

Impact Assessment Template

Project:

[name of the project]

Section 1 Project information

PUBLIC-PRIVATE FINANCIAL SECTOR MODERNIZATION MATRIX					
Italian Banking Association CRITERIA	European Central Bank CRITERIA				
	<i>Asymmetric information reduction</i>	<i>Completeness of the market</i>	<i>Increased opportunities to engage in financial transactions</i>	<i>Reduced transaction costs</i>	<i>Increased competition</i>
Business development					
Industry competitiveness					
Industry reputation					

Short description of the context [from project matrix]:

Stakeholder proposing the project:

Other Stakeholders involved (sponsors):

Project objective:

Description of the project contribution toward financial modernization:

Project Working Group:

INTRODUCTION

The present Impact Assessment Template is designed to take you through the main steps of the analysis and data requirements.

At an early design stage, with little quantitative data available, this template can help prepare a Preliminary Impact Assessment. Later on, the template can help prepare a Full Impact Assessment.

The template builds on the EU *Better Regulation* Impact Assessment process.

The EU Better Regulation Approach	
Steps	Purpose
Scoping of problem	
1. Problem identification	To understand if a market/regulatory failure creates the case for regulatory intervention.
2. Definition of policy objectives	To identify the effects of the market /regulatory failure to the regulatory objectives.
3. “Do nothing” option	To identify and state the status quo.
4. Alternative policy options	To identify and state alternative policies (among them the “market solution”).
Analysis of impact	
5. Costs to users	To identify and state the costs borne by consumers
6. Benefits to users	To identify and state the benefits yielded by consumers
7. Costs to regulated firms and regulator	To identify and state the costs borne by regulator and regulated firms
8. Benefits to regulated firms and regulator	To identify and state the benefits yielded by regulator and regulated firms
Consultations	
9. Data Questionnaire	To collect market structure data to feed into cost and benefit analysis
10. Policy Document	To learn market participant opinions on various policy options
Conclusion	
11. Final Recommendations	Final report to decision-makers, based on Cost Benefit Analysis and market feedback

Rather than being a step-by-step process, **RIA is a highly iterative process**. As it advances, it is likely that previous steps need to be fine tuned accordingly.

The template is made up of the following 3 sections:

Section 1 aims to scope the underlying problem in order to see whether or not a regulatory/market failure exists and, if so, whether or not a regulatory action to address that problem is necessary.

Section 2 is devoted to Cost-Benefit Analysis. In this part the main qualitative and quantitative economics are illustrated under the various perspectives: from the regulator and the government; from consumers and from the regulated firms.

Section 3 summarizes the conclusions.

This template is based on the following sources:

- CESR-CEBS-CEIOPS, *Draft Impact Assessment Guidelines*; May 2007;
- UK Financial Services Authority;
- Oxera;
- Lessons learnt by Convergence through the RIA Capacity Building sessions.

Section 1: Scoping the problem

1.1. Problem identification

[Background section from ToRs]

1.2. Market/regulatory failure analysis (nature and evidence)
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1.3. Policy Goal(s) threatened by the failure [e.g. financial stability, market integrity, market confidence, consumer protection, facilitating innovation, enhancing competition]

1.4. “Do nothing” option

1.4.1 Possible medium-term (max 2 years) self – corrective market actions (e.g. mechanisms through which the “Do Nothing” option would address the market/regulatory failure)
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1.4.2. Impact of the “Do Nothing” option to the various stakeholders

1.5. Alternative policy option(s)
1.5.1. Broad description of the regulatory or self-regulatory action(s) needed to remedy the market or regulatory failure and hence achieve the policy goal(s)
1.5.2. Possible operational regulatory or self-regulatory actions to achieve the policy goal
1.5.3. Detailed description of Option 1
(1.5.4. Detailed description of Option 2)

Summary Problem Scoping			
Market failure			
Asymmetric information	Market power	Positive externalities	Negative externalities
(Existing) Regulatory failure			
Regulation wrongly prescribed for the market	Regulations succeeded in addressing the failure; a different market failure (e.g. side effect)	Regulation made it worse	Regulation so far has failed to work; maybe in due course

Section 2 Summary of impact analysis

2.1. Regulated firms

Costs & Benefits		Qualitative assessment summary results (High, medium, low)	Quantitative assessment summary results (mln. EUR)	
			First full year	5 years horizon
Costs	One-off			
	On going			
	Other			
Benefits	Additional Loans			
	Cost savings/Additional revenues			
	Equity relief			

2.2. Consumers

Costs & Benefits		Qualitative assessment summary results (High, medium, low)	Quantitative assessment summary results (mln. EUR)	
			First full year	5 years horizon
Costs	Higher risks			
	Higher prices			
	Lower quality of service			
	Others			
Benefits	Better Choice			
	Price reduction			
	Improved access			
	Others			

2.3. Regulator and Government

Costs & Benefits		Qualitative assessment summary results (High, medium, low)	Quantitative assessment summary results (mln. EUR)	
			First full year	5 years horizon
Costs	One-off			
	On going			
	Direct			
	Indirect			
Benefits	Statutory goals			
	Increase income to the state budget			
	Others			

Section 3 Conclusions

- 1. Problem identification:**
- 2. Proposed regulatory/self-regulatory action:**
- 3. Impact assessment of the action:**

Next steps

1 Policy Options – Consultation questionnaire

Assuming that first this template is used to run a Preliminary Impact Assessment, you need to convey the main findings obtained together with the policy options that are going to be considered in order to address the problem and bearing in mind that the identified policy options alternative to the “do nothing” scenario ought to be consistent with the preliminary even though rough analysis previously undertaken.

Therefore, the next document to be prepared is a detailed questionnaire addressed to interested stakeholders. They are expected to give their views and remarks about how you approach the problem, the regulatory options you propose and, on top of that, the qualitative and quantitative information which the respondents own in order to establish a concrete dialogue and reduce information gap between regulation maker and regulation taker.

You then send this document out to the identified stakeholders and asking for a written reply in approximately two weeks’ time. The collected written answers will help you understand which impact aspects are straightforward and which ones instead need further investigation.

At this stage, then, a second-round consultation between the regulator and market participants may be appropriate. This time a consultation meeting is highly suggested so as to allow all parties engaging in such exerciser express their views and better understand the reasoning of counterparts.

2 Summary of consultation feedback

In this document you are supposed to collect in a systematic manner all information gathered through the consultation process (both on a written and oral basis).

You may organize everything resorting to a grid in which the rows bring the questions and each column contains the feedback from various stakeholders consulted.

3 Policy recommendations

At that stage you have all required information set to the whole picture of the regulatory issue under discussion. The documents produced so far are supposed to be a fair enough basis to come up with the main findings and set some policy recommendations.

So this document should reinforce the following aspects of the IA analysis:

- a) Problem identification;
- b) Goals (namely the objectives that the regulator intends address through this regulatory action);

- c) Policy options;
- d) Analysis of qualitative and quantitative impact (per each option considered, also including the “do nothing option”);
- e) Comparisons of the options [as a result of the findings emerged in item d)];
- f) Policy recommendations.

Since the Policy Recommendation Document is necessarily the outcome of the policy dialogue between interested parties needless to say that each of the aspects aforesaid which has gone through the consultation process should be framed as follows:

Feedback from consulted stakeholders on that specific issue

(e.g This reasoning was unanimously supported by respondents on the basis that...; A majority of the respondents supported this view but a minority disagreed on the basis that they believed that.... They argued that...)

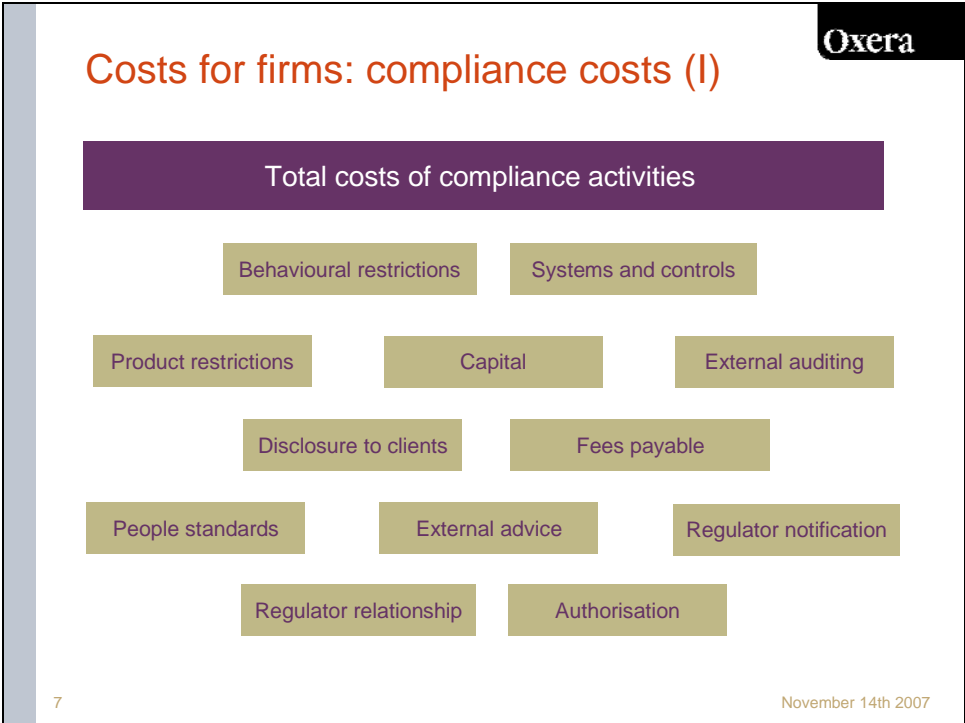
Our response *(this document will need to be able to respond to every argument made by the stakeholders in their feedback. Where the WG agrees with their points the WG should say so, where the WG disagrees the WG should also say so, and support our view with evidence and argument. The aim is to develop a policy that is capable of being supported by all stakeholders):*

Annex 1– Methodological Section

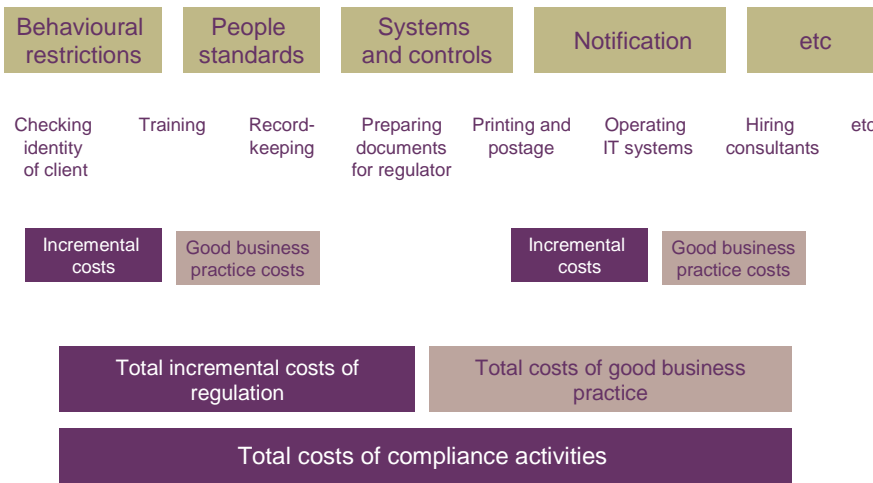
- **Problem identification:**
Concepts are explained further in 3L3 Draft *Impact Assessment Guidelines*, at pp. 20-25, Appendix 2 p. 48. (<http://www.spi-romania.eu/ria-capacity-building/key-documents/>)

- **Cost and Benefit Analysis:**

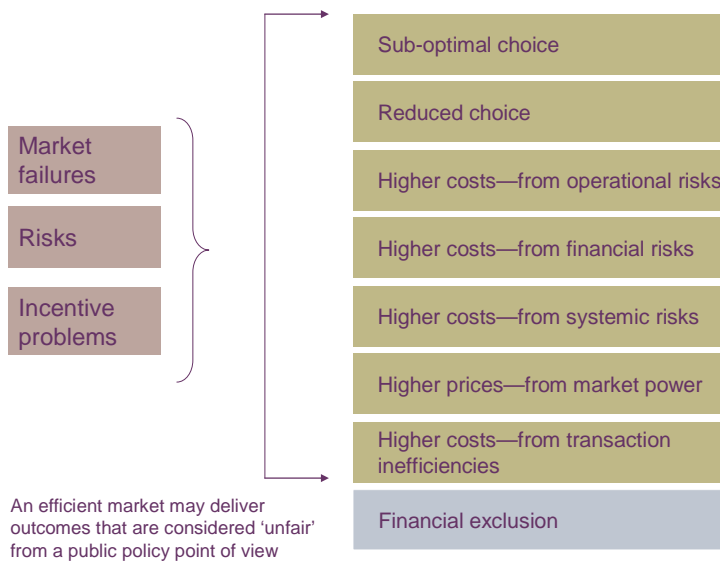
The following methodological excerpts by Oxera are also strongly suggested for an effective and systematic approach towards costs and benefits assessment.



Costs for firms: compliance costs (II)



Types of detrimental market outcomes for consumers



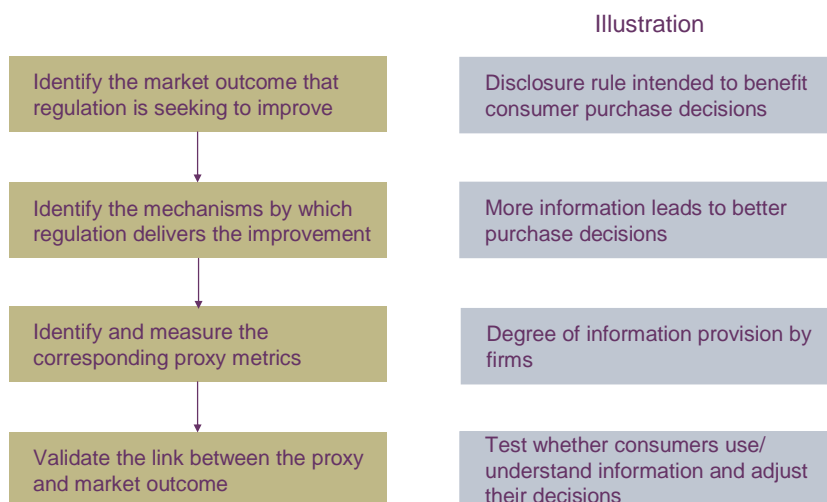
Direct measurement of consumer benefits

Type of detrimental market outcome that regulation may improve	Relevant measure of benefit is the value that consumers derive from ...
Sub-optimal choice	better choice (more optimal fit between what consumers buy and what they need)
Reduced choice	increased choice (wider availability of what consumers need)
Higher costs—operational risks	reduction of losses or other costs associated with operational failure
Higher costs—financial risks	reduction of losses or other costs associated with firm default
Higher costs—systemic risks	reduction of losses or other costs associated with systemic failure
Higher prices—market power	reduction in excessive prices
Higher costs—transaction inefficiencies	reduction in transaction costs, including search costs
Financial exclusion	improved access to financial services

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November 14th 2007

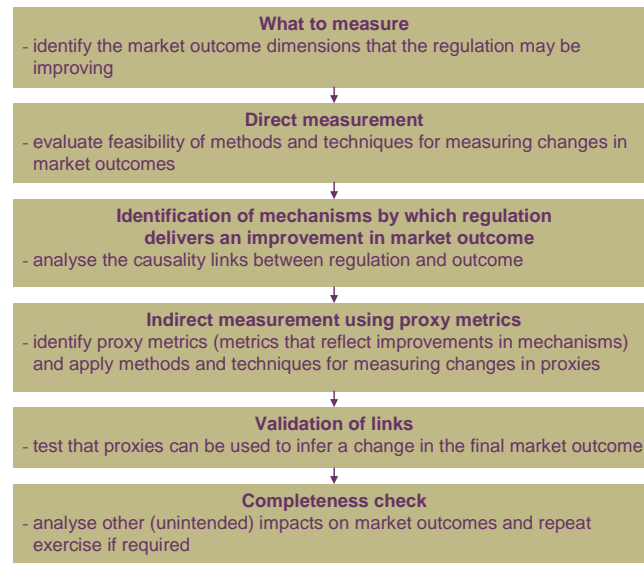
Indirect measurement of benefits (II)



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Summary of measurement framework



Concepts of cost/benefit assessment are also explained further in 3L3 Draft *Impact Assessment Guidelines*, at pp. 31-34 and in Appendixes 3-4.