reporting of results of the verification of compliance with rules on the level of own funds”	
Italy	IO not mapped, as not transposed at the time of mapping
Spain	IO not mapped, as not transposed at the time of mapping
Lithuania	IO not mapped, as not transposed at the time of mapping

By Capgemini/Deloitte/Ramboll Management.

With a total cost of €3.4m, this IO ranks ninth in the list of most costly IOs; 25% of the costs are perceived as business-as-usual.

This is a non-prioritised IO; information for this IO was collected by means of expert assessments which concluded that on average 1.5 person days are spent per report (standardised P). Considering the non-complexity of this IO and the similarity of the business process across Member States, experts assess that there is no reason to believe there are differences between countries regarding the time spent.

The difference in administrative cost per country is only due to the number of companies that are affected by it and the differences in hourly tariff used to calculate the total administrative costs.

3.2.5.4 First simplification suggestions

As this IO has not been prioritised, no simplification suggestions have yet been determined.

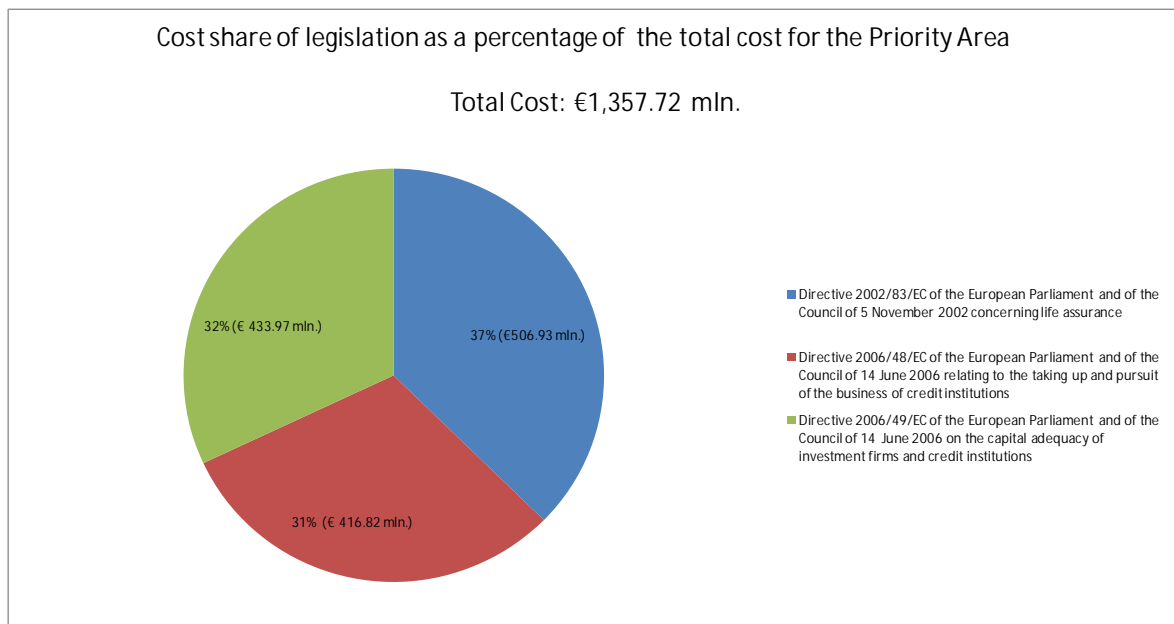
3.3 Directive 2006/49/EC

Directive 2006/49/EC lays down the capital adequacy requirements applying to investment firms and credit institutions, the rules for their calculation and the rules for their prudential supervision: Member States shall apply the requirements of this Directive to investment firms and credit institutions as defined in Article 3 of the Directive.

The Directive accounts for 32% ("€433.97 million") of the total administrative cost for the Financial Services Priority Area, and represents 18% of the administrative burden for the Priority Area.

The Figure below provides an overview of the total cost of the Directive, related to the Financial Services Priority Area.

Figure 24: Size of Directive 2006/49/EC related to the total size of the PA



By Capgemini/Deloitte/Ramboll Management.

3.3.1 IO “Keeping a trading book”

3.3.1.1 Characteristics of the IO

Article 11(1) of Directive 2006/49/EC provides that the trading book of an institution shall consist of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or able to be hedged.

A trading book contains information about the securities currently held by the institution as well as a logging of all transactions involved in the buying and selling of the securities. The trading book only contains positions held with active trading intent. Positions held with trading intent are those held intentionally for short-term resale and/or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations. Securities that are not authorised for active trading are accounted for in the banking book.

The term ‘positions’ includes proprietary positions and positions arising from client servicing and market making. Trading intent is evidenced on the basis of the strategies, policies and procedures set up by the institution to manage the position or portfolio in

accordance with the Directive. Institutions are required to establish and maintain systems and controls to manage their trading book in accordance with the Directive.

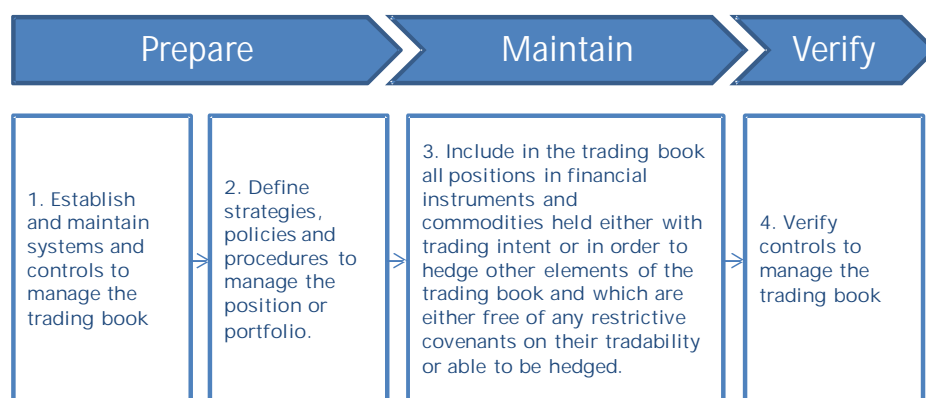
The Basel Committee and IOSCO proposed in 2005 fifteen measures which aim to capture risks in the trading book in a more rigorous and comprehensive manner. The proposed improvements in the trading book supervisory regime followed the Basel II architecture and were based on three complementary pillars:

- Pillar One: The measures adopted aim at clarifying the types of exposures that qualify for inclusion in the trading book, provide further guidance on prudent valuation methods for these exposures and stress testing, and strengthen modelling standards for market risk;
- Pillar Two: The measures adopted require banks to make a comprehensive assessment of risks in their trading book;
- Pillar Three: The additional disclosure requirements aim at improving the quality of information disclosed related to the trading book.

3.3.1.2 Process for complying with the IO

The financial institution is required to collect data on trading intent on the basis of the strategies, policies and procedures set up by the institution to manage the position or portfolio. It is also required to establish and maintain systems and controls to manage the trading book.

Figure 25: Business process to comply with the IO “Keeping a trading book”



By Capgemini/Deloitte/Ramboll Management.

3.3.1.3 Costs and explanatory variables

The explanatory variables for the IO “Keeping a trading book” are set out below.

Figure 26: Explanatory variables for “Keeping a trading book”

Keeping a trading book	
Basis for Q	Number of credit institutions and investment firms.
Basis for P	The average time spent on maintaining the trading book

By Capgemini/Deloitte/Ramboll Management.

The Table below provides a breakdown of the total administrative cost of the IO “Keeping a trading book” per Member State. The Tables indicate the total administrative cost and burden per entity per occurrence of the IO, the number of entities affected, the internal time spent per occurrence, the acquisition and external costs, the average wage tariff used and the total administrative cost per Member State for the IO.

Table 24: Breakdown of the administrative cost per country for the IO “Keeping a trading Book”

		Measurement Countries					
		IT	LT	SE	SI	ES	LU
Internal time per occurrence (minutes)	local financial institutions	11,480	0	IO not transposed (see Annex)	4,515	122,800	90,000
	multinational financial institutions	11,480	120,960	IO not transposed (see Annex)	6,960	122,800	110,000
Average hourly tariff (€)	local financial institutions	59	0	n/a	18.09	19	42
	multinational financial institutions	59	6	n/a	18.44	19	42
Equipment Cost per occurrence (€)	local financial institutions	0	0	n/a	0	0	0
	multinational financial institutions	0	0	n/a	0	0	0
Consulting Cost per occurrence (€)	local financial institutions	0	0	n/a	0	0	0
	multinational financial institutions	0	0	n/a	0	0	0
Dominant employee type	local financial institutions	professionals	0	n/a	professionals	technicians, associate professionals	professionals
	multinational financial institutions	professionals	professionals	n/a	professionals	technicians, associate professionals	professionals
No. of occurrences	local financial institutions	513	0	n/a	13	176	3
	multinational financial institutions	265	62	n/a	13	176	110
Total Admin. Cost per occurrence (€)	local financial institutions	11,288.67	0	n/a	1,361.50	38,886.67	63,000.00
	multinational financial institutions	11,288.67	12,096.00	n/a	2,139.00	38,886.67	77,000.00
Total Admin. Burden per occurrence (€)	local financial institutions	0	0	n/a	0	0	0
	multinational financial institutions	0	0	n/a	0	0	0

		Measurement Countries					
		IT	LT	SE	SI	ES	LU
Total Cost	local financial institutions	5,791,086.00	0	n/a	17,699.50	6,844,053.33	189,000.00
	multinational financial institutions	2,991,496.67	749,952.00	n/a	27,807.00	6,844,053.33	8,470,000.00
Total Cost for all segments combined		8,782,582.67	749,952.00	n/a	45,506.50	13,688,106.67	8,659,000.00

This Table is based on data compiled by the Consortium.

Figure 27: Explanation for missing measurement data for “Keeping a trading Book”

Keeping a trading book

Poland	<p>In the absence of data for Poland, it was agreed that for the campaigns 1 till 4, data would be gathered from Sweden, when available.</p> <p>Unfortunately, it was not possible to retrieve data from Sweden for this IO as it was not transposed and therefore not mapped at the time of measurement.</p>
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By Capgemini/Deloitte/Ramboll Management.

With a total cost of €262 million, this IO ranks third in the list of most costly IOs. All of the costs related to this IO are perceived as business-as-usual by the financial services sector, since this IO relates directly to one of the entity’s core activities.

The time spent on maintaining the trading book is in proportion to the size of the portfolio and complexity of the positions held by the institution. The more trading activities an entity has, the more it has to comply with this IO, in terms of time spent. The composition of the trading book has also changed substantially to include more credit-related products such as credit derivatives and tranches of collateralised debt obligations (CDOs), as well as complex products such as hedge funds or funds of funds structured products. Furthermore, as the trading book includes the history of all accounting transactions regarding in the buying and selling of the securities, the contents of the trading book have been enlarged due to the implementation of new international accounting and prudential standards.

In Italy, every month a manager in charge of the trading book verifies that data is properly kept and maintained. The verification includes verifying that a daily, conservative valuation has been carried out, either at market prices or with reference to a model that has been

validated by the internal risk monitoring division and that has not been objected to by the institution's internal or external auditors. An active monitoring of positions must be carried out, including in particular an evaluation of the quality and availability of market data used in the valuation process, the volume of transactions, and the size of the positions traded. The institution must have in place a reporting to senior management as part of its global monitoring of risks arising from the institution's trading activities.

In Slovenia, firms spend on average 1.5 days monthly on administrative work related to the management of a trading book.

In Spain, however, given the size of institutions interviewed, interviewees pointed out that this is a very time-consuming process. The trading book is checked and updated by full time employees. The P identified for Spain was, nonetheless, removed from the basis for extrapolation in order to avoid any distortion of the cost picture for the EU-27.

For Luxembourg, due to the absence of investment firms (the population to be interviewed for this IO was initially set to be investment firms), the above-mentioned cost is an expert assessment.

The local institutions interviewed in Lithuania were not involved in active trading and thus did not have the obligation to keep a trading book.

The total population for this IO covers both credit institutions and investment firms and averages 9,600 entities. Interviewees perceived this IO as being mostly of a "business-as-usual" nature, as credit institutions and investment firms typically need to set up a trading book to monitor the evolution of their core business. As stated above, the time spent on the trading book is proportionate to the size of the portfolio and complexity of the positions held by the institution.

3.3.1.4 First simplification suggestions

As this IO fully relates to an entity's core activity (business-as-usual), no first simplification suggestions were identified.

3.3.2 IO “Reporting to competent authorities on compliance with rules”

3.3.2.1 Characteristics of the IO

Article 35(1-4) of Directive 2006/49/EC lays down that Member States shall require that investment firms and credit institutions provide the competent authorities of their home Member States with all the information necessary for the assessment of their compliance with the rules adopted in accordance with this Directive.

The frequency of information provision depends on the type of activities the firm performs, which is translated into an initial capital required.

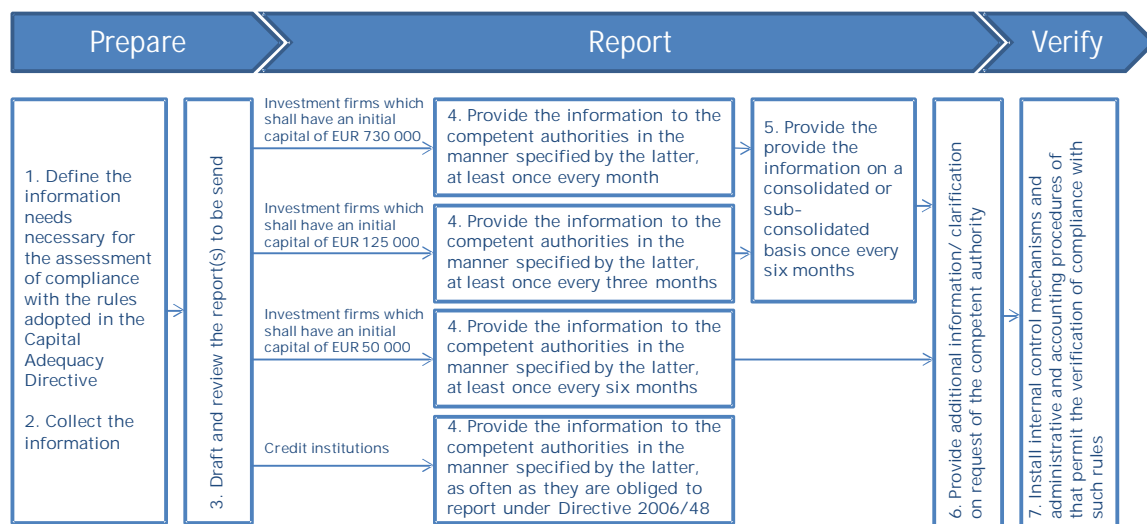
The internal control mechanisms and administrative and accounting procedures of the institutions must permit the verification of their compliance with such rules at all times.

3.3.2.2 Process for complying with the IO

Credit and investment institutions collect the information needed to prove to the competent authorities that they comply with the rules adopted in the EC Capital Adequacy Directive. The financial institutions also collect data to prove that their internal control mechanisms and administrative and accounting procedures allow the verification of these rules at all times. Following the collection of the abovementioned data, the credit institutions and investment firms draft and send the report to the competent authorities. The competent authorities may sometimes require additional information/clarification of the financial institution in assessing the information received.

Depending on the type of services provided by the investment firm, the frequency of this reporting can be at least semi-annual, at least every three months or at least monthly. Collecting the information required by the competent authorities for the assessment of the compliance of the institution with the rules adopted in Directive 2006/49/EC is in most countries seen as a time-consuming process which is not perceived as a business-as-usual cost.

Figure 28: Business process to comply with the IO “Reporting to competent authorities on compliance with rules”



By Capgemini/Deloitte/Ramboll Management.

3.3.2.3 Costs and explanatory variables

The explanatory variables for the IO “Reporting to competent authorities on compliance with rules” are set out below.

Figure 29: Explanatory variables for “Reporting to competent authorities on compliance with rules”

Reporting to competent authorities on compliance with rules	
Basis for Q	Number of credit institutions and investment firms.
Basis for P	The average time needed (taking into account the frequency of reporting set at national level) to collect and report information necessary for the assessment of compliance with the rules adopted in accordance with this Directive

By Capgemini/Deloitte/Ramboll Management.

This IO applies to some 10,000 financial institutions. The average cost for complying with this IO is ca. €18,000.

The IO represents 12% of the total cost of the Priority Area. The total Q corresponds to the number of credit institutions and investment firms for the EU-27 and takes into account the frequency of reporting, which varies across Member States.

The Table below provides a breakdown of the total administrative cost of the IO “Reporting to competent authorities on compliance with rules” per Member State. The Table indicates the total administrative cost and burden per entity per occurrence of the IO, the number of entities affected, the internal time spent per occurrence, the equipment and consultancy costs, the average wage tariff used and the total administrative cost per Member State for the IO.

Table 25: Breakdown of administrative cost per country for the IO “Reporting to competent authorities on compliance with rules”

		Measurement Countries					
		IT	LT	PL	SI	ES	LU
Internal time per occurrence (minutes)	local financial institutions	3,440	960	2,400	1,475	n/a (see explanation)	2,400
	multinational financial institutions	3,440	1,100	2,400	5,595	n/a (see explanation)	2,400
Average hourly tariff (€)	local financial institutions	59.08	6	10	19	n/a	42
	multinational financial institutions	59.08	6	10	17.77	n/a	42
Equipment Cost per occurrence (€)	local financial institutions	0	0	0	0	n/a	0
	multinational financial institutions	0	0	0	0	n/a	0
Consulting Cost per occurrence (€)	local financial institutions	0	0	0	0	n/a	0
	multinational financial institutions	0	0	0	0	n/a	0
Dominant employee type	local financial institutions	professionals	professionals	professionals	professionals	technicians, associate professionals	professionals
	multinational financial institutions	professionals	professionals	professionals	professionals	technicians, associate professionals	professionals
No. of occurrences	local financial institutions	513	96	3,912	156	176	12
	multinational financial institutions	265	744	1,304	52	176	440
Total Admin. Cost per occurrence (€)	local financial institutions	3,387.00	96	400	467.08	31,439.92	1,680.00
	multinational financial institutions	3,387.00	110	400	1,656.92	19,442.03	1,680.00
Total Admin. Burden per occurrence (€)	local financial institutions	2,540.25	72	300	350.31	23,579.94	1,260.00
	multinational financial institutions	2,540.25	82.5	300	1,242.69	14,581.52	1,260.00
Total Cost	local financial institutions	1,737,531.00	9,216.00	1,564,800.00	72,865.00	5,533,425.95	20,160.00
	multinational financial institutions	897,555.00	81,840.00	521,600.00	86,159.67	3,421,797.47	739,200.00
Total Cost for all segments combined		2,635,086.00	91,056.00	2,086,400.00	159,024.67	8,955,223.41	759,360.00

This Table is based on data compiled by the Consortium.

Figure 30: Explanation for measurement data for “Reporting to competent authorities on compliance with rules”

Reporting to competent authorities on compliance with rules	
Luxembourg	It was agreed to include this IO only in the campaigns related to investment firms for measurement purposes. Due to the absence of investment firms in Luxembourg, the IO was not measured on the field. A P was nonetheless assessed by experts, as the IO also applies to credit institutions.
Spain	The time (P) measured in Spain was over-estimated. In agreement with the EC and following an expert assessment, it was decided to remove the Spanish data from the database and to replace them by extrapolated data. Extrapolated administrative costs were double-checked with experts and are considered as a better estimation of the costs.
Poland	It was agreed that for the campaigns 1 till 4, data would be gathered from Sweden, when available. This IO, however, was not transposed in Sweden and therefore not mapped at the time of measurement. Consequently, a P for Poland was assessed by experts.

By Capgemini/Deloitte/Ramboll Management.

With a total cost of €168m, this IO ranks fourth in the list of most costly IOs; 25% of the costs are perceived as business-as-usual.

Field measurement in Spain reported a workload of seven full-time equivalents (FTE) to comply with this IO. After consultation of experts, we assessed that this P was an outlier if compared to other Member States and resulted from an over-estimation during measurement. Indeed, although regular meetings between the managers of the institution and the Bank of Spain are organised on a regular basis, the reported P did not reflect the effort actually spent for being compliant with this IO. As a consequence, and in agreement with the EC services, it was decided to remove the data and to extrapolate the costs related to Spain. The extrapolated administrative cost, which was double-checked with experts,

can be considered as a better estimation of the administrative costs actually incurred by Spanish businesses on this IO.

The average effort in measurement countries varies between 2 and 7 person days for local institutions, and up to 11.5 person days for multinational institutions (in the case of Slovenia).

As stated in the IO, firms have to report to the competent authorities in the manner specified by the latter and frequency of reporting therefore differs. Lithuania has set a monthly frequency; Poland and Slovenia combine a monthly frequency for local institutions and a quarterly frequency for multinational entities. Italian firms have to report annually and Luxembourg institutions, on a quarterly basis.

In Italy, as indicated above, firms have to report annually (by the end of March) to competent authorities on compliance with the rules, and send (also via e-mail) a report describing the organisational structure as well. This report does not have to be sent if there have been no changes relative to the previous year, but firms must nevertheless communicate that there are no changes. Moreover, this report must contain information on past investments and those foreseen for the next three years. A personnel hiring plan is required for the first three years of activity. Compiling the documents is neither a very heavy activity nor a difficult one; usually it can be carried out in about five days by professionals. Measurement includes also some hours spent by top management to verify data.

The same is observed in Slovenia where financial institutions have to report monthly to competent authorities on compliance with the rules and it takes them on average three working days to collect the data, write the report, and submit it to the competent authorities. This report includes the main accounting data and proof of compliance, and can be collected based on existing data. The main burdensome activities are therefore related to the compilation and the verification of data.

In Lithuania, some two working days per month are required to retrieve and consolidate data on the implementation of prudential requirements and the financial situation of the

financial institution. This report is in e-format and is sent electronically. The national financial services authority may require additional and broader information on an ad hoc basis, such as information on the management of the firm, its creditors, subsidiaries etc.

Experts assessed that reporting on compliance matters in Luxembourg and Poland may amount to five person days per incidence, which they consider as a reasonable time.

Data was also retrieved from the Austrian and Dutch national databases. Austria reports a workload of ca. 10 days per quarter for small banks (which account for the bulk of the Austrian banking market) to compile information on assets, results and risks and to deliver them to the regulator. They reportedly hire consultants to assist them (average fees: ca. €2,500). The Netherlands reported a cost of €48,000 for local institutions and €5,600 for multinational institutions.

25% of the costs are perceived as business-as-usual costs, as an institution is bound to set up some processes to cover the nature and level of the risks to which it is or might be exposed. The comprehensive monitoring, analysis and consolidation of the output of these processes and its communication to regulators at set frequencies account for the perceived burden of this IO.

3.3.2.4 First simplification suggestions

No first simplification opportunities were identified.

4. Conclusion & Outlook

In total, the administrative cost resulting from the legislation in scope of the Financial Services Priority Area accounts for €1,357 million. Of the total cost for the PA, 52.7% (€715 million) has been classified as administrative burden, while 0.6% (€7.5 million) is due to national obligations going beyond EU Requirements.

4.1 Main conclusions on IOs with highest administrative costs and burden

Five IOs, namely “Provision of information to the policy holder”, “Proof of internal review”, “Keeping a trading book”, “Reporting to competent authorities on compliance with rules”, and “Public disclosure of information by credit institutions” account for €1,310 million of administrative costs, representing 96.5% of the total administrative cost arising from EU IOs. In terms of administrative burden, these IOs result in €673 million of administrative burden (which is 94% of the Priority Area’s identified administrative burden).

The IO “Provision of information to the policy holder” has the highest cost and burden, which can be explained by the high number of new policy holders each year within the EU and the requirement to provide each of them with contractual details and information about the insurance firm.

The burden of the IO “Reporting to competent authorities on compliance with rules” is high since it is applicable to all credit institutions and investment firms and requires those firms to collect information needed to prove to the competent authorities that they comply with the rules adopted in the EC Capital Adequacy Directive.

The IO “Proof for internal review” is also high, because it concerns a long and complex process, with a requirement to have an internal review on a yearly basis. However, one has to take into account that regarding the approval procedures for the ICAAP³⁴ process, such procedures are quite recent and it is therefore certainly premature to draw conclusions from just a few cases of implementation in some Member States.

³⁴ ICAAP or “Internal Capital Adequacy Assessment Process”. See section 3.2.1 for details.

The IO "Public disclosure of information by credit institutions" is applicable to all credit institutions, which are required to disclose information regarding their risk management objectives and policies, their own funds, their approach to assessing the adequacy of its internal capital, risk exposures, etc. The disclosure should be done at least on an annual basis.

The fifth IO "Keeping a trading book", however costly, does not show any administrative burden as it is perceived by the financial services businesses as 100% business-as-usual since it relates to core activities.

Since some of the most burdensome IOs are quite recent and many financial institutions are still in the middle of the implementation phase (e.g. the approval procedures of Internal Ratings Based models, or the ICAAP process); we would recommend the EC to organise an additional measurement exercise at a later stage. One can expect that the administrative cost and burden might change overtime (e.g. due to the learning curve for how to deal with this IO, both at financial institution and supervisor; rework after supervisory review, etc).

4.2 Main conclusions on reduction potential in the Financial Services Priority Area

Some interviews with businesses gave insight into the possible reduction of the administrative burden. Preliminary suggestions raised by the interviewees (no assessment of the potential impact on burden has been made by the Consortium at this stage) include:

- To provide more information to insurance policy holders by electronic means, for example by inviting them to consult the information on the contract terms that is already available on the website of the insurance company;
- The requirement for information before the conclusion of a life insurance contract may be replaced by a requirement for information in connection with the actual conclusion of the contract;
- To make regulators provide clearer guidelines to companies wishing to launch a banking/insurance business on the documents to be provided;
- To have one single fully harmonized common reporting (COREP) framework for all credit institutions and investment firms;

- Banking entities which follow an IRB approach and wish to replace an existing model should not go through another use testing period;
- The fact that some Member States still require local GAAP reporting (for example for the use of national tax authorities) next to the mandatory use of IFRS is burdensome;
- Exempt unquoted institutions active only at regional level from the disclosure requirements of Articles 145 et seq. and Annex XII of Directive 2006/48/EC;
- Let credit institutions decide on the ICAAP format and timing;
- To enhance the level of cooperation between supervisors; and
- The possible national obligation to appoint a tax representative is perceived as an obstacle to the freedom to provide services insofar as an additional burden is imposed on foreign insurance institutions.

The focus of this study is the administrative cost imposed on businesses due to IOs within the Financial Services Priority Area. Hence the study does not look at the benefits of legislation or the direct financial or substantive costs. As objectives and benefits have a significant impact on any potential decision as to whether to amend, replace, or reconsider certain regulatory frameworks or IOs as suggested in this report, these should be clearly analysed and considered before any such decision is made.

Changes of the kind put forward here are part of a highly dynamic environment and cannot be considered separately from this context. How a suggested change will impact the business and its stakeholders are important elements to include in further studies of the simplification suggestions.

The first part of Module 5 was started in parallel to the measurement work presented in this report and focuses on conducting national events in all MS as well as a large SCM event at EU level, the Cutting Red Tape for Europe Conference³⁵. The events were conducted to:

- Disseminate the early results of this project
- Involve and activate national and EU stakeholders further, and
- Collect input into the analysis of the simplification suggestions.

³⁵ Held in Brussels on June 20th 2008; see <http://www.cuttingredtape.eu>.

To maintain and develop further the positive results of these activities, an e-magazine on important SCM news is produced quarterly and DG Enterprise's Administrative Burdens Reduction website has been restructured and editorial input provided.

Work currently being undertaken in the second part of Module 5 uses the results of the first part of Module 5 as well as results from Modules 3 and 4 to deliver reduction recommendations for the priority areas in this project based on a specially developed reduction methodology. This methodology is now used to identify and distinguish changes to EU Legislation (IOs stemming from EU legislation), changes to implementing/transposing measures adopted by the Member States (better practice, including possible elimination of additional requirements). Furthermore, a monetary evaluation of the reduction recommendations is being conducted along with an analysis on their implementability. In addition to the input stemming from this project, additional input from best-practice countries, EU level experts within and across priority areas, and existing reduction recommendations and strategies is being used. The results of this work are expected by March 2009.

4.3 Current EC proposals with an impact on administrative burden

The current EC proposal on Solvency II³⁶ is likely to affect the present level of administrative burden for life assurance companies. For example, supervisory reporting will change and Level 2 implementing measures are currently being developed. One of the fundamental aims of the Solvency II proposal is to bring insurance supervision closer in line with the way insurance companies manage their business.

Moreover, the EC proposal to amend Directives 2006/48/EC and 2006/49/EC³⁷ is likely to bring about savings in administrative burden for the banking industry, thanks to a more harmonized regime on large exposures and a closer alignment with the solvency regime. In crisis situations, supervisory overlap may cause unnecessary administrative burden for

³⁶ http://ec.europa.eu/internal_market/insurance/docs/solvency/proposal_en.pdf - Amended Proposal for a Directive of The European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance, COM(2008) 119 final.

³⁷ http://ec.europa.eu/internal_market/bank/docs/regcapital/crd_proposal_en.pdf - Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/48/EC and 2006/49/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management - COM(2008) 602/3.

companies. The prospect of an enhanced supervisory cooperation and a clearer allocation of responsibilities is likely to benefit businesses.

5. Annex

5.1 Methodological challenges in the Financial Services Priority Area & additional information related to mapping and measurement

5.1.1 Methodological challenges

Ten out of the 19 prioritised IOs selected for measurement only occur in rare to very rare circumstances (i.e. their respective population target is low). In the end, this did not present a major problem as a very small number of IOs account for the great bulk of administrative cost and burden.

Rare to very rare occurring IOs:
Submission of short-term finance sheet for approval by public authorities
Setting up of financial recovery plan
Notification of change in the conditions for branch establishment
Application for authorisation for taking up or expanding the business of life assurance
Reporting on transfer done to deliberately avoid the additional capital requirements
Application for authorization to exceed the large exposure limits
Notification of risks undermining financial positions to the authorities
Requesting permission to calculate risk-weighted exposure using the internal ratings based approach
Application for authorisation for the taking up of the business of credit institutions
Reporting of exposures exceeding the legal limits

It was thus often impossible to collect five data points per IO for both the local and the multinational financial institutions.

To assist in maximising the quality of the measurement despite these constraints, we involved Consortium FSI³⁸ partners and experts in the different countries, ministries, supervisory authorities, umbrella organisations, Consortium clients from the Financial services sector etc.

Data collection was initially planned to be performed via workshops for four out of the six campaigns. However, it turned out to be impossible in all measurement countries to align

³⁸ FSI, or “Financial Services Industry”.

the work planning of the key persons in order to establish a workshop with the project time constraints. The data points were therefore collected via face to face interviews. Only in Poland, a workshop was held with life assurance undertakings.

The standardisation of the data collected was performed according to the project methodology, in cooperation between the country team that performed the data collection, the Priority Area lead and if needed the Priority Area experts.

5.1.2 Missing IOs

The baseline date for the EU SCM project is 9 July 2007. A baseline is a statement of the overall administrative costs that businesses face in following a current set of legislation at a given point in time. A specific baseline date must be set for the measurement, so that only legislation in force on or before that date is taken into account in the SCM mapping.

As far as the Financial Services Priority Area is concerned, as highlighted in section 2.3.2, some 189 IOs were documented as “missing” across the 27 Member States. This is mainly due to the fact that Directives 2006/48 and 2006/49, being relatively recent legal texts, were not (fully) transposed at the time of the baseline date. For instance, Directives 2006/48 and 2006/49 were transposed in Greece on 20 August 2007 after the baseline date. Therefore, the 30 IOs linked to those two Directives were not mapped in Greece and are missing in the national mapping.

The Table below provides an overview of the missing IOs by Member State at the time of the baseline date of 9 July 2007, together with a succinct explanation.

Table 26: Overview of the EU requirements not transposed for the Financial services Priority Area

Member States	Legal text	Name EU Requirement	Explanation
Austria	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Austria	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Austria	Directive 2006/49	Application for authorization to exceed the large exposure limits	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
Austria	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Austria	Directive 2006/49	Reporting of exceeding limits regarding exposures to clients or group of connected clients	Not transposed
Austria	Directive 2006/49	Reporting on transfer done to deliberately avoid the additional capital requirements	Not transposed
Belgium	Directive 2002/83	Notification by assurance undertakings of any acquisition/disposal of qualifying holdings in their capital	Not transposed
Belgium	Directive 2002/83	Submission of information on existing links between assurance undertaking and other natural or legal persons	Not transposed
Belgium	Directive 2002/83	Supervision of branches established in another Member State	Not transposed
Belgium	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Belgium	Directive 2006/48	Cooperation in review by competent authorities of risk assessment procedures	Not transposed
Belgium	Directive 2006/48	Disclosure of non-contractual support and its regulatory capital impact	Not transposed
Belgium	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Belgium	Directive 2006/48	Reporting by companies on qualifying shareholdings	Not transposed
Belgium	Directive 2006/48	Reporting of exposures exceeding the legal limits	Not transposed
Belgium	Directive 2006/48	Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Not transposed
Belgium	Directive 2006/49	Application for authorization to exceed the large exposure limits	Not transposed
Belgium	Directive 2006/49	Keeping a trading book	Not transposed
Belgium	Directive 2006/49	Notification of exceeding limits regarding trading book business to the authorities	Not transposed
Belgium	Directive 2006/49	Notification of repayment of subordinated loan capital to the authorities	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
Belgium	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Belgium	Directive 2006/49	Reporting of cases where counter parties default on their obligations	Not transposed
Belgium	Directive 2006/49	Reporting of overall exposures to individual clients and groups of connected clients	Not transposed
Bulgaria	Directive 2006/48	Reporting of exposures exceeding the legal limits	Bulgaria has adopted a stricter regime than the one allowed by the Directive. No bank can exceed the limits for exposures, and if a bank does it has to increase its capital accordingly.
Bulgaria	Directive 2006/49	Application for authorization to exceed the large exposure limits	Not transposed
Bulgaria	Directive 2006/49	Notification of exceeding limits set by internal strategy	Not transposed
Cyprus	Directive 2006/48	Cooperation with on-the-spot inspections by financial authorities	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/48	Keep a track record of significant transactions between parent company and subsidiary other than large exposures	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/48	Notification by credit institutions of acquisitions/disposals of qualifying holdings in their capital	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/48	Notification of malfunctioning of credit institution	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/48	Proof for internal review	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/48	Reporting by companies on qualifying shareholdings	Transposed on 31/12/2007 (after baseline date)

Member States	Legal text	Name EU Requirement	Explanation
Cyprus	Directive 2006/49	Application for authorization to exceed the large exposure limits	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/49	Notification of exceeding limits set by internal strategy	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/49	Reporting of cases where counter parties default on their obligations	Transposed on 31/12/2007 (after baseline date)
Cyprus	Directive 2006/49	Reporting to competent authorities on compliance with rules	Transposed on 31/12/2007 (after baseline date)
Czech Republic	Directive 2002/83	Notification of change in the conditions for branch establishment	Not transposed
Czech Republic	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Czech Republic	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Estonia	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Estonia	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Estonia	Directive 2006/49	Application for authorization to exceed the large exposure limits	Not transposed
Estonia	Directive 2006/49	Notification of exceeding limits regarding trading book business to the authorities	Not transposed
Estonia	Directive 2006/49	Notification of exceeding limits set by internal strategy	Not transposed
Estonia	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Estonia	Directive 2006/49	Reporting on transfer done to deliberately avoid the additional capital requirements	Not transposed
Finland	Directive 2002/83	Notification of change in the conditions for branch establishment	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
Finland	Directive 2006/48	Proof for internal review	Not transposed
France	Directive 2002/83	Notification to the authority of the amount of premiums	Not transposed
France	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
France	Directive 2006/48	Reporting of exposures exceeding the legal limits	Not transposed
France	Directive 2006/48	Reporting of results of the verification of compliance with rules on the level of own funds	Not transposed
France	Directive 2006/49	Application for authorization to exceed the large exposure limits	Not transposed
France	Directive 2006/49	Notification of exceeding limits regarding trading book business to the authorities	Not transposed
France	Directive 2006/49	Notification of exceeding limits set by internal strategy	Not transposed
Germany	Directive 2002/83	Notification of change in the conditions for branch establishment	Not transposed
Germany	Directive 2006/48	Cooperation in review by competent authorities of risk assessment procedures	Not transposed
Germany	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Germany	Directive 2006/49	Reporting of exceeding limits regarding exposures to clients or group of connected clients	Not transposed
Greece	Directive 2006/48	Application for authorisation for the taking up of the business of credit institutions	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Cooperation in review by competent authorities of risk assessment procedures	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Cooperation with on-the-spot inspections by financial authorities	Transposed on 20/08/2007 (after baseline date)

Member States	Legal text	Name EU Requirement	Explanation
Greece	Directive 2006/48	Disclosure of non-contractual support and its regulatory capital impact	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Information of intention to hold or dispose a qualifying holding	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Keep a track record of significant transactions between parent company and subsidiary other than large exposures	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Notification by credit institutions of acquisitions/disposals of qualifying holdings in their capital	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Notification of cross-border provision of credit services in another Member State	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Notification of malfunctioning of credit institution	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Notification to authorities (of Home Member State) when establishing a branch in another Member State	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Proof for internal review	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Public disclosure of information by credit institutions	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Reporting by companies on qualifying shareholdings	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Reporting of exposures exceeding the legal limits	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Reporting of Large Exposures to competent authorities	Transposed on 20/08/2007 (after baseline date)

Member States	Legal text	Name EU Requirement	Explanation
Greece	Directive 2006/48	Reporting of results of the verification of compliance with rules on the level of own funds	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/48	Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Application for authorization to exceed the large exposure limits	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Keeping a trading book	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Notification of exceeding limits regarding trading book business to the authorities	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Notification of exceeding limits set by internal strategy	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Notification of repayment of subordinated loan capital to the authorities	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Reporting of cases where counter parties default on their obligations	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Reporting of exceeding limits regarding exposures to clients or group of connected clients	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Reporting of overall exposures to individual clients and groups of connected clients	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Reporting on transfer done to deliberately avoid the additional capital requirements	Transposed on 20/08/2007 (after baseline date)
Greece	Directive 2006/49	Reporting to competent authorities on compliance with rules	Transposed on 20/08/2007 (after baseline date)

Member States	Legal text	Name EU Requirement	Explanation
Hungary	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Hungary	Directive 2006/48	Disclosure of non-contractual support and its regulatory capital impact	Not transposed
Hungary	Directive 2006/48	Information of intention to hold or dispose a qualifying holding	Not transposed
Hungary	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Hungary	Directive 2006/49	Application for authorization to exceed the large exposure limits	Not transposed
Hungary	Directive 2006/49	Notification of exceeding limits set by internal strategy	Not transposed
Hungary	Directive 2006/49	Notification of repayment of subordinated loan capital to the authorities	Not transposed
Hungary	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Hungary	Directive 2006/49	Reporting of exceeding limits regarding exposures to clients or group of connected clients	Not transposed
Ireland	Directive 2002/83	Notification of malfunctioning of assurance undertakings	Not transposed (not confirmed by national contact point)
Ireland	Directive 2002/83	Provision of information to public on calculation methods of technical provisions	Not transposed (not confirmed by national contact point)
Ireland	Directive 2002/83	Submission of information for supervision purposes	Not transposed (not confirmed by national contact point)
Ireland	Directive 2002/83	Submission of information on existing links between assurance undertaking and other natural or legal persons	Not transposed (not confirmed by national contact point)
Italy	Directive 2002/83	Notification to authorities of the names of shareholders, members and sizes of holdings	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
Italy	Directive 2002/83	Submission of information on existing links between assurance undertaking and other natural or legal persons	Not transposed
Italy	Directive 2002/83	Supervision of branches established in another Member State	Not transposed
Italy	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Italy	Directive 2006/48	Cooperation in review by competent authorities of risk assessment procedures	Not transposed
Italy	Directive 2006/48	Notification by credit institutions of acquisitions/disposals of qualifying holdings in their capital	Not transposed
Italy	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Italy	Directive 2006/48	Reporting of results of the verification of compliance with rules on the level of own funds	Not transposed
Italy	Directive 2006/48	Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Not transposed
Italy	Directive 2006/49	Notification of repayment of subordinated loan capital to the authorities	Transposed on 24/10/2007 (after baseline date)
Italy	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Transposed on 24/10/2007 (after baseline date)
Italy	Directive 2006/49	Reporting of exceeding limits regarding exposures to clients or group of connected clients	Transposed on 24/10/2007 (after baseline date)
Italy	Directive 2006/49	Reporting of overall exposures to individual clients and groups of connected clients	Transposed on 24/10/2007 (after baseline date)
Italy	Directive 2006/49	Reporting on transfer done to deliberately avoid the additional capital requirements	Transposed on 24/10/2007 (after baseline date)
Latvia	Directive 2002/83	Application to benefit from joint advantages	Not transposed
Latvia	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
		calculations.	
Latvia	Directive 2006/48	Proof for internal review	Not Transposed
Latvia	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed from this directive. Follow requirement laid out in Law on Accounting to keep accounting records for 5 years
Latvia	Directive 2006/48	Reporting of results of the verification of compliance with rules on the level of own funds	Transposed on 31/12/2007 (after baseline date)
Latvia	Directive 2006/49	Notification of exceeding limits set by internal strategy	Not transposed
Latvia	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Latvia	Directive 2006/49	Reporting to competent authorities on compliance with rules	Transposed on 31/12/2007 (after baseline date)
Lithuania	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Lithuania	Directive 2006/48	Keep a track record of significant transactions between parent company and subsidiary other than large exposures	Not transposed
Lithuania	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Lithuania	Directive 2006/48	Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Not transposed
Luxembourg	Directive 2002/83	Application to benefit from joint advantages	Not transposed
Luxembourg	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Luxembourg	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
Malta	Directive 2002/83	Application to benefit from joint advantages	Not transposed
Malta	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed
Malta	Directive 2006/48	Cooperation in review by competent authorities of risk assessment procedures	Not transposed
Malta	Directive 2006/48	Disclosure of non-contractual support and its regulatory capital impact	Not transposed
Malta	Directive 2006/48	Proof for internal review	Not transposed
Malta	Directive 2006/48	Public disclosure of information by credit institutions	Not transposed
Malta	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Malta	Directive 2006/48	Reporting of results of the verification of compliance with rules on the level of own funds	Not transposed
Malta	Directive 2006/48	Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Not transposed
Malta	Directive 2006/49	Application for authorization to exceed the large exposure limits	Not transposed
Malta	Directive 2006/49	Notification of exceeding limits set by internal strategy	Not transposed
Malta	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Malta	Directive 2006/49	Reporting of cases where counter parties default on their obligations	Not transposed
Poland	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations	Not transposed
Poland	Directive 2002/83	Notification of change in the conditions for branch establishment	Not transposed
Poland	Directive 2006/48	Proof of Internal Review	Not transposed
Portugal	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculations.	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
Portugal	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Portugal	Directive 2006/49	Application for authorization to exceed the large exposure limits	Not transposed
Portugal	Directive 2006/49	Notification of exceeding limits set by internal strategy	Not transposed
Portugal	Directive 2006/49	Reporting of exceeding limits regarding exposures to clients or group of connected clients	Not transposed
Portugal	Directive 2006/49	Reporting on transfer done to deliberately avoid the additional capital requirements	Not transposed
Romania	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Romania	Directive 2006/49	Reporting of exceeding limits regarding exposures to clients or group of connected clients	Not transposed
Romania	Directive 2006/49	Reporting on transfer done to deliberately avoid the additional capital requirements	Not transposed
Slovakia	Directive 2006/48	Application for individual authorization to the incorporate subsidiaries in certain calculation.	Not transposed
Slovakia	Directive 2006/48	Cooperation in review by competent authorities of risk assessment procedures	Not transposed
Slovakia	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Slovakia	Directive 2006/48	Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Not transposed
Slovakia	Directive 2006/49	Notification of exceeding limits regarding trading book business to the authorities	Not transposed
Slovakia	Directive 2006/49	Notification of repayment of subordinated loan capital to the authorities	Not transposed
Slovakia	Directive 2006/49	Reporting of cases where counter parties default on their obligations	Not transposed
Slovenia	Directive 2006/48	Keep a track record of significant transactions between parent company and subsidiary other than large exposures	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
Slovenia	Directive 2006/48	Notification by credit institutions of acquisitions/disposals of qualifying holdings in their capital	Not transposed
Slovenia	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Slovenia	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Spain	Directive 2002/83	Application to benefit from joint advantages	Not transposed
Spain	Directive 2002/83	Notification to the authority of the amount of premiums	Not transposed
Spain	Directive 2006/48	Cooperation in review by competent authorities of risk assessment procedures	Not transposed
Spain	Directive 2006/48	Disclosure of non-contractual support and its regulatory capital impact	Not transposed
Spain	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Spain	Directive 2006/48	Reporting of Large Exposures to competent authorities	Not transposed
Spain	Directive 2006/48	Reporting of results of the verification of compliance with rules on the level of own funds	Not transposed
Spain	Directive 2006/49	Reporting of cases where counter parties default on their obligations	Not transposed
Spain	Directive 2006/49	Reporting of overall exposures to individual clients and groups of connected clients	Not transposed
Sweden	Directive 2002/83	Notification of change in the conditions for branch establishment	Not transposed
Sweden	Directive 2002/83	Submission of information on existing links between assurance undertaking and other natural or legal persons	Not transposed
Sweden	Directive 2002/83	Supervision of branches established in another Member State	Not transposed
Sweden	Directive 2006/48	Notification by credit institutions of acquisitions/disposals of qualifying holdings in their capital	Not transposed
Sweden	Directive 2006/48	Proof for internal review	Not transposed

Member States	Legal text	Name EU Requirement	Explanation
Sweden	Directive 2006/48	Record of the grounds advanced for being checked by public authorities	Not transposed
Sweden	Directive 2006/48	Reporting of results of the verification of compliance with rules on the level of own funds	Not transposed
Sweden	Directive 2006/49	Keeping a trading book	Not transposed
Sweden	Directive 2006/49	Notification of exceeding limits set by internal strategy	Not transposed
Sweden	Directive 2006/49	Notification of risks undermining financial positions to the authorities	Not transposed
Sweden	Directive 2006/49	Reporting of cases where counter parties default on their obligations	Not transposed
Sweden	Directive 2006/49	Reporting to competent authorities on compliance with rules	Not transposed

This Table is based on data compiled by the Consortium.

5.2 Nature of the “Possibilities not stated in the EU Legal Acts”

5.2.1 “Possibilities not stated in the EU Legal Acts” due to content

- Bulgaria
 - IO “Notification to authorities of intention to hold or dispose a qualifying holding” (Directive 2002/83/EC) where additional documents are requested. The notification must be accompanied by the documents such as a declaration on the origin of the funds with which the instalments for subscribed shares have been paid, a declaration of related parties, document stating the absence of previous conviction, and a proof of the professional qualifications
 - IO “Application for authorisation for taking up or expanding the business of life assurance” (Directive 2002/83/EC): an additional declaration of origin of funds is requested
 - IO “Application for authorisation for taking up or expanding the business of life assurance” (Directive 2002/83/EC): evidence for compliance with specific requirements is to be provided.

- Cyprus
 - IO "Notification to authorities when establishing a branch in another Member State" (Directive 2002/83/EC), two Possibilities non stated in the EC Act were identified:
 - A list of reinsurers and cover notes related to them is requested
 - A certification of registration.

- Czech Republic
 - IO "Submission of information for supervision purposes" (Directive 2002/83/EC): the insurance undertaking must make sure that the responsible actuary has permanent access to information on its activity.

- Denmark
 - The "Possibilities non stated in the EU Legal Act" identified in Denmark – a Baseline country – and their relative importance in number are due to the fact that the Danish database has a somewhat different structure and often shows a very different segmentation approach.

- Germany
 - IO "Notification of exceeding / increasing of the major credit ceiling of 500% of free own capital". Even in case of approval by the Federal Financial Supervisory Authority the total position of trade book of a "trade book institute" should not exceed 500% of the institute's own capital, not needed to compensate risks of the banking book. The "trade book institute" has to notify immediately the exceeding of this ceiling to BaFin and the Federal Bank and to compensate the exceeding amount.
 - IO "Notification of exceeding / increasing of the major credit ceiling of 600% of free own capital". All total positions related to a beneficiary, which exceed the ceiling of 25% respective 20% for a longer time than ten days, should not exceed 600% of the own capital of the "trade book institute", which are not needed to compensate the risks of the banking book. The "trade book institute" has to notify immediately the exceeding of this ceiling to BaFin and the Federal Bank and to compensate the exceeding amount with own capital.

- Greece
 - The first Possibility non stated in the EU Legal Act relates to the IO “Notification to the authority of the amount of premiums” stemming from the Directive 2002/83/EC where the national legislation requires the insurance undertakings to keep a “book of technical notes and general and special terms. This book needs to be audited by the Directory of Actuarial Enterprises of the Ministry of Trade, in which are registered all the elements and methods used for the calculation of premiums and mathematic reserves.
 - The two other Possibilities non-stated in the EU Legal Act are linked to the IO “Production of an annual report” (Directive 2002/83/EC). The Greek authorities require the assurance undertakings to submit the annual report of margin of solvency to the Ministry of Development up to the 30th of June of each year.

- Ireland
 - IO “Notification to authorities of Home Member State when establishing a branch in another Member State” (Directive 2006/48/EC): an additional statement setting out the amount of the own funds, the level of the solvency ratio of the credit institution and details of the legal provisions in force in the State concerning any scheme for the protection of depositors in the said Member State are requested.

- Italy
 - IO “Production of an annual account” (Directive 2002/83/EC): Every assurance undertaking must also produce a prospectus about solvency threshold.

- Slovakia
 - IO “Notification of malfunctioning of credit institution” (Directive 2006/48/EC): obligatory written form.
 - IO “Information of intention to hold or dispose a qualifying holding” (Directive 2006/48/EC): prior approval from the National bank of Slovakia is required in order to hold or dispose a qualifying holding.

- Slovenia
 - IO “Information of intention to hold or dispose a qualifying holding” (Directive 2006/48/EC): any further increase of qualifying holding must be authorised (instead of merely notified).

5.2.2 “Possibilities not stated in the EU Legal Acts” due to frequency

- Bulgaria
 - IO “Reporting of exceeding limits regarding exposures to clients or group of connected clients” (Directive 2006/49/EC): higher frequency (every month, instead of on a quarterly basis);
 - IO “Reporting of overall exposures to individual clients and groups of connected clients (Directive 2006/49/EC): increased frequency (every month, instead of on a quarterly basis or once a year).

- Slovakia
 - IO “Reporting of results of the verification of compliance with rules on the level of own funds” (Directive 2006/48/EC): Possibility non stated in the EC Act due to a higher frequency – on a monthly basis, instead of “at least twice a year”.

5.2.3 “Possibilities not stated in the EU Legal Acts” due to target group

- Slovakia
 - IO “Public disclosure of information by credit institutions” (Directive 2006/48/EC): amended (broader) target group – applies to “investment firms, branches of foreign investment firms”, instead of “credit institutions”.

5.3 Collection and extrapolation of population data

A detailed description of the process of population data collection and extrapolation can be found in the main report covering all Priority Areas.³⁹ This annex covers only the specific Priority Area and describes the efforts that were carried out to obtain population data and the quality assurance.

³⁹The extrapolation model as well as the process of population data collection and extrapolation is further described in the annex of the main report.

For the Financial Services Priority Area, the Consortium collected ca. 40% of the of data points for all Information Obligations. For the 49 Information Obligations in this Priority Area (of which 19 are segmented), in average ca. 21 data points were collected per Member State⁴⁰ (not including the so-called baseline countries). In turn, ca. 60% of the data points were extrapolated. Additional and supplemental information on specific issues were obtained by desk research on sector reports from the European Banking Federation and the European Insurance Committee (CEA) and database queries at EUROSTAT, as well as interviews with the respective authorities.

Within the Financial Services Priority Area, data collection on population levels was sometimes challenging as the Information Obligations were sometimes not interpreted in the same way across Member States. For instance, some of the data provided by the Member States represented branch banks while other data covered bank groups. Additional contacts with national supervisory authorities to double-check data allowed us to ensure the consistency of data collection.

For the Financial Services Priority Area, two environment variables were set up to extrapolate data points where data was missing. These environment variables covered the number of credit institutions and the number of life insurance companies. This data was gained from EUROSTAT information. These environment variables were tested against gross national product, nominal economic growth, number of inhabitants and other specific information on the financial service sector.

The quality assurance for this Priority Area was integrated in the process of data collection and extrapolation. After extrapolation, the plausibility of the figures was again checked by expert assessment and by comparing the extrapolation results to the output of the desk research and to the results from the baseline countries.

⁴⁰The sources for individual data points can be found in the database.

5.4 Administrative costs and burden (overview per EU IO)

Table 27: Overview of the administrative cost and burden for the 49 EU IOs and 4 Stated Possibilities

EU Requirement	Legislation	Article	Admin. Cost (€ x 1,000)	Share of total (%)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
Application for authorisation for taking up or expanding the business of life assurance	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 4; Art. 51; Art. 6 par. 1(c); Art. 6 par. 2; Art. 6 par. 4; Art. 7; Art. 8	3,426.60	0.25	3,426.60	100
Application for authorisation for the taking up of the business of credit institutions	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 6; Art. 7; Art. 12	5,209.00	0.38	5,209.00	100
Application for authorization to exceed the large exposure limits	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 45 par. 1 (d)	25.3	0	25.3	100
Application for individual authorization to the incorporate subsidiaries in certain calculations.	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 70 par. 1; Art. 70 par. 2	815.1	0.06	815.1	100
Application to benefit from joint advantages	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 56 par. 1; Art. 56 par. 2	155.6	0.01	155.6	100
Cooperation in review by competent authorities of risk assessment procedures	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 124; Art. 123	3,365.90	0.25	3,365.90	100
Cooperation with on-the-spot inspections by financial authorities	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 137 par. 2	787.7	0.06	787.7	100
Disclosure of non-contractual support and its regulatory capital impact	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 101	192.6	0.01	192.6	100
Information of intention to hold or dispose a qualifying holding	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 19; Art. 20; Art. 21	813.6	0.06	813.6	100
Information on specific monitoring of exposures of more than 20% of own funds	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 111 par. 2	1,821.70	0.13	1,821.70	100

EU Requirement	Legislation	Article	Admin. Cost (€ x 1,000)	Share of total (%)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
Keep a track record of significant transactions between parent company and subsidiary other than large exposures	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 138 par. 2	8.2	0	8.2	100
Keeping a trading book	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 11 par. 1	262,748.70	19.35	0	0
Notification by assurance undertakings of any acquisition/disposal of qualifying holdings in their capital	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 15 par. 3	117.4	0.01	117.4	100
Notification by credit institutions of acquisitions/disposals of qualifying holdings in their capital	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 21 par. 2	452.2	0.03	339.2	75
Notification of change in the conditions for branch establishment	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 40 par. 6	2.9	0	2.9	100
Notification of cross-border provision of credit services in another Member State	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 28 par. 1	448.5	0.03	448.5	100
Notification of exceeding limits regarding trading book business to the authorities	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 18 par. 4	4.7	0	4.7	100
Notification of exceeding limits set by internal strategy	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 45 par. 2	3.8	0	3.8	100
Notification of intention to carry out business	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 41	90.6	0.01	90.6	100
Notification of malfunctioning of assurance undertakings	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 17	8.5	0	8.5	100
Notification of malfunctioning of credit institution	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 53	614.9	0.05	614.9	100
Notification of repayment of subordinated loan capital to the authorities	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit	Art. 13 par. 3	83.1	0.01	83.1	100

EU Requirement	Legislation	Article	Admin. Cost (€ x 1,000)	Share of total (%)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
	institutions					
Notification of risks undermining financial positions to the authorities	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 23	487.5	0.04	487.5	100
Notification to authorities (of Home Member State) when establishing a branch in another Member State	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 25 par. 1; Art. 25 par. 2; Art. 26 par. 3	324.5	0.02	324.5	100
Notification to authorities of intention to hold or dispose a qualifying holding	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 15 par. 1; Art. 15 par. 2	41.6	0	41.6	100
Notification to authorities of the names of shareholders, members and sizes of holdings	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 15 par. 3	230	0.02	230	100
Notification to authorities when establishing a branch in another Member State	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 40 par.1; Art. 40 par. 2; Art. 40 par. 6	1,117.10	0.08	1,117.10	100
Notification to the authority of the amount of premiums	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 49	151.8	0.01	151.8	100
Periodical reporting on activities in host Member State (MS) to authorities of host MS	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 29	1,617.80	0.12	1,213.30	75
Production of an annual account	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 13 par.1	947.3	0.07	0	0
Proof for internal review	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 123	318,569.80	23.46	159,284.90	50
Provision of information to public on calculation methods of technical provisions	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 20 par. 2	149.6	0.01	149.6	100
Provision of information to the policy holder	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 36 par. 1; Art. 36 par. 2; Art. 36 par. 3	494,433.40	36.42	370,825.10	75
Provision of written explanation on rating decision to Small or Medium Enterprises	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and	Art. 145 par. 4	134.3	0.01	134.3	100

EU Requirement	Legislation	Article	Admin. Cost (€ x 1,000)	Share of total (%)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
and other corporate applicants	pursuit of the business of credit institutions					
Public disclosure of information by credit institutions	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 145; Art. 146; Art. 147; Art. 148; Art. 149; Art. 72	66,671.50	4.91	16,667.90	25
Record of the grounds advanced for being checked by public authorities	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 110 par. 2	1,134.60	0.08	1,134.60	100
Report significant findings on large exposures to collateral issuers	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 110 par. 3	478.1	0.04	478.1	100
Reporting by companies on qualifying shareholdings	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 21 par. 1	174.4	0.01	174.4	100
Reporting of Large Exposures to competent authorities	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 110 par. 1	3,101.20	0.23	2,325.90	75
Reporting of cases where counter parties default on their obligations	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 35 par. 5	5.6	0	5.6	100
Reporting of exceeding limits regarding exposures to clients or group of connected clients	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 31 point (e)	394	0.03	394	100
Reporting of exposures exceeding the legal limits	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 111 par. 4	89.4	0.01	89.4	100
Reporting of overall exposures to individual clients and groups of connected clients	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 30 par. 2	1,838.30	0.14	1,838.30	100
Reporting of results of the verification of compliance with rules on the level of own funds	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 74 par. 2	3,498.30	0.26	2,623.70	75

EU Requirement	Legislation	Article	Admin. Cost (€ x 1,000)	Share of total (%)	Admin. burden (€ x 1,000)	Share of Admin. Cost (%)
Reporting on transfer done to deliberately avoid the additional capital requirements	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 32 par. 1	8.6	0	8.6	100
Reporting to competent authorities on compliance with rules	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions	Art. 35 par. 1; Art. 35 par. 2; Art. 35 par. 3; Art. 35 par. 4	168,365.90	12.4	126,274.40	75
Requesting permission to calculate risk-weighted exposure using the internal ratings based approach	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions	Art. 84; Art. 112 par. 3	6,497.60	0.48	4,873.20	75
Setting-up of financial recovery plan	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 38 par. 1; Art 37 par. 2	4.6	0	3.5	75
Submission of documents requested by authorities to assure compliance with legal provisions	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 46	397.1	0.03	397.1	100
Submission of information for supervision purposes	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 13 par. 2	4,988.70	0.37	4,988.70	100
Submission of information on existing links between assurance undertaking and other natural or legal persons	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 6 par. 2	14.4	0	14.4	100
Submission of short-term finance sheet for approval by public authorities	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 37 par. 3	547	0.04	547	100
Supervision of branches established in another Member State	Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance	Art. 11	109.6	0.01	109.6	100
TOTAL			1,357,720.4	100	715,243.1	53

This Table is based on data compiled by the Consortium.